



On the Role of the Law of Value in Socialist Economy

Włodzimierz Brus

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COMMUNISM AND THE PRICE SYSTEM

We reproduce here two Polish views on rationality and central planning. The author of the first, Professor Włodzimierz Brus, was one of the best-known Stalinists among Polish economists; he worked, and still works, for both the Central Committee of the Party and the PKPG. In 1956 he swung right round to lead the Thaw. His speech at the conference of the PTE in June 1956, though not the first document of this kind in Poland, created a sensation.

There follows one of the few counter-attacks that have appeared. Of course, in its moderation it bears no comparison with what a Soviet author would have said. These are, then, extracts from Józef Pajestka's 'In the Pincers of the Law of Value'. Mr. Pajestka works for the PKPG and, like Professor Brus, is a member of the newly appointed Economic Council at the Cabinet Offices.

P. J. D. W.

I

ON THE ROLE OF THE LAW OF VALUE IN SOCIALIST ECONOMY

By WŁODZIMIERZ BRUS

*Excerpts from a report delivered at the Conference of Polish Economists in
Warsaw, June 1956 (Ekonomista, Dec. 1956)*

. . . I believe that the experience of the past period allows it to be said with all secondary aspects duly considered that the serious wastage and bureaucracy did not spring up accidentally but arose on the soil of a definite organizational system of the national economy, methods of planning and managing economic life. The State Commission for Economic Planning certainly is responsible for many negative items in the balance of the Six-Year Plan, but it is a mistake to think, as some do, that it will suffice to destroy the Commission's premises in order for things to get better in Poland.

The State Commission for Economic Planning and similar institutions are themselves a product of the system, though, it is true, an active product that begets other products: nevertheless they do not constitute an 'original sin'. Definite causes in definite conditions lead to definite results; the point, then, is to discover the causes. . . .

Firstly, socialist production and trade did not adapt themselves appropriately to the structure of the population's requirements and displayed far-reaching lack of elasticity.

Secondly, we have not succeeded in ensuring adequate economic effectiveness of expenditure of means both in the sphere of investment as well as in the sphere of production costs, productivity, full use of production capacity, administrative costs, &c.; there were many instances of simply criminal waste. . . .

In accord with this, I hereby formulate my attitude: the basic cause of the negative aspects of the economic balance of the past six-year period lies in the insufficient application of the law of value in the mechanism of steering the national economy. . . .

This in no way means that today I can consider what I wrote in 'The Law of Value and the Problems of Economic Incentives' to be sufficient even for a general characterization of the role of the law of value in socialist economy. Generally speaking, I support the fundamental thesis of that work, but I feel that in many instances it did not go far enough, was not formulated boldly enough, and was in places camouflaged. I found the objections of opponents (among others, on the question of the broader use of profits as a material incentive) were sometimes difficult to refute precisely because I took an insufficiently consistent position, because I hesitated to make certain conclusions instead of freeing myself clearly from burdensome schemata. . . .

In particular, it seems to me the solutions proposed by Oscar Lange in his work entitled *On the Economic Theory of Socialism*¹ are worthy of note today. Not because I agree with all of the author's solutions, and in particular with the theoretical methodological foundations of his conceptions; on the contrary, I believe particularly that rejection of the theory of marginal utility and the basing of the whole reasoning on the Marxist theory of value can lead to positive results. Nevertheless, the very conception of an economic mechanism advanced by Lange is worthy of careful study, and many elements of it should be applied (this is reflected in later parts of this report).

The basic problem in the solution of which I believe there must be an expression of consistent recognition of the role of the law of value in socialist economy is *the problem of prices and their role in planning*.

I believe that in our reasoning heretofore on this subject we made an essential error, that of separating retail prices (let us call them market prices) from prices in relations between state enterprises, especially the prices of the means of production (let us call them calculation prices). . . .

The question arises: how to realize this connexion of market prices, defined as equilibrium prices, with value? In the capitalist economy of

¹ Oscar Lange, *On the Economic Theory of Socialism*, 1937. The basic part of this work was printed in Polish in No. 4 of *Ekonomista*, 1956: 'On the Question of Economic Planning in the Socialist System'.

free enterprises the mechanism of supply and demand brings prices to value (the price of production) which is the centre of gravity of the price fluctuations. Naturally, the movement of prices reacts directly on value itself, forcing the producers to reduce costs.

It seems that in a certain sense an analogous mechanism (of course, acting not spontaneously but in a planned way) may be devised for a socialist economy. The planning organs can foresee the sum total of cost of goods on the one hand and the sum total of accumulation on these commodities on the sum total of prices on the other hand. In this way, something in the manner of an average rate of accumulation can be constructed and, as a result, something in the manner of a production price for every commodity. If the market equilibrium price shapes up higher than the average production price for the commodity (and hence gives higher accumulation¹ than average) this is a sign that the demand for the given commodity exceeds supply. In the reverse case the supply exceeds the demand. On this basis the planning organs can decide to increase or reduce production of a given commodity, passing this decision on to the appropriate producer. In this way the planning organs can ensure balanced exchange and bring prices to the level of value (costs plus accumulation). . . .

The process of consumption reacting on production, of adapting the structure of production to the structure of consumer requirements, must take place through the medium of the market, by transmitting market impulses to production, with due account for the corrections mentioned above. In this sense, above all, planning of production is impossible without the proper use of the law of value.

How can market impulses be transmitted to production ?

This can be done, as it is at present, in the form of direct directives, not taking into account the mechanism of prices. The enterprise receives an order to produce a definite quantity of a given commodity, which often entails far-reaching changes in the primary plan (five-year plan or one-year plan). The production plan must be followed by appropriate supplies of materials, sometimes necessitating changes in the plans of suppliers, &c. It is seen at a glance that this sort of system must be based on centralized orders, strict distribution of materials, and largely administrative control of assortment and quality, for the enterprise is undertaking production not because of economic interest but because of received directives, on the basis of which all sorts of economic indices² are calculated.

That is how things look in practice today. But by no means does it have

¹ *Accumulation means the social charge made to the consumer, by way of profit margin plus indirect tax (which are held to be indistinguishable), for the coverage of general state expenses and public net investment.—P. J. D. W.*

² *'Indices' is a word loosely used to mean plan targets or orders of any sort.—P. J. D. W.*

to look like this. It seems that the requirements of the consumers, as expressed in the fluctuations of market prices, can be transmitted to production, not necessarily by the method of direct orders but by economic means; above all, through an appropriate policy of calculation¹ prices, i.e. the prices paid, for example by state trade enterprises to state industrial enterprises.

At this moment I am by-passing the question of whether the price received by industry is to be shaped on the basis of factory prices—in other words, prices already deprived of a large proportion of the accumulation levied in turnover tax—or whether this is to be a price including full accumulation. However, irrespective of what type of calculation price we use, the planning organs can and should pursue a policy of calculation prices taking into account the requirements of the market. If an enterprise and its employees are interested in the financial results (a connexion between material incentives and profitability is indispensable here), the setting of a profitable or less-profitable price should have an influence on the beginning, expanding, reduction, or cessation of the output of a given commodity. Changes in the structure of production will follow not on the basis of an order but on an economic basis. The planning organ, guided by the market situation and the assumptions of the economic policy, will establish an appropriate structure of prices which trade enterprises will pay to industry. This will make possible direct relations between trade enterprises and industrial enterprises, eliminating permanent conflicts between products that are 'profitable' from the point of view of industry and products that are profitable from the point of view of the consumer (what will be profitable for the consumer will also become profitable for the producer), will ensure mutual control by suppliers and receivers, and finally will liquidate the bureaucratic labyrinth of the apparatus assigning the plan tasks.

At least two conditions are necessary for the implementation of this system.

Firstly, both suppliers and receivers must be materially interested in financial results; only then will mutual control eliminate excessive control to the benefit of the consumer both with regard to quality and assortment.

Secondly, granting enterprises the 'right of choice', i.e. the right to decide about the dimensions and trends of production on the basis of economic calculation (with an appropriate system of prices, independent of the enterprises).

The solution sketched above by no means undermines the principle of

¹ i.e., effectually, wholesale prices. Nationalized industry is considered as one concern, so that reckonings between enterprises are mere accountancy or calculation—khozraschet. 'Real' prices are those paid by consumers or to workers and the agricultural sector.—P. J. D. W.

planning production. The task of the central planning organs, of course, would still be to draw up commodity balances, establishing the tempo of increase in production, &c.

The balance¹ method is one of the most fundamental elements of planned economy. But balancing need not be identified with the direct distribution of the balanced articles. In my opinion the system of centralized direct distribution does not result from the essence of planned economy. Everywhere that conditions are mature it should be replaced by economic means of reacting, since a centralized system of allocations entails large losses.

In our economic system we have production or trade units which we call enterprises. In fact, however, these are not enterprises since they do not have the right to make independent decision on the basis of their own calculation but must instead accept decisions imposed without regard for their economic interests. It seems that without appropriate freedom of choice, connected with material interests, there cannot be genuine economic accounting. The one that exists in our country and to which we devote so much space in our economic literature is, in fact, a mere shadow of real economic accounting. Let the planning organs not take the decisions for the enterprises; their role should amount to creating such economic conditions so that the decisions of the enterprises would go in the direction desired. Then the mechanism of economic ties between enterprises and the system of accounting, financial sanctions, &c., functioning so ineffectively today, will operate smoothly. . . .

At the same time, the role of the bank should increase with a simultaneous change in the character of its functions; instead of a peculiar office dividing means on the basis of *a priori* directives and countless regulations we need a full-blooded financial situation, naturally giving enterprises credit on economic principles.²

The place and role of the enterprise (in the full sense of the word) in socialist economy is one of the key problems, and the solution of this problem will essentially help to overcome the excessive centralization of planning.

The task of planning organs is not only to have an influence on the dimensions and structure of production but also on the size of the consumption of living labour and dead labour expressed in the cost of production.

It seems that action through economic means should bring better

¹ *i.e.* the drawing up of material input-output tables of given commodities—a rudimentary input-output analysis. Bureaucracy enters in, Brus is saying, when the planner says which recipient is to be supplied by which producer.—P. J. D. W.

² *At present the bank is the watchdog of plan fulfilment. Its main object is to refuse to clear any cheque drawn by an enterprise that cannot be shown to finance a transaction specified in the enterprise's plan. This imitation of the Soviet banking system, reducing all banking to the supervision of imprest accounts, is extremely unpopular—not least among Polish bankers.*—P. J. D. W.

results than do present methods also (perhaps the word should be 'especially') in this field. A proper price policy, on the assumption that enterprises have a certain freedom of choice and are interested in attaining better financial results (hence, on the premise of the establishment of *sui generis*¹ competition) should create incentives: (1) for reducing costs in every enterprise, both by increasing labour productivity and economizing on materials as well as through the choice of appropriately less expensive production factors (on the supposition of a much stricter control of quality by the receiver than is practised today); (2) for placing production better from the point of view of costs by eliminating enterprises producing a given commodity more expensively and by concentrating production in more economical enterprises.

This latter problem requires further clarification. Today's practice of planning the reduction of production costs leads mainly to giving the central boards and then the enterprise a definite percentage for reduction of costs (when comparable production is involved) or the sum total of costs of the entire production. Generally speaking, the cost plan is a consequence of the production plan, i.e. the cost tasks are related to the previously determined established production programme. But the level of costs is very rarely, or perhaps even never, one of the primary elements for establishing the production programme of an enterprise, for assigning production tasks to various enterprises in such a way that the average cost of a production unit would be the lowest possible. The relation between production planning and cost planning is reflected even in the organizational structure of the state Commission for Economic Planning and the economic ministries where the costs departments are separated from the departments planning production.

As a result of the mechanical and haphazard assignment of the production programme there is frequently an enormous difference between unit costs for the same commodity produced in different enterprises. This results not only from differences in technical level but, not infrequently, simply from the fact that the enterprise is not adapted to such production, though it has great possibilities in another field.

I believe that the proposed methods of planned action by economic means should have a beneficial influence on the implementation of the principle of minimization of expenditures. With a proper policy of prices, enterprises with unfavourable economic return will not undertake production, but, on the other hand, enterprises whose economic return turn out particularly profitable will strive for the largest possible orders. If in

¹ This is Professor Brus's own phrase; it is not an accepted part of Marxist jargon. The reference is not, of course, to 'socialist competition' as understood in U.S.S.R., but to the kind that would result from Brus's reforms.—P. J. D. W.

addition the postulated right of the enterprise to utilize a certain part of the profits for investment is put into practice then a real possibility will arise for expanding the production capacity of products yielding economic return; in this way economic factors will lead to more independent action and will make possible results which rigid centralization of planning and decision is not in a position to achieve.

Naturally, the possibilities of cutting down costs to the minimum level through proper administration of production, mobilization of internal reserves, investments by the enterprises themselves, &c., are limited. Reduction of costs is inseparably linked with great technical progress and, hence, also with the main trend of the investment programme which, in a socialist economy, can and should be implemented on the basis of central planning. But economic considerations should have a much greater influence than heretofore on the central investment programme. One of the points here is to draw more conclusions for the investment programme from the market situation which reflects the structure and trends of development of the population's requirements.

In connexion with the problems of the investment costs the question arises of taking into account in the economic return of state enterprises the size of the means (durable and circulating) put at their disposal by the state.

There seems to be full justification for the demand for the inclusion of the whole of the means involved into the economic accounting by *discounting them*.

I see no reason for the law of the total 'banishment' (with the exception of short-term credits) of interest from socialist economy. Interest on the means at the disposal of enterprise will ensure good management, will give the enterprise an interest in reducing the absorption of social funds, to a great extent will make unnecessary detailed and ineffective control of expenditure, will replace it by control 'with the help of the zloty' of interest paid, and finally will facilitate settlement of the problem of profitability and correct structure of prices. The present system of setting prices creates the paradoxical situation in which the greater the relative participation of costs of materials in the production costs, the easier it is for the enterprise to gain profit, for profit is set in the factory price as a certain percentage of the total production costs.

It seems that appropriate subtractions from profits, paid by the enterprise in the form of interest on the sum total of the means engaged (with due account for the rate of capital turnover), will make it possible to eliminate this paradoxical situation and will facilitate the transformation of profit into a synthetic index of economic results. . . .

In addition to the considerations mentioned above the necessity for

using interest appears clearly in calculating investment effectiveness (the problem of frozen means).

In connexion with the thesis of the necessity for basing methods of planned management of the national economy on economic means, in particular, for utilizing the price policy connected with the market situation, for making broad use of profitability as an incentive, &c. the problem arises whether all of this is to apply only to the production of the means of consumption or also to the production of means of production.

It is clear that the production of the means of production, especially the basic instruments of production (machines and instruments) and the key raw materials (power, steel, &c.) play a special role in the national economy. Ownership and strict control by the state of the production of the means of production is the basis of planning an economy. The influence of demand on the production of the means of production is not and cannot be as direct as in the case of the production of the means of consumption. The connexion between the producer and the receiver is also of a different character, the production tasks are subject to less fluctuation, &c. Therefore, not only from the practical point of view but also from the theoretical point of view it is difficult to imagine that precisely in the production of the principal means of production one could depend in a planned economy on the automatic action of the economic mechanism (even though steered). In this field, it will perhaps not be possible for certain elements of direct intervention by central planning organs ever to disappear; in any case they will remain longest. This, it seems, applies not only to the production tasks but also to the distribution of certain goods of key significance to the national economy.

Theoretically, it seems altogether possible in the sphere of the production of the means of production to organize economic activity to a greater degree on the basis of direct connexions between enterprises¹ by means of broad use of plan contracts,² supported by an appropriate price policy connected with a definite 'freedom of choice' and material incentives for enterprises and workers, depending on financial results.

Here, too, the whole of the economic means should play an important role in the realization of the balance assumptions; but, in addition to other considerations, it should bring advantages in the form of substantially increased possibilities for correcting possible errors made in drawing up the balances, which are corrected with great delays within the present

¹ In speaking of enterprises I do not necessarily mean single undertakings. They can be large units taking in a number of undertakings. The intermediary of special institutions organized as enterprises is also not excluded. This type of problem can be solved in various ways, but this does not change the essence of the matter.

² *Contracts between enterprises to deliver and accept respectively certain goods. The contracts must be made within the framework of the plan.*—P. J. D. W.

rigid system of central distribution. Once more, I stress that in relation to the production of the means of production the factors of direct intervention and control on the part of the central state organs would have to be more precise, especially as far as the basic means of production are concerned. But this by no means removes from the order of the day the question of full utilization of the economic forms of planned economic activity.

Of particularly great significance for the elastic adaptation of the structure of production to the structure of needs and to the creation of conditions of rational management is the embracing of the entire national economy (both the production of the means of consumption and the production of the means of production) by a price system built on uniform principles, a system that is consistent and set up objectively. It seems that such a system can arise only when market prices are its point of departure and when the prices of products on higher levels are built step by step with due regard for their interdependence. With a consistent system of prices in which, among others, the peculiar 'dual value' appearing in our country today will disappear (the zloty in the price of one article is not equal to the zloty in the price of another), profitability or non-profitability of a product or else of a whole branch will cease to be somewhat arbitrary and will take on the quality of objectivity in full.

With a proper system of prices financial results can constitute a basic criterion for the economic activity of enterprises.

The opponents of the application of economic incentives based on financial results refer to the conflicts appearing in practice between the production programme, as expressed in goods, and the financial interests of the enterprise (violation of assortment for the benefit of so-called high-accumulation¹ goods). The observation is correct but the reasons, in my opinion, lie in the imperfect and insufficient consistency in applying economic accounting.

On the one hand, we place the enterprise in a definite system of costs, prices, profits, &c., with which, in one form or another, we link material and moral incentives. On the other hand, we ignore the system created, for example, by imposing upon the enterprises an assortment which does not hold out prospects of economic return. Hence, instead of using the existing commodity² forms and the incentives connected with them (perfecting them appropriately) we act contrary to them though we do not remove them. The conflict is inevitable since it lies in the very assumption and it appears all the greater the greater the incentives on the one hand and the degree to which they are ignored on the other. Hence, if we

¹ *i.e. highly profitable goods. See footnote 1 on p. 211.—P. J. D. W.*

² *In Marxist jargon a 'commodity' is bought and sold for profit on a genuine—i.e. quasi-capitalist or capitalist—market. A 'product' is exchanged in a purely planned way at 'calculation' prices.—P. J. D. W.*

regard economic accounting and the entire complex of categories connected with it as an objective necessity resulting from the action of the law of value, then we should:

firstly, build a correct accounting system—above all, a system of prices; and

secondly, consistently apply it as an instrument for attaining planned proportions, not treating it as a superfluous thing which can be ignored.

Then there will be no conflicts between the financial results and the concrete tasks.

Naturally, in order that profitability in socialist economy should play the role of an effective instrument of planning, it cannot be treated 'commercially'; it must not be allowed to happen that the striving for the best possible financial result becomes a source of spontaneous processes contradictory to social interests. It seems that there are conditions which allow us—by utilizing profitability—to avoid phenomena appearing in capitalism. These are, among others:

1. A system of prices, economically justified but set not by the enterprises (or the central organs concerned) but by the state planning organs.¹ Without this condition, which deprives the enterprise of direct influence on prices, there can be a tendency to seek profit by jacking up prices, there can be tendencies towards a peculiar monopolization. As far as we can judge from the meagre materials which we have at our disposal in Poland, this is precisely one of the important errors committed in Yugoslavia.

2. Setting of basic wages by the state. In a socialist economy the policy of increasing profit at the cost of wages must be completely excluded. In addition to the centrally defined assumptions for the division of the national income and the wages fund, grass-roots control on the work of economic administration should be an important factor in counteracting such tendencies. The principle of participation in profits will play the role of an incentive by opening up possibilities for an increase in income—above basic wages, if appropriate financial results are attained.

3. Expenditure of the basic part of the accumulation fund (the centralized accumulation fund), not from the point of view of profitability in the narrow cross-section of the enterprise or branch or for the sake of immediate effects but from the point of view of the interests of the economy as a whole and with due account for long-range effects. Such a point of view, of course, reacts on the calculation of the investment's effectiveness. This is not the place to discuss this exceptionally broad theoretical problem. I am concerned only in stressing the fact that the criteria of economic effectiveness of investment both with regard to

¹ I should now prefer to say 'set independently of the influence of the enterprise'; the direct intervention of the state is often not necessary.—W. B., May 1957.

choice of trend of investment programme as well as choice of individual variations of the solution must be connected as closely as possible with financial effects, taking the factor of time into account as precisely as possible.

Is all of this reasoning not subject to the charge that it is narrow economism, that it ignores considerations outside of economic ones—political and social above all? A charge of this kind would be based squarely on misunderstanding. We do not ask that decisions be made solely on the basis of economic accounting; the point is that in every case such an account should be prepared, and it should be precisely a purely economic account, without any secondary considerations.

After making an account one should look at the entire problem from other points of view; a version less economical but offering other advantages, e.g. defence, social, may be chosen, but each new decision of this kind must be taken with full awareness of the additional costs. Hence, economic accounting, economic consideration, is an indispensable element of each investment decision or of any other major economic decision, irrespective of how many or how important are the circumstances which must be taken into consideration.

Although this question has appeared throughout the entire report it is time now, in the final part, once again to return to it and to try to give an answer in the most synthetic form: is the above-mentioned idea not equivalent to a recognition of the law of value as a regulator of production, and will it not bring the 'dethronement' of the law of planned development?

In order to give an answer it is first necessary to make clear how the 'regulating role of the law of value' is understood. I understand the action of the law of value as a regulator of production which seems to be a spontaneous process of reaction by individual enterprises to the shaping influence of the market situation, for the sake of attaining the largest possible profit and without regard to the effects on the national economy as a whole. Profit, linked as it is to the movement of prices, is in this case the purpose in itself, unsubordinated to any social purpose. Hence, this process must inevitably cause disturbances in the equilibrium, must sow anarchy in the national economy.

By no means do I envisage the role of the law of value and of the categories connected with it in a planned economy in such a way. The point is not to eliminate planning but to ensure planned realization of proportions with the aid of economic instruments on the basis of the utilization of the law of value. The point is to have consistent, and hence much broader, recognition of the role of the law of value, not as a self-existent factor, however, but as the basis of economic accounting and of the system of incentives, with the aid of which society will realize its objectively

defined purposes better than heretofore. The introduction into a planned economy of a mechanism, working to a certain extent automatically, cannot be considered equivalent to spontaneity, if this mechanism works or acts as intended, if it permits speedier and more efficient movement in the given direction. In the Soviet Union recently the methods of detailed planning and regulation in agriculture were abandoned and were replaced by a number of economic instruments based to a large extent on the utilization of the law of value. Can it be denied that this move helped to strengthen planning and contributed towards easier attainment of the aims of state economic policy?

The conception dealt with in this report contains a number of fundamental elements which should constitute sufficient guarantee that the machinery put into operation will not get out of control.

1. Concentration of the basic means of production in the hands of the entire society, in the medium of the socialist state, and on this basis determination of the main proportions of the division of the total products and national income, especially the division into accumulation funds and consumption funds,¹ together with determination of how high basic wages should be.
2. Centralization of most of the accumulation funds which will make it possible to set the main trend of investment proceeding from the point of view of social profitability.
3. Concentration of the credit system, monetary circulation, bank and financial control, &c., in the hands of the state.
4. Prices planned by state planning organs.
5. Development of a system of plan contracts between branch enterprises of the economy.
6. Monopoly of foreign trade. . . .

I also wish to state that by no means do I oppose the balance method in planning, but I regard it as possible and useful to realize the balance assumptions outside of certain special cases, especially with regard to the basic means of production, not through distribution but through the application of appropriate economic measures.² The demands to shape the structure of production through prices, in accordance with the structure of demand, to apply economic criteria consistently in investment and in programming production, &c., are, I believe, in no way contradictory to the basic principle of planning, but on the contrary, it seems, create possibilities for

¹ *i.e. into investment and consumption.*—P. J. D. W.

² *i.e. not by a centralized system of administrative orders, telling who to give how much of the 'balanced' material to whom, but by letting buyers and sellers bid for the material. The drawing up of a balance then merely ensures that there will be no general bottleneck or glut. See footnote 1, p. 213—P. J. D. W.*

much more effective and rational attainment of the aims of the plan than by methods used thus far.

If, despite these arguments, some people will use the term 'regulation of production' to describe such utilization of the law of value in planned economy, the dispute will become purely formal. For, irrespective of the definition, what we have here is a function of the law of value that is qualitatively different in comparison with capitalism.

It seems that the most important thing is firmly to emphasize the necessity for full and consistent utilization of the law of value in planned socialist economy. I believe that this is an indispensable condition for the democratization of our economic life, for generally applied economic accounting, for opening the field for industry and initiative, which can bring about veritable miracles. . . .

In addition, the basing of economic action to a greater extent than today on the basis of economic return will introduce a certain element of risk; in conditions where risks are made not with one's own capital, where there is no real possibility of deducting the losses in the event of erroneous decisions. This constitutes a danger. It seems true enough that this is not an insuperable difficulty, especially with the management and the entire labour force being interested in the financial results of the enterprise, and in connexion with this feeling an increased sense of ownership in relation to social property—but one should not fail to take this kind of difficulty into account.

The list of difficulties and reservations can certainly be extended. But I do not believe that despite everything it is possible to give up attempts to improve our economic mechanism. It is difficult to imagine otherwise the elimination of the troubles now besieging us. All calls for decentralization and democratization of the method of economic management will remain empty words if an appropriate system of economic means is not created. . . .

II

IN THE PINNACLES OF THE LAW OF VALUE

By JOSEF PAJESTKA

(*Zycie Gospodarcze*, 17/1956)

. . . We assume that the instruments of forming the system of production are the prices. Hitherto we were wont to decide upon tasks for enterprises by way of administration.¹ Our planning was frequently erroneous and hence the justified criticism. And what about using the prices and not the plan with regard to the various enterprises?

¹ In post-Stalin Marxist jargon, 'administration' means giving arbitrary orders. P. J. D. W.