

As it is known, Keynes found the capitalist economy of his age unsatisfactory basically from two aspects. First, he objected to the insufficient utilisation of resources (unemployment), second, he criticised the highly uneven distribution of individual incomes. As for criticism number one, Watrin, as well as the other participants of the Symposium, took the position following logically from the train of thought cited above, which is that in the macro-economic sense the market economy is by all means more efficient than any kind of planned economy, or an alternative mixed economy, based upon self-management or the Keynesian state economic policy.

As for the just or unjust distribution of personal incomes, Watrin stresses – following Hayek – that in a market economy the distribution of incomes and of accumulated wealth does not reflect, *per definitionem*, the distribution of personal merits. The market economy system is not to be legitimised by the proposition that the inequalities in income and wealth are smaller in it than in any other system, or that these inequalities better reflect the contribution of individuals to the social welfare, but that this system promises the fastest possible development dynamics for society as a whole. It is an important thought of Watrin – characteristic of all German economic thinking of today – that inequalities of income and wealth are rooted partly in the monopolistic situation of individuals and of companies and as such are in fact unjust, harmful and to be eliminated.

It may be clear from the preceding that the economic theory in German-speaking countries today presents a basically normative and defensive argumentation. One of the best features of this volume is exactly that it well reflects this character of the school, making it clear for the reader. The majority of the mainstream German economists sharply criticise, exactly on account of their political and scientific conviction, the interventionist economic policy of the capitalist state wishing to do everything by itself. They also oppose the Keynesian theory legitimising such policy, as well as the school of the equilibrium theory, considered to be too abstract, and irrelevant for economic policy practice.

The list of literature attached to each study suggests that the participants of the discussion did not content themselves just to repeat their own views. The authors of the volume have practically processed the entire modern bourgeois economy, making a clever use also of the contradiction existing between the two rivalling Anglo-Saxon economic theories. This book may

be a useful reading for all those prone to become the all-out promoters of one or another school of economic thinking.

P. MIHÁLYI

PEREIRA, J. M.: *Sistemas Económicos e Consciência Social – Para uma Teoria do Socialismo como Sistema Global* (Economic systems and social consciousness – For a theory of socialism as a global system.)* Oeiras, 1980. Fundação Calouste Gulbenkian, Instituto Gulbenkian de Ciência, Centro de Estudos de Economia Agrária, Estudos. 306. p.

Apart from its intrinsic interest, the book has the added attraction for the Hungarian reader that it refers extensively to the Hungarian economic reforms in and after 1968. Its list of references includes some 40 Hungarian titles, most of them papers published in *Acta Oeconomica*.

The Portuguese author (whom we shall denote JMP for brevity) is a chemical engineer by training. He took up political activity against the dictatorship, „on an individual basis”, as he writes. After the ousting of the dictatorship in April 1974, he remained likewise independent. Secretary of State for Industry in the 4th Provisional Government (March-August 1978), he subsequently retired to management, after a spell at research, of which the book in hand is the fruit.

The book is made up of three Essays, which hang together, although they can be read separately. Essays II and III analyse the theory and practice so far of present day socialism and of its potential of evolution, whereas Essay I, a formidable methodological prolegomenon reflecting JMP's vast reading and familiarity with science, is connected with the other two rather tenuously and shall be discussed but very briefly here.

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The post-World-War-II scientific-technological revolution has partly engendered, and partly emerged from, some extremely powerful tools of cognition such as information theory, control theory (cybernetics), systems theory, management science and operations research. These theories have so far been integrated insufficiently if at all with economic science. As laid out in Essay I, such integration raises two intriguing questions.

*The word “global” in the title means “comprehensive” (society-wide) rather than “world-wide”.

1. Each of the above-mentioned theories claims full generality as an instrument of scientific/scholarly disciplines. Applying them to economics would, in JMP's view, imply that, in the n -dimensional attribute space of any such theory, each economic system, pure or mixed, real or imagined, would be represented by just one point, and distinguished from all the others only by the numerical values of its attribute-parameters. This, in JMP's opinion, is liable to blunt ideological conflicts, including the conflict between socialism and capitalism. In reality, however, it does nothing of the sort. No matter how powerful the above-enumerated disciplines may be as tools of cognition, tools is all they are. If correctly applied, they do not in themselves carry any ideological charge: it is the wielder of the tool who must add his own. If these tools do raise ideological misgivings, it is because, by exposing inconsistencies, they sometimes help to slaughter the odd sacred cow. That, however, is a benefit rather than a drawback.

2. Another crucial issue is the openness of closedness of a system. The closed system — a system that does not interact with its surroundings — is another powerful tool of cognition. For example, the law of the conservation of energy in physics does not hold for open systems; in *Keynes* General Theory, the closedness of the economic system (of the fiction called the national economy) is an underlying albeit somewhat inadequately stated condition. In fact, however, no closed system in the strict sense exists: the closed system is just a convenient thinking aid; the assumption that a system is closed (or can be closed by physical or conceptual manipulation) facilitates its handling but reduces the verisimilitude of the findings to the extent that the actual system is in fact open. Regarding the economic system as closed (as in General Equilibrium Theory), even if only as a thinking aid, entails much inconsistency. This inconsistency serves no very useful purpose since, as JMP states, original Marxism, which refuses to see the economy (or any other system) as closed, already incorporates most of the points of attachment to which these recent methodological achievements can be hooked up: systems thinking and dialectics turn out to be highly compatible. Some of the hookup has in effect been performed: JMP refers extensively to *Althusser* and "Marxist structuralism" and to *Guillaumaud* and his "Cybernétique et matérialisme dialectique".

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Essay II, "From practice to the 'economic theory of socialism'", starts with JMP defining the term "scientific socialism" as a distinction from utopistic socialism. Marx and Engels left us no "science of socialism"; nor is such a science possible. JMP shows this by confronting the Political Economy Manual of the Soviet Academy, dated 1959, which stated what it claimed to be the "fundamental economic laws of socialism" with several contemporary Hungarian authors (*Csikós-Nagy*, *Kornai*, *Madarász*), one of whom wrote, "I doubt it greatly if a satisfactory theory of socialist political economy can at present be elaborated".

For an example of the political economy of socialism in the making, JMP presents at some length the "great economic debate" on the problems of building socialism in the USSR between 1924 and 1928. In JMP's assessment, this debate gave a rich crop which contained, in outline at least, the system of central ("imperative") planning and also that of "market socialism" and, indeed, highlighted as a sort of by-product many an aspect of post-World War II development economics. The debate covered "the desirable and supportable rhythms of economic growth, the base of accumulation, investment strategies, the relation of industry to agriculture, the pricing system and the function of money, the degree of openness of the system to the outside criteria of investment, 'opportunity costs', the social allocation of resources, the Plan/market relationship, the role and nature of economic laws in conjunction with the 'margin of voluntarism' that is desirable or possible, the concepts and methods of planning, and so many others . . ." This makes it "surprising, to say the least, that it should be possible to state in a 'socialist country' that 'there is nothing to guide us in the matter of political economy'." (p. 146: the last quotation within the quotation is from *Csikós-Nagy*, 1970.)

(It should, of course, be added that none of the views proposed in the "great economic debate" was ever put into practice: it was I. V. *Stalin* who, outmaneuvering both sides, imposed his brand of headlong industrialisation and enforced collectivisation, at a swinging social cost, as JMP himself is not slow to point out. JMP seems to have overlooked the point of view from which this chain of events makes sense: the dialectic of the open economy that expects a fair deal as an economic partner from a majority at least of the great nations of the world, vs. the closed one which feels threatened and does

its best to erect barriers and fortifications. It all depends centrally on the view taken of the world economic environment, together with its full political impact, a strikingly contemporary dilemma. It is only seen in this way that Stalin's choice, based on his perception of a mortal threat, makes any sense at all. Yet the very "richness" of the views presented during the "great economic debate" makes one suspect that those did not constitute anything coherent, taken in the aggregate. [They would, in our "attribute space", referred to above, plot as a welter of scattered points rather than as a compact domain.] They are also little use to the socialist countries' economists today, in a situation that is not "transitory" or indeed revolutionary; socialism in one country is a thing of the past, and [at least as far as Hungary is concerned] the openness of the economy is a fact of life, not a matter of choice. It would be wrong to assume that, in this situation, present day socialism should no longer have any major problems of a political-economic nature, or that it should be able to solve such problems as there are simply by taking its clue from the "great economic debate".)

There follows a perceptive chapter on central directive planning as it evolved up to and during the 1970s, with the correct emphasis on the role and power of *mattekhshnab*, the system of material and technical allocations, the global and imperative nature of planning and its inconsistencies, the relegation of market mechanisms and categories to a subordinate position. wide-ranging state control over the non-economic spheres of social life, and the ways in which all this was affected by what JMP calls the „decompression of 1956 (the 20th Congress of the CPSU)" (p. 156.) The need for reforms was made patent by wild fluctuations of enterprise output, widespread reliance on the *shturnovchina* or shock-work, the accumulation of unsaleable goods, the supply of misleading or inadequate information to the higher levels of the hierarchy etc. Reforms were in fact introduced, but — except in Hungary — they did not affect the essence of directive planning. In a general way, "the reforms contributed to the improvement of many of the shortcomings of the system's functioning . . . but did not, except in the Hungarian case, change its essence, and contributed in no substantial way to the changing of the managers' or workers' behaviour at the enterprise." (p. 174) Even so, JMP writes, "it is useful to point out . . . the immense potential of a model of this type if combined with a

developed social consciousness by mechanisms of collective participation in the fixing of objectives and the performance of tasks whose meaning has been understood and accepted by all as a *natural imperative*."*

The "Hungarian system", "a reform *en bloc* . . . not only of the pricing system but also of the entire system of the enterprises' relations with the national economy", characterised fairly extensively in terms of quotations from Á. Balassa, Z. Bihari, B. Csikós-Nagy, L. Faluvégi, O. Gadó, P. Glattfelder and P. Mátéffy, R. Nyers, G. Révész, Sz. Szegő, B. Szikszay, G. Tallós and M. Timár, boils down in JMP's view into the following main items:

1. And end to *mattekhshnab*.
2. A liberalisation of investment decisions.
3. A general reform of pricing.
4. A central plan, orientative for the major part, whose fulfilment is promoted by indirect incentives.
5. A redefinition of Hungary's role in the international division of labour.

One crucial element which JMP seems to have overlooked is the deliberate stipulation that, under socialism, too, there do exist conflicts of interest between the individual, groups of individuals and society as a whole.

It is no less important to point out the experimental element in the Hungarian mechanism which, in this reviewer's opinion, is just as rich in practical experience as the "great economic debate" was broad in intellectual scope. The changes introduced in 1971 and 1975, which JMP mentions, and those since 1978, which postdate his research, were important measures of adaptation both to the internal responses to earlier measures and to the motley events of the change of epoch in the world economy. The adaptability and the *de facto* adaptations of the Hungarian mechanism render JMP's criticism of the concept and its workings (pp. 189–199) largely outdated albeit fair enough. But we can certainly go along with him when he concludes (p. 199) that "the general philosophy of the New Economic Mechanism is being maintained, and it is not justified for the time being to suppose, as is apparently being done by Marie Lavigne (175), that the days of the experiment are counted and that it will tend to converge to the central-planning model."

JMP then goes on to consider the impact of the "Hungarian system" upon social conscious-

* Throughout this review, no emphasis has been added to or removed from the quotations.

ness. „The Hungarians have an economic system whose theoretical foundations are precisely the material optimisation of individual behaviour (which leads to a growing differentiation in terms of performance and power) in a setting of collective non-participation and . . . a 'socialist' affirmation to which is associated a 'moral' idea of solidarity, of cooperation, of egalitarianism, which in the foregoing period . . . managed to penetrate the masses, making it difficult for them to adapt to the new system, and making their response to the 'incentives' contained therein unpredictable if not uncontrollable.” (pp. 209–210.)

Two remarks are in place here. Firstly, the reactions of the Hungarian people to the incentives of the reform did certainly not prove uncontrollable, nor any more unpredictable than the people's reactions are in any system with a similar number of degrees of freedom. Also, in the knowledge of today's Hungarian (or any other East European) reality, the reference to 'moral' solidarity, cooperation and egalitarianism, although not unjustified, seems somewhat exaggerated. Secondly, the critical passages chosen by JMP from the writings of *Csikós-Nagy*, *Révész*, *Timár*, *Faluvégi*, *Héthy* and *Makó*, *Bihari*, *Kozma*, *Kornai*, *Connor* etc., fair and appropriate as they are, are true by and large of most countries of present day socialism, and should not therefore be considered "Hungary-specific".

What conclusions are to be drawn? In JMP's view, both "real systems" ("market socialism" in Hungary and directive central planning in all the other countries are "economic systems in which conscious political participation and adherence have no relevance whatsoever. The citizen and wage-earner is considered in both an 'economic agent' who serves, in the latter case, a central logic of accelerated accumulation, or behaves, in the former, as a 'maximiser of utility', serving a central logic of 'efficient resource utilisation. In both cases, the individuals are motivated or stimulated in ways conceived at the central level, to act for the best fulfillment of the targets set by the 'centre'." (p. 213.)

"Market socialism is an interesting experiment of a 'programmed mixed economy' . . . (mixed in the sense of being an articulation of Plan and market as non-mutually-exclusive mechanisms) . . . [it] is to be considered 'progressist' . . . if introduced *after* a market system and supported by large-scale collective participation at all levels – that is, in a phase of transition towards central planning with mass participation (planificação

central participada). However, it is the system of central planning [that] may become, if collectively undertaken, . . . the true 'economy of socialism', following a phase of 'market socialism' in which the collective achievements and social relations of a socialist character are in the process of growing more profound (and *not the other way round*, as it seems to be the case in Hungary)." (p. 218.)

There is an issue that needs raising here: the relation of planned economy to socialism.

No very good case be made out for the centrally planned economy as a *conditio sine qua non* either of economic socialism or of global socialism in JMP's sense. In the Hungarian case, JMP emphasises "unplanning", the relaxation of a much tighter earlier planning system. Nevertheless, although JMP bypasses the point, the Hungarian economy is still very much a centrally planned one, and has no intention of becoming anything else. One of the minor inconsistencies of JMP's approach is that, on the whole, he gives better marks to the Hungarian system of relaxed planning than to the other countries' tighter plans. This is not fortuitous. True, the complexity of today's industrial societies makes some sort of planning imperative: true too, there is no reason for having no plan in a society in the sign of full social consensus. But – as stipulated by the 'Hungarian system' – even under real, as opposed to utopic, socialism, social consensus will only be partial at any time. Precisely in terms of the theories on systems, information and control, to which JMP dedicates most of his Essay I, it can be shown that keeping all the nodes of the complex net which is a country-wide plan rigidly fixed requires the expenditure of practically infinite energy (in the economic sense), and that energy expenditure decreases rapidly as the conditions of node rigidity are relaxed. From this viewpoint, the Hungarian economic mechanism may be viewed as trying to find an optimum trade-off between the costs and benefits of different levels of planning rigidity (in a setting of capriciously fluctuating "externality nodes"). All in all, we in Hungary tend to feel that progress towards the more global and more advanced forms of socialist society must go hand in hand with progress towards technically more sophisticated and, simultaneously, more relaxed forms of planning, *rather than the other way round*. Whether or not this entails, as JMP maintains, a risk of giving up socialist values, is a point to which we shall return later on.

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Essay III, on "The socialist project and social consciousness", starts with the question. What is socialism? The basic question breaks down into a number of crucial issues connected with "the project of shaping socialism as a global system": how to reconcile self-management with planning? Democratic power with technological and organisational complexity? Creativity in the individual and in the group with mass production? Quality of life with industrialisation? How to pass from material/monetary value to social utility (value-in-quality)? How to reconcile egalitarianism with economic/social dynamism? And quintessentially, how to reconcile democracy with socialism, freedom with collective engagement?

In his quest for answers to all these questions, JMP consults three sources: [1] Ernesto Che Guevara's contribution to the "Cuban debate on socialist management", [2] Rudolf Bahro's "Alternative" and [3] the *oeuvre* of the philosophical-sociological "School of Budapest".

Central to JMP's scrutiny is, what is the "precise distinction between an economic system that is 'more or less socialist' . . . and a global socialist system"? It is . . . above all "an overriding preoccupation with the issue of 'social consciousness' and common realism as regards the problems raised by the existence of organisations and relations of an increasing degree of complexity as the general process of 'economic growth', based upon 'industrialisation' advances . . . a return to what may be called the 'Marxist tradition', according to which socialism represents a jump (from the realm of necessity to the realm of liberty) in civilisation, and not only an alteration, however radical, of the 'economic system'." (p. 271) All this is an ongoing preoccupation also in the countries of present day socialism, not confined to this or that critical school. The difference from JMP's attitude (let alone Rudolf Bahro's, whom this reviewer has not the slightest hesitation to label a utopian) is a more pragmatic approach, which stands on three legs. Firstly, the struggle between different social systems, especially in a period of fading détente, makes it increasingly unrealistic to concentrate on the Bahroan (or Guevaran) criticism of present day socialism: making the economy work in a way permitting it to stand up to the problems, external and internal, it is faced with much more immediate issues. Secondly, there is the strong demonstration effect of Western living standards and lifestyles: the deliberate choice being, in Hungary at least, to let people judge those on

their own, rather than mystify them, an idea that, by its very nature, produces some failures side by side with a tolerable success. Thirdly, there is a considerable difference in the assessment of the human personality.

JMP's Essay III seems to share with most of the writing on the subject the paradox of prescribing medicine against a familiar illness in a practically unknown patient. The point that neither Guevara, nor Bahro, nor the Budapest School, nor again JMP seems to have raised is: *do* people want to *participate*, in the sense of permanently keeping up a high-level social consciousness and of continuously acting upon it? It is this reviewer's surmise that, at any time in any given society, only a minority will; and that, in "a non-tense society (which will be, by definition, a socialist/communist society)" (p. 273), people will have strong motives, firstly, to reduce rather than to raise their level of participation/consciousness (to let Cincinnatus return to the plough), and secondly, to concentrate upon levels of the superstructure remote from the base than the economy. (Just as no healthy human being can be expected to be preoccupied full time with his/her metabolism.) The Bahroan universe thus seems highly elitistic in the sense that ordinary people do not appear capable of the postulated permanent social consciousness except under strong and permanent hypnosis and indoctrination by an elite. (At the practical, everyday level, in fact, an ordinary person would find it rather difficult to distinguish this sort of permanent hypnosis and indoctrination from, say, Stalinism which, in Central Europe at least, came in postulating a very similar sort of elevated social consciousness.)

Finally, it is useful to raise the question of time frame: when is global socialism timely? In the West, even social democracy seems a somewhat precarious acquisition. In the CMEA group of countries, social development is greatly (and, it would seem, increasingly) influenced by the surrounding world economy which is essentially capitalist. And the developed groups – the CMEA and the OECD – are embedded in a world of mass poverty where the global issues of limited resources and limited ecosystem tolerance place massive constraints on political and economic freedom of action. One therefore suspects that global socialism, whether on Bahroan or any other lines, is rather a remote prospect: it is in fact not even a certainty because humanity may well founder before attaining it. All this does not make research into global

socialism (including its anthropological foundations in a spirit of "know thyself") any the less necessary or fascinating, but it does make the search for viable social alternatives, global in the planet-wide sense, seem rather more urgent.

Let me end by saying that, all my critical grumblings notwithstanding, I have won great respect for JMP's acuity of vision and intellectual honesty. His main shortcoming – no fault of his – is his lack of experience with the realities of present day socialism. His main merit, on the other hand, is having written a book of truly global interest, in a Portugal that, "today . . . is a frozen-in melting pot . . . a concrete complex which raises theoretical challenges to which one fine day we shall be sorry not to have wanted or not to have been able to respond." For, in fact, today, "socialism in Portugal is for thinking". And it clearly needs a great deal of courageous thought.

B. BALKAY

JUDET, P.: *Les nouveaux pays industriels*. Paris, 1981. Les éditions ouvrières. Collection Nord-Sud, 174. p.

Consideration of the past, the present, and the perspectives of the Third World have been traditionally an organic part of French economic thinking and especially of university research and education activities. So far the approach to developing countries has been determined by the theories of dominance, unequal exchange, one-sided dependence, and of centre-periphery. The situation of the Third World, showing an immobility in comparison with other parts of the world for a long time, and that of the African states belonging to the French sphere of interest have occasioned – quite understandably – not so much a description of the facts of little movements, but rather a theoretical explanation, partly of emotional and political motivation. One of the important centres of such research work and of lively debates is the Grenoble University. Its Department of Economics and the Research Institute of Economics and Planning working within the University maintain close relations with several developing countries, first of all with Algeria, in working out economic development strategies. The book – written by Pierre Judet, head of a research team on the new industrial countries in this Grenoble Institute – polemises with statements according to which the dynamism of the new industrial countries

is not rooted in their own development, but in the sovereign activities of the multinational companies and of the dominating centre. Let us take in turn the statements as well as the author's counter-arguments.

The duty-free border zones, that is, the industrial zones having a legal status of a „state within a state” established with a view to attract foreign capital are often cited as examples of a high degree of technological, financial, and commercial dependence on the centre, while they are hardly connected with the domestic level of development and progress. *But* such zones are characteristic only of South-East Asia and even there they employ (with the exception of Japan and China) only 3 percent of the workers of the manufacturing industry within the area.

It is to prove the idea of external impulses and of the internal development impeded thereby that the argument – of dubious meaning for economic policies – is formed according to which the countries in question can only produce labour-intensive products, mainly of the light industry, since they are not in a position to produce capital-intensive goods. *But* the new industrial countries are switching over gradually – even though to a relatively small extent and highly concentrated as yet – to the exports of engineering products and equipments. As for the delivery of turnkey factories, these countries do not play any more the passive contributor's role at the side of the multinational companies, since even their contribution requires such capacities of planning, adaptation and innovation as can be created only by internal dynamics.

Many hold the opinion that industry is diversified in vain, for the centre relocated only the middle phase of the production process, that is, assembly, while it keeps away the new industrial countries from the technology as well as from the markets. As a result, through the inputs the dependence of these countries further increases. But, non even the advanced countries can fully control the technology used by them and it is exactly through imports that competitiveness can be increased, as it is proved by the example of the French aircraft industry. It is true that the judgement of the dependence is also a question of the criterion used, or, a question of comparison. If we examine, namely, the trade balance of the often cited technological sales and purchases, these countries will find themselves in a good position: in a line with the German Federal Republic and Japan, both with growing deficits