Workers States and Markets

In the 1920's Evgeny Preobrazhensky, the Left Opposition's leading economist, engaged in a polemic with Nikolai Bukharin, over the course of Soviet economic development. Bukharin proposed to proceed toward socialism, if only at a "snail's pace," by reliance on the workings of the market. He argued that the savings of rich peasants would eventually fund the industrialization of the USSR, and is remembered for his exhortation to the small capitalist farmers (kulaks) to "enrich" themselves.

The Left Opposition rejected Bukharin's strategy, and fought for a program of industrialization financed by a net transfer of resources from agriculture to industry through a system of price differentials favoring the latter. But the Left Opposition never denied that the mechanism of the market could perform some useful functions in a post-capitalist economy. Preobrazhensky discussed the operation of the market and market mechanisms within a planned economy in his major work, *The New Economics*.

There are two markets that socialist planners must consider. The first is the external world market dominated by the capitalist powers. The second is the internal market of the workers state itself. This is an important distinction: a worker state can make use of the market mechanism internally to allocate consumer goods rationally while simultaneously resisting the influence of the external capitalist market on central planning mechanisms.

The Soviet Union has not entirely removed itself from the influence of the world market—nor can it. Yet a planned economy *can* limit the influence of the world market. As Preobrazhensky wrote, "the world market makes itself felt on the whole organism of our state economy as on a unified organization." One of the dangers posed by Gorbachev's economic proposals is that they will tend to fragment this "unified organization" and leave each sector to deal with the capitalist world on its own.

Preobrazhensky noted that, "there operate at one and the same time *two laws* with diametrically opposite tendencies" during the transitional period between capitalism and socialism. The first he described as the "law of socialist accumulation" while the second was the law of value. As planned socialist accumulation proceeds, more and more of the necessities of life will be guaranteed to every member of society. Consequently, the influence of the law of value, i.e., the law of spontaneous equilibrium of the market, will shrink.

In *The Revolution Betrayed* Trotsky discussed the contradiction in the bureaucratized USSR of the 1930's:

> "Two opposite tendencies are growing up out of the depth of the Soviet regime. To the extent that, in contrast to a decaying capitalism, it develops the productive forces, it is preparing the economic basis of socialism. To the extent that, for the benefit of an upper stratum, it carries to more and more extreme expression bourgeois norms of distribution, it is preparing a capitalist restoration. This contrast between forms of property and norms of distribution cannot grow indefinitely. Either the bourgeois norm must in one form or another spread to the means of production, or the norms of distribution must be brought into correspondence with the socialist property system.
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> "The bureaucracy dreads the exposure of this alternative."

Gorbachev's "reforms" represent a major step in the direction of spreading the bourgeois norms (i.e., the unrestricted operation of the law of value) to the relations of production.

Market Mechanisms and the Yugoslav Debacle

Gorbachev is not the first Stalinist bureaucrat to talk of "reliance on market mechanisms" within the post-capitalist economies. Poland and Yugoslavia have both (in their own ways) conducted similar experiments, with unfortunate results. When the Titoist party in Yugoslavia chose to drop the state monopoly on foreign trade, Yugoslav firms and combines were given great latitude to sell their production on the world market and make individual financial arrangements with western banks, free from the "interference" of the state planning institutions.

The initial result was a period of rapid expansion for the Yugoslav economy. This should hardly be astounding--any working-class family can temporarily boost its standard of living if it succeeds in obtaining a mortgage on its house. But eventually the bank insists that the mortgage be paid back—with interest. This is what is currently happening to Yugoslavia, where the International Monetary Fund is demanding further "belt-tightening" from a working class which has already seen its real wages cut by over a third this decade.

In principle it is perfectly permissible, if necessary, for enterprises in a workers state to be funded by foreign bank loans—although it is a sign of weakness rather than strength. Preobrazhensky argued that the determinate factor should be "what is economically expedient for the entire state economy." This concept of economic totality marks the scientific socialist thinker. Marxists reject the utopian-autarkic vision of Maoists who urge the development of tiny, "self-sufficient" backyard steel mills and moralistically shun the influx of Western capital regardless of circumstances.

A planned economy, needing steel, might fund several mills through loans. But the mills and loans would be part of an integrated financial plan. The entire weight of the national economy would stand behind the loan and resist any special pressure by the lending bank. The wages and pricing policies of the mills would be determined by the state planning bureaus. The interest on each loan would be raised on a national basis and would not be permitted to interfere with the operation of the particular enterprises.

This has often not been the case in Yugoslavia. Instead, the search for profitability by each individual enterprise has come to determine the pattern of investment. Foreign banks were given tremendous leverage over the activities of the factories they funded. The result has been a profound disruption of the national economy characterized by a severe disequilibrium as different sectors grow at disproportionate rates.

Socialism in One Federated 'Socialist' Republic?

It is natural to construct profit-making factories as close as possible to centers of population and the finished sub-goods needed in the manufacturing process. In a "market-socialist" economy it is equally natural that such a factory's profits are reinvested in the same areas. The less industrialized areas of the economy, which were once supported via centralized planning, are left to stagnate. One can ignore the disequilibrium to a certain extent when it occurs within a single national unit. But Yugoslavia, like the Soviet Union, is composed of many nations.

Regional dislocations in investment policy have helped undermine the national character of the Yugoslav economy. The northern area of the country is far more highly industrialized and the population enjoys a correspondingly higher standard of living than in the agricultural south. Undue reliance on the law of value spontaneously tends to produce such patterns which, in turn, promote national antagonisms and parochialist hostility to socialist planning. An article in the 13 July *New York Times* quotes Viktor Zakelj, "principal economic adviser to the collective presidency of Slovenia" (the wealthiest and northernmost Yugoslav republic), as saying that: "We in Slovenia see a solution for emerging from the crisis [of the Yugoslav economy] in a more open market and economy…In Kosovo [a predominantly Albanian region in the south], because of their much lower level, they find it easier to be content with distribution more programmed by the state."

''Market socialism'' in the USSR will tend to operate in the same fashion—strengthening industry in Great Russia at the expense of similar, but less technologically advanced, industry in Georgia, Azerbaidzhan and other regions. Under Stalin, the central planning bureaus at least attempted to produce well-rounded development throughout the USSR, especially where the non-Russian population was concerned. Gorbachev appears to be prepared to abandon even the "one country'' aspect of Stalinist policy for another set of directives that will have the effect of strengthening economic growth for a few privileged nationalities within the USSR.

Polish Stalinism: Enriching the Kulaks

Pre-Jaruzelski regimes in Poland managed to combine some of Yugoslavia's errors with their own irrational attempts to ignore the law of value in the consumer goods sector. The failure of the Gomulka regime to collectivize agriculture in the 1950's led to the development of an independent agriculturally-based smallholders class in Poland. This class, along with the Catholic Church, formed the base for the most reactionary pro-capitalist currents which came to the surface in Poland during the Solidarnosc upsurge in 1980-81.

In an attempt to ingratiate themselves with the Polish kulaks, the Stalinist regime heavily subsidized food purchased from them. Yet to placate the combative Polish proletariat, an additional subsidy was provided when the food was sold to the workers. The result was that the smallholders received *more* than market value while the workers paid *less*. This led to severe misallocation of foodstuffs, as well as a squandering of scarce resources.

Pro-socialist Poles resident in the U.S. have told us of chronic egg shortages at a time when government statistics indicated that egg production was at unprecedented levels. The explanation of this apparent paradox is simple: the farmers received more for the eggs than the workers paid for them in the stores. So instead of going to the trouble of increasing production, the kulaks simply bought up the eggs in the retail market and resold them to the state!

The Stalinist bureaucrats funneled the available social surplus, which should have been reinvested in expanding production, into the pockets of a few million rural petty capitalists. This criminal stupidity was compounded by reckless borrowing from the imperialist banks. The regime soon found itself squeezed between the Western banks and the smallholders. The result was an economic and social crisis of enormous dimensions which ultimately posed a threat to the very existence of collectivized property in Poland. ■