



ISSN 1791-3144

**University of Macedonia
Department of Economics**

Discussion Paper Series

**The plan vs. market controversy in the Marxist
tradition**

Stavros Mavroudeas

Discussion Paper No. 3/2014

Department of Economics, University of Macedonia, 156 Egnatia str, 540 06 Thessaloniki,
Greece, Fax: + 30 (0) 2310 891292

<http://www.uom.gr/index.php?newlang=eng&tmima=3&categorymenu=2>

THE PLAN vs. MARKET CONTROVERSY IN THE MARXIST TRADITION

By

Stavros D. Mavroudeas

Stavros D. Mavroudeas

Affiliation: Professor, University of Macedonia, Dept. of Economics, Salonica, Greece

e-mail: smavro@uom.gr

Mailing Address:

University of Macedonia

156 Egnatia Str.

54006 Thessaloniki

Greece

Key-words: plan, market socialism, Marxism, soviet economics

THE PLAN vs. MARKET CONTROVERSY IN THE MARXIST TRADITION

By

Stavros D. Mavroudeas

University of Macedonia, Dept. of Economics, Salonica, Greece

ABSTRACT

This paper surveys the ongoing saga of the relationship between plan and market within the Marxist Political Economy. The first part studies the early soviet controversies on this subject. Two opposing main poles are recognised: the first is represented by Preobrazhensky and the second by Bukharin. Furthermore, the theoretical foundations and the implications for economic policy of these two approaches are being clarified. The second part surveys the socialist calculation debate. The third part analyses the Sweezy-Bettelheim debate on the nature of the Soviet Union and the plan-market contradiction. Finally, the last part describes the latest debates on market socialism and attempts to review the positions taken in all the abovementioned debates with regard to the plan-market relationship.

I. Introduction

The relation between plan and market holds a central position in the Marxist discussions on the transition from capitalism to socialism. In this sense it has an obvious relevance to the problems of economies purporting - rightly or wrongly - to be socialist and their transformation back to capitalist (market) economies. Most of these Marxist discussions hinged upon concrete socio-economic problems, namely the nature and the problems of the so-called socialist countries. It is not in the scope of this paper to opine on the nature and the problems of these countries, so it will consciously abstract it. In contrast, attention will be paid to the theoretical problem of the relation between plan and market, and more specifically whether market has a place in a socialist economy. The main issues underpinning this relation are being brought forward. Finally this paper attempts an overall review of the different phases of the debates.

The abovementioned debates derive from a noticeable lacunae in the Marxian legacy concerning the nature of socialism. Marx - in stark contrast with the Utopian socialist tradition - has avoided to draw detailed plans for the socialist society, with the exception of certain suggestions for the society of the freely associated producers beyond capitalism. For Marx the precise character and the detailed operations of the socialist society would be the outcome of historical concrete conditions and of the conscious decisions of its social forces. Notwithstanding, Marx has left a number of significant theses concerning the general aspects of a socialist society.

According to Marx in socialism social production should be organised collectively, consciously and planned by the immediate producers themselves. The immediate producers should recognise social needs and allocate the necessary productive forces accordingly. This process should take account of the necessary proportionalities between the departments of production and between the sectors and branches of the economy. The products of the different production units should not be exchanged through market but they should be allocated consciously* for this reason there are not commodities. The same holds for the labour-power. The immediate producers contribute through conscious and collective processes their ability to labour. Each immediate producer contributes to the total social labour according to his abilities and receives a part of the social product according to his needs. Thus in socialism the separation of the immediate producers from the means and the outcome of production is being removed. Production is socialised directly - in contrast with the indirect (through market deformations) and exploitative (through the appropriation of surplus-value by non-producers) socialisation of production in the capitalist m.o.p. Marxian socialism is conceived as a "society of free and associated labour" with no state, no commodity production and no wage labour.

Additionally to these general characteristics, Marx in his 'Critique of the Gotha Programme' has designated the general phases of a process of transition to socialism. In this he distinguished between a lower stage and a developed stage. During the former the means of production are socially owned but the means of subsistence are divided in two parts: one provided through non-market social channels and the other bought in the market. Thus, all the means and the outcome of social production have been socialised directly, with the exception of labour-power. At this stage immediate producers do not contribute collectively their labour-power but exchange it individually and privately. Therefore, the labour-power - and consequently a part of the means of subsistence that enter the private consumption of immediate producers - is a commodity. So a market exists at the lower stage but this operates on a non-exploitative basis (i.e. without the use of wage-labour and on the basis of exchange equivalence). In this case all productive forces are directly socialised, with the exception of labour-power. The remuneration of labour follows a form of the law of value - exchange equivalence according to labour effort - but this is purged from relations of capitalist exploitation and its subsequent derivatives (general rate of profit, production prices etc.). In popular terms, every immediate producer contributes to social production according to his abilities and receives an equal part of the social product.

In the developed stage - communism - labour-power is also directly socialised and therefore means of private consumption are being allocated through non-market channels and without following exchange equivalence. The abovementioned general characteristics of the socialist m.o.p. are fully developed at this stage, market is totally extinguished and social plan is the regulator of social production and income distribution.

The Marxian general elaborations have provided a framework but they do not have closed the question about the specific relations pertaining to socialism. As theory - and the labour movement's social praxis and historical experience - advanced, the question re-appeared with new characteristics each time.

A number of possible answers to the plan-market riddle in socialism has appeared in the literature. A once very popular thesis was that market relations are just a left-over of the capitalist past, it has no organic relation to the set of social relations of production pertaining to socialism and they, therefore, should be - more or less gradually - eliminated. Another position - popular, during the last phases of the so-called socialist countries, both within governmental and oppositional circles - was that market relations are integral part of any viable socio-economic system. Hence market or quasi-market relations are necessary for socialism. Models of Socialist market or Market socialism are the outcome of this approach. Finally, a different line of approach argues that socialism passes through different stages and the plan-market relation is contradictory but also dynamic. This approach follows Marx's Critique of the Gotha Programme distinction. However, its different trends have to answer - and indeed differ on that - whether a developed socialist economy has a place for market.

II. Early Soviet Controversies

During the early phases of the Soviet state there was a wealth of significant contributions on the abovementioned questions. As it is obvious, these contributions had an overwhelmingly political dimension since - most of them - were behind policy debates about the course of construction and the nature of the soviet economy.

After the October revolution the first coherent form of economic theory and policy - apart from the short-lived initial thoughts about a transition based on a combination between 'state capitalist' organisations and the commune state¹ - was War Communism. Bukharin's (1971) 'Economics of the Transformation Period' offers War Communism's most coherent theoretical exposition. The resultant policy was operative for nearly three years beginning in the middle of 1918 and represented a crude form of a command economy. All industry was nationalised, private trade was suppressed, monetary relations were eliminated. Market relations were purged and resources were allocated administratively. Even in the sensitive area of agriculture (and the relations with the peasants), agricultural products were seized through a command system - and, in a period of civil war and foreign invasion, through armed force - and distributed freely to industry and as consumption rations to designated groups. In essence War Communism represented a theory and a policy of immediate transition to socialism. The latter was understood as fully planned economy with no place for market. Therefore War Communism attempted to eliminate all market and monetary relations immediately and to substitute them with a more or less planned² allocation of resources and distribution of incomes. In theory - as exemplified by Bukharin (1971) - it was argued that state control was not limited by economic constraints. Subsequently, the theory of Political Economy applied only to systems of commodity production. In the new transitional economy economics - as the theory and policy of objective economic constraints - were redundant. Although constraints were recognised, voluntarism

¹ See Howard-King (1989), p.290.

² It should be noted, however, that during the period of War Communism there were no coherent and systematic forms and methods of planning.

reigned and there was a systematic and conscious attempt for radical transformations surpassing the existing limits.

According to Bukharin, the categories of Political Economy (value, price, wage etc.) were irrelevant not only for a socialist economy but also for a transitional economy. He believed that 'state capitalism' - reached by capitalism in its latter day 'organized' phase - with the statisation of economic functions had eliminated market with its free competition along with anarchy of production³, giving rise to 'a new type of production relations'. In the transitional system another new type of 'production relations' arises based on a radical change in property relations. With the proletarian nationalization of the means of production there arises the 'state form of socialism' and the process of the creation of surplus value ceases (Bukharin 1971, p.72, 116, 119). Conscious social order replaces spontaneity, commodity is turned into product together with the collapse of the monetary system. Naturally, with the elimination of commodity production, there is no value or price, and, by definition, profit disappears (along with surplus value). The 'worker' receives a social share, but no wages (Bukharin 1971, p. 147). In the same way, contrary to his earlier negative position on the relevance of the Marxian categories (of capitalism) for the transitional economy,

This policy of direct transition failed for a number of reasons and was replaced, in 1921, by the New Economic Policy (NEP). Peasants were allowed to trade their residual agricultural surplus and even to hire wage labour. They would sell agricultural products - at that time representing the main means of subsistence - to buy manufactured goods. So NEP implied the restoration of market relations between agriculture and industry. At that time this meant also restoration of market relations between the sector producing means of subsistence and manufacturing. Also retail trade and private small workshops were permitted. On the other hand, the commanding heights of the economy - banking, large-scale industry and foreign trade - remained in state ownership and regulated according to plan. Thus NEP resulted in a transitional mixed economy. It was mixed because it contained elements of capitalism (wage labour), simple commodity production and socialism. It was transitional because it contained all these antagonistic elements and at the end it would end either one way or another.

Thus, with NEP a course of protracted transition to socialism was adopted. This course of transition had a place for market relations during certain of its phases. But at the end developed socialism was understood as a non-market economy⁴. However there were major differences between theorists as to how this protracted transition could be accomplished. The two major poles of the debate were represented by Bukharin and Preobrazhensky.

Bukharin, having changed his War Communism views, proposed a new model of transition based on two principal factors: the expansion of large-scale industry and

³ However, Bukharin argued that the anarchy of production is reproduced in the world at large, outside a country's frontier and is expressed in the field of foreign trade.

⁴ Therefore, although market relations were accepted as a part - but not the only one nor the dominant - of the course of transition, no theory of "market socialism" was proposed. Only certain techocrats, such as Yurovsky (see Lewin 1975, p.47-48), proposed the term 'socialist market'.

the development of cooperatives. The former - owned by the state and regulated according to plan - should have an harmonious and non-antagonistic co-operation with the latter - owned by its members and exchanging their products through market. Moreover, he argued that the expansion of state industry depended upon the growth of peasant demand, which was ultimately a market for consumption goods: increases in agricultural output enhanced peasant purchasing power, which drive light industry forward; this in turn expanded the demand for the products of heavy industry. For Bukharin, consumption demand was of primary importance for the expanded reproduction of the economy. This consumption demand was understood mainly as demand by the peasants and expressed (and satisfied) through market exchange. The other part of consumption demand - the consumption of labourers employed in state industry - had a rather secondary role to play. Consequently, any attempt to accelerate the growth of industry would disrupt the proportionality of the economy, generate a 'sales crisis' in the state sector and require the withdrawal of increased resources from agriculture. The latter would lead to the impoverishment of exactly that part of consumption demand that drive the expansion of the economy.

Bukharin's views were founded on two important theses. The first was his continued belief that the categories of Political Economy were irrelevant for both a socialist and a transitional economy, So, the acceptance of market relations did not endanger the transition to socialism. The existence of prices and market exchange did not signify processes of extraction of surplus-value, since the change in property relations - the nationalisation of the means of production, understood in a formal juridical sense - had removed capitalist commodity relations once and for good. Only in certain later works - when he entered the party opposition against Stalin - Bukharin accepted that the reproduction schemes as elaborated in Capital II were relevant for the dynamic equilibrium of a transitional economy (see Chattopadhyay 1996). This renewed interest in the reproduction schemes stemmed from his change from voluntarism to the recognition of the existence of economic constraints and the need for an equilibrating path of development. It is characteristic that in his 1928 article 'Notes of an Economist' he stressed the need for a long-run high and steady rate of growth rather than an overzealous maximum short-run rate of growth (see Lewin 1975, ch.3). Accordingly, he insisted for an equilibrium between the different sectors of the economy - and particularly between the state industry and private and co-operative agriculture. However, this re-introduction of Political Economy and its categories was only partial and not coherent. There was not a full re-examination and, moreover, application of value-theoretical concepts by Bukharin.

Related to the above was his second major thesis, which concerned the class nature of the peasants and the petite-bourgeoisie. Bukharin insisted that the entrepreneurial classes could not be forbidden but it should be 'overcome' only through the victory of the more efficient socialist (state and co-operative) enterprises in the market. This victory would signify the end of market and the full predominance of planned relations, as well. With regard to the petite-bourgeoisie and the peasants the question was not in "overcoming" but in slowly transforming them through co-operation. In contrast to other views - which considered the peasant class either as 'the last capitalist class' or 'a smallholder class breeding capitalism every hour' - Bukharin argued that it was an error to confuse the peasant economy with the capitalist economy.

Therefore, peasants would advance slowly to become a backward part of the working class⁵. The route for this advance is through co-operatives which on the one hand exchange their products through market relations (which, according to Bukharin, had nothing to do with capitalism and surplus-value extraction) but, on the other hand, induce independent private producers to co-operate and, thus transform them to the freely associated producers that Marx spoke of.

The other major pole of the controversy, Preobrazhensky, advanced a far more elaborate theory. He defined the soviet economy as a 'socialist-commodity' economy with a commodity sector and a state or socialist sector⁶. The former - who in a backward transitional economy of the soviet type, with relatively low level of productive forces and the majority of the population engaged in agriculture was basically a 'simple commodity sector' - was regulated according to the law of value, whereas the latter - where the state is both the monopoly producer and the unique purchaser of its own products - followed the principle of planning⁷. The two sectors cannot coexist in a state of equilibrium without the one trying to evict the other. Subsequently their two regulators antagonise one another. The distribution of material means of production and (living) labour between the two sectors as well as the type of relation between them is the resultant of the struggle between these two contending forces.

The expansion of the state (planned) sector was the key for the socialist transition. For this reason, the predominance of its rate of development relative to the non-state (market) sector - which was characterised by bourgeois and petit-bourgeois relations - was of paramount importance. This policy required large fixed investments. The increase of the strength of socialist relations would have, also, a positive indirect effect on the collectivisation of agriculture by providing the resources for its necessary mechanisation. Co-operatives could aid this process but they could not substitute the transformation of production relations.

Moreover, his diagnosis about the actual conditions of the soviet economy were opposite from that of Bukharin. Disproportionalities arise not because of the lack of effective (consumption) demand - and an associated deficient peasant purchasing power - but because of excess demand for the output of the state sector. The revolution had changed radically the relation between the demand for domestically-produced industrial goods and their supply. In the new situation their demand had increased whereas their supply had fallen (Preobrazhensky 1967, p.33). So, in the short-run full utilisation of

⁵ For this reason Bukharin downplayed the distinction between the kulaks - rich peasants employing wage labour - and the poor waged strata of the village.

⁶ His model is, essentially, a dualist one with significant similarities with newer dualist theories of development.

⁷ Preobrazhensky (1967, p.142-145) did acknowledge cases where the law of value exerted an influence on the state sector in the following cases:

1) when the latter buys goods from petty producers, for which goods exist other competing consumers inside the country

2) in the realization of the products of state industry on the private market

3) because at the stage of primitive socialist accumulation and with extreme shortage of capital, the development of the state economy is controlled by the amount of effective demand.

existing capacity should be restored. And, in the long-run, a dynamic policy of industrialisation, based on plan and geared towards heavy - rather than light - industry should be pursued.

The process of the expansion of the socialist sector should, according to Preobrazhensky (1967), be conducted on the basis of the Law of Primitive Socialist Accumulation. This law signified “the accumulation in the hands of the state of material resources mainly or partly from sources lying outside the complex of state economy” (Preobrazhensky 1967, p. 84). Its sources lied in the pre-socialist part of the economy such as the alienation of surplus product of the independent artisans and the peasants as well as the surplus value of the remaining capitalist segment of the economy. The principal mechanism of this "exploitation of pre-socialist forms" was the transfer of a surplus product from agriculture to (nationalized) industry by way of non-equivalent exchange, that is, exchange (in value form) of a greater quantity of labour from agriculture against a lesser quantity from industry (Preobrazhensky 1967, p.99, 102)⁸. The tasks of Primitive Socialist Accumulation were the following (Preobrazhensky 1967, p.83):

- 1) to enable the state to achieve the level of present-day capitalist technique
- 2) to make possible to change the technical basis of state economy, to organize labour scientifically etc.
- 3) to ensure an advance of the complex and not only of particular parts of it

It should be noted that Preobrazhensky distinguished between Primitive Socialist Accumulation and Socialist Accumulation. The latter was defined as “the addition to the functioning means of production of a surplus product which has been created within the constituted socialist economy and which does not find its way into supplementary distribution among the agents of socialist production and the socialist state, but serves for expanded reproduction” (Preobrazhensky 1967, p.84).

Thus, according to Preobrazhensky, in a transitional backward ‘socialist-commodity’ economy market relations necessarily co-exist with planned (socialist) relations. However, their co-existence is antagonistic and the establishment of a developed socialist mode of production required the predominance of the planned sector over the market sector of the economy. This predominance should be based on relations of unequal - and possibly non-market (through taxation etc.) - exchange between them. In this way Primitive Socialist Accumulation would empower pure Socialist Accumulation and ultimately evict the law of value.

Preobrazhensky also denied the relevance of the Marxian categories for the socialist sector of the dual ‘socialist-commodity economy’ since according to him those categories are valid only for capitalist-commodity economy. Within the planned state sector there was no commodity production and the category of price used in the inter-trust transactions had a ‘purely formal character’. The commodity categories found in the state sector arise only from its relations with the (outside) private sector. Likewise, through the statisation of the means of production surplus product within the state sector ceases to take the form of surplus-value and the category of profit disappears. By the

⁸ In coining the term Preobrazhensky followed Marx’s primitive capitalist accumulation, which was considered a prerequisite for the establishment of capitalist accumulation.

same logic labour remuneration within the state sector is no longer a wage since the so-called 'wages-fund' is regulated by planning and not by the operation of demand and supply of labour (Preobrazhensky 1967, p.160, 182, 212, 220). Finally, contrary to Bukharin's late theses, Preobrazhensky (1967, p.174) argued Marx's reproduction schemes do not hold for the transitional economy since equilibrium is obtained there not through equivalent exchange via the law of value but through the clash between the latter and the Law of the Primitive Socialist Accumulation.

A derivative of Preobrazhensky's theory was his views with regard to the peasants. He accepted the possibility of a class alliance between the working-class and the poorer peasantry only. This alliance should be under proletarian hegemony and should fight against the kulaks. Primitive Socialist Accumulation - i.e. the suppression or the intervention on existing market relations - was the economic basis of this class alliance.

In this early soviet debate Preobrazhensky advanced a superior framework by attempting to implement the value-theoretical concepts of Political Economy in his analysis. Rather than discarding them as irrelevant he recognised their applicability in relation to the commodity sector. On the other hand, when analysing the state sector he shared the very same misconceptions with Bukharin. Both had a rather superficial understanding of the concept of the m.o.p.

First, both understood ownership relations of the means of production - and moreover in their juridical forms - as the essence rather than the form of am.o.p. Marx, on the contrary, in many places warned against such a misconception. He argued that ownership relations only 'reflect' the production relations which are their 'content' and that production relations are the basis from which 'arise' the relations of property as the latter's juridical expression. Therefore each one's understanding of socialism is equally problematic⁹.

Consequently, their common rejection of the possibility of existence of capitalist commodity relations is also erroneous. For Bukharin the state and the co-operative sector of the economy are by definition free from capitalist relations because of the type of ownership relations. For Preobrazhensky the state sector - but not necessarily processes of simple commodity production (such as the co-operatives) and of course not the kulaks - was non-capitalist by definition. However, for the existence of commodity production, the units of production need not be separately owned and controlled. It is sufficient if they are functionally separated from one another so that the reciprocal relation of producers could only be indirect, that is mediated through the value form of their products. To the extent that society is not in a position to collectively appropriate the conditions of production (directly), the units of production will remain reciprocally isolated and the relations of persons will continue to appear, as the relations of things through the commodity form. In this case state enforced regulation, which is not

⁹ Although for both of them, juridical ownership defines am.o.p., there is a significant difference between them with regard to socialism. Bukharin stressed more the role of co-operatives and the smooth and mild transition to an economy of freely associated producers. Based on his studies on state capitalism, he had a certain mistrust against the state. On the other hand, Preobrazhensky had no such reservations. For him state ownership and the plan constituted the essence of socialism.

society's conscious regulation, becomes simply a particular form of existence of commodities. Additionally, within this framework there can be capitalist exploitation if a social group has functional control - although not juridical ownership - of the means of production. Then its members, without being immediate producers themselves, could be able to appropriate the surplus product.

III. The Socialist Calculation Debate

The problem of the relation between market and plan reopened in the interwar period with the socialist calculation debate. It started with the publication by Hayek (1935) of a collection of essays denying the ability of rational economic calculation - and therefore planning - in a socialist economy and in the absence of market mechanisms. The older paper by Pierson (1902) argued that it is erroneous the view that value will disappear in socialism, to be replaced by merely technical problems, for two reasons:

(1) Within a socialist economy there will be no valid mechanism to equate all different types of work in terms of labour-time. If all different types of work are treated as equivalent then the right to a higher income resulting from a higher ability would be negated. Even in the case of goods produced by the same amount of labour, divergences might arise due to differences in the volume of their demand.

(2) International trade between socialist countries would necessarily depend upon prices reflecting demand and supply and settled through money payments. If labour-time is used as the measure then unequal exchange would arise because an hour of (less productive) work in an underdeveloped country will exchange for an hour of (more productive) work in a developed country.

Pierson's first reason was restated and extended by von Mises (1920), who denied the possibility of rational economic calculation in a collectivist economy, because exchange relations between production goods and hence their prices could be established only on the basis of private ownership. Von Mises argued that in a socialist economy with socialised means of production and commodity means of subsistence a universal medium of exchange (i.e. money) is needed. Its use should be restricted to the market for consumption goods. He discards the possibility of a labour-time measure (or even forms of labour-money) by opining that labour cannot be equated since it is not uniform and homogeneous¹⁰. A monetary unit reflecting labour-time is applicable only in an unrealistic static state of the economy. In dynamic conditions the administration cannot make the proper calculations in order to find the most productive and least expensive technique. Calculation of value in monetary terms cannot be achieved unless goods of a higher order (i.e. means of production) are included in market exchange.

Hayek (1935) added his own arguments in his review of the debate¹¹, stressing the role of information. He dismissed a general equilibrium of (non-market or quasi)

¹⁰ In his rejection of the Labour Theory of Value von Mises follows his teacher Bohm-Bawerk.

¹¹ A number of other pro-market contributions appeared in Hayek's collection of essays. Halm (1935) argued that interest and ground rent - determined through market exchange - are necessary for achieving rational utilisation of scarce capital and land.

prices solution to the problem of allocation of resources in socialism as impractical. His first argument was that the set of simultaneous equations would be too large to solve practically. Moreover, the central planning authority cannot have the same detailed information and show the same initiative with the manager of a private enterprise. He, therefore, changed the issue - especially in his reply to his critics - from the rationality of calculation to the superiority in disclosing information and providing incentive. On these grounds, and from the premises of his neo-liberal economic philosophy, he argued for a market (i.e. capitalist) economy.

Against the pro-market side counter-arguments were advanced by a host of authors. One line of argument was followed by Dickinson (1933), Taylor (1929), Lange (1938) and Lerner (1934, 1936, 1937). Dickinson argued that there can be a rational mechanism in diagnosing social needs and allocating resources in socialism. In the market for consumption goods a demand curve can be derived by monitoring reactions when the selling agencies raise prices (when stocks fall) or lower prices (when stocks accumulate). Similarly, a demand curve for the factors of production (such as land, mineral resources etc.) can also be obtained. On the basis of the above, a set of solvable simultaneous equations can be organised by the planning authority. Taylor followed a similar course and proposed a trial and error model of evaluating correctly primary factors of production and allocating them efficiently. But the main reply to the pro-market theorists was given by Oskar Lange and, with similar ideas, by Abba Lerner; hence the often used designation of 'Lange-Lerner solution'.

Lange demonstrated that there can be rational calculation in a socialist system through a system of simultaneous equations. Then he proposed a model of market socialism. Actual markets existed for consumer goods and labour, in which the preferences of the consumers as expressed by their demand prices would guide allocation of resources. The means of production were publicly owned and the rate of accumulation was determined by the planning board. The latter should perform a market simulation for the allocation of production goods, since there was no market for them. He added a 'trial and error' procedure in which the planning board performs the functions of the market - although there is no actual market. The planning board fixes prices, wages and interest rates so as to balance supply and demand. Additionally, it instructs managers of socialist enterprises to: (1) minimise average cost of production by using a combination of factors which would equalise marginal productivity of their money unit-worth; (2) determine the scale of output at a point of equalisation of marginal cost and the price set by the planning authority. On the basis of the initially fixed prices of means of production (as almost accounting prices), the supply and demand for means of production would be determined. If the initial prices failed to equilibrate supply and demand then the planning board should change prices accordingly.

The approach exemplified by the 'Lange-Lerner solution' suffered from two serious problems. Firstly, it accepted the theoretical-conceptual framework of its

Barone (1908) - following Walras's earlier utopian socialist experiments - applied general equilibrium theory in order to construct a mathematical model for a socialist economy. He concluded that the solution of so great number of simultaneous equations makes the project practically impossible.

opponents, namely the marginalist approach and the neo-classical price theory. Secondly, it ended up with a model of socialism which ended at Marx's lower stage of socialism. And it organised this model as market socialism. Thus, in both theoretical and political grounds it conceded ground to its opponents irrespective of the validity of its answer. So, another line of argumentation against the pro-marketeters was adopted by Dobb (1933) and Sweezy (1949), who criticised the theoretical framework of the debate itself.

Dobb stressed the superiority of conscious social decision-making through planning in contrast to market short-sightedness and errors. Insofar as a market for consumption goods is necessary at some stage of socialism, this would not operate according to the passive individual consumers' behaviour that marginalist theory implies. Consumers, through social co-operative institutions could take positive action for new types of goods. Also, there would be no need for the planning authority, to solve a vast number of equations in order to set prices. It could start from pre-existing prices and adjust them to new levels through a trial-and-error procedure. A corollary of his views was that there is little role for Value theory in socialism, since market relations would be replaced by conscious social decision-making. He fortified this thesis with the postulate that the proportion of living labour relative to accumulated past labour tends to decline; therefore, living labour would have a diminishing role in social wealth-creating¹².

Sweezy supported the soviet type of comprehensive planning against both the pro-marketeters and Lange's market socialism. He argued that although in a static economy both market and planned economy - as studied by Lange - would end at the same results, in a dynamic perspective their paths would be different. In this case comprehensive planning is superior.

IV. The Bettelheim-Sweezy debate

In the 1960s the Soviet economy entered a period of significant problems. Successive attempts were made to remedy this problems. Most of them introduced market or quasi-market mechanism in the operation of the economy. This re-opened the theoretical discussion within the Marxist tradition on the plan-market relation. This discussion was exemplified in the debate between Bettelheim and Sweezy.

Sweezy - having changed many of his previous views about the nature of the soviet society - argued that the widespread introduction of market relations signified a return to capitalism (see Sweezy-Bettelheim 1971). Hence, he proposed a rather

¹² This is a highly ambiguous argument, supposedly based on Marxian the theory of the tendential fall of the rate of profit. However, Marx did not assumed that there is a single permanent linear tendency in capitalism for profits to decline nor that there can be no decrease of the Value Composition of Capital (the value ratio of constant to variable capital). As Itoh (1995, p.101) argues 'it is not likely that the dispersion of prices away from labour-values will disappear due to a decrease in the production of living labour relative to accumulated past labour... the reason is that the amount of past labour embodied in the means of production is repeatedly devalued as the productivity of labour increases'.

simplistic counterposition of market (bearer of capitalist relations) to plan (bearer of socialist relations).

On the contrary, Bettelheim rejected this counterposition as mechanistic. He argued that modes of exchange and distribution are forms. The essence of a society is defined by the social relations of production, as organised fundamentally within the production process:

The error in principle is the very one you denounce at the end of the note on p. 5 above, there you say that in order to understand the nature of a m.o.p (or of a social formation), 'one must dig deep below the surface to uncover underlying relationships and processes. But to put emphasis on the existence of a 'market' (and therefore also on the existence of money and prices) in defining the nature of a social formation, means precisely to put emphasis on the surface, on what is immediately 'apparent' - it is consequently a failure to come to grips with underlying relationships. These exist at the level of production, i.e. at the level of basic social relationships.

(Sweezy-Bettelheim 1971, p.16-17)

Thus he criticised the traditional juridical understanding of the m.o.p. and emphasised the primacy of the sphere of production - and the social relations within it - over the sphere of exchange and distribution and the juridical-legal forms of ownership.

Consequently, the 'plan-market' contradiction is not a fundamental contradiction since it designates neither a class contradiction - a political contradiction - nor an economic contradiction - a contradiction between social relations in effect on the economic level (Sweezy-Bettelheim 1971, p. 35). The plan is one of the means of increasing the control by the immediate producers over their conditions of existence and therefore, in the first instance, over their means of production and their products, but only in politically determined conditions. The contradiction 'plan-market' is only an expression a 'surface effect' of the basic, underlying contradictions (which concern production relations and class relations). The real contradiction (the contradiction which the expression 'plan-marketcontradiction' designates on the ideological level, both revealing and concealing its existence) concerns the domination or non-domination by the producers over the conditions and results of their activity. The existence of commodity relations is an obstacle to the domination by the producers over their products, but the elimination of commodity relations cannot be an "abolition": it can only be the result of a struggle carried out on political, ideological and economic fronts, for both ideological and political limits exist to the elimination of market categories and juridical bourgeois relations as well as economic limits linked to the existing state of development of the forces and relations of production bourgeois planning is possible and planning relations (especially under state capitalism) can prevent the producers from dominating the conditions and results of their activity. Therefore, only democratic and participatory conditions can a plan become an instrument of the domination by the producers over the conditions and the results of their activity.

On the basis of the above, Bettelheim argued that capitalism had never ceased to exist in the Soviet Union, but it assumed the form of state capitalism. The commodity and capitalist relations were very partially altered in the immediate production process. Furthermore, planning did not transform the production process as a whole into a really

unified process because it was determined without participation by the masses and imposed upon them.

In contrast to Sweezy who attributes the restoration of capitalism to the introduction of market relations - and whom Bettelheim accuses of economism - the latter argues that politico-ideological factors (Bolshevik ideological formation), as the expression of class struggle, are the cause of capitalist relations; and these never ceased to exist in the Soviet Union. This is the main deficiency of Bettelheim's position. Whereas he discards correctly the juridical understanding of the m.o.p. and he emphasises the primacy of production, then he recurses to politicism and voluntarism. The rejection of Sweezy's economism lead him to overturn the primacy of economic relations in general. A corollary of this errors is his total neglect to value-theoretical categories. Is the Soviet Union was a state capitalist economy, then it should be analysed in value-theoretical terms.

A minor lapsus was his identification of Preobrazhensky with Sweezy (Bettelheim 1977, vol.I, p.531-532). As it has been shown Preobrazhensky did not considered the market-plan contradiction as primary and he incorporated it to the law of primitive socialist accumulation. For Preobrazhensky the fundamental contradiction was that between the socialist and the commodity sector - as departments of the economy representing different modes of production (understood in juridical terms) - and the field of their struggle was the transfer of resources - through unequal exchange - from the one to the other. The plan-market contradiction was of secondary importance and derived from the fundamental contradiction.

V. The recent debates

The more recent debates are characterised by a significant change in the centre of gravity of the debates about socialism and the plan-market relationship. In the early soviet debates socialism was understood as an ultimately marketless economy and opinions differed with regard to the medium-term status of market relations, i.e. their role in the period of transition. The socialist calculation debate was basically a confrontation in the hinges of the Marxist tradition, mainly played on the ground of neoclassical theory. However, one of its pro-socialist trends was the first to propose a model of market socialism. This represented a radical departure from the general concept and characteristics of socialism as defined by Marx. The Bettelheim-Sweezy debate - in the echo of the radicalism of the 1960s - explored important issues of the Marxist problematic.

In the 1980s there is a different course. The neo-liberal assault in the West and the eruption of the crisis in the East set the ground. Most of the contributions tend to accept some form of market as an integral part of the socialist project and not only as a transitional element. In the debate between Nove (1983), Mandel (1986, 1988) and Elson (1988), the first proposes a fool-blooded model of market socialism. Mandel argued for a market-less socialism but with democratic and participatory planning. Elson, on the other hand, proposes a form of socialism with socialised markets. In another contribution Auerbach, Desai and Shamsavari (1988) accept that socialism needs market mechanisms.

Finally, a whole new current of market socialism has been developed, expressed by authors like Roemer (1994) and Bardhan-Roemer (1993). This current is associated with the so-called Rational Choice or Analytical Marxism. A major feature of this approach - contrary to other versions of market socialism - is that it endorses explicitly methodological individualism.

The question of the characteristics of socialism remains an open question. This might be a problem for theories engaged in societal-sketching, but it is not a problem for an approach following Marx. The specific characteristics of a new society cannot be drawn in advance. However, significant theoretical questions remain to be answered for those working within the value-theoretical tradition of Marxism.

Firstly, it is evident that every socio-economic system needs a system for measuring and allocating productive forces. In capitalism this is the law of value, i.e. remuneration in terms of labour values which are transformed through competition to prices of production and ultimately to market prices. What would be the relevant system in a socialist economy? Additionally, if the Labour Theory of Value (LTV) is the theoretical framework for analysing the workings of the capitalist mode of production (cap.m.o.p), would it continue to be the same for analysing the socialist mode of production (soc.m.o.p.)? In short, has value theory a role in a socialist economy? Two alternatives appeared to this question, Socialism, by extinguishing market pricing mechanism should replace it by conscious social planning based either on physical units or on labour-time as the measure for allocating the means of production and consumption.

Secondly, almost every socio-economic system generates a surplus product. In a class society this surplus - produced by immediate producers - is appropriated by the ruling and exploitative classes. Would there be a surplus in the soc.m.o.p. and if so, then how it should be allocated? Related to that are the important issues of the (legal and real) forms of ownership of the means of production. And also, not only the forms of ownership but also relations of real control on them.

Thirdly, what implications has the existence of plan and market relations on the social structure and particularly whether it will sustain class differentiations (and antagonisms?) or it will lead to the abolishment of classes and class antagonism.

REFERENCES

- Auerbach P., Desai M. & Shamsavari A. 1988. 'The Transition from Actually Existing Capitalism', *New Left Review* no.170
- Bardhan P.K. & Roemer J.E. (eds.) 1993. *Market Socialism: The Current Debate*. Oxford: Oxford University Press
- Barone E. 1908. 'The Ministry of Production in the Collectivist State' and in Hayek (ed.) 1935. *Collectivist Economic Planning*. London: Routledge
- Bettelheim C. 1977. *Class Struggles in the USSR*. New York: Harvester Press

- Bukharin N. 1971.*Economics of the Transformation Period*.New York: Bergman
- Chattopadhyay P. 1996.‘Socialism and Value. Categories in the Early Soviet Doctrine: Lenin, Trotsky, Bukharin and Preobrazhensky’, paper presented at the Eastern Economic Association Conference, March 1996, Boston, USA
- Dickinson H.D. 1933.‘Price Formation in a Socialist Community’.*Economic Journal* no.170
- Dobb M. 1933.‘Economic Theory and the Problems of a Socialist Economy’.*Economic Journal*no.172
- Elson D. 1988.‘Market Socialism or Socialization of the Market?’.*New Left Review*no.172
- Halm G. 1935.‘Further Considerations on the Possibility of Adequate Calculation in a Socialist Community’.in Hayek (ed.) 1935.*Colectivist Economic Planning*.London:Routledge
- Hayek F.A. (ed.) 1935. *Colectivist Economic Planning*.London: Routledge
- Howard M.& King J. 1989.*A History of Marxian Economics*.Princeton:Princeton University Press
- Itoh M. 1995.*Political Economy for Socialism*.London: Macmillan
- Lange O.(1938.‘On the Economic Theory of Socialism’.in Lippincott B. (ed.).*On the Economic Theory of Socialism*.Minneapolis:University of Minessota Press
- Lerner A. 1934.‘Economic theory and socialist economy’.*Review of Economic Studies*no.2
- Lerner A. 1936.‘A note on socialist economics’.*Review of Economic Studies* no.4
- Lerner A. 1937.‘Statics and dynamics in socialist economics’.*Economic Journal* no.47
- Lewin M. 1973. *Political undercurrents in Soviet economic debates*.London: Pluto Press
- Lippincott B. (ed.). *On the Economic Theory of Socialism*. Minneapolis: University of Minessota Press
- Mandel E. 1986.‘In Defense of Socialist Planning’.*New Left Review* no.159
- Mandel E. (1988.‘The Myth of Market Socialism’.*New Left Review* no.169

Von Mises L. 1920. 'Economic Calculation in the Socialist Commonwealth'. reprinted in Hayek F.A. (ed.) 1935. *Collectivist Economic Planning*. London: Routledge

Nove A. 1983. *The Economics of Feasible Socialism*. Boston: Allen and Unwin

Nove A. 1987. 'Markets and Socialism'. *New Left Review* no.161

Preobrazhensky E. 1967. *The New Economics*. Oxford: Oxford University Press

Roemer J. 1994. *A future for Socialism*. Harvard: Harvard University Press

Sik O. 1967. *Plan and Market Under Socialism*. New York: White Plains

Sweezy P. 1949. *Socialism*. New York: McGraw-Hill

Sweezy P. & Bettelheim C. 1971. *On the transition to socialism*. New York: Monthly Review Press

Taylor F.M. 1929. 'The Guidance of Production in a Socialist State'. *American Economic Review* vol. 19, No. 1 and in Lippincott B. (ed.). *On the Economic Theory of Socialism*. Minneapolis: University of Minnesota Press