

The Failure of Bolshevism and Its Aftermath

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Even after the bitter defeat of War Communism, Lenin never doubted that socialism entailed the abolition of trade and money. The Soviet doctrine of "socialist commodities" did not enter the picture until the 1950's. Compelled to preside over the encouragement of the market, Lenin continues to assert: "Exchange is freedom of trade; it is capitalism."¹ He wrings his hands, complaining that "capitalism must grow out of this soil of free trading."²

As he explains the need to permit the growth of trade, he continually has to remark upon the unheard-of novelty of socialists doing any such thing. "Communism and trade?! It sounds strange. The two seem to be unconnected, incongruous, poles apart." Like many Marxists he believes that capitalism requires a gold standard. He naturally draws the conclusion that compromise with capitalism requires acceptance of gold. "When we are victorious on a world scale I think we shall use gold for the purpose of building public lavatories in the streets of some of the largest cities of the world." But "for another decade or two" it is necessary to work slowly towards that goal. "Meanwhile, we must save the gold in the R.S.F.S.R., sell it at the highest price, buy goods with it at the lowest price. When you live among wolves, you must howl like a wolf. . . ." In due course, however, all the wolves will be exterminated.³

It is often claimed that the retreat to the "New Economic Policy" (NEP) was necessary because the socialist revolution in the West failed to materialize. Undeniably, the Bolsheviks banked on imminent revolutions elsewhere. But once they had taken power, it would have been intolerable to conduct practical administration on the assumption that the West would come to their rescue the following day. What were they to do in the meantime? Under Lenin's direction they decided unequivocally that they would proceed at once to construct a socialist economy. Lenin soon acknowledged that the Western revolutions might be awaited for several years, but he never suggested that socialist construction should therefore be postponed.

The fact that the Bolsheviks were wrong in expecting a German revolution should be placed in its context: the Bolsheviks were wrong in all their expectations. Everything turned out just as the anti-Bolshevik Marxists had predicted, only to be ridiculed, vilified, and in due course,

shot. The crucial question is how the Bolsheviks would respond to the occurrence of that which they had violently denied could occur. Would they, perhaps, admit that the *coup* had been a sorry blunder, that they had made a complete mess of things, that the workers had not benefited in the slightest degree from their actions, and that they should abdicate all power at once? This kind of humility is rare among politicians. But if the Bolsheviks refused to accept that the *coup* had been at best futile, the heresy of "socialism in one country" (as yet unformulated) was implicit in everything they did.

And if revolutionary socialists had taken power in Germany, how could they have saved communism in Russia? Of course, the Marxists did not realize that *central planning in Western Europe would necessarily bring about even greater collapse and slaughter than it did in backward Russia*. But suppose that a successful German socialist revolution led to a miraculous (say, an immediate five-fold) increase in German industrial production. The collapse in Russia was so bad that the Germans could have helped significantly only by reducing their own living standards to send massive handouts to Russia, and even this would have been but a temporary palliative.⁴

One of the main reasons why it had been assumed socialism could not survive in a single country was the likelihood that the surrounding bourgeois powers would overthrow it. But Lenin was quick to see that the war, and then the war-weariness of the Western powers, forbade massive intervention. He therefore argued that the Bolsheviks could take advantage of the war to "advance and consolidate the socialist revolution."⁵ He predicted: "our success in reconstructing the social economy is inevitable, provided we are not crushed by military force."⁶ The Bolsheviks had always been prepared for the possibility that they would go down in a blaze of glory, like the Paris Commune. They were totally unprepared for the possibility that the central direction of industry would prove rather difficult, let alone that it would be beyond their capacity.

The Failure of Bolshevism

Judged by its announced goals, Bolshevism failed. The question arises whether its failure did not simply prove the traditional Marxists correct: Russia was "not yet ripe" for socialism. It is not self-evident, however, that more advanced industry would be "more ripe." If any part of the War Communism catastrophe was due to the inability of the planners to allocate factors appropriately in the absence of market prices, that would suggest that a more advanced industry would be harder to communize.

Peasant resistance to requisitions played a large part in the fiasco, but according to Brutzkus, whose early account has never been refuted, the collapse of production was greatest in large-scale industry.⁷ First and fore-

most, War Communism was a system of administering industry. Each enterprise put its products at the disposal of a central board, and applied to the board for its supplies of means of production. Since there was no price system, the board had no sensible way to allocate means of production to enterprises. An enterprise can choose its assortment of inputs only when these are priced. If each input is acquired by a sort of lottery, dependent on filling in a form and then waiting to see who gets priority, it is unlikely that the assortment which is delivered will be of much use, though it may contain items which would be highly productive in combination with others which have been allocated elsewhere. "As the means of production are complementary the whole of industry was in this way gradually paralyzed, although the country still possessed considerable stocks of unused production goods."⁸

NEP was seen as a temporary retreat, but there was no agreement as to how long it would last. Large-scale industry remained in the hands of the state. Lenin described these nationalized undertakings as "socialist," and saw the immediate future as a continuous struggle between socialism and capitalism. Perhaps he saw NEP lasting from ten to twenty years.⁹ But this was highly improbable. The logic of the situation drew the government towards further attempts at central planning. Even governments with no ideology of market-abolition find themselves, once they engage in extensive intervention, itching to go further, to poke their thumbs into more and more pies. Here was a government with despotic powers, committed to the eventual triumph of socialism, defined strictly and explicitly as a natural economy, and smarting from the disgrace of a recent debacle. Even such a government might conceivably have come to terms with reality, except that War Communism had already been covered in legend and falsification, as even its name indicates. No honest criticism of War Communism could be made. Russia was already a totalitarian society.

The government intervened to fix more and more prices below market levels. Shortages resulted. The government responded to the shortages by decreeing further price cuts, with worse shortages resulting. In default of abandoning these price controls, the government "had" to step in to administer the distribution of vital goods. At the same time the Communist Party sanctioned numerous "plans," for large-scale industry, foreign trade, transport and so forth, and wherever this occurs it is only reasonable to demand that all the plans be harmonized, which is tantamount to having a single general plan. The first outline of such a plan was published in 1925. "Control figures" were issued, based on a methodology which, twenty years later in another country, would be termed "indicative planning." Indicative (toothless) planning, the publication of forecasts, or wishes, in the hope that this will make them materialize, must always give way either to no planning or to attempts at real planning, in which the forecasts or wishes become orders.

"During the winter of 1927-28 the kulaks [middle-class peasants] seized the Soviet state by the throat,"¹⁰ wrote Ernest Mandel. What actually happened was that the Communist Party government kept cutting the price of foodstuffs. They cut the price of grain by more than 20 percent during 1926-27.¹¹ The government's ignorance of economic theory did not prevent the peasants from acting in strict conformity with it. They shifted to other crops, sold at higher prices to the remaining private traders, fed grain to livestock, and held back grain in expectation of a rise in the official price. But, in January 1928, the government closed the country markets and re-introduced the compulsory confiscation of War Communism.

War Communism, Mark Two

The first Five-year Plan was sanctioned by the Government in May 1929, but was supposed to operate from October 1928. (Thus was begun the custom of deciding upon the "plan" after the commencement of the planning period.) It was based upon the indicative Control Figures which had been drawn up earlier, mainly by non-CP economists, but for the 1929-30 Control Figures, the "bourgeois" experts were replaced by Communists. According to Brutzkus:

In 1930 the following views were dominant in economic literature. . . . the N.E.P. system had been overcome, the Soviet economic system had already reached the stage of complete socialism. Money issues could be made without concern, for money was now nothing but an accounting symbol which one would soon be able to dispense with. One must accustom oneself to disposing of goods in kind. If, however, the Soviet economy would need a measure of value, then not money but the labour day was appropriate to socialism.

The economic ideology of the period of War-communism lived again.¹²

This was not surprising, since that was nothing more nor less than the economic ideology of Marxism and Bolshevism. The Five-year Plan was still based on monetary reckoning, but the Communists had not fully digested what this implied. For example, there was a state bank, but it supplied funds indiscriminately for all projects sanctioned by the plan. It is idle simply to decree the use of money, credit and banks. To be of any use, "money" must *function as money*.

Thus there occurred "a partial relapse of the economic plan, originally designed on a money basis, into a condition analogous to that of natural socialism; yet the unsoundness of this system had already been proved by experience." According to Brutzkus, by the beginning of 1931, "the Soviet economic system was on the brink of general disintegration."¹³ Collapse and famine once more stared the Communists in the face.

But by 1931 Stalin was in command. During 1931 he moved swiftly. The

credit system was brought into line with capitalist practice. Direct, horizontal relations between buyers and sellers were renewed, instead of the solely vertical relations necessitated by genuine central planning. All profits had previously been centralized with the treasury, but now half were to be left with the individual enterprises. (Already, in 1929, it had been accepted that enterprises were to be the economy's basic units, one-man managed, endowed with a legal personality, and conducting their accounting on the basis of monetary profit-and-loss.) Rations in kind, which still prevailed, were completely phased out in favor of money wages, and all talk of equalizing wages was henceforth abused as petty-bourgeois, Trotskyist, anti-Marxist and anti-Leninist. Piece wages (described by Marx as "the form of wages most in harmony with the capitalist mode of production"¹⁴) were made general. The term "socialist distribution" was dropped in favor of "Soviet trade." "Control by the ruble" became the watchword. The Russian system developed the essential identity it retains to this day: commodity production dressed up as central planning.

War Communism, Mark Three

Nearly 43 years after the abandonment of the original War Communism, the Cuban Industries Minister, Ernesto Guevara, produced an article "On the Budgetary System of Finance,"¹⁵ whose ideas soon came to dominate Cuban government thinking. Guevara comments on Marx's conception of the transition to communism, pointing out in passing that Marx did not envisage any role for money even in the earliest stages. Guevara recalls Lenin's "retreat" from War Communism to NEP, and states that it was "a tactic closely tied to the historical situation of the country," i.e. Russia in 1921, and therefore without "universal validity." Because of the level of development of administrative technique in the Cuba of 1964, there is no need for Cuba to repeat Lenin's retreat.¹⁶ Guevara's "budgetary system," already being implemented when he wrote, is a conscious imitation of War Communism. Enterprises are no more than technical and administrative units, with no independent legal existence and no funds of their own. They are all "part of the single great enterprise that is the state." Central planning displaces the market's hated "law of value"; moral rather than material incentives are to be used wherever practicable, to prepare people for the end of money, and "prices" must be assigned to products on the basis of labor-time.¹⁷

Castro and his friends were committed Marxian communists before the capture of power.¹⁸ After a brief period of "moderate reform," during which they eliminated their opponents, the new rulers carried through a rapid program of nationalization and centralization. Within a few years, Guevara was putting forward impassioned yet fairly elaborate pleas for the rapid transition to communism, and he was soon followed by Castro.¹⁹

All the usual arguments were trotted out: central planning would necessarily be far more efficient than the blind anarchy of the market; communism would be able to save on all the office work involved in charging and collecting money; people would increase output prodigiously now that they were no longer exploited. There was a lot of tinkering with "socialist competition" and "voluntary" additional labor, and many services were supplied to everyone free. The Cuban rulers were aware that they were attempting something that had failed dismally in Russia, but they pointed out that conditions in Cuba were far more propitious. Surely no one could imagine that an internal market was necessary to coordinate production in this small island, which had been greatly centralized already by the imperialist exploiters. There was no debilitating civil war, and Cuba was far from isolated. Staggering sums of economic aid were poured by the Soviet Union into Cuba, already one of the richest countries (per head) in Latin America. An army of helpful technicians and planning experts arrived from Czechoslovakia and other parts of the Russian empire, to be joined by numerous Marxist academics from Western countries, all eager to offer their most up-to-date thoughts on the transition to communism.

Despite these favorable portents, the outcome was disastrous. Cuba's "crash" industrialization program really did crash, with enormous investments wasted because, in the absence of profitability, they could not be coordinated properly.²⁰ Castro then swung wildly from industry to agriculture. The whole of Cuban society was geared, by the most intensive militarization and indoctrination (there is only one newspaper in Cuba and it contains no news), to the great "Ten Million Ton Sugar Harvest" of 1970, the failure of which could hardly have been more abject.²¹ Castro has now permitted the re-emergence of a limited market, and Cuba seems to be becoming more of a conventional Soviet-style state.

Both Lenin and Castro set out to abolish the market, proclaiming that it would be a simple task. Both Lenin and Castro eliminated anyone who said the task was impossible. When things turned out exactly as those eliminated had predicted, both Lenin and Castro admitted frankly that they had made some mistakes, and this admission caused their followers to swoon with admiration at such eviscerating self-criticism.

There will probably be several further War Communisms in less-developed parts of the world.²² One might suppose that scientific socialists would analyze the experience of previous failures before embarking on their own market-abolition projects, at enormous cost in human life. But "scientific socialism" rests squarely on failure to comprehend the allocative function of the market. Given that failure, it will always be possible for fresh generations of Bolsheviks to find novelties in the world around them, indicating that *this* time conditions are at last ripe for the great leap into communism.

Does Russia Refute Mises?

It is very commonly asserted that the industrialization of Russia under a centrally-planned, socialist regime is proof in itself of the fallacy of Mises' economic calculation argument. Mises claimed that socialism was impossible. Socialism exists in Russia. Therefore Mises was undoubtedly mistaken.

Four counter-considerations leap to mind:

1. Soviet Russia is not socialist in the sense widely recognized by avowed socialists (including all Marxists) at the time when Mises first presented his argument. Russia retains an internal market and could not do without it.
2. Russia is dependent on the market system in the rest of the world.
3. The Soviet economy is plagued by what the official economists now openly admit to be monstrous irrationalities.
4. It is widely admitted that if Russian society is to advance into the modern world (in technology and living standards), it must progressively abandon its present system in favor of more freedom to the market.

It might be supposed that there is a contradiction in advancing all four of these arguments simultaneously, because the last three seem to accept the designation of Russia as socialist, while the first rejects this designation. Yet they can be reconciled: the degree of central direction is insufficient to qualify as Marxian socialism, but quite sufficient to constitute an insurmountable obstacle to the effective operation of Western-level technology.

That Russia is not socialist in the Marxian sense should by now be clear. It is certainly a system in which commodity production prevails and is being expanded, as the regime's court intellectuals have to admit. There could scarcely be any revision of Marx or Lenin more fundamental than the concept of "socialist commodity production." Neither is money in the Soviet Union confined to the rationing of consumer goods. Commercial dealings have persisted since 1921 (and are now proliferating) between industrial enterprises. Marxism affirms that expansion of the productive forces (capital, skills, technology) leads to the obsolescence of commodity production (the market). Russian experience suggests that the more developed the forces of production, the greater must be the scope allowed to commodity production.

Mises himself put all the weight of his argument on point 2. He accepted Soviet Russia as a specimen of socialism, and observed that the central planners could refer to world market prices in order to perform economic calculation.²³ Russia is chronically dependent upon the Western market.²⁴ There is no need to fear a world-wide Soviet system, which would be as unviable as a forest of mistletoe.

As to point 3., the aberrations of the Soviet system are by now well known.²⁵ In the course of his perfunctory dismissal of the Mises case, Bergson makes these curious remarks:

If there is no "practicable" basis for rational calculation, the economy presumably would break down. . . . the Soviet planned economy has been operating for thirty years. Whatever else may be said of it, it has not broken down.²⁶

These words were written in the forties, so within the previous thirty years the Soviet economy had indeed "broken down" amid "chaos" at least once, in 1921. It came very close to doing so again in 1931. Subsequently, it is true, there was neither chaos nor breakdown, but there *was* continuous "waste on a vast scale."

Point 4. is however now commonly accepted. Unless "economic reform" of a really radical nature can be pushed through, the Russian empire will remain a moribund, backward economy, with no hope of raising the people's living conditions substantially above their present wretched level. And there is little dispute that "economic reform" can mean only less central direction and more market freedom.

The way this is sometimes phrased is that Stalinist central planning was a useful instrument for rapid industrialization, but that it has outgrown itself, and must give way before the transition to a consumer-oriented industry. But the point of production is to serve consumption. Building steel mills, dams and chemical plants is not industrialization in any useful sense if these installations cannot be utilized for satisfying the people's wants.²⁷ Just as much of British industry now consists of "industrial museums," a net deduction from the welfare of the people, so it has yet to be shown that Russian industry is much more (apart from military applications) than "industrial pyramids." That can be determined only by using this industrial structure to raise the people's living standards or what amounts to the same thing, by seeing which of the existing plants remain profitable upon the introduction of a free (or freer) market.

Is the Soviet Union a Planned Economy?

The basic pattern of Soviet "central planning" emerged from the First Five-year Plan: its distinctive feature is the method of "material balances." Each enterprise is given an instruction from above, to produce a target, usually expressed in some physical magnitude such as weight or quantity of articles, but sometimes formulated in monetary value. For overshooting its target, the enterprise receives financial and other rewards. For failing to reach it, the enterprise is penalized.

As well as attainment of the target, other criteria are enforced, such as quality specifications and reduction of production costs. Each enterprise has its own profit-and-loss account, and must strive to maximize its profits, some of which it is permitted to retain for its own purposes. But sheer size of output is the main concern of "the plan." The planners' job is apparently

to draw up, and then communicate, a single plan of national production, in which the physical outputs and inputs of every enterprise are meshed together.

There is no doubt that enterprises receive orders from on high instructing them what to produce, and that in general they try to obey them. This seems to be a clear case of central planning: the planners must somehow conceive of a pattern of operation for the entire economy, translate it into detailed instructions, and see that these are carried out. But things are not as they seem.

One immediately wonders why there is any need for profits or monetary dealings between enterprises. If the plan were all that it seemed, these would be redundant. One also wonders how adjustments are made to take into account over- and under-fulfillment of plans—surely not by the planners being instantly and simultaneously aware of all the technical proportions, stocks of factors and possibilities of substitution for every workshop in the land.

The basic plan documents must be drawn up by people who cannot know what they really mean. These plans have to be formulated in broad categories: so many rivets, so many girders of such-and-such a length. The planners do not know all the various subdivisions, styles and models appropriate to every particular task. The broad aggregates in which they must deal are not very informative about the real interconnections and interactions of one enterprise with another. The absurdity of supposing that genuine planning could be carried on in this way is brilliantly summed up by Michael Polanyi in a striking simile:

The products are divided into classes and sub-classes. We may see for example Industry and Agriculture as our main divisions. Then Industry may be subdivided into Production of Raw Materials, Finished Products and Industrial Services, while Agriculture may again fall into parts, such as Food Production, Forestry and Raw Materials for Industry. Each of these classes can be subdivided again into sub-classes and this process can be continued until we finally come down to the proposed quantities of individual products, which form the ultimate items of the plan.

At first sight this looks exactly like a true plan, namely like a comprehensive purpose elaborated in detail through successive stages. . . . But in reality such an alleged plan is but a meaningless summary of an aggregate of plans, dressed up as a single plan. It is as if the manager of a team of chess-players were to find out from each individual player what his next move was going to be and would then sum up the result by saying: "The plan of my team is to advance 45 pawns by one place, move 20 bishops by an average of three places, 15 castles by an average of four places, etc." He could pretend to have a plan for his team, but actually he would be only announcing a nonsensical summary of an aggregate of plans.²⁸

Whatever it is, then, Soviet "central planning" is certainly not central planning. It is natural to enquire next how the "plans" are composed. This may afford us some clue as to what is really going on. Roberts has drawn attention to the curious fact that discussions of Soviet "planning" do not attempt to explain the *derivation* of the "plans." The origin and composition of "plans" are simply taken as given.

The "planning" system is a pyramid. At the top is a "plan" couched in broad aggregates. As it passes downwards from level to level in the bureaucratic hierarchy, it is amplified and fleshed out. Finally it reaches the enterprises where it is translated into full detail. But it is only this full detail which gives the aggregates any significance. The explanation is that information is also moving *upwards* within the pyramid. A draft "plan" is amended by a process of consultation and negotiation between the levels. The resulting "plan" is based upon recommendations and pleadings by directors of profit-making enterprises. How about the draft plan? That was probably formed by adding a few percentage points on to the quantities produced in the previous plan period. The fundamental mechanism of Soviet "planning" is now laid bare: *the planners ask the enterprises what they intend to do, and then instruct them to do it.*²⁹

This should not be taken to imply that the whole planning procedure makes no difference to industry. Communication is always imperfect, and the "planners" have no clear idea of what they are doing. The process causes delays and mistakes. By the time they get their own projections back as "instructions," the enterprises have changed their minds. Furthermore, the planners are obsessed with gross quantities; they therefore usually modify the fundamental mechanism: they ask the enterprises what they intend to do, then instruct them to do it, *plus x percent*. There is also an order of priorities which guides the planners in their attempts to harmonize the demands of the various levels. This is a ranking of production objectives (military always top, consumers always bottom), the effect of which parallels the efforts of ordinary interventionist governments to mold industry by means of discriminatory taxes and subsidies.

It is usual for "plans" to be finalized after the start of the period they are supposed to cover, and they are then constantly amended in the process of "implementation." As Roberts dryly observes:

The plan is changed so often that it is not congruous to say that it controls the development of the economy. There is an alternative possibility that the development of events controls the plan.³⁰

Normally there is a five-year plan, divided into annual plans, further subdivided into quarterly and monthly plans. Pejovich reveals that

the 1961 plan for the Tartar Autonomous Republic was modified five hundred times. When these modifications occur, in effect, the plan is constantly revised and brought in line with the business firms' actual

performance. Thus, in the course of the year, the plan and the economy's actual performance eventually converge and at the end of each year, the Soviet press can therefore honestly report that the annual plan has been fulfilled.

For example, the average rate of growth of total industrial output was set at about 8 percent per year in the 1971-75 plan. The actual rate of growth in 1971 and 1972 fell to 6.1 and 5.4 respectively. Then, the Soviet government simply reduced the planned rate of growth to 5.8 percent per year.³¹

So, in addition to the plan's origin as, essentially, a summary of the plans of numerous profit-seeking enterprises, even that is ceaselessly revised in the light of unpredictable changes. This is as we would expect, for no one can know what the development of industry will encounter for the next five weeks, let alone five years. Industrial production is always a voyage into the unknown.

Some writers on the Russian economy, who do not challenge the hypothesis that it is planned, begin by summarizing the formal planning system, then comment that such a system seems unable to function, and next try to explain how it nonetheless can function, by giving a list of Soviet practices which are all ways in which central planning is abandoned or limited.³² But there must be an ordering process in Russian industry, which keeps it staggering along, however inefficiently. The existence of gaps in a bogus ordering process cannot be sufficient. Roberts also makes the simple but telling point that if there is central planning, "theory and practice must merge."³³ If there is a planning method, the planners ought to be able to say what it is. But there is no theory to account for the derivation of Soviet plans, except the Polanyi-Roberts theory that they are aggregates of the separate plans of millions of autonomous profit-seeking enterprises.

Sovietologists who start from the premise that Russia is centrally planned display the naivety of an anthropologist who, upon being informed of the tribe's own theories of the world and their place in it, accepts them as true, and bases his fieldwork on them. Analysis of the Russian economy must start from the realization that there is no such thing as central planning. The sources of rational allocation are: (a) taking prices from the West; (b) copying technical processes from the West, thus taking advantage of the market-selected combinations of factors, and enabling costs of production to be roughly gauged; (c) taking prices and technology from Eastern Europe, where state intervention is generally much laxer than in Russia; (d) the legal and officially recognized internal market; (e) the internal market camouflaged as central planning; (f) the illegal (but none the less enormous) "black" market. The relative importance of these is a matter for empirical investigation, though Mises' view that only the first two are operative must be false.

Absolutely dependent upon the autonomy of profit-directed enterprises, the Russian system is still held back by the fact that enterprise directors are

state appointees, and property rights in enterprises are not freely transferable. The initiation and closing-down of state enterprises is thus not determined on the open market. Property speculation, capital and money markets are non-existent or extremely rudimentary, but these institutions, thrown up spontaneously in a free society, play a vital role in coordinating modern industry, and there is no hope of Russia's approaching Western standards of prosperity without them. It will be interesting to see by what formulas they will be reconciled with Marxism-Leninism, unless the Communist Party is overthrown first.

NOTES

1. V. I. Lenin, *Collected Works* (Moscow: Progress; London: Lawrence and Wishart, 1960-), 32:364.
2. *Ibid.*, 33:65.
3. *Ibid.*, 33:113.
4. Referring to "the utopian hopes of the epoch of war communism," Trotsky concluded that even if the revolutions in the West had occurred "it would still have been necessary to renounce the direct state distribution of products in favor of the methods of commerce." Quoted in Paul Craig Roberts, *Alienation and the Soviet Economy* (Albuquerque, N.M.: University of New Mexico Press, 1971), p. 42, n. 27.
5. Lenin, *Collected Works*, 27:449.
6. *Ibid.*, 30:110.
7. Boris Brutzkus, *Economic Planning in Soviet Russia* (London: George Routledge and Sons, 1935), p. 106.
8. *Ibid.*, p. 107.
9. Alec Nove, *Economic History of the U.S.S.R.* (Harmondsworth, Middlesex: Allen Lane, 1969), p. 120.
10. Ernest Mandel, *Marxist Economic Theory* (London: Merlin, 1968; New York: Monthly Review Press, 1970), p. 553.
11. Nove, *Economic History*, p. 141.
12. Brutzkus, *Economic Planning*, p. 153.
13. *Ibid.*, p. 163.
14. Karl Marx, *Capital: A Critical Analysis of Capitalist Production* (Moscow: Progress; London: Lawrence and Wishart, 1974), vol. 1, chap. 21, p. 521.
15. Ernesto Guevara, *Che: Selected Works of Ernesto Guevara*, ed. R. E. Bonachea and Nelson P. Valdes, (Cambridge, Mass.: M.I.T. Press, 1969), pp. 112-36.
16. *Ibid.*, pp. 116-17.
17. *Ibid.*, pp. 118-33.
18. This is sometimes disputed in the case of Fidel Castro. He now maintains that he was always a Marxist-Leninist but had to keep quiet about it in order to gain power. Although his saying this now does not prove it to be true, it is fully consistent with all the evidence, and any other interpretation must make bizarre assumptions. Llerena argues that Fidel was not truly a Marxist-Leninist, but in order to read this aright we must realize that Llerena believes Castro is not a Marxist-Leninist now! Llerena's judgment is psychiatric. He views Castro as a psychopath convinced of nothing but his own importance. Llerena accepts that all Fidel's close associates in 1958 were Marxist-Leninists and that he presented himself to them as such. See Mario Llerena, *The Unsuspected Revolution: The Birth and Rise of Castroism* (Ithaca, N.Y.: Cornell University Press, 1978), pp. 198-204.
19. See Carmelo Mesa-Lago, *Cuba in the 1970's* (Albuquerque, N.M.: University of New Mexico Press, 1978). See also Edward Boorstein, *Economic Transformation of Cuba* (New York: Monthly Review Press, 1968). Boorstein, a Marxist economist who worked in Cuba, confirms the prior Marxist convictions of the rulers (pp. 18-19), shows how early

- they were set on a socialist course (p. 151) and predicts: "by the end of this decade, the full benefits of socialism will begin to show themselves in Cuba" (p. 225).
20. Charles Bettelheim, *Economic Calculation and Forms of Property* (London: Routledge and Kegan Paul, 1976), p. 120.
 21. On the magnitude of Castro's failure, see for example Frederick B. Pike, *Spanish America, 1900-1970* (London: Thames and Hudson, 1973), pp. 151-57. For a detailed study, see Sergio Roca, *Cuban Economic Policy and Ideology: The Ten Million Ton Sugar Harvest* (Beverly Hills, Calif.: Sage, 1976).
 22. I do not count the events in China under Mao or in Cambodia under Pol Pot. In China there was much emphasis on non-pecuniary incentives and other measures preparatory to communism, but there does not seem to have been the implementation of centralized allocation *in natura*. It appears that whilst the Cambodians did largely implement the abolition of money, they also fully intended the abolition of modern industry and a reversion to primitive conditions.
 23. Mises, *Human Action: A Treatise on Economics* (Chicago: Henry Regnery, 1963), pp. 702-703.
 24. Anthony C. Sutton, *Western Technology and Soviet Economic Development*, 3 vols. (Stanford, Calif.: Hoover Institution, 1968, 1971, 1973).
 25. Maurice Dobb, *Socialist Planning: Some Problems* (London: Lawrence and Wishart, 1970), p. 27-56.
 26. Abram Bergson, "Socialist Economics," in Howard S. Ellis, ed., *A Survey of Contemporary Economics* (Philadelphia: Blakiston, 1949), p. 447.
 27. "Growth" means increase of national income (product). The national income is the total monetary value of goods (including services) produced (or what amounts to roughly the same thing, sold). The monetary value of capital derives from the expected future monetary value of final goods produced by that capital. If these final goods do not materialize, it means that the earlier national income statistics, which included production of capital, are to that extent misleading. If we observe "high growth rates" which take the form of artificially stimulated production of "capital," and subsequently there is no corresponding expansion of production of consumers' goods, we must interpret the earlier "high growth rates" as a statistical mirage. They did not really represent additions to capital, but something akin to firework displays, a waste except for the gratification afforded the Party members who contemplate the statistics.
 28. Michael Polanyi, *The Logic of Liberty: Reflections and Rejoinders* (London: Routledge and Kegan Paul, 1951), p. 134.
 29. This is the Polanyi theory which Roberts has advanced repeatedly in scholarly journals and in his *Alienation and the Soviet Economy*. For Polanyi's early statement of his view that there is no central planning in Soviet Russia, see his *Contempt of Freedom* (London: Watts, 1940), especially pp. 27-95. I do not know of any serious attempt to refute the Polanyi-Roberts analysis, though it has been corroborated by persons intimately acquainted with Soviet-style planning operations, who have declared "central planning" a complete sham. For instance, see Jerzy Gambit, "The Polish Economy: Models and Muddles," *Survey* (Summer 1971).
 30. Roberts, *Alienation and the Soviet Economy*, p. 78.
 31. Svetozar Pejovich, "The End of Planning: The Soviet Union and East European Experiences," in A. L. Chickering, ed., *The Politics of Planning* (San Francisco: Institute for Contemporary Studies, 1976), p. 101.
 32. Under the heading "Ameliorative aspects of the planning process," Bryson explains that not all commodities are included in the central balancing process, the balances are not very detailed, some balances are assigned to lower levels, etc. See P. J. Bryson, *Scarcity and Control in Socialism* (London: Heath, 1976), pp. 8-9.
 33. Roberts, *Alienation and the Soviet Economy*, p. 73.