

## REVIEW: *THE DEVELOPMENT OF SOCIALIST ECONOMIC THOUGHT*

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Dobb was the most prominent Marxian political economist in Britain during the middle years of the 20th century. He was actively writing from the early 1920s to the 1970s. In this short book<sup>1</sup>, Brian Pollitt has brought together a number of publications from the last period of Dobb's life some of which have never appeared before in English. Taken together they give a revealing insight into the thoughts of an erudite Western Marxist as he tried to report on and come to terms with the economic debates going on in Eastern Europe at that time.

It is impossible now to read these articles without a certain sense of pathos engendered by hindsight. Dobb died in 1976 a mere 15 years or so before the final crisis of hitherto existing socialism. The topics that he discusses in these essays: the role of markets versus plans, centralisation versus decentralisation, pricing policies, etc, came to the fore during the Gorbachov period and counter revolutionary process of the late 1980s. One can not read Dobb's commentary from the 1960s and '70s without reflecting on the eventual political trajectory of the 'reform' currents that he discusses. At the same time one is brought face to face with the real limits on conceptualisation and policy that existed in those days. One comes to see just how the arguments of the reform school, arguing for the relaxation of planning disciplines and a greater role for market forces within socialist economies would have seemed plausible even to Dobb. I say even to Dobb, and because in previous decades he had been a strong advocate of the benefits of socialist planning and because the last page of his article on planning reveals that his concession to the market remained reluctant.

In the rest of my review I will criticise what, in retrospect, seem weaknesses in Dobb's arguments. But this does not mean that you should not read his book. It is well worth reading, in order to understand the debate on socialist economics thirty or forty years ago.

### 1. SOCIALIST THOUGHT

The collection starts with an essay *Socialist Thought (1968)* that, in brief, covers most of the topics dealt with in the rest of the book. One of the revealing points brought out by Dobb is that the slogan 'from each according to his ability, to each according to his need', popularly attributed to Marx, was in fact advanced by the school of Saint-Simon. When, in 1875, Marx used the phrase in his *Critique of the Gotha Programme*, he was referencing what was already common currency in the socialist movement. Dobb's essay is generally informative and accurate until we come to his account of Marx's *Critique of the Gotha Programme*. Dobb says

Socialists of the Marxian school have always spoken ( since Marx wrote his Critique of the Gotha Programme ) of two stages of socialism, a lower and a higher. In the former, although work incomes would constitute the sole category of income, and inequalities due to the existence of property

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Date: July 2009.

<sup>1</sup>*The Development of Socialist Economic Thought*, selected essays by Maurice Dobb, edited by Brian Pollitt, Lawrence and Wishart 2008

income would have disappeared, some differences in income would still remain owing to the necessity of differentiating wages according to the amount and kind of work performed. (Dobb, *The Development of Socialist Economic Thought*, page 52)

Note that Dobb does not say that this view is Marx's own, but that of the Marxian school. Whether this qualification was deliberate I don't know, but I see in this summary two significant distortions of what Marx wrote in the Critique of the Gotha Programme. The first is the notion of two stages of socialism<sup>2</sup>. Did Marx speak of two stages of socialism, or two stages of Communism?

What is in a word, you may say. Socialism, communism, what does it matter? Well, quite a lot in the context that Dobb was writing. The official communist movement made a sharp distinction between socialism: when distribution was to be unequal and communism, where the principle of 'from each according to ability, to each according to need' would prevail.

Again we can ask: does it matter whether we speak of two phases of socialism, two phases of communism, or a socialist phase followed by a communist phase?

Well I think it does. If you look at what Marx described as the very first phase of communism "just as it emerges from capitalist society", one sees that it was very different from the socialism of the USSR. Throughout the book Dobb assumes that a socialist economy must retain money, but Marx wrote not of money but labour certificates<sup>3</sup>. And there is no mention in Marx of differences in income due to the kind of work performed. Marx recognises that there would be differences in per-capita income due to:

- differences in intensity or duration of labour performed
- differences in family size

The only differentiation that Marx and Engels allow is one based on a measurable difference in productivity<sup>4</sup>: if Joe Stakhanov completes in half an hour, a task which the average

<sup>2</sup>Speaking of the first stage Marx wrote:

What we have to deal with here is a *communist* society, not as it has developed on its own foundations, but, on the contrary, just as it emerges from capitalist society; which is thus in every respect, economically, morally, and intellectually, still stamped with the birthmarks of the old society from whose womb it emerges. Accordingly, the individual producer receives back from society – after the deductions have been made – exactly what he gives to it. What he has given to it is his individual quantum of labor. For example, the social working day consists of the sum of the individual hours of work; the individual labor time of the individual producer is the part of the social working day contributed by him, his share in it. He receives a certificate from society that he has furnished such-and-such an amount of labor (after deducting his labor for the common funds); and with this certificate, he draws from the social stock of means of consumption as much as the same amount of labor cost. The same amount of labor which he has given to society in one form, he receives back in another. [Mar70]

<sup>3</sup>This use of labour certificates rather than money was emphasised 2 years later by Engels in Anti-Dühring Part 3 chapter 4.

<sup>4</sup>See for example:

An unskilled smith may make five horseshoes in the time a skilful smith makes ten. But society does not form value from the accidental lack of skill of an individual, it recognises as general human labour only labour of a normal average degree of skill at the particular time. In exchange therefore, one of the five horseshoes made by the first smith has no more value than one of the ten made by the other in an equal time. Individual labour contains general human labour only in so far as it is socially necessary. (Engels, Anti-Dühring, part 3, chapter 4)

Joe completes in one hour, then Stakhanov gets paid a full Hour certificate for his half hour on the job. But they do not mention differences in 'kind' of labour. The notion that different kinds of labour should be paid differently lets in all sorts of class differentiation by the back door<sup>5</sup>. For instance in the USSR, 'kinds' of labour that were predominantly performed by women were paid less than those 'kinds' predominantly performed by men.

In capitalist society the form of extraction of surplus labour is hidden by the monetary contract over wages. Everything appears to be based on free and equal exchange. It is only analysis of the overall process of production in terms of embodied labour that reveals a real exploitation behind this apparent equality. Money wages performed an analogous role in obfuscating the actual flows of labour between people in hitherto existing socialism.

Dobb was justified in saying that most socialists of the Marxian school had assumed that money and differentiated wages would be present in socialism, this was the orthodoxy laid down by Kautsky in *The Class Struggle (Erfurt Programme)* as far back as 1888<sup>6</sup>. But Dobb's implicit attribution of this view to Marx and Engels themselves can not be justified.

## 2. PLANNING

Dobb had been a strong advocate of planning for most of his life. The article on planning gives some understanding of how he came to partially modify his views with time. He gives a good brief summary on the theoretical debates involving Mises[vM35], Lange[Lan38] and Dickinson[Dic33] up to the 1930s before going on to look at how, in the post war period, attention had shifted from problems of economic equilibrium to those of achieving rapid growth in underdeveloped countries. Dobb's own experiences as an economist working in the newly independent India, are an obvious influence on him here. He makes a general defence of planning as an effective way of escaping from underdevelopment.

Next he examines Soviet planning, as it developed from the late 1920s. He brings out the extent to which early Soviet planning relied on what were essentially military metaphors: campaigns, drives, concentrations of forces etc. Looking back, one can not help but think that this is just one more instance of how the experience of the Great War shaped the thinking of a whole generation across Europe. This metaphorical mode of thought must

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<sup>5</sup>Engels was scathing of Dühring for introducing just this sort of differentiation of kinds of labour:

Nevertheless, the "universal principle of justice" must not in any way be confounded with that crude levelling down which makes the bourgeois so indignantly oppose all communism, and especially the spontaneous communism of the workers. It is by no means so inexorable as it would like to appear.

The "equality in principle of economic rights does not exclude the voluntary addition to what justice requires of an expression of special recognition and honour... Society honours itself in conferring distinction on the higher types of professional ability by a moderate additional allocation for consumption" {267}.

And Herr Dühring, too, honours himself, when combining the innocence of a dove with the subtleness of a serpent, [Matthew 10:16. — Ed.] he displays such touching concern for the moderate additional consumption of the Dührings of the future. (*Anti Dühring, part 3, chapter 4*)

<sup>6</sup>For instance in Chapter 4, part 9 Kautsky writes:

All forms of modern wage-payment—fixed salaries, piece wages, time wages, bonuses — all of them are reconcilable with the spirit of a socialist society; and there is not one of them that may not play a role in socialist society, as the wants and customs of its members, together with the requirements of production, may demand. (citation from the Marxist Internet Archive edition of *The Class Struggle*)

have sprung naturally to those who had been through that war and the Russian Civil War which followed from it. He shows how the military mode of thought was actually quite effective in the tasks set by the first Five Year Plans. The notion of key priority sectors, to which resources had to be allocated in preference to any others, worked well in accelerating industrialisation, though this military mode of thought would be totally alien to a modern economist. One could add, though Dobb does not, that the notion of patriotic sacrifice for the greater good of the nation, so current in times of war, could also be harnessed to the tasks of socialist industrialisation. This again is a form of personal motivation quite alien to neo-classical economics, but one without which the first half of the 20th century becomes incomprehensible.

He explains the system of material balances used by the Soviet planners and how these differed from the full input output table formalism later developed by Leontief. This is interesting because although the system of material balances is often referred to, it is rare to see an explanation of just how this differs from input output tables. In many ways they seem similar to Neurath's early proposals based on his experiences of the war economy of the Central Powers[Neu04]. He also brings out the fact that it was, with the administrative and computational resources then available, only possible to work out at most the 2nd or 3rd level implications of a change in resource consumption. But as he says, this is still more than a market economy could manage, even if it falls short of what one could in principle do with a full input output table.

He brings out the success of Soviet planning using these methods during the period of extensive economic growth, when labour supply was not a problem. As the economy matured, there developed a need to steer the economy through a period of intensive growth where alternative uses of labour and the ranking of these, became important. He attributed the slowdown in growth in the 1960s to this shift from extensive to intensive development. This, of course, is not something specific to the USSR. All 2nd and later generation industrialising economies face a similar process. During the first phase they can expand at a rapid exponential rate due to the application of large peasant labour reserves to imported industrial technologies. There is a deep relationship between this and the tendency of the rate of profit to fall in capitalist economies as their internal reserves of labour are used up (Figure 2.1). He also brings out the increasing scale of the planning problem. In the 30s only a few hundred products were covered by the method of material balances. By the 50s this had risen to 2000 with 10,000 products being covered by the system of central supply. But there were considerably more distinct products being produced than this since there were at least 40,000 distinct factories who were subject to the plan, and each would tend to produce several products.

At this stage it became increasingly difficult for the planners to manage to produce fully disaggregated plans. Since GOSPLAN could not exhaustively specify exactly how much of each product was to be delivered. Directives to enterprises now started to be given in aggregate terms. Aggregation could be by weight, as for example with steel products, or in money terms. This gave rise to a whole new set of problems. A specification that a foundry produce so many tons of steel bars, does not specify the mix to be produced. There would be a temptation to simply produce lots of the heaviest grade bars. But even with the best will, it would be only a matter of luck if the mix delivered was appropriate. These kind of mismatches led to demands that 'economic' rather than 'administrative' methods be used. It was suggested that enterprises should be decentralised, working on a cost accounting basis, aiming to make a profit on their investment assets provided by the state. If this was to be done then interest would have to be charged and the prices used would

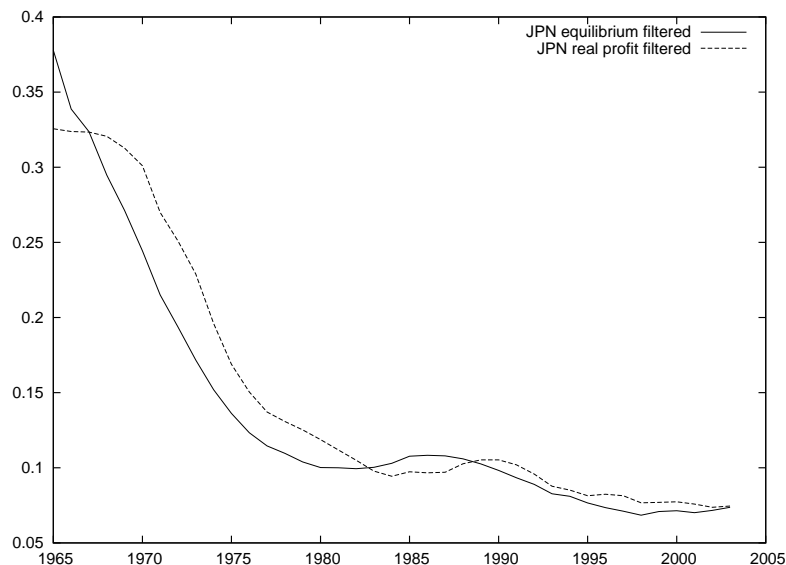


FIGURE 2.1. The trajectory of the rate of profit in Japan, illustrating that the tendency of an economy to slow down once its internal reserves of labour are used up is not restricted to socialist economies like the USSR. The dotted line shows the actual rate of profit, the solid line shows the equilibrium rate of profit attainable given the then current growth of the labour supply and growth of industrial productivity. Methodology used derived from [Zac08, CCMW09].

have to reflect actual supply and demand relationships. The direction of these demands was to move towards the sort of market socialism that Lange had proposed in the 1930s.

Dobb documents how this was emerging as a trend throughout the Warsaw Pact ( he is silent on what was happening in China). And he seems to resignedly accept it. He does not seem to think it worth while examining what a revival of market relations implies. How does the existence of commodity relations in a socialist economy square with Marx's account of commodity production and exchange value as something which arises from the combination of social production and private appropriation?

Are not commodity money relations social forms which say something to us about the form of society in which they exist?

How did an economy of the type proposed by Sik differ from simple state capitalism?

What were the implications of such an economy for the class structure of society?

Dobb could hardly plead ignorance on these issues. He was an eminent scholar of marxian and classical political economy. He must have been well aware with Marx's derivation of the commodity form. He was surely aware of the debates going on between Sweezy[SB71] and Bettelheim[Bet70], to name only the most prominent western marxist economists discussing these questions?

Whilst one may say now that neither Sweezy or Bettelheim eventually came up with satisfactory policy alternatives, their discussion of the issues showed significantly more political acumen than Dobb's. That Dobb's acceptance of the Sik/Liberman proposals was grudging can be seen from his final quote from Lange[Lan67]. In this Lange argues that market relations were increasingly being rendered redundant by the advance of computer technology. The computer allowed rational planning decisions to be made in the absence of markets. Dobb recognises that this is true in the abstract but counters that the computers used to draw up input output tables could at most handle about 100 distinct product types. He cites the 1959 soviet I/O table as being a 153x83 matrix. Such an I/O table implied very considerable aggregation with all its attendant dangers.

A table of that size implies a storage requirement of some 64kilobytes ( taking into account the word lengths of then current Soviet computers). It is quite plausible that this was the limit of what could have been achieved by late 1950's technology. By the mid 70s, when the last articles by Dobb were written, the top end US computers like the Cray 1 were arguably capable of solving a disaggregated plan for an economy of the Soviet size. True, thanks to mistaken policy of simply copying IBM mainframes to make the so called *Unified Range*, of Comecon computers, Soviet computing capabilities in the 70s lagged considerably behind the Cray. But it would still have been capable of handling considerably bigger planning problems than the examples Dobb cites from 15 years earlier. Had the achievement of detailed planning in natura been set as a national objective, then it is quite possible that by the late 70s, Soviet computer designers would have come up with machines of sufficient power. Now of course, computers with the necessary capabilities are readily available worldwide.

One can not deny that Dobb was reporting on a real dilemma relating to the then existing ability of the Soviet economy to plan. He also gives a reasonable account of the debate as it was seen in the Comecon countries. But compared to Bettelheim and Sweezy he was less perceptive of the social dangers of the Sik/Liberman proposals. Compared to Lange he was less perceptive in his appreciation of the potential of information technology. If one reads Dobb one should also read his more perceptive contemporaries.

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