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MUNICH, June 3 (CNR) - Following two-part article on "The Specter of Economic Revisionism" was written by Michael Gamarnikow of the Polish BD:

Part I

A specter is haunting Eastern Europe, the specter of economic revisionism. This paraphrase of the opening sentence of the "Communist Manifesto" very accurately describes the intense intellectual ferment evident among the leading economic thinkers in the Soviet part of the Communist Bloc. Economic pragmatism is rife in all the countries of southeastern Europe and the reasons for it are not hard to find. The whole "socialist camp" is passing through a phase of persistent economic difficulties, due both to outdated methods of planning and to inefficient management practices. To any thinking economist, it must have been obvious for a long time that the existing system of planning and managing the national economy of a Communist country has proven totally incapable of dealing with the complex problems of modern economy.

But the rest of the trouble goes much deeper than the methods of planning and managerial practices. Many Communist Bloc economists would be the first to admit -- and indeed many of them are saying so, of course in esoteric terms -- that they have lost faith in the validity of the standard economic teachings of Marxism-Leninism. The basic implication underlying all this revisionist ferment among the Communist Bloc economists is the thesis that traditional Marxist theories and practical solutions, developed under completely different political, economic and social conditions, no longer reflect the realities of a modern industrial society. The fallacy of old dogmas becomes glaringly evident every day as they are continuously contradicted by statistical evidence and economic facts.

It is not an exaggeration to say that today Marxist economic thinking in the Soviet part of the Communist Bloc is in a state of deep crisis. The cause of this crisis has been quite accurately diagnosed by some Polish economists as a basic contradiction between the old methods of economic planning and managing the national economy -- methods evolved at another stage of economic development -- and the new aims of economic policy, as determined by the realities of the present stage of modern and complex industrial society.

As Communist economies begin to emerge from the era of absolute scarcity and strictly controlled production and

by an a priori determination of economic priorities is inevitably breaking down. The rate of growth is falling and is only maintained at its present level by excessive new investment, whereas the basic need is for a higher productivity by the existing economic potential. Production is rapidly losing touch with the actual market requirements, resulting in a huge accumulation of unwanted inventories.

Under the present system, this process is inevitable, since the Communist economies are now in the process of transition from the stage of a predominantly investment demand, determined by the planners themselves, to the stage of a predominantly consumer demand, determined by the far less easily predictable aggregate requirements, desires and even caprices of the mass of the population. This effective consumer demand did not matter at the stage of absolute scarcity, when practically everything which was being produced for internal consumption was sure to be bought. But, even in a limited buyers' market, the situation is completely different. At the same time, the existing system provides no incentive to producers to adapt their output to the effective demand, as determined by either industrial or consumer requirements. Among other harmful effects, this results in the pernicious phenomenon of overproduction of unsaleable and unwanted goods in the midst of still prevailing scarcity.

Orthodox Marxist political economy is simply unable either to provide a theoretical explanation for all this waste and the growing economic disproportions, or still less to suggest an effective set of remedies. The whole problem is aggravated by the fact that, as a rule, the political leadership of the individual Communist Parties is so steeped in economic dogmatism that it is unable either to evolve the correct way out of the growing contradictions within the economic system, or even to accept rational suggestions put forward by many of its own economists.

This does not mean that there is not an acute awareness of the magnitude of the existing problem, both within the highest Party echelons, and particularly among the younger generation of economists, managers, technicians and other members of the intelligentsia, and the managerial class. But the Party leaders are afraid to suggest anything other than ineffective palliatives and the younger generation has no real voice in formulating the economic policy of the Communist state.

Nevertheless, there is a persistent search going on in all the more advanced Communist countries, the essential aim of which is to spot the flaws in the economic theories and practices of orthodox Marxist political economy, to suggest



effective remedies, and to bring Marxist theory up to date. At the same time, concrete measures are being proposed to improve, or even to change radically, the traditional methods of planning and managing the national economy. The over-all aim of all these proposed changes, both in theory and in practice, is to improve economic efficiency by making the prevailing system of planning and management more rational and better suited to the needs of a modern society.

This spontaneous outbreak of economic revisionism has not yet reached the stage where a new set of general principles of economic theory could be said to have been developed. Nor has a new system of planning and managerial practices been, as yet, evolved. Both the analyses of the flaws and the incorrect practice, as well as the proposed solutions, pertain to individual problems and not to a coherent whole. Nevertheless, a clear, common pattern is already emerging from the proposed changes.

Before sketching the outline of the scope and the direction of this revisionist thinking in the various countries of the Communist Bloc and the general pattern which is emerging from these discussions, a few more general points ought to be made. It is clear, for instance, that economic revisionism is the second and, in some ways, more important stage in the process of de-Stalinization. The first stage, as we have been observing it in the various countries of the Bloc, has been largely political, but, in its main effects, largely confined to the Party. Whatever important concessions have been made to the population -- the essential result of de-Stalinization has been a sort of personal security charter for the holder of a Party membership card. The re-establishment of the supremacy of the Party over the secret police required the destruction of the regime of terror. Concessions granted to the population at large were incidental to this basic process of curbing the powers of the secret police. In this process, the individual Parties had to purge themselves of the most compromised members of their hierarchy and to rehabilitate scores of victims of the so-called period of the personality cult.

But experience has shown that neither the purges, nor the rehabilitations (of which, again, the Party members were once more the principal beneficiaries), nor even the important concessions granted to the population have in any way undermined the foundations of the Communist system. This system can survive some degree of liberalization, as long as the concessions granted do not infringe on the fundament of its power: the dictatorship of the Party.

The second phase of de-Stalinization -- economic revisionism -- is more important in the sense that it strikes

at the economic roots of this power. The very essence of the prevailing trend in economic revisionist thinking, as will be shown below, is the transfer of decision-making power, at least in the field of economics, from the Party leaders to the new managerial class, and, eventually, through the forces of market mechanism, to the population as a whole. Besides, if and when the basic changes occur, both in the economic thinking of the Communist élite and in the actual methods of planning and running the national economies, the ideological basis of orthodox Communism will be effectively destroyed. Economic revisionism must lead to political pragmatism, since in a Marxist system politics and economics are inseparably linked together.

Quite apart from the fact that the death of Stalin roughly coincided with a new stage of development of the Communist Bloc economies, economic revisionism is a logical second stage in the process of de-Stalinization. In a sense, the regime of terror was an essential factor in the orthodox economic system of Communism. It permitted an imposition of excessive forced savings on all strata of the population. It enabled the planners to bleed agriculture white for the sake of capital accumulation in industry. It preserved labor peace in the face of unprecedented exploitation. It provided manpower where it was most needed -- in the form of forced labor if necessary. Finally, it kept the managerial class in check.

But the abolition of the regime of terror has also been a contributory factor in promoting the present economic debate for quite another reason. One of the aims of the terror of the Stalin era was to impose a forced conformity on all scientific thinking. No doubt, even in the forties and in the early fifties, many Communist Bloc economists were fully aware of the obvious inadequacy of the existing economic system. However, the fate of Vozniesensky is an example of what happened to those who dared to speak up.

The first phase of de-Stalinization resulted, as we have seen, in an intellectual ferment in all fields of scientific, literary and artistic activity. But, of all this ferment, economic revisionism has the greatest chance of exerting a lasting influence. One can always produce dialectical reasons for a reimposition of Party control in the fields of art and literature, and, indeed, in Poland we see repeated attempts to effect retrogression in this field. Besides, the issue of artistic freedom is of less immediate interest to the broad masses.

The problems of economics are a bread-and-butter issue. Economic revisionism reflects not only the intellectual

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ferment among the economic thinkers and the growing frustration of the managerial class, but, above all else, the growing popular pressure for a higher standard of living. The dogmatic Party leaders are fully aware of how deadly the arguments which expose the ineffectiveness, the wastefulness and the irrationality of the existing economic system are. No amount of dialectic can counter those charges in respect to the system which claims, as a matter of faith, to be the ultimate achievement in economic rationalism and efficiency. But, apart from theoretical and analytical arguments, there is abundant material proof of the inadequacy of the system itself. Such overwhelming evidence cannot be ignored. And this is why even the most dogmatic Party leaders pay at least some lip service to the need for far-reaching economic reforms. In such a climate, it is politically quite impossible to forbid publication of progressively more revisionistic theses, the avowed aim of which is only to make the system more perfect, to stop the economic debates and to prevent economic reforms. The dogmatic Party leaders can only fight a rear guard action based on procrastination, delaying tactics, distortion of the proposed reforms, and the general inertia of the system, with the active help of those who have vested interests in maintaining the status quo.

This indeed is what has been happening in Poland, the first country of the Communist Bloc proper to be subjected to a massive onslaught of economic revisionism. True, a basic revision of the orthodox methods of economic planning and the institution of industrial management was carried out in Yugoslavia in the early fifties. But Yugoslavia was at that time an expelled and officially condemned heretic of the world Communist movement and its leaders were working feverishly to forge closer political and economic bonds with their own population -- their only hope of survival, without total reliance on the West. Thus, the basic reforms within the Yugoslav economic system were carried out from above -- by the Party leadership, acting under exceptional political circumstances. For this very reason, Yugoslav economic revisionism must be treated as separate phenomenon.

But the fact remains that the Yugoslav experiment, as it gradually evolved, exerted and still continues to exert great influence on economic thinking within the Communist Bloc,

especially in Bulgaria. The main importance of this experiment lies, however, in the fact that it provides a ready-made alternative to the traditional Communist economic system. On the other hand, much of really revisionistic economic thinking within the Communist Bloc goes far beyond the limits set by the Yugoslav experiment, while sharing with it the main trend of development -- a clear desire to revert to a market economy.

It must be stressed, however, that political rapprochement with Yugoslavia, and the near rehabilitation of the Belgrade heresy, has been one of the main factors intensifying intellectual ferment in the field of economic theory and practice. The Yugoslav experiment has become a legitimate subject of study and scientific appraisal. The very fact that the existing traditional system could be, even by implication, compared with a workable alternative was no doubt a powerful stimulus for the emerging intellectual ferment in the field of economic theory and practice.

But all this does not detract from the tremendous, and, perhaps, decisive impact made by a quite different factor, namely the unprecedented prosperity of Western Europe in the late fifties and the early sixties. The fact that a system of free market economy can secure such a rapid growth rate, while, at the same time ensuring general prosperity has made a tremendous impression throughout the Communist Bloc. Since this prosperity happened to coincide with the growing economic difficulties of the Bloc economies, it proved the source of acute embarrassment to the apologists of the traditional Communist system. There is more than ample evidence of the impact made by this prosperity in the form of literally hundreds of press articles trying to explain away this embarrassing contrast with Bloc reality.

In the field of economic theory, this impact was reflected in a series of attempts to incorporate the principles of market mechanism into the framework of the system of central planning. In Poland, at least a score of books have been written on the subject. The most serious and comprehensive work in this field is a book written by Professor Prus. Yet another result has been the ideological rehabilitation of such concepts as material self-interest, economic incentives,

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interest rate and even profit.

One can say, therefore, that several factors have combined to produce the present outburst of revisionistic economic thinking in all countries of the Communist Bloc. Some of those factors have been negative, such as persistent economic difficulties, frustration of the managerial class and intellectual élite, and the growing realization of the inadequacy of both the economic system inherited from Stalin's era and its traditional institutions. Among the positive factors, one should include the liberalization of the intellectual climate, the existence of a ready-made alternative in the form of the Yugoslav experiment, and the over-all impact of West European prosperity, attained under a system of free market economy.

We may now pass on to a brief discussion of the main trends in economic revisionist thinking as they have manifested themselves in various countries of the Communist Bloc. Since economic revisionism has to be regarded as the second stage of the process of de-Stalinization, it is not surprising that its outbreaks followed logically upon the stage of political relaxation and the liberalization of the intellectual climate. The only exception to this rule is the GDR, where Ulbricht is trying to emulate Tito's example and impose some vestiges of a Liberman type of an economic system from above, without a prior relaxation in the political and cultural fields. But elsewhere, the pattern of economic revisionism, following closely upon the footsteps of political de-Stalinization, can easily be detected.

This is why the first major outbreak of economic revisionist thinking was registered in Poland, as early as in 1956 and 1957, where, at that time, it enjoyed the official backing of the post-October Party leadership. Polish economists have also come the closest to evolving a completely new system of planning and managerial practise, based on the general principles of a purely revisionistic economic theory. This blueprint of the so-called Polish economic model was prepared by the Economic Council -- an official advisory body to the Council of Ministers, composed of some of the most prominent Polish economists.

Broadly speaking, the blueprint prepared by the Polish Economic Council called for two categories of basic changes in the traditional economic system. One involved a drastic reorganization of the structural and managerial setup in the sphere of production and distribution, with special stress on the principle of decentralization and the economic self-sufficiency of individual enterprises. The second category of proposed reforms sought the reintroduction of quasi-market conditions in the mutual relations between various state enterprises and the field of wholesale and retail trade. The basic, over-all aim was to replace administrative orders with the profit motive and other suitable economic incentives, as the mainsprings of all economic activity.

As far as the structural changes were concerned, the Polish blueprint called for the dismantling of all the bureaucratic superstructure of state-owned industry, as well as the wholesale and retail trade. The basic economic unit of the new Polish model was to be a self-governing and fully independent individual enterprise. Each of these independent economic units was to operate according to the principles of full cost accounting, and the highest possible degree of profitability was to be the main concern of its director and the workers' council, which had, at that time, the full rights of co-management. The self-governing enterprise was to sell its products to other factories and to the distributive enterprises at prices which would primarily be determined by the real costs of production and the forces of the market mechanism. All forms of state-subsidized production were to be discontinued.

In order to create quasi-market conditions, in which the profit motive could effectively operate as the mainspring of all economic activity, the blueprint of the Polish economic model provided for a general reform of the wage and price system. The aim was to bring the prices of raw materials, semi-finished products and finished articles into line with the actual economic cost of production. To compensate the population for the expected increase in the level of prices, and, consequently, in the cost of living, a substantial raise of wages and other sources of income was to be carried out. According to the Polish Economic Council, once the proper economic relationship between prices, the actual cost of

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production and the level of incomes has been established, normal economic incentives, acting within the framework of a market mechanism, would provide the motive force for all future economic activity. The size of the output of any given commodity would be determined by its price and the effective demand for it. At the same time, competition between various independent state enterprises would keep prices down.

Two things must be obvious even from this brief outline of the Polish economic model. First, is the strong influence of the Yugoslav experiment on the economic thinking of those working on the blueprint of the new model. Secondly, that the final proposals put forward by the Polish Economic Council went far beyond Yugoslav practice as it was at that time, and amounted to nothing less than the substitution of a full-scale market economy (with some vestiges of centralized planning, confined to a few basic indicators) for the traditional Communist economic system.

The main mistake of Polish economic revisionism in the 1956/57 period was that its protagonists wanted to achieve too much and that the main outburst of economic revisionism occurred much too early in relation to the rest of the Communist Bloc. Only the extreme weakness of the political authority of the Polish Party in consequence of the October 1956 events can explain the latitude given to the open propagation of such obviously revisionistic economic concepts even in official Party publications. But a reaction soon set in. By the middle of 1958, the traditionalist elements in the Party leadership had regained the initiative and effectively frustrated all attempts to implement the reforms advocated by the Economic Council and approved in principle by the Polish government. Although some forms of structural changes foreseen in the blueprint of the Polish economic model were, in fact, carried out, they were devoid of any real meaning because of the survival of the bureaucratic superstructure and the system of administrative directives. Many "experiments", licensed as pilot schemes for the Polish model, were similarly handicapped and subjected to deliberate sabotage and obstructionist tactics on the part of the dogmatic elements in the Party leadership. The proposed reform of the wage and price system was quietly abandoned altogether.

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But while the practical implementation of the Polish economic model was effectively frustrated by the dogmatic Party leadership, its basic theoretical concepts were kept alive and even further developed in the 1958-1963 period. Literally hundreds of books and publications appeared in Poland during this period on various specific aspects of the proposed economic reforms. Even the simple enumeration of all these publications would be impossible within the limits of this review. But it must be pointed out here that Polish economists have already developed a sound theoretical base for an alternative economic system which combines planned economy with a built-in market mechanism.

No other Communist country, with the exception of Yugoslavia, of course, has yet matched these Polish achievements in the field of economic pragmatism. First of all, no country has yet produced a clear and fully worked out blueprint for an



Part 11

The turning point in this new tide of revisionist offensive undoubtedly was the publication in "Pravda" of the now famous article written by Professor Liberman and the resulting open public discussion of his pragmatic ideas by leading Soviet economists, carried out with the cautious approval of Khrushchev, who later endorsed some of Liberman's concepts. The essence of Libermanism is the adoption of the profit motive as the mainspring of all economic activity. Outwardly, Liberman sought only to improve the functioning of the existing Communist economic system. His avowed goals were modest. He wanted to stimulate Soviet enterprises to seek higher output and to correlate production with the needs of the consumer. He wanted to encourage the introduction of new technology and new products and to improve the quality of output. But, in his critical appraisal of the traditional Communist system, he effectively pinpointed its economic irrationality, its wastefulness and its inflexibility.

Actually, however, Libermanism implies much more than its protagonists in the Soviet Union are prepared to say openly in print. There may be, of course, sound reasons of personal safety for this. If Liberman's ideas were to be adopted, this would amount to nothing less than the abolition of centralized planning, with its system of administrative directives, the adoption of profit as the sole basis for measuring economic efficiency, and the introduction of vestiges of the market mechanism, without which the profit motive cannot be fully effective. Thus, the essential concepts of Libermanism coincide with the basic principles of the Polish economic model.

Economic pragmatism in the Soviet Union is still at the stage of theoretical debates and isolated experiments. The revisionist thinking there is more concerned with a critical analysis of the reasons for the inadequacy and malfunctioning of the traditional economic system, than with constructive proposals for a practical alternative. All the positive postulates put forward so far are piecemeal suggestions and even their further implications do not add up to a coherent whole in the form of a concrete blueprint for an alternative economic system. Nevertheless, the over-all trend of Soviet economic pragmatism leads unmistakably away from centralized planning, based on directives from above, and toward a market economy actuated by various economic incentives and, above all, the profit motive.

Economic revisionism in the Soviet Union deserves, of

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course, a more detailed, separate study. It must be pointed out here, however, that the main importance of the Liberman debate lies in the fact that it not only makes a beginning to an earnest search for a workable alternative economic system for the Soviet Union, but that it has also given economic pragmatism a more respectable status throughout that part of the Communist Bloc which owes its ideological allegiance to Khrushchev. The publication of the essential excerpts from the Soviet economic debate in "Pravda" and the endorsement, however cautious, of certain concepts of economic pragmatism by Khrushchev himself have certainly made a strong impact on Ulbricht, Novotny and Zhivkov. It is no coincidence that the great wave of economic revisionism in Eastern Europe followed closely on the heels of the Liberman debate and its benevolent acceptance by Khrushchev.

The favorable intellectual climate for this outbreak of economic pragmatism had been prepared by the tide of political de-Stalinization which swept Czechoslovakia, Bulgaria and Hungary in the wake of Party Congresses held in the closing months of 1962. This tide resulted in one way or another, in the removal of the more dogmatic elements from the Party leadership, and generated popular pressure for a greater degree of over-all de-Stalinization. Much more clearly perhaps than in the Soviet Union, the sudden intensification of the demand for economic pragmatism in Czechoslovakia, Bulgaria and even Hungary is part and parcel of this popular pressure. The immediate aim here seems to be a rationalization of the traditional economic system. But, as already indicated, both the political and the economic implications of this revisionist drive go much further than this immediate objective.

In Czechoslovakia, as in the Soviet Union, the outburst of economic pragmatism has been, at least in the initial stage, concerned much more with criticism of the existing system, than with evolving an alternative. The typical example of this type of approach was the article by Radoslav Selucky, "People and Plan," which argued the thesis that the "cult of the plan" had been as evil a manifestation of Stalinism as "the cult of personality" itself. This general theme was taken up by other Czechoslovak economists and the lively debate which ensued was followed by an over-all attack on economic dogmatism in a series of three articles by Eugen Loebel, one of the defendants in the Slansky trial, rehabilitated in August 1963, and a semi-official act of self-criticism, in the form of an article entitled "The Survivals of Dogmatism in Political Economy Must Be Overcome," written for the September 1963 issue of "Nova Mysl" by Ota Sik, the director of the Economic Institute of the Czechoslovak Academy of Sciences.

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But this whole debate centered around the theme of dogmatic errors in economic management and the reasons for the malperformance of the Czechoslovak economy. Although several voices in this discussion had a strong pragmatic undertone, they did not go beyond a set of general principles, and no specific proposals for concrete reforms have as yet emerged in the CSSR.

Much more fruitful in this respect was a round-table conference organized by the economic weekly, "Hospodarske Noviny", large excerpts from which were published in two consecutive issues of this periodical early in November 1963. The discussion undoubtedly broadened the scope and the direction of pragmatic economic thinking in Czechoslovakia, since it produced concrete, specific criticism of the traditional system as such, and not only of its dogmatic abuses. In the course of this debate, Radoslav Selucky came out with an argument that the law of supply and demand should be a decisive factor, not only in the sphere of consumer goods, but in the entire economy. Milan Plachky attacked the dogma about priority for the production of capital goods. Several speakers argued that planning should be regarded as a means to an end and not an end in itself. Finally, Zdenek Haba, the head of the Department of Political Economy at the University of Bratislava, demanded the right to criticize the system as such, and not merely the symptoms of its malfunctioning.

These views expressed in the debate organized by "Hospodarske Noviny" are symptomatic of the general trend of economic revisionist thinking in Czechoslovakia. Although even the most audacious participants did not go beyond the formulation of certain basic principles, and the whole discussion was far less specific than the Liberman debate in the Soviet Union, the over-all implication was clearly one of a return to the conditions of a market economy and all that this concept implies. The impact of these ideas is felt even in official Party circles. A recent article in "Rude Pravo" cautiously conceded that "production should be exposed to a certain amount of pressure, both from the market and from the customers."

Economic pragmatism is also quite a recent phenomenon in Bulgaria. Apart from an article by Professor Miloshevski in the November 1963 issue of "Novo Vreme," in which the author clearly advocated the adoption of the Yugoslav model, including co-management by workers' councils and profit sharing, the only original Bulgarian contribution to revisionist thinking was made by a recently rehabilitated Kostovite professor, Petko Kunin. This contribution is not merely significant, but also highly important, if only because Kunin is a member of the Bulgarian Central Committee. Apart from Poland, where some members of the Central Committee (for instance Oskar Lange)

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took an active part in creating the blueprint for the Polish economic model, there have not been, throughout the Bloc, any other instances of the spreading of pragmatic concepts by such a high level personality.

Kunin's article in "Nove Vreme" thus amounts to something more than unorthodox theories of a rank and file professor of political economy. Economic revisionism certainly entered Bulgaria by the front door, in the form of an article published in the official theoretical monthly of the Bulgarian Communist Party and written by a member of the Central Committee.

The main subject of Professor Kunin's article is the problem of economic incentives as the mainspring of all economic activity. In itself, the concept of economic incentives has by now become quite respectable. Even Khrushchev advocates their use from time to time. But any prudent Communist Party official prefers to talk about this touchy subject in noncommittal generalities. Not so Professor Kunin. He makes it clear from the beginning that one cannot expect the economic incentives to work effectively within the framework of the present system of planning and managing the national industry. "Before one makes an appeal to the motive of material interest," writes Professor Kunin, "one has to create conditions in which economic incentives can play a full part in stimulating the process of production."

Starting from this basic premise, the Bulgarian economist goes on to indicate the sweeping reforms necessary to change the structure of Bulgarian industry. As many other Communist Bloc economists, Professor Kunin argues that the first thing to do is to free individual enterprises from the shackles of centralized planning. He advocates the necessity of making each individual enterprise an independent and self-supporting economic unit, working according to the principles of full cost accounting. The management of such an independent enterprise should be given full scope for investment and marketing initiative, limited only by the general directives of the national planning authorities.

But the main remedy which Professor Kunin advocates for Bulgaria's economic ills is the old-fashioned medicine of competition. He argues that there should be full scope for market type competition among individual socialized enterprises and that remuneration of the managers, as well as of the workers, should depend on the outcome of this competitive process. This open competition among enterprises should result in more extensive, better, and cheaper output. At the same time, more attention should be paid to the effective consumer demand on the market.

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Competition and material incentives cannot be logically connected, unless one introduces the element of profit. Inevitably, Professor Kunin makes the profit motive the mainspring of all economic activity. This profit -- he argues -- should incorporate the existing turnover tax. In this way, the profit will return to its original meaning as the difference between the selling price and the production cost per unit. The economic effectiveness of each enterprise should then no longer be measured in terms of overall output, but in terms of the profit it brings in.

The volume of the profit made by each individual enterprise should be the basis for fixing the remuneration of its managers and the main source of increasing the wage fund.

The same ideas permeate the Bulgarian economist's concepts on inducing workers' self-interest in a better, cheaper and more extensive output. What he advocates here is nothing less than a full-scale profit-sharing scheme in which all the staff of a given enterprise would participate and which would supplement the workers' basic income. In this way -- argues Professor Kunin -- the workers' living standards would be linked directly with the economic effectiveness of the enterprise they work for, and they would acquire a direct interest in its performance.

In the light of orthodox Marxist economic doctrine, most of the Professor Kunin's ideas are sheer economic heresy. The fact that such revisionist ideas were allowed to be published in the official theoretical monthly of the Bulgarian Communist Party by a member of the Central Committee shows that a new phase in economic thinking has begun in Bulgaria. Obviously, the desperate economic situation forced the Zhivkov regime to grope for radical remedies and even for a new economic policy.

In contrast to Czechoslovakia, where economic pragmatism is clearly of a theoretical character and is largely confined to formulation of certain general principles, as well as Bulgaria, where the impact of the Yugoslav model has been felt most strongly, Hungary tends to proceed along its own path in practical reforms. Actually, there has been a conspicuous absence of major revisionist articles in Hungarian publications. And yet, pragmatic thinking permeates much of Hungarian economic policy.

This paradox is easily explained. Instead of permitting a major theoretical debate of the Liberman type, Kadar has chosen the path of practical, piecemeal and yet significant reforms. While the Bulgarians -- for instance -- discuss the theoretical merits of profit sharing and experiment with this scheme in a few select factories, Hungary introduced profit

sharing a long time ago. But perhaps the greatest contribution to economic pragmatism in Hungary has been that aspect of Kadar's "new policy" which provides for the replacement of Party nominees in the economic apparatus by competent non-Party specialists. In a Communist country, economic policy is a function not only of theoretical doctrine, but, to a great degree, of the personnel which implements it. It is the influence of non-Party specialists in the medium level economic apparatus which has given Hungarian economic policy its more common sense attitude.

The classic example of the piecemeal and practical Hungarian approach to the problem of a basic reform of the traditional economic system has been Government Directive No. 3445/63, concerning the new levy to be paid on fixed and working capital. This inconspicuous fiscal measure implied, in fact, a major upheaval in the traditional economic mechanism of the Communist state.

This new levy amounts to nothing less than the introduction of a flat five per cent interest rate payable by all state enterprises on their fixed and working capital. It is too early yet to say how this interest charge will operate in practice (especially how it will affect prices and the workers' share in profits). But one thing seems to be certain. Hungary has abolished the traditional Communist concept of capital as a free good and has availed itself of some sort of a rough yardstick to measure the comparative efficiency of capital, the most scarce of all the factors of production in the Communist Bloc.

There are various rational benefits which are bound to accrue from the introduction of this interest charge, such as the cutting down of excessive stocks and checking the tendency to overinvestment on the enterprise level. But the primary revisionist implication of the interest rate is that it provides an objective instrument for measuring the comparative profitability of capital in respect to competitive investment projects. This may lead in time to a choice of investment alternatives based on the economic efficiency of capital rather than on political priorities. This type of choice, as has been pointed out during the discussions on the Polish economic model, is one of the first steps toward creating the conditions for a quasi-market economy.

Finally, a few words ought to be said about the reforms of the traditional economic system in East Germany, as outlined in the "Guidelines on the New System of Economic Planning and Direction of the National Economy," and discussed in more detail at the Fifth Central Committee Plenum of the

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SED (3-7 February 1964). Again, it is difficult to say how this attempt at economic pragmatism introduced from above will operate in practice. One is naturally suspicious of any sort of pragmatism to which Walter Ulbricht extends his patronage.

On paper, the new East German system looks promising enough. There is to be some degree of decentralization, in the form of greatly enhanced prerogatives for the 80-odd industrial associations (VVBs - Vereinigung Volkseigener Betriebe), which are a sort of state boards presiding over specific branches of industry. In consequence, one can expect a reduction in the authority of the offices of centralized planning. But the shift of prerogatives has not yet been clearly defined. Nor do we know how much economic independence will be granted to individual enterprises and in what way the profit motive will be permitted to operate.

The same applies to the reforms of basic raw material prices, which were due to go into effect as of 1 April 1964. It remains to be seen how much discrepancy between the official prices and the economic price level will remain. It has to be noted that a similar reform carried out in Poland several years ago did little to correct the artificial price structure or to eliminate subsidized production. Similarly, the nominal transfer of prerogatives to Polish industrial associations has had little real effect. Nevertheless, it seems that the officially sponsored economic pragmatism in East Germany will bring about some degree of rationalization in economic policy.

This review of the theories and practices of economic pragmatism in Eastern Europe permits us to draw certain definite conclusions about the new phenomenon of economic revisionism. There is little doubt that there is both a favorable climate for, and a general awareness of, the necessity to introduce major changes in the traditional Communist economic system throughout the whole area. Hence the relative frankness of the debate. But the rational economic thinking is encountering stiff resistance from the dogmatic elements.

Nevertheless, the ideas of economic pragmatism are gradually gaining ground, both in the form of theoretical formulations, and of practical experiments. The general over-all trend of this revisionist thinking clearly leads toward a market economy, coupled with some sort of economic planning. The main stress, however, is on profit motive, economic incentives, and better satisfaction of consumer demand. But the partial reforms envisaged thus far by the protagonists of economic pragmatism do not yet add up to a coherent alternative system.

Such a system can be worked out only by the new generation of economists and technocrats, who are much more rational in their thinking than the old cadre of Party leaders. This new generation is much more apt to reject the anachronistic theoretical dogmas in favor of a more pragmatic approach. It feels a growing frustration, due both to the ineffectiveness of the old system and to the thwarting of its ambitions, as the managerial class. In the long run, this young élite can be expected to generate enough pressure to force the adoption of the necessary pragmatism, both in economic theory and in actual methods of planning and managing the national economy. But this pressure can become politically effective only if it receives the general support of the broad masses of the population.

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