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Socialism and the Market: Returning to the East European Debate

Roland Boer

School of Marxism, Dalian University of Technology, Dalian, China

ABSTRACT

This study reassesses a body of research that has been somewhat neglected: Eastern European market socialism of the 1960s-1980s. It does so with the objective of recovering key issues and also identifying problems that need to be addressed. Thus, the study begins with an overview of the practices of market socialism, which was pursued to varying degrees from the 1960s. While some (USSR, East Germany and Czechoslovakia) turned back to centrally planned economies in the 1970s, others (especially Yugoslavia and Hungary) pursued further reforms. This material provides the basis for analysis of three theoretical points and their attendant problems: the market as a neutral 'economic mechanism', as an effort to detach a market economy from its assumed integral connection with a capitalist socio-economic system; the tensions between planning and market; and the ownership of the means of production, which risked ignoring the liberation of productive forces. The conclusion discusses potential assessments of the market socialist experiments.

KEYWORDS

Market socialism; Eastern Europe; economic mechanism; ownership of means of production; market-planning tension

The purpose of this study is to revisit debates concerning market socialism in Eastern Europe. The vagaries of history have relegated such debates to a largely forgotten corner in Western countries at least, so that few consider them in our time. This is a pity, for the debates – primarily among Eastern European economists – still have value today for the issues they raise. The structure of my study is as follows. After a brief account of a couple of case studies – Yugoslavia and Hungary – I devote attention to three theoretical issues: the market as an 'economic mechanism'; the tensions between planning and markets; and ownership of the means of production. In each case, I identify the main argument and indeed insight, but also its shortcomings.[1]

Background: Case Studies

In the 1960s, a spate of economic reforms began in many Eastern European countries, all of them belonging to or connected with the Council of Mutual Economic Assistance (CMEA or Comecon).[2] The reforms arose as the initial phase of centralised planning began to reveal internal contradictions and slowing economic growth. All of the reforms featured some elements of market relations (Wagener 1998a, pp. 8–9). Some were more centralised, in the Soviet Union, Bulgaria, Romania, and – after a burst of radical reforms – in Czechoslovakia.[3] The DDR had its own intriguing period of reform in the 1960s, only to return by the 1970s to a more centralised planning system, although under its varying frameworks economists debated at length theories of prices, value, market relations, reproduction and complex planning in a socialist framework (Brus 1975, pp. 166–67, Melzer 1982, Kraus 1998). More far-reaching were the reforms implemented Yugoslavia and

CONTACT Roland Boer rolandboer@yahoo.com

Hungary, so I focus on these two case studies. Despite all of the specific differences – in terms of scope, institutional realities, plan indicators, incentives and types of economic levers – the reforms manifested similar patterns.

Yugoslavia

The Yugoslav experiment has a longer history, dating back to its expulsion from the Cominform in 1948. The country needed a nonaligned model and gradually developed a decentralised system of self-managed worker enterprises in a 'labour-managed market economy' (Vanek 1972, Dubey 1975, Rusinow 1977, Estrin 1983, Lydall 1984, Brus and Laski 1989, pp. 87–101, Mencinger 2000, Bockman 2011, pp. 76–104). This was envisaged as an early version of the 'dying away' of the state (Milenkovitch 1971, p. 65, Brus 1975, p. 67, Engels [1894] 1988, p. 535). The state would not own the means of production, a practice that was seen in Yugoslavia as part of the earliest stage of socialism, but these means would devolve into workers' hands. But how would these enterprises function? Through a market system. And how would this market work in a socialist context?

Oskar Lange (1936, 1937) had provided an earlier ideal model. Basing his work on an effort not to dismiss but develop further Marx's theory of value for a socialist context by drawing on the later developments of economic calculation (Lange 1935), he argued that under market socialism there would be neither a market in production nor in finance for enterprises, but that individuals could select their own jobs and what they consumed. Prices would be set by a Central Planning Board, which would set an initial price for products, to which enterprises would respond by two means: first, taking appropriate measures to minimise the average costs of production; second, levelling prices in relation to these costs of production and consumer preferences. Thus, while the state owned the means of production, workers would exercise freedom of choice in terms of where to work and what to consume, which would in turn influence the pricing mechanisms of the planning board. For Lange, this approach would achieve – through cycles of trial and error – a version of socialist equilibrium. It would overcome the inherent tendency of capitalist market systems to monopolies and state intervention, and enable the optimum outcome for economic improvement and the social good.[4]

Lange's model was purely theoretical and it would require a significant amount of reshaping to begin to work in practice. However, as Brus and Laski (1989, p. 58) point out, it did open up theoretical space for market systems to be considered as components of a socialist system. This point is often missed, since his work is usually absorbed into the 'socialist calculation' debate,[5] especially since he deployed methods of calculation first developed by Léon Walras ([1896] 2014, pp. 42–43). But if Lange's proposal is seen primarily as a moment in the long history of economic debates, then we lose sense of its impact in Eastern Europe.

As with such models, concrete practice entailed much trial and error, which in turn revised the theory. The Yugoslavs felt their way forward, adding worker self-management to Lange's model, officially ending central planning in the 1960s, enabling worker-managed enterprises to determine their own division of income into salaries and retained funds, abolishing 'social investment funds' and having their funds transferred to the banks, and integrating the country into the global economy. In short, by the 1970s there was even greater decentralisation, to the republics, banking sector, and smaller enterprises known as basic organisations of associated labour (BOALs). Of all the East European states, Yugoslavia went the furthest, developing markets in labour and finance, although they preferred to speak of moving from the political determination of the economy to economic determination.[6] Some Yugoslav economists felt that only then could one speak of 'market socialism' (Uvalić 1992, p. 6, Gligorov 1998, Mencinger 2004), although others suggest that this attribution is too hasty, for 'market socialism proper' did not yet exist (Brus and Laski 1989, p. 110). Part of the process was due to expediency, with Tito spearheading the nonaligned movement in order to find new international friends, and part was sheer innovation, seeking a way to integrate market systems within a socialist framework. Yugoslav economists argued that their approach was a step closer to communism than what was found elsewhere in the world at the time, precisely through decentralised worker self-management and the integration of market relations within socialism.

The question remains: how did the Yugoslav experiment go? While many saw it as a somewhat radical process of decentralisation, in economic and political terms, others were not convinced. For example, throughout the whole process, the Yugoslav government ensured that crucial enterprises would not suffer 'hard' budget constraints and be forced to 'exit' if they failed to be financially viable, and that there would be minimum levels for personal incomes along with differential levels of income for different branches of enterprises. In short, the state continued to 'underwrite' the whole process so that none of the enterprises actually suffered bankruptcy. Although we need to recognise the complexity of 'soft' budget constraints, with their perpetual bargaining and elements of 'hard' constraint where the state enforced reforms to ensure economic viability, in the final analysis none of the Eastern European states were really willing to entertain the full reality of 'hard' constraints (Kornai 1986, p. 201, 1992, pp. 140–53, Nove 1991). Of course, bourgeois states too will not allow core enterprises such as the military, public transport, hospitals or education to 'exit', but the question in Eastern Europe turned not only on the question of closing down nonviable state owned enterprises, but also on the possibility of bankruptcy for self-managed enterprises. They never took this step.

Hungary

In Hungary, the major step in reform was the New Economic Mechanism (NEM) of 1968 (Brus and Laski 1989, pp. 61–72, Swain 1992, Szamuely and Csaba 1998, Bockman 2011, pp. 105–32). The NEM attempted to grasp an apparent paradox by improving planning through stepping back from a directly planned economy.[7] Following a model of 'indirect centralisation', it withdrew from direct institutional levers to primarily indirect levers that were market-based. Thus, the major state enterprises were no longer given obligatory targets and the allocation of physical input and output. Instead, state enterprises would engage in competition, determine their own supply chains, set prices in light of material needs and production, be sensitive to consumer demands, and so be driven to innovate. Over time, a whole non-state sector developed, with incentives for worker cooperatives and the development of a 'private sector'. Clearly, these moves went beyond Lange's model by removing price control by a central authority and the allocation of physical input and output. Importantly, these moves were not seen in terms of a simple decentralisation, fostering many types of market activities for the sake of efficiency, but as a way to improve central planning and ensure that the means of production remained publicly owned.

The process in Hungary was certainly not smooth, with preparatory work already in the 1950s, when the Hungarian leader, Imre Nagy (1954), stressed the need to develop economic science on the basis of practical questions rather than relying purely on classic Marxist texts. This wave ended by the mid-1950s: Nagy was deposed, leading reform economists were dismissed, and brakes put on reform. The 'retreat' of the later 1950s did not, however, entail a full-scale return to centralised planning. Instead, economists began laying the groundwork for the NEM by developing depoliticised mathematical models (Kornai 2006, pp. 135–58) that enabled the rehabilitation of these economists by the late 1960s. But the NEM was never a given, for it underwent constant modifications in light of new internal contradictions and external 'headwinds' such as the 1973 oil shock (Vajna 1982). In this context, they sought but were ultimately unable to find a fine balance between what they saw as the centralising tendency of planning and the decentralising pull of market relations, leading eventually to a capitalist version of the latter (Szamuely and Csaba 1998). Along the way, however, some lessons were learned, to which I turn in a moment.

I close this section with a reminder that the risk of case studies is to treat each country in isolation. By contrast, as members of the CMEA they sought not to compete but complement one another in light of specific conditions in each country. For example, Hungary was a small country with relatively few natural resources, so it focused primarily on labour skills through education and training so as to produce manufactures for export. The bulk of these exports went to other CMEA countries, and Hungary received in exchange the necessary raw materials and foodstuffs for its own needs (Kozma 1982, pp. 195–212). The NEM outlined above needs to be seen in this light, as a way to enhance Hungary's role in the wider network.

Theoretical Breakthroughs and Problems

In light of the preceding overview, my main purpose now unfolds, which is to identify three key theoretical points from the Eastern European experience: economic mechanism; the tensions between planning and markets; and ownership.

Economic Mechanism

Let us begin with the most intriguing point: markets should be seen as instruments, and not as inherently capitalist.[8] The favoured term was 'economic mechanism', a neutral piece of machinery in a larger whole (Szamuely 1982, 1984, Bajt 1989, p. 180, Kozma 1989, Lengyel 1989). While one or two doubted as to whether this approach was socialist (Balcerowicz 1989), the majority saw the 'economic mechanism' approach as a distinct gain, for it enabled a market system to be seen as necessary to the socialist project. In an influential work, János Kornai (1959) argued that a market economic mechanism could exist in different forms of organisation, including socialist ones, and the way one deploys such a mechanism is through direct and indirect levers. The direct levers were the direction of production, the allocation of production materials, the regulation of foreign trade, and the appointment of managers. All of these were centralised through the state, although the problem thus far had been over-centralisation and thus the dominance of direct levers. Kornai also proposed four indirect levers: investment, the monetary system, the price system, and the wage fund. These were indirect because the government would provide the necessary environment for appropriate forms of activity, but not control them directly. In Kornai's Hungary, it was precisely these indirect levers that had been under-utilised, if not virtually absent. Those influenced by Kornai began advocating for a greater role for indirect levers in relation to the market instrument.

There was an inherent risk with the 'economic mechanism' approach, for if one stressed too much its neutral status, one drew near to the position of von Mises ([1932] 1936, pp. 430–53) and von Hayek ([1935] 1938b), who argued that a 'market' is value-free and cannot be blamed for poverty, periodic collapses or any other 'moral' failing. The fact that Kornai would later (1992, pp. 474–511) back-track on the very possibility of market socialism, coming to see the 'market' as inherently capitalist and in contradiction with socialism, indicates the potential risk (see also Lavigne 1995).[9]

Very few asked whether the market 'instrument' was shaped in any way by the wider system, whether capitalist or socialist. One example is Horvat (1989), who sought to answer this question, initially via a historical argument. In ancient Rome, for example, the economic system had money, credit, interest rates, banks, foreign exchange and hired labour, and one could exchange through its market economy commodities, capital, hired labour and especially human beings as slaves – its primary purpose. It was not a capitalist market economy, for – as Marx observed concerning ancient Rome – the various components functioned in 'altered conditions', without a capitalist framework (Marx [1894] 2004, p. 587, 590). This example opens up the historical fact of many different market economies (see also Estrin and Le Grand 1989, p. 1, 6–8, Miller 1989b, pp. 25–26). As Bajt (1989, p. 180) observes, 'markets had existed for thousands of years before capitalism and the bourgeoisie appeared on the historical scene, but they had not brought about either capitalism or the bourgeoisie'. This point enabled Horvat (1989, p. 233) at least to take a step beyond the 'instrument' position: 'It is not the market that determines a social system; it is, on the contrary, the socio-economic system that determines the type of the market' (see also Huang 1994).

Between Planning and Market

Second, there was a tendency to see a tension between planning and markets. This opposition was posed in various ways, such as centralisation and decentralisation, state control and worker (economic) democracy, or vertical and horizontal relations. Given these oppositions, many saw them as working against each other, so that the enhancement of one side undermined the other. The more extreme approach taken by some proponents of marketisation was to see the agent of planning, the state, as refusing to allow or actively blocking the decentralising impetus of market relations, leading eventually to the assumption that the socialist system was inherently 'inefficient' and could not be reformed (Csikós-Nagy 1989, Révész 1989, Kornai 1992, 1993, 2006, pp. 273–75, Mencinger 2000, Bockman 2011, p. 131, 160–64).

In contrast to this negative view of the state, the majority of Eastern European economists saw the state positively. The acknowledged reason was that communist revolutions took a very different path from bourgeois revolutions. As Lange (1959) and Brus (1973) point out, the bourgeoisie had been able to lay the ground – economically, socially, legally and ideologically – for quite a long time before it was able to seize political power, beginning with the first French Revolution of 1789. With communist revolutions, these conditions did not exist, so the first act was to seize control of the state and its apparatus. State power came first, to be followed by the arduous task of reshaping the means and relations of production, let alone culture and society. In this situation, the state remained vitally important, even more so due to the 'backward' economic situations of the countries in question at the moment of revolution (Brus 1975, p. 65, Brus and Laski 1989, Kozma 1982, p. 94, Kornai 1992, p. 373).[10]

In this light, many argued for a balance between the 'invisible' and 'visible' hands, or 'central planning with a regulated market' (Brus 1973, pp. 1–20, Bos 1989, Knirsch 1989, Kozma 1989, p. 247, Lengyel 1989, Nagy 1989, pp. 261–62, Nove 1989). Thus, significant marketisation would be possible, all the way from individuals to enterprises, from supply-and-demand price mechanisms to 'profit' as a necessary bottom line for an enterprise's viability, from division of labour to wage differentials, without it being a version of laissez-faire or even the capitalist model of social democracy. At the same time, the state would continue to own the core means of production, engage not in micro-management but in overall planning and direction of the economy via indirect levers, engage in price control in crucial areas to prevent speculation during shortages, focus on efficient allocation, calculation and valuation, and have primary control over many areas that simply cannot be marketised, such as the mitigation of inequalities, overcoming poverty, social care, fostering talents through education, and environmental concerns, which were already becoming apparent in the 1970s (Péter 1986, p. 91, Csikós-Nagy 1989, Lengyel 1989, Nove 1991, pp. 203–10, Kraus 1998, pp. 314–15). Noticeably, nearly all of these proposals appeared towards the end of the 1980s, indicating that they expressed hopes for an as yet unrealised and fully functional market socialism rather than a transition to a form of capitalism (Bajt 1989, Balcerowicz 1989, Brus 1989, 1992, Dyba 1989, Horvat 1989, Bardhan and Roemer 1992, 1993, 1994).[11]

A few tried to take a step further. For example, Brus (1989, p. 209) deploys the basic philosophical principle that 'the notion of the interest of the society cannot simply be reduced to the sum-total of individual self-interests'. The 'sum-total of individual self-interests' is an allusion to the formula championed by Adam Smith, in which the medieval theological vice of greed became a virtuous 'self-interest': 'It is not from the benevolence of the butcher, the brewer, or the baker, that we expect our dinner, but from their regard to their own interest' (Smith [1776] 2000, section I.ii.2). Not so, says Brus, for this fundamental liberal assumption would tear society apart. Instead, a socialist approach to the common good would have a very different basis, which he examines most fully in terms of what it means for state-owned enterprises to be fully competitive in a market environment (Brus and Laski 1989, pp. 101–49).

Horvat (1989, p. 234) goes even further in an effort to develop a fully dialectical argument: 'without market there is no self-management and therefore no socialism'. This means that all members of society are 'share-holders'. As he puts it even more sharply (1989, p. 234): 'a market is a planning device; without planning a market cannot operate efficiently'. In other words, planning and markets are not diametrically opposed, but work in a dialectical way to enhance the other.

From Ownership to Liberating the Forces of Production

The third question concerns the Marxist question of the ownership of the means of production (focusing on the relations of production). As theoretical reflection and planning responded to changing situations, Eastern European economists realised that such ownership should be distinguished from and thus transcend individual property rights, which derived from the Roman legal tradition (Brus and Laski 1989, p. 4, van Brabant 1989, p. 203).[12] In other words, while a capitalist system enables and indeed requires a close connection between private property and bourgeois ownership of the means of production,[13] a socialist system leads to a clear distinction. With the destruction of the former bourgeoisie and indeed relics of the older landlord class, individual urban and rural workers are – they argue – able to enjoy the rights to private property that had been systemically denied them. This is precisely because ownership of the means of production is now distinct from private property. Yet, ownership of the means of production entails a further distinction: between public and social ownership.[14] Public ownership is state ownership, in which the state either owns and operates all enterprises as common or social property, or the state owns key enterprises on behalf of society. Social ownership goes a step further, which may be defined as follows:

> social ownership of the means of production would have to meet two criteria: (1) the means of production must be employed in the interests of society, and (2) society must have effective disposition over the means of production it owns. (Brus 1975, p. 27)

In other words, every member of society has the right of access to decisions concerning the way the means of production work and how its fruits are allocated.

Both distinctions – between private property and ownership of the means of production, and between public and social ownership – focused on the relations of production. I will initially examine their implication at this level, while later recasting the argument with a focus on productive forces. To begin with, the initial distinction between private property and ownership of the means of production was the result of changing class dynamics after the seizure of power. The crucial question is: what happens when the former bourgeois and aristocratic owners of the means of production are destroyed or absorbed? It entails a break in the close connection between private property and ownership of the productive means. Such ownership is now clearly outside the domain of private individuals, for the state is the prime and usually sole owner of the means of production. Further, all classes that continue to exist are – so it was argued – transformed under socialism. In this context, ownership becomes a secondary matter and private property is able to emerge. The logic is straightforward: if all are part of the 'socialist project' to a greater or lesser extent, then private property and private enterprises are also part of 'socialist construction'. These theoretical arguments are all very well, but they struggled in practice to overcome the assumed connection between private property and ownership of the means of production.

Let me now turn to the second distinction mentioned earlier: between public and social ownership. To reiterate: public ownership designates state ownership through full-scale nationalisation, while social ownership is supposed to go a step further and focus on social decisions concerning production and the allocation of its fruits. While the first has – historically – taken place suddenly, as soon as possible after the seizure of power, the second was seen as a gradual process so that Brus (1975, p. 63) spoke of an ongoing socialisation. Economists tended to see such socialisation mostly in terms of decentralised or self-governing enterprises (Miller 1989a, p. 10, Horvat 2018, p. 92), but how this 'social ownership' might actually work remained vague and was not clearly articulated. It remained an aspirational goal without clear delineations concerning the institutional means for achieving such a goal (see further Kovács 2018).

In debates, some entrenched assumptions prevented further development. The most significant shortcoming of this debate was a tendency to focus too much on the relations of production, specifically by defining socialist economics in terms of the ownership of the means of production. At times, this emphasis led from economic democracy to emphases on political 'democratisation' in a direction typical of bourgeois states (Brus 1973, pp. 69–102, 1975, Selucký 1979, Brus and Laski 1989, Miller 1989a, pp. 294–320, Nove 1991, pp. 190–91).[15] This emphasis tended to neglect the issue of liberating the forces of production.[16] So let me recast the previous account in terms of productive forces. After a communist seizure of power, the historical evidence indicates that all communist parties moved to liberate productive forces through full-scale nationalisation of enterprises, abolition of bourgeois private property, industrialisation in light of 'backward' economic conditions, collectivisation of agriculture, and a fully planned economy. As Kornai (1992, pp. 27–28) observes, the new state has had to act decisively to destroy the previous system, prevent counter-revolution, and instigate the economic structures needed for the initial phase after a communist revolution. I know of no case where this approach did not initially propel productive forces forward. Even more, it enabled Eastern European countries that were – due to a much longer history – on the periphery of Western European development to break out of this peripheral status. This process is particularly clear with the Soviet Union, Czechoslovakia, and East Germany, which became highly industrialised economies, but the others also made considerable breakthroughs and saw significant growth (Höhmann 1982, pp. 1–2, Kozma 1982, pp. 99–104).[17]

However, this approach – full state ownership and planned economies – has turned out to be an initial phase. As Kraus (1998, pp. 315–16) points out, fully planned socialist economies found that they reached a limit-point for further liberation, with stagnating economic performance, supply-side structural blockages, a dwindling of creative solutions to such problems, and increasing contradictions in the relations of production that threatened to become antagonistic. Specific problems included: the inherent inefficiencies of the initial gearing for a 'war economy' in terms of urgent centrally administered allocation of scarce resources (Lange 1970, pp. 102–3);[18] the unevenness of development – in terms of talents and distribution of productive capacity – over a very short period of time; overspending of national incomes for the sake of increasing production to meet consumption demands, a situation that led to constant tensions between expanding or modernising production; the contradictions of engaging in foreign trade, where essentially complementary production processes had to deal with capitalist competition (Kozma 1982, pp. 172–76). In short, the forces of production need a new burst of life, another form of liberation. Historically, the way these problems have been tackled is the development of a market economy in a socialist framework, albeit one that was by no means smooth and was fraught with potential mistakes (Estrin and Winter 1989, pp. 131–34). The implications for the relations of production were in terms of the rise and spread of private property, of increasing competition between enterprises (including state-owned enterprises), and even of new levels of creativity and competition. Not unexpectedly, this new phase gave rise to a whole new series of contradictions that were handled in less or more competent ways.

Concluding Assessment

My concern has been to identify the major issues in the experiments in market socialism in Eastern Europe. These boiled down to three: de-linking a 'market' or 'market economy' from a capitalist system, and so also de-linking socialism from a planned economy; the relations between planning and markets; and the proposed phases of socialist economic development, which becomes apparent in terms of forces and relations of production. I have attempted the present the arguments as they developed, while leaving my assessment aside. I have not dealt in any detail with areas that were also debated, especially prices, money relations, commodities, and the crucial theory of value in a socialist context, mainly because Eastern European economists were ultimately unable to develop a full account of how they should be understood and work (Kraus 1998, pp. 274–76, 296–302). Given the time that they had, these questions were simply a step too far.

How do we assess the whole experiment, with the advantage of hindsight? To begin with, the various efforts at market socialism in Eastern Europe remained tentative, achieving no more than a half-way house between centralised planning and market economies. Government policy found it difficult to break with the assumption that socialism entailed a planned economy and capitalism a market economy. The perpetual balancing act and its associated policy struggles resulted in starts and stops, further marketisation and then retreats, and it did not help matters that after the 1960s' market socialist reforms in the Soviet Union, East Germany, and Czechoslovakia, these countries reverted to predominantly old-style planned economies by the 1970s. These moves made them more susceptible both to internal contradictions and to external economic shocks (especially in the 1970s and 1980s). Further, the fact that they were forced into 'shock therapy' in the 1990s, precisely when many expected that they would finally be able to achieve a fully functioning market socialism, has cast the pall of 'failure' over the whole effort.

What have been the responses in light of these developments? One line was to argue that market socialism was a hybrid that would never work. This approach usually bifurcates along the old planned-market opposition. For pro-capitalists, only a capitalist market economy is viable. Thus, it matters not whether one has a fully planned economy or market socialism, for they are both unviable (Arnold 1994, Shleifer and Vishny 1994, Boettke 2001, Prychitko 2002). On the other side were Marxists who argued that socialism should never entertain any type of market economy, for only a planned economy is appropriate to socialism (Dobb 1939, Crump and Buick 1986, Rubel and Crump 1987, McNally 1993, Ollman 1998, Ticktin 1998, Konings 2001). Any effort at market socialism thus becomes an oxymoron, a 'betrayal' of Marxism, and cause economic damage (Levine 1984, pp. 120–21, Kontorovich 1988, Brink 2014, pp. 221–26). Both approaches assume von Mises's ([1932] 1936, p. 142) slogan – 'the alternative is still either Socialism or a market economy'.

A less discussed approach in Eastern Europe was to grasp the dialectic: full marketisation – with pricing, hard budget constraints and the theory of value – can also be developed in a socialist system. Indeed, planning happens and is indeed enhanced through a market economy. Of the works I have studied, only two begin to make this move. While Horvat (1989, p. 234) argued that without markets there is no socialism, for a market is itself a planning device, Oskar Lange 'often used to say that authentic free competition could only exist in socialism, because under capitalism monopolies put down all kinds of true competition' (Kowalik 1992, p. 150). Thus, it is not a case of either planning or markets, but a dialectical enhancement of both (Zhang 2009, Heilman and Melton 2013, see further Yunker 1992, 1993). For economists in Eastern Europe, such 'market socialism proper' (Brus and Laski 1989, p. 105) remained little more than an abstract hope.

Notes

1. As far as possible, I leave aside potentially contentious questions concerning which there is difference of opinion and would detract from the main argument. These issues include: whether the governments of Eastern Europe arose from primarily endogenous movements or were imposed from without; whether a phrase such as 'dictatorship of the proletariat and peasantry' is an empty one; whether there was anything socialist at all about the economies and societies of Eastern Europe and the USSR; and so on.
2. The CMEA included all Eastern European countries, along with Mongolia, Cuba, Vietnam, and Yugoslavia as an equal trading partner in 1964.
3. For country by country surveys, from the early 1980s and the late 1990s, see Nove *et al.* (1982) and Wagener (1998b).
4. Lange's later (1953) turn to studying the dynamics and potential of planned economies was already foreshadowed in few intriguing pages of the original breakthrough article (1936, pp. 68–71).
5. For a comprehensive collection of material relating to this debate (also known as the von Mises-Lange debate), see the nine volumes edited by Boettke (2000) and the initial collection by von Hayek (1938a).
6. Three overlapping phases are often identified: a 'mixed administrative self-managed market economy' (1953–1962); a 'labour-managed market economy' (1963–1972); and a 'contractual economy' (1974–1989) (Brus and Laski 1989, p. 91).
7. The logic here is best expressed by Brus (1975, p. 150):

> there was the emphasis on the intention of strengthening central planning, among other things by freeing it from the centralistic *semblances* of precision, efficiency and universality, semblances which were becoming more and more dangerous for the real capacity to plan the course of economic processes.

8. This point also includes the de-linking of socialism from a non-market planned economy (Estrin and Winter 1989, p. 101, 105, Lawler 1998, p. 34, Schweickart 1998, p. 11).
9. Kornai (2014, p. 154) later even came to suggest that the 'prime feature of the socialist system is repressive and totalitarian political monopoly' (see also Davies 2018, p. 346).
10. This point ultimately derives from Lenin (1966).
11. See also Schweickart's (1998, 2002) later proposal in the same vein.
12. The influence of the Roman legal tradition is rather complicated: the Romans invented the category of private property in late second century BCE as a legal and economic outcome of the slave market economy; it was subsequently lost for centuries only to be gradually recovered during the High Middle Ages under the 'lawyer popes' of the 'Papal Revolution'; from there, it fed into many strands, including the Enlightenment, the French civil code of Napoleon, and the first stirrings of capitalist market economies in the sixteenth century (Diósdi 1970, pp. 56–59, Watson 1987, pp. 46–66, Johnston 1999, pp. 56–58, Miéville 2004, pp. 95–97).
13. As Marx and Engels ([1848] 1974, p. 498) make clear already in the manifesto (thereby breaking with Proudhon), the 'abolition of private property' means 'bourgeois private property [*bürgerliche Privateigentum*]'.
14. Kraus (1998, p. 270) indicates that within these oppositions, further categories were debated in the DDR: 'state ownership, socialization, nationalization and transformation into public ownership, private and capital ownership, people's and common ownership, state and communal ownership, and cooperative and personal ownership'.
15. An extreme form was proposed by Altmann (1955) in the DDR, who argued that production relations were thoroughly determinative of the means of production.
16. The question of liberating productive forces was already mentioned in the Manifesto:

    > The proletariat will use its political supremacy to wrest, by degrees, all capital from the bourgeoisie, to centralise all instruments of production in the hands of the State, i.e. of the proletariat organised as the ruling class; and to increase the total of productive forces [*Produktionskräfte*] as rapidly as possible. (Marx and Engels [1848] 1974, p. 481)

17. Brus (1973, p. 1, 33, 1975, p. 105) notes a rate of economic growth of 11 percent per year from 1951 to 1955, with continued growth to 1960, while Kozma's statistics (1982, pp. 99–104) carry through to 1970.
18. Lange's argument (1970, pp. 102–3) here should not be misunderstood. He argues that the initial transition phase of the 'war economy' was 'necessary in a revolutionary period of transition', but that it led to economic stagnation and needed to make the transition to 'functioning of an established socialist economy' on the basis of economic laws.

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Notes on contributor

Roland Boer is a professor in the School of Marxism, Dalian University of Technology in China. Among numerous works on Marxism and philosophy, he has published the five-volume work, *The criticism of heaven and earth* (Leiden: Brill, 2007-2014). In 2014, the work was awarded the Isaac and Tamara Deutscher Memorial Prize.

ORCID

Roland Boer http://orcid.org/0000-0002-8355-2737

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