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OBSERVATIONS ON THE 1961 BUDGET

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für Wirtschaftsforschung,  
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Introduction

Appendix 1 below, from the Deutsches Institut für Wirtschaftsforschung, provides one of the most complete breakdowns of the Soviet budget for 1961 which has yet been published.

On the income side, it clearly demonstrates that the biggest change since 1959 (see table p. 3 below) has been the sharp rise of almost 20% in the returns from profits made by Soviet industry. To the men in the Kremlin, the maximization of profits would seem to be becoming an increasingly important objective, to the point where they might reasonably be described as profiteers.

On the expenditure side, the notable feature is the planned decrease this year of the percentage of the central budget (47,5% in 1961 compared with 50,3% in 1960) devoted to building up the country's industrial base. The total absolute figure allotted to industry is still growing, but industry's proportionate share of the nation's available rubles is falling.

Agriculture, on the other hand, is due to receive about one quarter of the amount invested in industry (see p. 5 below) whereas last year it had to be content with only about one fifth. as the D.I.W. says:

"the reason for this is not only the last unsatisfactory harvest, but above all the general principles of the new Soviet economic policy, which allots greater importance to agriculture than in the past."

Similarly, the fact that the rate of growth of planned investment in light industry is faster than in any other branch is the conspicuous feature of the table on p. 6. Here too the D.I.W.'s comment should be noted:

"Recently Khrushchev has repeatedly taken up these problems" (of expanding light industrial capacity) "and has indicated that light industry is in no way to be given priority. In fact Soviet industry is now entering a phase of its development in which an equal growth of capacity for heavy and light industry is advantageous, and even necessary, to guarantee rapid overall growth."

The final point of importance is that the expenditures for "social and cultural" purposes have grown faster than proportionately in the last decade. In 1961 they are planned to receive 35% of the total outgoings. To show the extent of this growth, a comparison with the 1955 budget, the first which Khrushchev had the opportunity to influence from its inception, is particularly instructive:

	(in milliard rubles)	
	1955	1961
Education, science and culture	6.84	11.3
Health and physical culture	3.05	5.2
Social Insurance and welfare	4.30	10.6
	<u>14.74</u>	<u>27.1</u>

Thus Khrushchev's bills under these headings have almost doubled in the past six years, and are now slightly greater than his central expenditure on industry, agriculture and the communal economy taken together (see table on p. 3). To say that this is a fact not normally appreciated in the West would be an understatement. It will be noted that the lion's share of the expenditure is for education. Since the 1958 reform the cost of schooling has risen, is rising, and seems likely to continue to rise.

r.r.g.



DER ÖFFENTLICHE HAUSHALT DER UdSSR FÜR 1961Wochenbericht

Deutsches Institut für Wirtschaftsforschung

4 August 1961

Das Wirtschaftssystem der Sowjetunion verlangt ein bis ins äußerste aufgegliedertes Budget, das über die Herkunft und die Verteilung sämtlicher Finanzmittel Auskunft gibt. Ein solcher "Staatshaushaltsplan" wird in der Tat aufgestellt und - wenn auch in zusammengefaßter Form - dem Obersten Sowjet zur Beratung vorgelegt, aber nur ein Bruchteil davon wird mit wenigen globalen Zahlen als "Gesetz über den Staatshaushalt" der Öffentlichkeit zugänglich gemacht.

Der sowjetische Staatshaushalt umfaßt den Haushalt der Union, der Unionsrepubliken und sämtlicher nachgegliederter Gebietskörperschaften und darüber hinaus noch das gesamte Versicherungs- und Sozialwesen sowie einen erheblichen Teil des staatlichen Wirtschaftsbereichs. Die Aufgabe des sowjetischen Staatshaushalts besteht vor allem darin, den überwiegenden Teil der finanziellen Mittel der Volkswirtschaft zu erfassen und sie entsprechend der jeweiligen Zielsetzung wieder zu verteilen.

Die Haushaltseinnahmen

Infolge der im ersten Quartal 1961 durchgeführten Währungs-umstellung reduzierte sich die gesamte Etatsumme im Verhältnis 10:1, real änderte sich jedoch nichts. Anstatt einer geplanten Zunahme der Einnahmen des Staatshaushalts von 733 Mrd. Rubel im Jahre 1960 auf 790 Mrd. Rubel im Jahre 1961 ergibt sich nach der Umstellung eine beabsichtigte Steigerung der Einnahmen um 1,7 Mrd. auf 79,0 Mrd. (neue) Rubel.

Nach wie vor wird der größte Teil der Haushaltseinnahmen aus der "differenzierten Umsatzsteuer" finanziert, die 1961 wie bereits 1960 einen Anteil vom 41 vH der Gesamteinnahmen erbringen soll.

Das Umsatzsteueraufkommen, das zum überwiegenden Teil aus der Besteuerung von Konsumgütern stammt, soll 1960/61 um 3,4 vH zunehmen, während der Einzelhandelsumsatz nach den Planungen um 5,8 vH steigen soll. Die beabsichtigten weiteren Umsatzsteuersenkungen brauchen sich allerdings nicht unbedingt in einem Rückgang der betreffenden Einzelhandelspreise auszuwirken, wie es z.B. im vorigen Jahr bei einzelnen Gütern der Fall war.<sup>1</sup> So sollen in diesem Jahr bei gleichbleibenden Einzelhandelspreisen die Umsatzsteuern in der Fleisch- und Lederindustriese aufgehoben werden, um in diesen Bereichen die "Preisbildung zu verbessern und die wirtschaftliche rechnungsführung zu stärken."<sup>2</sup>

<sup>1</sup> Vgl. Wochenbericht Nr. 15/1960.

<sup>2</sup> Garbusow, W.: "Das Finanzsystem vor neuen Aufgaben", in Finansy SSSR, Heft 1, 1961 (russ.).

Aus dem gleichen Grund werden die Preise für Großabnehmer von Strom, Gas und "einigen anderen Waren" gesenkt. Dadurch sollen wahrscheinlich bisher subventionierte, sogenannte "planmäßige Verlustbetriebe" in die Gewinnzone und zu rentabler Produktion kommen. Entsprechen den jetzigen allgemeinen Bemühungen um eine Entbürokratisierung der Wirtschaftsverwaltung wurde ab 1. Januar 1961 die Zahl der Umsatzsteuerrichtlinien erheblich vermindert und das Erhebungsverfahren vereinfacht.

Derartige Verwaltungsanordnungen sind aber nur einer der vielen Versuche, die Leistungsfähigkeit der Wirtschaft zu steigern. Einen anderen Weg schlägt man ein, indem man über das Eigeninteresse der wirtschaftenden Menschen ihre Leistungen zu erhöhen hofft. Immer deutlicher wird dabei die Rolle, die der Gewinn als ökonomisches Anreizmittel in den staatlichen Betrieben und Organisationen spielt. 1961 soll ein Gesamtgewinn in der Volkswirtschaft in Höhe von 30,2 Mrd. Rubel erzielt werden, davon sollen 20,5 Mrd. Rubel bzw. 68 vH als Gewinnabführung in den Staatshaushalt fließen und damit bereits 26 vH der gesamten Staatshaushaltseinnahmen ausmachen. Das sogenannte "Zwei-Kanäle-System" (Umsatzsteuer plus Gewinnabführung) erbringt damit (in den letzten drei Jahren nahezu konstant) zusammen über zwei Drittel aller Einnahmen.

Während die Umsatzsteuern anteilig zurückgingen, nahm die Gewinnabführung entsprechend zu, so in den Jahren 1958 und 1959 um jeweils 14 vH. Für 1960 war sogar eine Zunahme von 31 vH geplant. Erreicht wurde nur eine Steigerung von 19 vH, zwar weniger als geplant, aber doch mehr als in den Vorjahren. Für 1961 ist eine Gewinnabführung vom 20,5 Mrd. Rubel angesetzt, d.h. nur noch 8 vH mehr, als 1960 erzielt werden konnten. Die Verringerung der zu erzielenden Zuwachsrate ist vor allem das Ergebnis einer realistischeren Planung. Sie ist aber auch bedingt durch die Zunahme des in den Betrieben verbliebenden Gewinnanteils, der 1961 32 vH (gegenüber knapp 30 vH im Vorjahr) betragen und zusammen mit den zusätzlichen zu erreichenden Überplanerträgen in steigendem Maße als Stimulierungsmittel eingesetzt werden soll. Einerseits sollen die Betriebsleiter mehr Möglichkeiten haben, aus selbsterwirtschafteten "eigenen" Mitteln Investitionen vorzunehmen, andererseits stehen aus Überplanerträgen höhere Anteile für Prämien, zum Bau von Wohnhäusern und für andere zusätzliche Leistungen für die Beschäftigten zur Verfügung.

Die direkten Steuern der Bevölkerung spielen mit 5,5 Mrd. Rubel gegenüber der indirekten Besteuerung keine große Rolle. Die Einkommen- und Lohnsteuern sind heute für den Sowjetstaat nicht mehr lebensnotwendig. Es fällt der sowjetischen Regierung daher nicht schwer, auf diese Einnahmen im Laufe der nächsten Jahre zu verzichten, zumal ihr Abbau sehr allmählich erfolgt. Die ab 1. Oktober 1960 verfügte Aufhebung der Lohnsteuer für Einkommen bis 50 (neue) Rubel monatlich und die 40 prozentige Senkung der Lohnsteuer für Einkommensbezieher bis 60 (neue) Rubel hat für die gesamte Kaufkraft der Haushaltungen kaum Bedeutung, und für den öffentlichen Haushalt ist die geplante Abnahme des Einnahmepostens "Steuern von der Bevölkerung" um 0,2 Mrd. Rubel ebenfalls völlig belanglos. Der ursprüngliche, außerfiskalische Zweck der direkten Besteuerung zeigt sich noch darin, daß die Landwirtschaftssteuer auf Einkünfte aus dem privaten



DER STAATSHAUSHALT DER UDSSR

	1959 Plan	1959 Erfüllung <sup>1</sup>	1960 <sup>2</sup> Plan	1961 <sup>3</sup> Plan
Werte in Mrd. Rubel				
<u>Einnahmen</u>				
Umsatzsteuer	33,3	31,07	31,7	32,5
Gewinnabführung	15,49	15,96	20,3	20,5
Steuern von der Bevölke- rung	5,60	5,52	5,72	5,5
Staatsanleihen	0,92	1,49	1,10	1,4
dar.: Gezeichnete Anlei- hen	0,20	0,16	0,26	0,5
Von Sparkassen er- worben	0,72	1,33	0,84	0,9
Steuerabführungen der Ge- nossenschaften, Kolchosen sowie Steuern von "Nicht- warenoperationen"	1,96	1,90	2,13	19,1
Sozialversicherungsbei- träge	14,91	3,63	16,34	
Sonstige Einnahmen		14,26 <sup>4</sup>		
Einnahmen der MTS bzw. RTS	0,15	0,18	-	-
Insgesamt	72,34	74,01	77,3	79,0
<u>Ausgaben</u>				
"Soziale Wirtschaft"	30,89	32,37	32,85	33,9
Soziale und kulturelle Zwecke	23,22	23,12	24,78	27,1 <sup>5</sup>
Verteidigung	9,61	9,37	9,61	9,3 <sup>5</sup>
Verwaltung	1,15	1,12 <sup>4</sup>	1,11	1,1
Sonstige Ausgaben	5,89	4,42 <sup>4</sup>	6,23	6,2
Insgesamt	70,76	70,40	74,58	77,6
Einnahmen Überschuss	1,57	3,62	2,72	1,4
Anteil in vH				
<u>Einnahmen</u>				
Umsatzsteuer	46,0	42,0	41,0	41,1
Gewinnabführung	21,4	21,6	26,3	25,9
Steuern von der Bevölkerung	7,7	7,5	7,4	7,0
Staatsanleihen	1,3	2,0	1,4	1,7
Einnahmen der MTS bzw. RTS	0,2	0,2	-	-

	Plan	1959 Erfüllllung	1960 Plan	1961 Plan
Steuerauführungen der Genossenschaften, Kolchosen, sowie Steuern von "Nicht- warenoperationen"	2,7	2.6	2,8	} 24,2
Sozialversicherungs- beiträge	} 20,7	4,9	} 21,1	
Sonstige Einnahmen		19,3		

Ausgaben

"Sozialistische Wirt- schaft"	43,7	46,0	44,0	43,7
Soziale und kulturelle Zwecke	32,8	32,8	33,2	34,9
Verteidigung	13,6	13,3	12,9	12,0
Verwaltung	1,6	1,6	1,5	1,4
Sonstige Ausgaben	8,3	6,3	8,4	8,0

<sup>1</sup>Narodnoje Chosjajstwo SSSR w 1959, Moskau, 1960, S. 800.

<sup>2</sup>Iswestija v. 28, und 31.10.59.

<sup>3</sup>Iswestija v. 21.12.60.

<sup>4</sup>Als Restgröße errechnet

<sup>5</sup>Zuzügl. der Erhöhung um 3,1 Mrd. Rubel; vgl. Iswestija v. 9.7.1961.



Hofland der Kolchosbauern vorerst beibehalten werden soll, "da sie eine bestimmte Rolle bei der Festigung der Arbeitsdisziplin in den Kollektivwirtschaften und bei der Regelung der Einkünfte der Kolchosbauern aus der persönlichen Nebenwirtschaft spielt."

Von den Einnahmen aus Anleihen entfallen 0,5 Mrd. Rubel auf die inneren staatlichen Gewinn- und Lotterieranleihen, die an Stelle einer laufenden Verzinsung einen Sach- bzw. Geldgewinn vorsehen, der Rest von 0,9 Mrd. Rubel soll von der Sparkassen gezeichnet werden. Auf die Weise fließen seit Jahren die freiwilligen Ersparnisse der Bevölkerung dem Staatshaushalt zu.

Einnahmen aus den von den staatlichen Betrieben getragenen Sozialversicherungsbeiträgen können in Höhe von 3,8 Mrd. Rubel bzw. von fast 5 vH der Gesamteinnahmen geschätzt werden. In den Sonstigen Einnahmen - die nach wie vor nicht spezifiziert werden - sind Einnahmen der "Reparatur-Technischen Stationen" (RTS), Einkommensteuern der Genossenschaften und Kolchosen, Steuern auf Dienstleistungen, Forsteinnahmen und Einkünfte aus Gebühren und Zöllen enthalten.

#### Die Haushaltsausgaben

Wie bei den Einnahmen spielen auch bei den Haushaltsausgaben zwei Positionen eine überragende Rolle: die Ausgaben für die "sozialistische Wirtschaft"<sup>3</sup> und die Aufwendungen für kulturelle und soziale Zwecke.

An den auf 77,6 Mrd. Rubel veranschlagten Gesamtausgaben für die Volkswirtschaft einen Anteil von 44 vH. Ausgaben in dieser Höhe sieht der Staat als erforderlich an, um die von ihm erstrebte Wachstumsrate des Sozialprodukts sicherzustellen.

#### Die Finanzierung der Volkswirtschaft aus dem Staatshaushalt

Bereich	1960		1961	
	Mrd. Rbl.	vH	Mrd. Rbl.	vH
Industrie	15,6	50,3	16,1	47,5
Landwirtschaft	3,3	10,6	4,2	12,4
Kommunalwirtschaft	3,1	10,0	3,6	10,6
Transport u. Fernmeldewes.)	9,0	29,0	10,0	29,5
Handel und Beschaffung				
Sonstige Zweige				
"Sozialistische Wirtsch." ges.	31,0 <sup>1</sup>	100	33,9 <sup>1</sup>	100

<sup>1</sup> Darunter für Investitionen 1960: 18,1 Mrd.; 1961: 19,5 Mrd.

<sup>3</sup> Im Falle der UdSSR mit der gesamten Wirtschaft so gut wie identisch.

Der Anteil der Industrie geht gegenüber 1960, wo er über 50 vH ausmachte, merklich zurück.<sup>4</sup> Die Landwirtschaft dagegen erhält in diesem Jahr wesentlich mehr als im Vorjahr. Als Grund hierfür sind nicht nur die unbefriedigenden letzten Ernteergebnisse, sondern vor allem die allgemeinen Richtlinien der neuen sowjetischen Wirtschaftspolitik anzusehen, die der Landwirtschaft eine größere Bedeutung zumißt als bisher. So sind für 1961 zur "Festigung der finanziellen Standes der Kolchosen" Kreditgewährungen, -stundungen und -verbilligungen, Steuervergünstigungen und Preissenkungen vorgesehen. Aus Eigenmitteln der Kolchosen sollen zusätzlich 4,6 Mrd. Rubel aufgebracht werden. Mit ihrer Hilfe werden wichtige Investitionen - Straßen und Schulbau, Elektrifizierung und Bau von Produktionsbetrieben (im Rahmen der Interkolchosorganisationen) - beschleunigt.

Über die im Haushalt geplanten Aufwendungen vom 33,9 Mrd. Rubel hinaus sind im Volkswirtschaftsplan noch eigene Aufwendung der Betriebe und Wirtschaftsorganisationen in Höhe vom 22,5 Mrd. Rubel vorgesehen, so daß für die Volkswirtschaft im Jahre 1961 insgesamt 56,4 Mrd. Rubel gegenüber 52,3 Mrd. Rubel im Jahre 1960 und 48,4 Mrd. Rubel im Jahre 1959 zur Verfügung stehen. Für Investitionszwecke werden von diesen Gesamtaufwendungen für die "sozialistische Wirtschaft" im Jahre 1961 rund 29 Mrd. Rubel, d.h. also über die Hälfte, verwandt. Ein Drittel hiervon müssen die staatlichen Betriebe selbst finanzieren, denn 19,5 Mrd. Rubel sollen aus dem Staatshaushalt bereitgestellt werden.

Die Investitionssteigerungen im einzelnen sind wiederum sehr unterschiedlich. Außer der einzigen, immer wiederholten allgemeinen Angabe, daß der Hauptteil der Investitionen in der Schwerindustrie vorgenommen wird, sind nur die Investitionszuwachsraten der Industriezweige bekanntgegeben worden, die besonders stark gegenüber 1960 gesteigert werden sollen.

#### Geplante Investitionszunahme 1960/61

in vH

Chemische Industrie.....	42
Maschinenbau.....	40
Eisen- und Stahlmetallurgie.....	31
Kraftwerks- und Netzbau.....	25
Erdöl und Gasindustrie.....	16
Leichtindustrie.....	54

"Sozialistische Wirtschaft", gesamt.....12,6

Die bemerkenswerte Zuwachsrate der geplanten Investitionsmittel für die Leichtindustrie macht die Bemühungen sichtbar, die nach wie vor relativ niedrige Kapazität der Verbrauchsgüterindustrien zu erhöhen. Chruschtschow selbst hat in der jüngsten Zeit wiederholt diese Fragen angeschnitten wobei er

<sup>4</sup>Wie auch in anderen Punkten ist hier die Interpretation der Entwicklungstendenz davon abhängig, ob man sich dafür entschließt, die vom Finanzminister (Garbusow, a.a.O.) für 1960 angeführten Daten als planentscheidende und -beinflussende anzusehen. Es ist z.B. unklar, ob sie als - aus optischen oder sonstigen Gründen - ex post revidierte Planzahlen oder als vorläufige Erfüllungszahlen angeführt sind.



darauf hinwies, daß damit noch keineswegs nunmehr die Leichtindustrie bevorzugt werden würde. Tatsächlich tritt die sowjetische Industrie in eine Phase der Entwicklung ein, in der ein gleichmäßiges Kapazitätswachstum der Schwer- und Leichtindustrie zweckmäßig, ja notwendig ist, um ein insgesamt rasches Wachstum zu garantieren.

Die Ausgaben für soziale und kulturelle Zwecke sind stetig und gegenüber den Gesamtausgaben im letzten Jahrzehnt sogar überproportional gewachsen und sollen 1961 35 vH der gesamten Ausgaben in Anspruch nehmen. Im einzelnen sind vorgesehen (in Mrd. Rubel) für:

Volksbildung, Wissenschaft und Kultur.....	11,3
Gesundheitswesen und Körperkultur.....	5,2
Staatliche Sozialversicherung und Sozialfürsorge.....	10,6

Über die wirkliche Höhe der Verteidigungsausgaben sind schon viele Vermutungen angestellt worden. Als sicher darf angenommen werden, daß über die für 1961 angegebenen 9,3 Mrd. Rubel hinaus noch zusätzliche Aufwendungen in anderen Etatposten enthalten sind. Dazu kommen nach Chruschtschows Ankündigung vom 8. Juli 1961 weitere 3,1 Mrd. Rubel, die in dem hier analysierten Haushaltsplan nicht enthalten sind. Wie diese zusätzlichen Rüstungskosten finanziert werden sollen, ist noch nicht zu übersehen.

Der Restposten nicht erläutelter sonstiger Ausgaben ist gegenüber 1960 mit 6,2 Mrd. Rubel konstant geblieben. Diese 8 vH aller Ausgaben entziehen sich bis auf den in ihnen enthaltenen Reservefonds des Ministerrats der Union und der Ministerräte der Unionsrepubliken in Höhe von 2,8 Mrd. Rubel, die für Schwerpunkt- und Sonderaufgaben eingesetzt werden, jeglicher exakten Deutung.

Der im sowjetischen Staatshaushalt regelmäßig eingeplante Einnahmenüberschuß soll im Jahre 1961 1,4 Mrd. Rubel betragen. Er dient ebenfalls als zusätzlicher Finanzierungsfonds unerwarteter oder dringlicher Ausgaben und kann z.B. für die neuerdings erhöhten Verteidigungsausgaben verwendet werden. Da diese zusätzlichen Lasten um 1,7 Mrd. Rubel höher sind als der eingeplante Einnahmenüberschuß, ist es durchaus möglich, daß der sowjetische Staatshaushalt 1961 mit einem tatsächlichen Defizit abschließt.

KARL MARX AND SOVIET NATIONAL INCOME THEORY

By Vaclav Holesovsky  
The American Economic Review  
June 1961

The Soviet concept of national income as an aggregate of net material output excluding most services has been adopted, with minor modifications, by all countries of the Soviet bloc and by Yugoslavia (40). In the West it has been examined by a number of economists and found inadequate on several counts: it is a poor measure of a country's productive activity and an even poorer indicator of its economic well-being; it is insufficient even as a tool for economic planning; and, it fails to give a complete account of a country's economic structure, and it is not a reliable index of its economic development in time (9) (25) (33) (37) (39).

In discussions of the Soviet concept it has become customary to refer to it as Marxist. Under prevailing circumstances, this is more than just a convenient label; it expresses a tacit acceptance of Soviet claims concerning the origin of the concept. On occasion, this acceptance becomes explicit. Paul Studenski, for example, who took the trouble to collate Soviet ideas with some of the relevant pages in Marx's writings, and who noted certain discrepancies, concluded that the theory evolved by Soviet economists could, after all, be traced to Marx (37), pp. 199-201) (38, pp. 22-23). It is the purpose of this paper to show that this presumed doctrinal lineage is not clear and that, on the contrary, those Soviet economists who in the past advocated broader national income concepts could with some justification point to antecedents in Marx. There is a good deal less conflict between Marx's writings and the Western concept of national income than there is between Marx and the Soviet theories on the subject.

Of all the controversial aspects of Soviet national income accounting we shall be concerned with only the extent of the area of economic activity to be covered by the national income and product aggregates. In this respect, the Soviet theoretical framework can be reduced to the following set of propositions:

1. The only scientifically correct delimitation of national income is given by material output.

2. Material output, as well as the income originating in its production, is the result of productive labor; it is "primary" in the sense of providing the basic prerequisite for the supply of services which represent the nonmaterial result of unproductive labor.

3. Including services and the corresponding "derived" income in the national income aggregate would constitute double counting. The exclusion of services, however, does not neces-



sarily imply a denial of their social usefulness or necessity (3) (5) (8, pp. 240-43, 686-87) (10) (11, pp. 263-64) (12, pp. 134-51, 253-91) (22) (27) (28).

In the following discussion, we shall be concerned with the doctrinal consistency between Marx's writings and this set of propositions, rather than with the substance of the arguments themselves.

## I. Confrontation of the Soviet Theory with Marx

In order to answer the question of doctrinal consistency a confrontation limited to one or two decisive points would probably be sufficient. However, since there is some interest in the general aspect of the matter -- i.e., the treatment of Marxian thought in the USSR -- we have preferred an exhaustive point-by-point confrontation (Section A). After this we shall take up several subsidiary topics in Marx, also relevant to the problem of national income and product coverage, whose fate in Soviet economic literature deserves a separate note (Section B).

### A. Point-by-Point Confrontation

1. "National income originates in material output only." Possibly the only place where Marx used the expression "national income" reads: "Viewing the income of the whole society, the national income consists of wages plus profit plus rent..." (17, Vol. III, p. 979). It can be readily shown that the "national income" in this passage is much broader in scope than the Soviet concept.

The passage refers to aggregate social income on the assumption that capitalist production is coextensive with the whole of society's production. The entire discussion of the theory of capitalist reproduction is in terms of a model of pure capitalism, with noncapitalist production excluded. This assumption, which was maintained by Marx throughout his exposition, is stated explicitly in a footnote at the start of the first round of his analysis of capitalist reproduction, as follows:

In order to examine the object of our investigation in its integrity, free from all disturbing subsidiary circumstances, we must treat the whole world as one nation, and assume that capitalist production is everywhere established and has possessed itself of every branch of industry (17, Vol. I, p. 636).

Now, in contrast to our modern usage, Marx often used the term "industry" in a comprehensive sense, so that it covered agriculture, and also services; elsewhere in Capital the question of the inclusion of services is settled without possible doubt. Analyzing the production of value and surplus value in what amounts to the sector of capitalist services Marx writes:

...There are certain independent branches of industry, in which the result of the productive process is not a new material product, not a commodity. Among these, only the industries representing communication, such as transportation proper for commodities and human beings, and the transmission of communications, letters, telegrams, etc., are economically important (17, Vol. II, p. 61).

It is obvious that communications, including transportation, were singled out from among the services only because of their volume, while other, smaller branches of services, e.g., entertainment or instruction, are subsumed under the general category.

As for output which lies outside the capitalist mode of production, it was excluded from Marx's abstract model by definition. The further question therefore is: Had Marx treated the concrete, statistical problem of total national income, would he have counted noncapitalist production of services? There is no reason to believe that he would have left those out as a category, since in his all-capitalist model he included services as a matter of course.

2. "Material output is output of productive labor." Can it be demonstrated that Marx thought of productive labor as producing only material objects, unproductive labor only services? In Marx's principal writings there are only a few incidental references to what is known as his productive-labor theory, and nowhere else did he give a finished exposition of it. What exists is only some raw material for such a theory, to a large extent in the shape of reading notes, not intended for publication by Marx, but edited and published posthumously by Karl Kautsky in a volume entitled Theories of Surplus Value (Title of the American edition: A History of Economic Theories) (16). Given the sketchy and casual character of Marx's manuscript, the core of his notes on the productive-labor theory is remarkably unequivocal. In short, according to Marx's critical analysis of Adam Smith's theory, which serves him as a springboard for his discussion, the difference between productive and unproductive labor has nothing to do with the difference between material and nonmaterial output of labor: "The concrete character of the labor, and therefore of its product, do not, as such, play any part in this division of labor into productive and unproductive" (16, p. 200).

Unfortunately, Marx used the expressions "productive" and "unproductive" in a number of senses among which he did not always differentiate with sufficient clarity. In this section, we shall be concerned with the more explicit definitions which lead to the formulation of what can be considered Marx's specific theory of productive labor. Those meanings which must be isolated by means of a certain amount of exegesis will be discussed in Section B.

(a) Marx speaks of productive labor in the simple sense of labor producing use values; he does so in his analysis of the "simple work process" in which abstraction is made of the



social mode of production (17, Vol. I, p. 201 n.). (b) Further, labor may be considered as productive from the point of view of the man for whom it is a source of his means of existence; or from the point of view of a particular capitalist for whom it is a source of profit; at the same time the activity in question may be unproductive on another level of the word's meaning, as for instance in the case of a professional criminal, or in trade<sup>1</sup> (16, pp. 302-3) (17, Vol. III, p. 356). (c) From another point of view, labor is "absolutely" productive in so far as it provides the laborer with sufficient means of subsistence, not more, not less (16, pp. 194-95). (d) Under certain conditions labor become "relatively" productive; in this definition the quantitative relations come to the fore: "In addition to the old value which he replaces, the laborer creates a new value; more labor time is realized in his product than in the products which keep him alive and fit to work" (16, p. 195). (e) Finally, "productive labor in the capitalist sense of the term," resting upon the "relative" productivity of labor, adds to its purely quantitative determination the further characteristic of the social mode of production: the excess above the means of subsistence of the laborer is produced in the form of surplus value. It is this last meaning of the word which is further elaborated in what is usually termed the productive-labor theory of Marx.

For classical and preclassical economists this problem of productiveness -- which lost its meaning for economic theories prevailing today -- was tied to the development of the labor theory of value. While Mercantilists recognized productiveness in foreign trade as bringing in gold through a positive balance of trade, and Physiocrats found in it agriculture, Adam Smith recognized productiveness in the production of material commodities in general. So far the criteria of productiveness were in terms of some concrete class of output. But behind Smith's definition of productive labor Marx perceived the existence of a purely formal definition in terms of economic value and surplus value; according to it Adam Smith "should have regarded as alone productive that labor which exchanges with capital" (16, p. 215). Marx undertook to separate the two Smithian definitions and made the formal one his own.

Marx gave several variants of this definition. One variant turns on the nature of the source from which the wages of the two sorts of labor are paid. Wages of productive labor are paid from capital, i.e., working capital; wages of unproductive labor are paid from revenues, i.e., from disposable personal income and taxes. Another variant rests on the immediate destination of the results of the hired labor's work. Productive labor produces an exchange value for the capitalist -- be it a material object or a service -- and the capitalist sells it further at a profit; it becomes use value only when consumed by the final user. Unproductive labor furnishes the use value immediately to the final user. Whatever the variant, Marx repeatedly insists that the categories productive-unproductive are "unrelated

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<sup>1</sup> For the discussion of trade viewed as unproductive activity see below in Section B.

to the particular specialization of the labor or to the use value in which this specialization is realized" (16, p. 201). Marx adduces a great many picturesque and even grotesque examples, in order to emphasize the point that productive labor may be supplying services as well as commodities, while unproductive labor may be objectivized in commodities as well as be confined to activity only. For example, a tailor in the garment industry and a clown working for a capitalist circus firm are both productive, i.e., productive of value and surplus value. A tailor making a suit for a private individual, and an itinerant streetsinger are both unproductive, i.e., supplying only use values for immediate consumption (16, pp. 199, 200, 319-20).

Marx's productive-labor theory is merely an elaboration of one facet of his general theory of value in the capitalist system; it does not add anything essential to it. Marx develops the basic dualism between production-for-the-sake-of-surplus-value and production-for-the-sake-of-consumption by pointing up the dualism between productive and unproductive labor -- a dualism dissimulated by the formally undistinguishable acts of hiring labor. The productive-labor theory was never meant to be the basis of a national income definition.

Now, since Marx makes a point of rejecting materiality as the criterion of productiveness, the question that naturally comes to mind is this: How can his theory possibly be used in support of the Soviet theory for which materiality becomes the only criterion of productiveness? Further: What was the use of a theory of capitalist relations to a system that all economists concerned regarded as noncapitalist, or at least transitional? The answer is that Marx's theory could not be used as it stood. The needed support for Soviet national income theory had to be read into it first.

When the Soviet theory started to evolve, in the late 1920's, A. I. Petrov and R. E. Vaisberg, two proponents of the material-output concept, developed each his own approach. Petrov (29) argued that Marx's productive-labor theory, correct with respect to capitalist profit-making, was indeed inapplicable to the Soviet system -- except for the idea, in Petrov's view commonly shared by Marx and Smith, that only labor producing material things produces "value," while labor in the form of services produces only use value (29, pp. 115-16). And since, according to Petrov, social production is to be defined as production of value, it follows for him that only material output should constitute its content.

Petrov was of course aware that, in Marxist theory, the production of value could refer only to the production of exchange values. What, then, would be his treatment of material output which does not take the form of marketed exchange values, but exists as immediate use value outside the market, as in the case of farmers' consumption in kind, or -- at least in theory



in the case of the output of socialized enterprises?<sup>2</sup> In such instances Petrov simply applied ordinary valuation in money terms, by analogy with the output of commodities.

The flaw in Petrov's attribution of the material-output concept to Marx lies in his imputing to Marx the idea that value can be embodied only in material objects. The conclusion to be drawn from Marx's theory of productive labor war, as we have seen, the exact opposite. Petrov was on equally shaky ground when he took for granted, as axiomatic, that the content of the social product should be the output of value (in the Marxian sense) - a thesis which he himself discarded as he took account of material output produced outside the sphere of marketed commodities.

As for R.E. Vaisberg, his approach was much less pedestrian (41). He tied his material-output concept to the first principles of Marx's Geschichtsphilosophie exemplified in the sentence: "The mode of production of material life determines the process of social, political, and intellectual life in general" (18, p. 5.) This approach saved Vaisberg much struggling with Marx's economic writings but it made him treat "production of material life" as synonymous with "material output".

In the one place where Vaisberg did turn to Marx's economics for support he resorted to a misrepresentation. The quotation, if taken out of Marx's context, actually seems to support Soviet productive labor theorists:

...It can be said, the characteristic of productive laborers, of laborers producing capital, is that their labor realizes itself in commodities, in material wealth. We have thus found a second (,) subsidiary characteristic of productive labor distinct from its determining characteristic (which is) absolutely independent of the content of labor (16, p. 326).

The misrepresentation consists in Vaisberg's failure to mention the hypotheses which introduce the statement quoted, and which limit its practical validity. The stated assumption is that the capital mode of production embraces all material output. The unstated complementary assumption is that all services are supplied on a non-capitalist basis, i.e., by the self-employed (cf. also 16, p. 202). Without this double assumption the "subsidiary characteristic" is deprived of its basis.

It would seem that Marx played here with the possibility of saving Smith's concrete definition of productive labor, as that which produces material commodities, by subordinating it to the principal, formal definition. In the immediately following text (16, pp. 327-28) Marx tested the realism of this theoretical construction; to make it applicable, he suggested that capitalist production of services (private schools, entertainment business, etc.) be disregarded as quantitatively insignificant, and that services of the transportation industry be considered as "material production". At any rate, in his principal work Marx found no use

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<sup>2</sup> At the time of these writings Petrov was still more than two decades away from Stalin's edict on the "production of commodities under socialism."

for this subsidiary characteristic and its corollary assumptions; as we have seen, in principle, he did not disregard capitalist services even though he considered them too minute to warrant extensive treatment in his model, which was perhaps understandable at the time of his writing; finally, he did not oppose transportation, as belonging to material production, to other services (17, Vol. II, p. 61 ff.) (See also subsection 1 of this section, above.)

Neither Vaisberg's nor Petrov's original approach was incorporated into the final version of the Soviet theory. It is not clear why they were abandoned. If it was because of their awkwardness, the accepted solution seems hardly to constitute an improvement.

In its final version, the Soviet theory asserts that productive labor is that which produces the material basis indispensable to the existence of mankind and therefore also to the existence of services. Underneath Marx's concept of productive labor "in the capitalist sense", and independent of it - so goes the argument - there is a more general theory of productive labor, common to all past and future economic systems. Productive labor in this general sense is labor transforming and adapting nature to suit human needs, and resulting in material products. The question is whether Marx ever bothered to build an entire theory of productiveness on a platitude such as primum vivere. Or whether he would have subscribed to an absurdity such as equating the bulk of material products with necessities, and the bulk of services with expandable luxuries.

Soviet economists have been assigning great importance to two passages which apparently lend credence to their contention. One of these states: "...Productive laborers create the material base for the maintenance, and therefore the existence, of the unproductive laborers" (16, p. 228). But in the passage in which this sentence occurs the criterion of productiveness still remains the hiring of labor by capital, not the production of material means of existence. The overwhelming concentration of material output in the capitalist sector, and the small proportion of services in it, were, for Marx, only an incidental matter, a tendency, entirely due to technical causes (16, pp. 228, 326). The other quote deals with the relationship between changes in output per worker and the amount of time available for activities other than the production of means of subsistence, to wit:

Suppose that as a result of the productivity of industry, one third of the population, instead of two thirds, participates directly in material production. Instead of two thirds, it is now one third which furnishes means of subsistence for the whole population. The net revenue, as distinct from the revenue of the laborers, is no longer one third but two thirds. Without going into the question of the opposition of classes, the nation would now dispose not of one third but of two thirds of its time for immaterial productions. Equally divided, the three thirds would have more time for unproductive labor and for pleasure (16, p. 247).



In this statement, there is an indubitable assimilation of "means of subsistence" to "material production", and of "unproductive labor" to immaterial production." How significant is this obvious oversimplification? In the form given here, it certainly contradicts those sections of Marx's theory which deal with the matter in greater detail. In Capital Marx discusses at length the subdivision of consumer goods into necessities and luxuries (17, Vol. II, p. 466 ff.); elsewhere in the Theories Marx shows that he is well aware that necessities and luxuries are to be found among material commodities as well as among services (16, pp. 322- 23). It would therefore seem appropriate to dismiss the passage as a lapse or a rough outline of an idea.<sup>3</sup>

Another group of references to Marx that one encounters in Soviet writings seem equally inconsequential. They concern Marx's definition of production as "appropriation of nature by man within and through a certain determined social form" (18, p. 312) or his description of the work process in terms of action exercised with the help of tools upon a work object (17 Vol. I, pp. 197-204). None of these references prove what they are supposed to. The manuscript from which the first of the two quotes is taken limits its subject to the introductory sentence to "first of all material production", allowing for the existence of non-material production, and therefore productiveness, besides (18, p. 305). It is true that Marx often wrote of work as action of man upon nature but he did not oppose this work to services rendered by man to other people, or make this aspect into a distinguishing feature of productiveness.

As for the description of the work process in terms of activity - instrument - object Marx's purpose was not to establish a criterion of productive work as compared to non-productive but merely to analyze the labor process into its "simple elementary factors" (17, Vol. I, p. 204). Also, when it comes to concrete types of work the results of which do not manifest some of the simple elementary factors, e.g., a separate work object, as in the case of transportation and other services, Marx simply notes the fact without therefore banning them from the sphere of production.

<sup>3</sup>Let us once more recall at this point the character of the text from which the last quotation is taken. Unlike most parts of Capital, the Theories, and especially the various notes on productive and unproductive labor, represent less than a first draft; they are mere sketches and observations, prompted by Marx's reading of various economic works, and put down as they occurred to him. Often a paraphrase of an author merges into Marx's own comment or the focus of comments shifts from one reading session to the next. To use such a text fruitfully it is imperative first to distill from it a coherent theoretical structure and to bracket out inconsistencies. The scholastic approach, practiced as a rule by Soviet economists, is to attach equal weight to each single word and phrase and to let inconsistencies coexist unadmitted and unresolved. It is our view that, in the instance quoted above, Soviet theory naïvely invokes a passage which, in its given wording, would have to be eliminated from any critical reconstruction of Marx's theory.

However, no type of theory of productive labor would matter for the definition of national income if it were not for the implication that incomes of unproductive laborers are "derived" incomes in the sense of redistributed incomes, i.e., transfers.

3. "Incomes of services amount to transfers". To say that "primary" incomes originating in material production are redistributed, therefore duplicated, in the form of incomes of persons active in services seems to imply that services give nothing in exchange to those who buy them or provide for them through taxes. This extreme interpretation was literally made by the pro-Soviet French economist Jean Bénard (4). Since Soviet economists admit the usefulness and even the necessity of services, it is more appropriate to say that for them services do not seem accessible to economic measurement in value terms. In a strictly economic valuation they do not count. In an analogous way an act of courage or winning in a lottery, or any other "merit" for which a person receives a pecuniary reward, does not come under the category of economic value, which is exactly what makes the income received on such a basis a transfer. Does this correspond with Marx's view of the matter?

The relation between incomes originating in capitalist production and those originating outside of it is touched upon in Capital when Marx happened to characterize the latter incomes literally as "derived" (abgeleitet):

All members of society not directly engaged in reproduction, with or without labor, can obtain their share of annual product of commodities - in other words, their articles of consumption - primarily only out of the hands of those classes who are the first to handle the product, that is to say, productive laborers, industrial capitalists, and real estate owners. To that extent their revenues are substantially derived from wages (of the productive laborers,) profit, and ground rent, and appear as indirect derivations when compared to these primary sources of revenue. But, on the other hand, the recipients of these revenues, thus indirectly derived, draw them by grace of their social function, for instance, that of a king, priest, professor, prostitute, soldier, etc. and they may regard these functions as the primary sources of their revenue (17; Vol. II, p. 429.)

The purpose of this passage is to trace the flow of personal incomes originating in the capitalist sector, and the corresponding process through which the consumable part of capitalist output partly returns to those who participated in its production within the sector, partly finds its way into the non-capitalist sphere. In a somewhat similar passage in Theories Marx develops the idea that the market for noncapitalist services is limited by that part of personal incomes originating in the capitalist sector which their recipients decide to spend on those services. From this it follows that "the labor performed by professors and doctors do not directly create the funds out of which they are paid" (16, p. 208).



To rephrase this train of thought, spending of revenues earned in the capitalist sphere for capitalist output forms part of the circular movement of capital (money-capital - purchases of inputs - production process - sales of output to the original sellers of inputs - money capital); spending of these revenues for noncapitalist output represents a momentary leakage from this circular movement which is restored again when the noncapitalist income recipients spend their revenue on capitalist output. These "detour transactions" between the non-capitalist and the capitalist sectors are purely bilateral exchanges and do not generate any circular movement of their own that would be analogous to the circulation of capital; if we disregard transactions within the sector of non-capitalist services, their suppliers cannot be customers buying their own products.

Now, in order to be justified in interpreting these passages, and specifically the word "derived", to mean that there is double-counting, one would have to show that Marx had denied any exchange value to the labor force offering the various "social functions". But the passages quoted are not conclusive to this end because in these passages the economic aspects of these functions are not under consideration.

Wherever Marx did analyze the economic aspects of noncapitalist services he left little doubt that he understood the purchase of services as an exchange, economic in nature, which in the pure case was always an exchange of value equivalents, in other words, the very opposite of transfers. He writes: "The laborer himself can purchase labor, that is to say he can buy commodities in the form of services. If he thus spends his wages for their equivalent in services, it is as though he had spent it on commodities of any description" (16, p. 322). And several sentences later:

These services, like the commodities I buy, can be necessary, or at least can seem so, like those of a soldier, a doctor, a lawyer, or may simply give me pleasure; this in no way changes their economic character...The services might even be imposed services, like those of functionaries and the like (16, p. 323,; my italics).

What is true for an individual act of exchange is also true in the aggregate:

Alongside consumption goods existing in the form of commodities, there is always a quantity of consumable items in the shape of consumable services. The total value of the consumption items is, at all times, greater than would be the case if these consumable items did not exist. It is equal in fact, to the value of the commodities paid for these services themselves. As in all exchanges between commodity and commodity, value is given for value received (16, p. 209).

Although Marx may at times have tended to reserve the term commodities for material output (16, p. 210), the preceding quotes show convincingly that he viewed the output of services - commodities which "consist of labor power alone" (16, p. 202) - as an economic good in its own right. The interpretation of his "derived" incomes as transfers is thereby positively refuted.

If one examines closely all of Marx's statements concerning services, one notes a certain wavering between the two kinds of formulations. Most often, the argument is conducted in terms of the conventional antinomy, "commodities" versus "services". At other times, however, Marx returns to his own conceptual system and terminology. According to the latter, service in the broad sense is nothing but the use value of a commodity, and "service" in the specific sense is the use value of one particular commodity, i.e., of labor power (16, pp. 321-22). Use values, being purely qualitative, cannot be added together with the exchange values of commodities; an aggregate composed of services and material commodities, therefore, in strict Marxian terms, has no meaning. Services as such cannot be, properly speaking, the object of trade. In the so-called "purchase of services" one actually buys (i.e., hires) the commodity labor power while the enjoyment of its "service" constitutes the consumption of what is its use value.

On the other hand, there is a definite meaning to an aggregate made up of material commodities and of the commodity labor power supplying its activity, its labor, as a "service"; in this aggregation both groups of commodities are measured in terms of their exchange values, this being their common denominator. Since, in the Marxian system, the study of use values as such falls outside the scope of economic science (17, Vol. I, p. 42), Marx's exposition should be properly recast in terms of transactions involving only commodities, including labor power supplying services for final use. Part of the difficulties of Marx's interpreters may be due to this shuttling between formulations. Had Marx throughout adhered strictly to his own terminology, the exchange-value aspect of what is commonly called "services", as well as the spuriousness of the duplication problem in the counting of their incomes, would be clearly apparent.

#### B. Secondary Elements of a National Income Theory in Marx

In trying to further clarify his thinking on the problem of productive and unproductive labor, Marx engaged in an intellectual duel with post-Smithian writers such as Say, Gailh, Rossi, etc., and in the heat of battle he veered off into the problem of social overhead cost, without spelling out its relation to the productive-labor theory developed on the basis of the work of Adam Smith. While social overhead cost certainly is a problem relevant to the definition of national income, it removes the question of productive and unproductive labor to yet another plane of discussion. In these polemics Marx used the word "productive" for labor creating use values bringing positive welfare satisfactions, whether in the intermediate shape of means of production or final consumption goods; and he reserved the word "productive" for labor creating use values bringing positive welfare satisfactions, whether in the intermediate shape of means of production or of final consumption goods; and he reserved the word "unproductive" for labor fulfilling functions that seem to fit under a broad concept of social overhead cost. By these he understood functions the performance of which does not add to the social product (defined in what we shall call, for want of better expression, a positive welfare sense) but the omission of which would actually or potentially add to social dis-



comfort. A characteristic quotation: "The soldier enters into the incidental costs of production, just as many other unproductive laborers who furnish no product, either intellectual or material, are useful and necessary because of the defective organization of society"<sup>4</sup> (16, p. 296).

At the same time Marx was aware of the distinction between social overhead functions and the services of "the other unproductive laborers...whose labor one buys to enjoy as an article of consumption at one's free disposal" (16, p. 297). This distinction might possibly serve as a useful criterion in the problems of coverage of a positive welfare concept of national income. We shall see shortly how it was used by Abolin, one of the Soviet economists writing in the 1920's.

Another secondary problem which came up in Marx's polemics concerns the question of services which, though a source of income to their suppliers, are difficult to accept as additions to the income of society (e.g., the services of prostitutes or hired murderers). Marx did not explicitly formulate his criteria for the exclusion of such activities, nor did he make clear whether his reasons were economic or ethical.

None of these issues has been singled out as a special problem in the Soviet literature. Marx's subsidiary discussions are used, in a hodge-podge of arguments, in support of the official theory. All services are tacitly ~~and~~ assimilated to social overhead cost, and the desirability of reducing their volume is invariably mentioned. Bureaucracy and administration are usually cited as examples, while the services "one buys to enjoy as an article of consumption" are conveniently ignored (8, pp. 686-687).

Marx's vague concept of "social overhead cost" harks back to his concept of unproductive functions in the production and circulation process of capital. Just as the soldier and judge add no product to the national welfare dividend, except indirectly by saving the productive laborer the trouble of having to spend time on these unproductive functions himself and thereby increasing his product and even productivity (16, pp. 306-7), in the same way the shop supervisor, the bookkeeper, the sales agent and the capitalist as capitalist - while necessary to the functioning of capital - do not create any value. The use value or service which they supply and for which they are hired by the capitalist, consists in helping to move the produced value from the production sphere through the circulation sphere to the point where it enters consumption, without their being capable of creating any of that

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<sup>4</sup>This problem is also the subject of Marx's satirical sally on the "productiveness" of the criminal who causes an increase in national wealth by producing the entire organization of the police and of criminal justice, instruments of torture, textbooks on criminal law, inventions in the locksmith's trade and in detection techniques, etc. In this passage he touches upon the question of whether some part of the material output should be included in the social overhead cost, thus extending the problem beyond the sphere of services (16, pp. 293-94). However, he did not follow up this point theoretically.

value themselves. Their multiplication - unlike that of productive workers - does not add anything to output. There is no other value fund to provide for their means of subsistence, in the form of income or product, except the surplus value, i.e., the output in excess of the value of constant and variable capital, the latter corresponding to the wages and consumption of productive workers.

However, despite their similarity, from the point of view of national income definition and statistical measurement, the social-overhead-cost labor and unproductive labor employed by capital are entirely different. If we adopt a positive welfare definition of national income then we are entitled to exclude social-overhead services as not adding anything to welfare. (In doing so, we should understand clearly that the exclusion rests uniquely on a value judgement concerning their welfare potential. They are not excluded for reasons of avoiding double counting, since, as before, there always will be autonomous value attached to them, i.e., value of the labor power which furnishes them.) Incomes of labor engaged in unproductive functions within the spheres of production and circulation of capital can under no circumstances be excluded from the summation, since they match a certain part of the product value, i.e., that which they subsequently buy. Whether they have created that value or merely handled it or administered the production process is irrelevant. In the Marxian scheme, all these unproductive revenues belong to the class of primary incomes, being paid out of the funds of working capital.

To return to the matter in statistical terms, if we measure the annual value added at market prices it will match the measurement in terms of charges against the product only if these charges also include wages of unproductive employees, just as they include profits. The matter remains analytically the same whether the unproductive functions are performed as part of the activities of manufacturing firms or in separate branches such as trade, marketing, publicity, consultancy, etc.

Present Soviet economic thinking seems to be fettered by a terminological one-word-one-concept fallacy which prevents it from noticing all the different meanings and implications of the terms productive and unproductive in Marx. Thus, concerning our last point, Soviet economists sometimes criticize the Western national income concept for including incomes from trade, publicity, etc. (8, p. 240), and at the same time feel obliged to justify their own inclusion of trade by the absence of commercial speculation under Soviet conditions, or by the statistical difficulties of dissociating the measurement of the productive contribution of trade (i.e., distribution seen as the final stage of transportation of goods, hence of material production) from its unproductive functions ("selling as such"). But from the standpoint of Marxian theory the criticism of the Western practice is not justified and a special justification of the Soviet practice is not necessary.<sup>5</sup>

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<sup>5</sup>Moskvin and Petrov seem to belong to the exceptions, having grasped this point (22, p. 141-42), (26).



The present-day orthodoxy in national income theory probably became established some time after 1940, which was the year of publication of the last significant statement advocating a broader national income coverage (13). The first dogmatic formulation of the current doctrine is available in two Polish articles, one by Bronislaw Minc and the other by Hilary Minc, in 1947 and 1948 (20) (21). While it is beyond the scope of this article to follow the historical course of the discussions among Soviet national income theorists, it is important to note that the advocates of broader coverage had all felt themselves to be solidly grounded in Marxian theory- and with justice.

Thus, Abolin, one of the prominent opponents of the material-output concept in the 'twenties, tried to define his concept somewhat along the lines of the social product in the positive welfare sense referred to above (1) (2). He sense correctly that only Marx's conception of unproductiveness "in the social-overhead-cost sense" was relevant to national income definitions. Abolin recommended that those services which qualified as unproductive, i.e., as intermediate product in the social-overhead-cost sense, be excluded from the social product, and services supplying final use values be retained.

Strumilin, the other protagonist of broader concepts, at least in his writings of the 'twenties (34) (35), took as his point of departure the idea that, under socialism, the national economy becomes "one single combine" (ediny kombinat) in which the opposition between productive and unproductive labor is dissolved. All types of labor cooperate in the creation of the social product, the income of any category of labor is a counterpart of its contribution, in terms of labor effort, to the aggregate social product, and should therefore be counted in the valuation of the whole.

It would seem that Strumilin's conception is traceable to certain remarks made by Marx in the Critique of the Program of Gotha, concerning social product under socialism (19, pp. 26-29). According to Marx, in a socialist system individual labor would form an integral part of the total social labor (Gesamtarbeit) supplying society directly with use values, without the mediation of a market for commodities. This total social labor logically includes labor classified as "unproductive" in the present Soviet scheme.

The last voices to be heard in favor of broader national income concepts were those of Pashkov and Kurskii.<sup>6</sup> Pashkov, realizing the absurdity of treating the income of services as transfers, wrote, in 1939:

In calculating the size of the national income of the USSR it would be incorrect to count only the net output produced in the national economy. The calculation of the national economy includes the calculation of incomes of the population. And the latter consist not only of net output but also of services supplied free by the socialist state or social organizations. Doctors, teachers, and other workers who do not participate immediately in the material output of pro-

<sup>6</sup>In a recent French study, which seems to ignore the work of Abolin and Strumilin, these ultimate traces of heterodoxy are viewed as harbingers of a possible reform. (6)

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ducts, receive part of the social product for which they furnish society in exchange their labor in the form of services. The reproduction of the social product presupposes the reproduction of services as well; in society there takes place an exchange of activities between different workers, members of society (7, p. 75).<sup>7</sup>

A. Kurskii, in a 1940 review (13) of the collection of essays on national income, from which the last quotation is taken, argued forcefully against the material-output concept, basing himself on an interpretation of Marx which comes close to the one presented here:

Labor in the sphere of material output is, of course, the fundamental social force creating material wealth. However workers and farmers could not create any material wealth without the provision of cultural, technical, and other services, on the part of our new socialist intelligentsia. Labor employed in the 'nonmaterial' sphere is an integral part of the social labor of a socialized economy. The expression "service", says Marx, 'is merely an expression of the particular use value furnished by labor as by any commodity whatever; but it is an expression referring specifically to a particular kind of use value furnished by labor that does not furnish service in the form of objects but of activity; but in this respect it does not differ from a machine, from a watch, for example'<sup>8</sup> (13, p. 105).

After the dogmatic settlement of the issue, the area of controversy shrank to the question of how to treat passenger transportation. By official definition, passenger transportation - as a personal service - is excluded from national income. Those who favor its inclusion face the task of reconciling the material-output concept, which must not be challenged, with the personal service character of passenger transportation. Thus Kronrad suggests introducing for passenger transportation the new category of "material services" (12, p. 149). Strumilin, who otherwise has given up the cause of a comprehensive national income concept, advocates a more flexible understanding of the materiality of output and assimilates the output of passenger transportation to the production of energy (36, pp. 148-49). Further, there seem to be views in favor of inclusion on the ground that a great part of passenger transportation serves to bring workers to their place of work and thus presumably qualifies as productive (23).

As far as conformity with Marx is concerned, the issue is rather clear-cut. In Capital, all transportation is lumped together with other branches supplying products of a nonmaterial nature (17, Vol. II, p. 61), while in Theories both freight and passenger transportation are considered as part of material production (16, p. 328); the material character of transportation

<sup>7</sup> Paul Studenski erroneously attributes this passage, and the position expressed in it, to Strumilin (37, p. 205) (38, pp. 186, 531).

<sup>8</sup> This passage from Marx, (16, pp. 321-22) is referred to toward the end of Part II, Section A.3 above).



in general seems to derive, in the latter passage, on the one hand, from the technical aspect of the production process, and, on the other hand, from the change in place of the object of labor, conceived somewhat curiously as a material change. Neither of the two approaches of Marx, incompatible with each other as they are, supports the exclusion of passenger transportation; the former by putting into question the very material-output concept of national income, the latter by its classification scheme of economic branches.

Although the classification scheme of the Theories explicitly demands the inclusion of passenger transportation under material production, its personal-service nature apparently seems so overwhelmingly obvious that its inclusion would automatically endanger the purity of material-output concept. If passenger transportation were admitted, it is probably feared, other services might follow. Hence, this specific question involves the entire dogma, which may explain why such a relatively minor point of controversy is being debated almost as passionately as were the basic principles during the twenties, e.g., in a violent polemic between Abolin and Vaisberg (1) (2) (41) (42).

### III.1 Concluding Remarks

Although national income continues to receive, in Soviet Russia, the verbal honors due to the "supreme economic indicator", it has been overshadowed by an ever-increasing theoretical and practical interest in more comprehensive aggregates and "balances" in which services and administration take their place alongside the material output sector (15) (30, pp. 36-37) (32, p. 94). Why then, the insistence upon the narrow national income concept? That it could be explained by a "fidelity to Marxism" has been refuted by its incompatibility with Marx's theories. Looking for a pragmatic explanation, E.F. Jackson suggested that the Soviets are actually applying the unstated principle according to which national income should mean "the most all-inclusive aggregate which it is the generally accepted object of maximizing" (11). But wouldn't the comprehensive concept, if properly broken down, permit one to follow easily the growth of material output and at the same time answer many other questions in which the planners have been interested?

It seems reasonable to search for a rational motive behind what appears to be a formalistic ritual. But this search may well be pointless. The Soviet national income definition is being accorded the status of dogma; it is therefore essentially irrelevant whether, or to what extent, the content of this dogma is functional. A meaningful explanation of why such a concept was adopted, and is being upheld, would seem to belong to an economic Dogmengeschichte. The available material - the tone and character of argumentation used in the prewar discussions (18) (24) (41) (42) - create a strong impression, to be confirmed or disproved by closer inquiry, that the material output concept won out because of the political survival and ascendancy of those who held it, rather than because of any intrinsic suitability of the concept.

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