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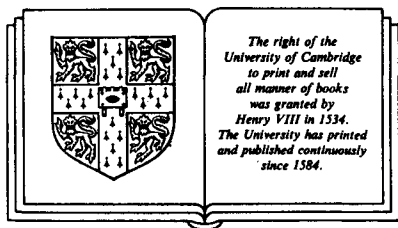
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SOCIALIST PLANNING

Michael Ellman

*Professor of Economics
University of Amsterdam*

Second edition



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SERIES PREFACE

The modern Cambridge Economics series, of which this book is one, is designed in the same spirit as and with similar objectives to the series of Cambridge Economic Handbooks launched by Maynard Keynes soon after the first World War. Keynes' series, as he explained in his introduction, was intended 'to convey to the ordinary reader and to the uninitiated student some conception of the general principles of thought which economists now apply to economic problems'. He went on to describe its authors as, generally speaking, 'orthodox members of the Cambridge School of Economics' drawing most of their ideas and prejudices from 'the two economists who have chiefly influenced Cambridge thought for the past fifty years, Dr Marshall and Professor Pigou' and as being 'more anxious to avoid obscure forms of expression than difficult ideas'.

This series of short monographs is also aimed at the intelligent undergraduate and interested general reader, but it differs from Keynes' series in three main ways: first in that it focuses on aspects of economics which have attracted the particular interest of economists in the post Second World War era; second in that its authors, though still sharing a Cambridge tradition of ideas, would regard themselves as deriving their main inspiration from Keynes himself and his immediate successors, rather than from the neoclassical generation of the Cambridge school; and third in that it envisages a wider audience than readers in mature capitalist economies, for it is equally aimed at students in developing countries whose problems and whose interactions with the rest of the world have helped to shape the economic issues which have dominated economic thinking in recent decades.

Finally, it should be said that the editors and authors of this Modern Cambridge Economics series represent a wider spectrum of economic doctrine than the Cambridge School of Economics to which Keynes referred in the 1920s. However, the object of the series is not to propagate particular doctrines. It is to stimulate students to escape from conventional theoretical ruts and to think for themselves on live and controversial issues.

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our task is to study the state capitalism of the Germans, to spare *no effort* in copying it and not to shrink from adopting dictatorial methods to hasten the copying of it. Our task is to hasten this copying even more than Peter hastened the copying of Western culture by barbarian Russia, and did not refrain from using barbarous methods in fighting barbarism.

V. I. Lenin (*'Left wing' childishness and the petty-bourgeois mentality*)

A number of countries have built socialism for decades. Socialism, however, has turned out to be a great deal more complex than our generation imagined. We had thought that once [a workers'] Party assumed power and applied the principle 'to each according to his work', we could go on and build communism and all the problems would be solved. This has not been the case in practice.

S. Carillo, General Secretary of the Spanish Communist Party (*Beijing Review*
August 24 1981)

Socialism was born as the negation of capitalism, of exploitation, of bourgeois morality. Consequently, the new society was imagined as a romantic-ideal type, without flaws or contradictions. Misfortunes and blemishes were ascribed to the notorious 'survivals of capitalism'. If only things were so simple. The manifest advantages of socialism created the illusion that it was not susceptible to the appearance of negative tendencies, to the influence of petty bourgeois characteristics. The objective laws of socialism were often analysed outside the context of world development. In many respects the forecasts about the development of the capitalist system, about the limits of its vitality and ability to survive, were over-simplified.

A. N. Yakovlev (Secretary, CC CPSU) (*Vestnik AN SSSR* 1987 no. 6)

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PREFACE TO SECOND EDITION

The first edition of this book evidently fulfilled a useful purpose, since it has become widely used throughout the world. In view of this, it seemed desirable to bring out a second edition to take account of the substantial changes that have taken place since the mid seventies when the first edition was written. Although the structure of the book remains basically unchanged, alterations have been made both in the empirical and theoretical sections. On the empirical level, account has been taken of the radical economic changes in China together with the huge increase in accurate information about that country, the Polish crisis of 1979–82, the virtual Soviet stagnation of 1976–85 and the first steps of *perestroika*. On the theoretical level, account has been taken of the chief contributions of the systems and behavioural approaches and also of new developments within Marxism-Leninism. I have tried to combine accurate and up to date information, the latest theoretical ideas, relevant historical material, a survey of the chief contributions to understanding, and my own ideas, all set against the reality of the state socialist countries. Due to space limitations, it has been impossible to analyse a number of interesting and important topics, such as monetary and financial relations and the price system. I am grateful to T. Bauer, J. de Beus, G. Biessen, P. Boot, W. Brus, T. Buck, E. Dirksen, J. Drewnowski, P. Ellman, S. Estrin, P. Hanson, H. Jager, D. Lane, P. Nolan, B. Simatupang, W. Swaan and H. J. Wagener for helpful comments on draft chapters.

MICHAEL ELLMAN
Amsterdam University
October 1987

GLOSSARY

CC The Central Committee of the Communist Party.

CCP The Chinese Communist Party.

Classical Marxism Marxism 1881–1914.

CMEA The Council for *Mutual Economic Assistance* (often known as Comecon). Its members are, Bulgaria, Cuba, Czechoslovakia, the German Democratic Republic (GDR), Hungary, Mongolia, Poland, Romania, Vietnam and the USSR.

CPSU The Communist Party of the Soviet Union.

Economic model (or *mechanism*) The system of ownership and allocation in an economy. Examples are, *War Communism* (q.v.), *NEP* (q.v.) or the *traditional model* (q.v.). (Economic model is the Polish terminology, economic mechanism the Hungarian terminology.)

The 11th Congress The Eleventh Congress of the CCP was held in 1977. This Congress confirmed the appointment of Hua Guofeng as Party Chairman, of Deng Xiaoping as one of the Vice-Chairmen, and the condemnation of the ‘gang of four’ (q.v.).

‘**Gang of four**’ Wang Hongwen, Zhang Chunqiao, Jiang Qing (Mao Zedong’s fourth and last wife) and Yao Wenyuan. Fell from power after Mao Zedong’s death in 1976.

GLF Great Leap Forward.

Gosplan The USSR State Planning Commission, the central planning organ.

Great Patriotic War The Soviet term for the Soviet-German war 1941–5.

GPCR Great Proletarian Culture Revolution.

Liberal Adherent to the teachings of Adam Smith and Milton Friedman. Not to be confused with contemporary US political usage.

NEM The *New Economic Mechanism* introduced in Hungary from 1 January 1968.

NEP *New Economic Policy* is the term used to describe the economic model which existed in the USSR in the 1920s.

OGAS ‘Nation-wide automated management system for the gather-

Glossary

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ing and processing of information for accounting, planning and control of the national economy', i.e. departmental management information and control systems which are compatible with one another.

Perestroika (literally 'reorganisation', 'reorientation', 'reconstruction', or 'rebuilding'). Official term used in the USSR to describe economic changes under Gorbachev.

Productive forces The technology, skills and resources available to society.

Productive relations The relationship between people in the process of production, eg the exploitation of the workers by the capitalists in the Marxist model of capitalism.

R&D Research and Development.

Taylorism Organisation of the labour process which separates planning from execution. Founded by US engineer F. W. Taylor. Basis of 'scientific management'.

Traditional model Term used in this book to describe the economic model developed in the USSR in 1930–4 and subsequently adopted for shorter or longer periods throughout the state socialist world.

The 20th Congress The 20th Congress of the CPSU was held in 1956. At this Congress the First Secretary made a report 'On the personality cult and its consequences'.

The 22nd Congress The 22nd Congress of the CPSU was held in 1961. At this Congress a resolution was passed to remove the body of J. V. Stalin from the Lenin Mausoleum.

War Communism Term used to describe the economic model which existed in the USSR in 1918–21.

IMPORTANT DATES

- 15th century Portuguese ships enter the Indian ocean. Spanish assault on the Americas begins.
- 16th century Growth of Portuguese trade with Africa, Ceylon, Indonesia and Brazil. Portuguese Empire created. Spain conquers Mexico, Peru and the Philippines. Demographic catastrophe in Mexico.
- 1568–1648 1st bourgeois revolution. Dutch Republic becomes an independent state. Amsterdam becomes the commercial capital of the world.
- 1640–88 2nd bourgeois revolution. England prepared for commercial expansion.
- 18th century Heyday of the slave trade. Britain overtakes the Dutch Republic.
- 1688–1815 Britain and France struggle for commercial mastery of the world. Britain emerges victorious. British rule established in India, Canada, Australia, New Zealand and South Africa.
- 1776 Continental Congress issues Declaration of Independence.
- 1787 United States Constitution drafted.
- 1789 1st pure bourgeois revolution begins in France.
- 1780–1820 Industrial revolution in Britain.
- 1815–1914 Industrial revolution spreads across Europe and North America. Transcontinental railways built. Industrialisation of war. Conquest by European countries and the United States of Central Asia, Vietnam, nearly all Africa and the remainder of North America.
- 1839–42 1st Opium War.
- 1848 *Communist manifesto* published. Year of revolutions.
- 1850 *Address of the Central Committee to the Communist League* written.
- 1856–60 2nd Opium War.

Important dates

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- 1861–8 Last bourgeois revolution. Slavery abolished in USA. Conditions for free scope for capitalism created in USA.
- 1867 *Capital* vol. 1 published.
- 1868 Meiji Revolution
- 1917 October Revolution.
- 1918–20 Russian civil war.
- 1921–2 Famine in Russia.
- 1921–8 New Economic Policy in Russia.
- 1928– Five Year Plans in USSR.
- 1929–53 Stalin's dictatorship in USSR.
- 1929–32 Collectivisation of agriculture in the USSR.
- 1932–3 Bottom of the Great Depression. Mass unemployment in Europe and North America. Ruin of many primary producers. Widespread bank closures in the USA. Victory of National Socialism in Germany. Famine in USSR.
- 1937–8 Mass arrests in USSR.
- 1937–45 Japanese–Chinese war.
- 1941–5 Second World War.
- 1945– Decline of Britain.
- 1945–9 Division of Europe into US and Soviet spheres.
- 1946–7 Last famine in USSR.
- 1947–55 USA establishes world-wide network of military bases.
- 1947 Britain withdraws from India.
- 1948 Soviet–Yugoslav split.
- 1949 People's Republic of China established.
- 1950 Korean war begins.
- 1950–2 Land reform in China.
- 1952–73 Cyclical boom in capitalist world.
- 1953–7 First Five Year Plan in China.
- 1953 USA overthrows Mossadeq regime in Iran.
- 1954–73 Volume and price of oil exports develop satisfactorily for importers.
- 1956 20th Congress of the CPSU. Anglo–French–Israeli invasion of Egypt. Soviet invasion of Hungary.
- 1957 USSR launches world's first artificial satellite. 100 flowers movement in China.
- 1958 Great Leap Forward in China.
- 1959 Victory of Castro in Cuba.
- 1959–61 Economic crisis in China. Three bad harvests, famine and industrial recession.

- 1960 USSR withdraws technicians from China.
 1961 22nd Congress of the CPSU.
 1961–73 USA wages war in Vietnam, Laos and Cambodia.
 1962–6 Socialist education movement in China.
 1964–6 Debate on alternative economic mechanisms in Cuba.
 1965–9 Abortive economic reform in USSR.
 1965–6 White terror in Indonesia.
 1966–8 Cultural Revolution in China.
 1966–70 Maoist–Guevarist economic mechanism in Cuba.
 1968 NEM introduced in Hungary. USSR invades Czechoslovakia.
 1968–late
 1970s Liberal opposition in USSR.
 1969 Serious Sino–Soviet border clashes.
 1970s Extensive imports of technology from capitalist world by state socialist countries. Development of East–West production cooperation agreements. Creation of trans-ideological enterprises.
 1973 Internal opposition and the USA successfully destabilise *Unidad Popular* in Chile. Murder of Allende.
 1975 Recession in capitalist world. Victory of state socialism in South Vietnam, Laos and Cambodia. Mass sending down in Cambodia. Disintegration of Portuguese Empire.
 1976 Death of Mao Zedong and defeat of ‘gang of four’.
 1977 11th Congress of the CCP. New economic management system introduced in Cuba.
 1977–8 Serious Kampuchean (Cambodian) – Vietnamese border clashes.
 1978 Mini Great Leap Forward in China.
 1978 (December) CC initiates economic reform in China.
 1979–84 Decollectivisation of agriculture in China.
 1979 Vietnamese invasion of Kampuchea. Chinese invasion of Vietnam. Soviet invasion of Afghanistan. Murder of Amin. Special Economic Zones established in China. Economic crisis in the CMEA countries. Revolution in Iran.
 1979–80 Oil prices develop satisfactorily for exporters.
 1979–83 Economic stagnation in the USSR.
 1980 Widespread strikes in Poland. Polish Government formally accepts independent trade unions.
 1981 (December) Martial law declared in Poland.

Important dates

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- 1982 Run on Hungarian central bank by foreign banks. Mexico unable to meet its external commitments. International debt crisis. Bottom of recession in capitalist world.
- 1984 (October) Chinese economic reform extended to the towns.
- 1984–5 Economic boom in China.
- 1985 Failure of monetary reform in Vietnam.
- 1985– Gorbachev's *perestroika* in the USSR.
- 1987 Individual economic activity and non-agricultural cooperatives permitted in the USSR. 'Resignation' of Hu Yaobang as General Secretary of the CCP. Campaign against 'bourgeois liberalisation' in China.
- 1987 (June) Soviet CC approves new Law on the State Enterprise.
- 1987 (October) 13th CCP Congress.
- 1988 (January) New Soviet Law on the State Enterprise begins to come into effect.
 (June) 19th CPSU Conference.
 (July) New Soviet Law on Cooperatives comes into effect.