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Planning

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'Problems of Planned Economy', by Scott.

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PROBLEMS OF PLANNED ECONOMY

Some time ago there was an article in New Left Review by Alec Nove entitled "The Soviet Economy: Problems and Prospects". Nove is not a Marxist, far from it, he has advised NATO on the economics of the USSR, but as an economist he has an in depth knowledge of the Soviet Union's economy. In the article Nove set out what he thought were the strong points of the Soviet economy, and what needed to be done to improve it. Not surprisingly, Nove criticises the Left for arguing that the problems and distortions of the Soviet economy can be solved simply by replacing the bureaucracy with a "real socialist democratic planning system". Yet Nove does highlight a tendency of the Left to ignore the very real problems associated with democratically planning a large complex modern economy. Far too often the left takes the attitude "that's the least of our problems", or "it will be sorted out by future generations under socialism". What hope do we have of the working class being convinced of our alternative if we cannot tell them how a socialist economy will work, above the useless generalisation "we will organise production for need not profit". Moreover, if we only begin to seriously think about the problem after the revolution the resulting chaos in the economy could rapidly drive workers into the hands of reaction. The next response might then be, as in the Soviet Union, "right until we've sorted this mess out we had better put management of the economy into the hands of the planners". We've seen that movie before.

For the Bolsheviks there was a reason for not having thought too much about the problem. No one had had to organise a socialist society before, and not until too late did they realise the possibility of a bureaucracy developing. We do not have that excuse. We have seen the effects of allowing a bureaucratic stratum develop, we have seen the problems the Soviet Union has had trying to organise a planned economy. As Marxists our job is to analyse the experience in order to illuminate the path ahead, and to try to prevent a recurrence of the degeneration of the first workers state.

This document, therefore, attempts to look at the problems of planning the economy, and to suggest some solutions. The document begins by looking at the method of planning in the Soviet Union (a) because it highlights most of the problems, (b) because it is the oldest example of a planned economy, and (c) because whether we like it or not even in a healthy workers state we will need bureaucrats and technocrats to put the nuts and bolts together in any Plan, and its, therefore, useful to see how the Soviet bureaucrats go about it.

SOVIET PLANNING

I have divided this up into the following:

- (a) The Production Plan
- (b) The Financial Plan and the Banking System
- (c) Foreign Trade
- (d) The role of prices.

(a) The Production Plan

Planning is a technique for co ordinating economic activities to achieve certain priority aims. Socialist planning pursues the aim of increasing the socialised productive forces so as to ensure the all round development of the citizens through an increasing abundance of goods and services, the withering away of the market economy, social inequality, classes, the division of labour, and the State. In the Soviet Union the dictatorship of the bureaucracy has set quite different aims.

The word planning in its Soviet context is used to describe several forms of activity which are distinct (though may overlap), and which raise quantitative and qualitative problems of different sorts. There are a number of different types of Plan.

A medium term (5 year) plan and a "perspective" plan (fifteen years or more) are distinguished from the short term operational plan by two essential features;

1) They are aggregated, and 2) they are not, or are only partially "operational". Their operational counterpart will be an investment plan (which I will deal with in the next section). The aim is to provide the capacity to provide a wide range of goods and services, to create a hopefully balanced and coherent material plan for a date in the future. Of course what goods and services is determined by the bureaucracy.

The medium or long term plan is not operational in the sense that it does not contain specific orders to any industrial manager saying "you will produce so much of this or that." To make it operational it has to be disaggregated both into a more detailed product mix (for example the medium term plan might contain the aim of producing so many million tonnes of steel, but an operational plan would split this up into different quantities of different steel's to make up the aggregated total), and into order instructions to specific industries, plants etc.

Soviet enterprises too make long term plans (how much they can raise production, how much they can raise productivity, projected demand for labour, materials etc., projected demand for investment - new and depreciation). These plans are slotted into the overall plan of the Ministry covering that particular industry. (In the Soviet Union every industry comes under the control of a specific Ministry. One result is that each Minister trying to build a bigger personal ~~pay~~ argues for more resources for their industries in the Plan in the Council of Ministers (formally), and, because of the overlap between the Council of Ministers and the Politburo, inside the Politburo also, thus creating potential conflict). However, the enterprises plans are subject (as are all the short term plans) to many alterations, and it is the current plan orders which have to be obeyed. The short term plan must ensure that all the many thousands of productive units actually produce what is needed, and are supplied with the means of doing so. The system of Planning used is called iterative.

That is to say that plans are drawn up, aggregated matched against resources and requirements elsewhere in the Plan revised and sent back, new plans are drawn up and so on until some kind of balanced plan can be created. In a complex modern economy I can see no other way in which a balanced plan could be created other than by this method. For the multi thousand list of commodities that need to be produced there have to be matched thousands of separate enterprises, all needing instructions on what to produce, and all of which need to be supplied with tens of thousands of different types of components again made by thousands of separate enterprises, which again need supplying by thousands more enterprises etc. etc.

To rationalise this there has to exist a vast and interconnected body of plan instructions concerned with outputs and inputs. At the core of the Soviet planning system is the material balance. The only way any sense could be made of any of these demands for inputs and outputs is by dealing in actual numbers of real goods and resources. At the end of the day total demand for every major resource has to be matched against the available supply. This is the job of Gosplan, the State Planning body.

The Head of Gosplan calls together the heads of its divisions to consider the next five year plan. They will have guidelines and priorities before them determined by the Politbureau. The role of these guidelines is more significant for considering a long term plan because many of the constraints of physical capacity can be eased by appropriate investment. (For example increased chemical production might be constrained by inadequate supplies of oil, increased investment could increase oil supplies). In the short run there are more constraints and so considerations of balance, of the input - output requirements of past decisions play a big role. At the same time a flow of information, requests and proposals come to Gosplan from many organisations. The job of Gosplan is to achieve a balance by cutting total requests back to what can be practicably achieved. The primary method for achieving this is by drawing up material balances. For each major item available sources of supply are estimated (production, imports, stocks) and are contrasted with requirements (current industrial utilisation, investment needs, consumer demand, exports, possible increase in stocks etc.) Gosplan is also concerned with other ministries with ensuring a balance between supply of goods and services, and total disposable income.

In order to draw up the material balances it is possible to use past experience to arrive at input co-efficients. That is to say if production of cars is to increase 5%, by how much steel production must rise, how much extra power must be produced etc. Of course as technology develops these co-efficients change. For example a more efficient use of power through new machines might mean that power production does not have to rise by quite so much as would have been expected. These co-efficients can then be used to create an input - output table. Interestingly the concept of an input - output table was created by the Russian economist Leontief on the basis of work done by Gosplan in 1924. It has

been used by economists in a number of different countries, but was rejected by Soviet economists until 1958.

The current plan covering a year, with a breakdown by quarters fits into the medium term plan. In fact it has become the practice to publish the medium term plan with figures for each intermediate year. Again the method used is material balances, but there is more disaggregation. Gosplan draws up balances for about 2,000 products amounting to about 80% of the value of allocated goods, whilst another body Gossnab (the Supply Committee) prepares about 18,000 balances of items of lesser importance. These balances are then broken down into allocations of specific quantities for specific uses.

The process of allocation is based on two sources of information: requests (indents) from below, and norms or co-efficients. As there is justified suspicion that indents will be inflated much reliance is placed on norms. The result is a built in rigidity to the planning system, and a cat and mouse game between enterprises and planners - the enterprises trying to screw more resources for given quantity of production, and the planners trying to stop them. The process of allocation therefore is extremely bureaucratic and wasteful. For example, if an enterprise is told to produce X thousand square metres of glass, and is given Y amounts of materials and inputs to produce it the enterprise may produce the given area of glass, but it will be too thin for use. If its asked to produce X tonnes of glass it may produce X tonnes, but of very thick glass which would be equally useless. The planners are, therefore, constantly trying to have a tight set of benchmarks to apply to enterprises production in order to get goods produced not only of the quantity, but also the quality required.

Where production targets are seen as the most important thing, and enterprise directors prospects are determined by meeting the target there is a built in dynamic to the system which puts quantity before quality. Because of distrust the situation is made worse because the plan becomes taut, and when as a result there is not enough inputs of one or more resource production is held up throwing the rest of the plan into disproportion. In recent years an attempt has been made to give greater freedom to enterprise managers to determine more applicable norms subject to some general norms set down by Gosplan, and subject to there bringing about a reduction in the norms of utilisation of raw materials, semi manufactures, fuel and other vital material resources.

The routine obstacles that lie in the way of accurate planning using material balances can be divided into two groups:

1) Failures in the transmission to higher authorities of information about the production functions of individual producers, and

2) errors that come to light in the process of fulfilling the plan.

Disproportions in short term planning are made good insofar as possible by using reserves held by the Planning Board and other agencies, or by fluctuations in the stocks held by producers and consumers. They are still not sufficient, and

and production breakdowns due to material shortages are a recurring problem not only in the Soviet Union, but other planned economies. M. Gronicki in an article entitled "Polish Economic Policy in the 1970's" states, "xxx the main difference between market and centrally planned economies is that the former are demand oriented, whereas the latter are supply oriented. Thus in centrally planned economies underfulfillment of consumption plans usually results from bottlenecks in the production sector. As in the late 1960's disequilibrium of demand and supply occurred. Since 1974 the economic situation has deteriorated further and plans have not been fulfilled in almost all sectors."

THE FINANCIAL PLAN & BANKING SYSTEM

Alongside the Production Plan stands the Financial Plan in whose sphere falls a number of important equations or balances which need to be expressed in money prices. Within this sphere lies the formation of prices. Included in it are a Credit Plan, Cash Plan, and Budget.

In the early thirties there were some Soviet economists who spoke of the coming decrease of money, and some who declared that "planning is a method for the complete abolition of credit". (Kozlov) Given Stalin's line about the abolition of classes, and creation of classes it followed that it would not therefore be long before money was abolished too. Others expect that a solution of financial problems must take precedence over the allocation of resources, and certain financial principles will have to be observed if economic chaos is not to intervene. This, however, ignores the fact that when resources are allocated directly rather than through a market, it is not necessary first to mobilise financial resources. It is simply a matter of whether the resources are available, and if they can be spared from other uses. This is not to say that financial control is not necessary. Trotsky warned of the dangers of not maintaining a stable ruble, and I will come to this later.

The crucial point at which the Financial Plan is geared to the Production Plan is the translation of the basic costing data about production programmes into money terms. From this basis is built up the system of prices of output, and a Credit Plan, and Cash Plan governing the relations between the banking system and productive organisations. Every enterprise has to draw up a financial statement of its activities in this generalised form as well as the detailed items of its production programme expressed in material terms.

Since the early thirties a system has developed whereby each enterprise finances its 'normal' level of expenditure on current production out of its 'working capital', and only expenditure needs in excess of this are allowed to be the occasion of credit from the State Bank (Gosbank). Under this arrangement industries subject to seasonal variation are most reliant for credit in meeting their current expenditure, and there is a wide variation between industries in this respect. The funds of 'working capital' in the possession of an enterprise are supplemented by a proportion of any profit accruing to it; and the bank keeps ~~the balance sheet~~

the loan account of an enterprise separately from the account in which the latter's own 'capital' is entered. (In addition to a proportion of profit accruing to the enterprise other portions are allotted to various 'funds'. The workers have a fund for providing social and leisure facilities, and it is interesting to note that in some parts of the SU where workers have used these funds to build facilities there is a marked improvement on State provided facilities.) Sums may not be transferred from this second account to meet indebtedness to the bank unless the enterprise agrees.

The additional need for 'working capital' in the periods of the year when the volume of production or of expenditures under the Production Plan are high are met by "planned credits", which compose the Credit Plan of Gosbank. These credits are not only confined to financing purposes provided for in the Production Plan, but they are earmarked for specific expenditures involved in the planned costing of the output programme. The bank is charged with the duty of ensuring that such credits are used for the assigned purpose. A similar control is made by the Industrial Bank, which now finances all capital construction projects, over long term credits or capital grants or expenditures from reserves for capital repairs and extensions. On a large construction site the Bank will often have its own office and representative directly checking expenditure. As enterprises meet their output quotas they will be automatically credited with the value of their output in the State Bank books. By observing the speed with which industries liquidate their debts the Bank has an easy index of the success of the Production Plan.

Parallel with the Credit Plan is the Cash Plan which regulates the amount of currency which Gosbank is allowed to issue. Since transactions between organisations are effected simply by bookkeeping entries at the Bank, cash only plays a part in payments of income to individuals, in transactions between individuals, and payments of taxes etc. from the individual to the State. For industry the basis of the Cash Plan will be the wage and salary bill for a certain period. For agriculture it will be the purchase price paid to collective farmers for the aggregate of the so called "centralised" and "decentralised" collections together with payments out of wages for State farms. According to Hobb the amount of cash issued therefore plays no independent causal role being contingent on other factors in the Plan. But, in fact, the amount of cash in circulation is important. In a transitional economy where needs remain unmet the law of value remains in operation although its form is different than under capitalism. The point is made by Marx in a letter to Kugelmann,

"Every child knows that a nation which ceased to work, I will not say for a year, but even for a few weeks, would perish. Every child knows, too, that the masses of products corresponding to the different needs require different and quantitatively determined masses of the total labour of society. That this necessity of the distribution of social labour in definite proportions cannot

possibly be done away with by a particular form of social production but can only change the mode of its appearance, is self evident. No natural laws can be done away with. What can change in historically different circumstances is only the form in which these laws assert themselves..... Science consists precisely in demonstrating how the law of value asserts itself."

In a transitional society the way in which the law of value asserts itself is contradictory. On the one hand it finds itself expressed through the Plan, in conscious decisions as to what resources, what "masses of the total labour of society" should be allocated to produce what goods and services. On the other hand to the extent that the Plan does not meet the needs of society the law of Value asserts itself through the black market. It is the struggle between these different forms of the law of value which characterise the transitional economy. The more currency that is in circulation which does not find a counterpart in goods and services produced under the Plan, the more prices on the black market will be able to rise, the more the black market will increase in size, and to that extent the more it undermines the planned economy. I will come back to this problem later.

On the eve of the first five year plan a step was taken towards the specialisation of the banking system by an order requiring State institutions to deal each with a single bank. Gosbank became the institution for short term credit to State industry, Trade, the Co operative movement, and other credit institutions. By the end of 1928 it had acquired a virtual monopoly of short term credit operations. Private depositors were catered for by the State Savings Bank, and other banks like the Electro Bank and Prombank became long term credit institutions.

Amortisation allowances are divided into two parts; one earmarked for periodic expenditures on capital building and reconstruction which is deposited with Prombank, and the other assigned to current repair and maintenance of plant which is deposited with Gosbank. Sanction has to be obtained for any expenditures out of such reserves by inclusion of the expenditure in the Financial Plan. It is assumed that an industry will display a greater sense of responsibility for its investments if they are financed out of its own reserves than if they are financed out of the Budget.

The bulk of State revenue comes from the operation of the economy. Income tax and other personal taxes are of little importance. Because incomes come from many sources including those which do not produce consumable goods, the price of goods and services has to be raised above the costs of production on many items. In return the citizen benefits from the provision of transfer payments (pensions etc.) and other free social services. In the past there was a tendency to take revenue from enterprises, and return it to them from the Budget as a means of strengthening central control, but there has been a move away from this as enterprises are allowed to retain more profits, and use these for financing activities.

In addition to this there has also been a move to redistribute surpluses and deficits within Ministries. For example in the oil industry where the high cost Baku oilfields do not receive a subsidy because the costs are covered by the prices paid by the Ministry of Oil, prices which are higher than those paid to the low cost oilfields. As a result the Budget totals and the level of subsidies are to some degree dependent on accounting practices, and organisational boundary lines.

The most important tax is Turnover Tax. It is equal to the gap between industry's wholesale price and the final selling price less handling charges. This 'tax by difference' technique is useful where multiple variations exist of the same product and where it is convenient to relate the retail price to some estimated clearing price. Where the good is more homogenous the tax resembles an excise duty. There is also the revenue from state agricultural procurement and processing bodies representing the difference between purchase price and selling price. The actual rates of the tax are kept secret. The official line is that it is not a tax at all simply part of the surplus product created by industry, and in part by agriculture. Though the bulk of producer goods industries do not pay this tax it is levied on most fuels and there was a proposal to levy it on 'highly profitable machinery and other branches of heavy industry. About 40% of Turnover Tax is paid by wholesaling organs of the Ministry of (internal) Trade, and the rest by industrial enterprises and disposal organs under the industrial ministries, and also agricultural procurement organs.

Income Tax for those working for state bodies is on a modest scale. In 1977 tax on 100 roubles a month was 5.92 roubles, and the top rate charged on income above this was 13%. (Note) Other incomes of course are not determined by the State. The 'Economist' some years ago quoted articles from Pravda about the extent to which collective farmworkers were increasing their average earnings of 120 roubles a month by ten times that figure by selling their produce on private markets. One teacher from the Dnepr Valley recounted how one of his former pupils who he met in the local market offered him a lift in his brand new Lada and who speculated that he earned more in a day than the teacher earned in a month. Income from private sources is therefore taxed at a much higher rate. An income of 1200 roubles a year is liable to tax of 221.4 roubles (Note). Of course such private earnings, as in the West, can easily find their way into the back pocket, and thus avoid tax. The argument for having low marginal tax rates in the state sector is that as incomes are centrally fixed there is no need for high tax rates to redistribute income. However, with the determination of income levels under the control of Stalinist bureaucrats it is clear that they ensure that they get far more than the rate for the job, and that therefore the tax system is clearly geared to the needs of the bureaucrats who obtain their income from the low taxed state sector.

All peace time Soviet budgets have shown a surplus i.e. more taken in than paid out. It is now thought, however, that there is a budget deficit

with the banks making a large contribution to the Budget revenues.

SOVIET FOREIGN TRADE

The Ministry of Foreign Trade's foreign trade corporations, under its control do the buying and selling. The corporations are represented in the trade delegations attached to the embassies abroad, in countries of importance in the relevant sphere. Except for minor exceptions, Soviet industrial ministries and republican authorities cannot engage in foreign trade, though in some cases they can be involved in the negotiations and carrying out of foreign trade deals alongside the officials of the Ministry of Foreign Trade.

The exceptions involve barter deals involving frontier areas. Some of these have given rise to frictions as when Dalintorg (the Far Eastern coastal trade organ) developed trade with Japan to an extent deemed excessive by the central organs. There is also some barter trade conducted by the consumer co-operatives, and the State Committee on Foreign Economic Relations concerns itself with deliveries under economic and technical aid.

The aim of the monopoly of foreign trade is to isolate the economy from the effects of the world market. Foreign trade must be fitted into the process of operational control of production. The long term plan has to include provision for the amount of exports that will be needed to pay for required imports. Gosplan plays a key role in making the necessary calculations, drawing on information from the Ministry of Foreign Trade concerning markets, and from industrial ministries about needs and availabilities. Policy considerations also have to be taken into consideration - eg. on Comecon integration or large scale trade with the US.

In current planning decisions things are more complex. One needs to disaggregate and address instructions to specific executants, and negotiate with foreign officials and businesspeople about specific transactions. This task cannot belong to the management of enterprises or obyedineniya (merged groups of enterprises). Their customers and suppliers are designated by the central planners even when they are in the Soviet Union. Allowing enterprises too much scope for autonomous trading arrangements could undermine the planned economy as their production becomes geared to the market rather than the needs of the Plan. As obyedineniya operate under profit and loss accounting (khozraschet) there is a temptation to meet profit objectives by relating to the world market rather than the Plan. However, it has been verbally reported that some manufacturing enterprises and obyedineniya have been allowed to keep 10% of their hard currency earnings under a decision taken in May 1976, and that they are allowed to spend the money on purchasing foreign equipment and on maintaining contact with foreign firms and markets.

Given the absence of democratic control there are no information flows to aid management in deciding what is needed, nor, in the absence of a market are prices any kind of a guide. Inputs are therefore rationed by bureaucratic decision by the planning agencies whether those inputs are of domestic or foreign

origin. Another constraint is that foreign currency is scarce, and some more scarce than others. The identification of a shortage need not lead to imports; much depends on the alternative uses of the given currency and the priority of the particular item.

The disadvantage of the system is that enterprises are remote from markets and the ability of managers to design and produce goods to meet the needs of the export market are therefore reduced.

The Soviet domestic price system is effectively isolated from the world market (though it cannot totally avoid its effects). Thus in 1973/4 the huge rise in world oil prices did not result in any significant deviation in Soviet internal prices. While Soviet imports and exports appear in the statistics at rouble values, these are 'foreign trade' or valuta roubles, which have nothing to do with internal prices. Transactions with Western and most developing countries are done in Western currencies, which are then converted into roubles at the official rate. Trade within Comecon is conducted at prices based ~~on~~ loosely on world prices of the recent past, ostensibly cleansed of speculative fluctuations. These are in turn converted into valuta at the official rate. Prices can differ widely between Comecon and the world market, especially when drastic changes in world prices have occurred e.g. the oil price rises.

The foreign trade corporations pay the Soviet suppliers, and charge the Soviet purchasers the approximate domestic wholesale price. Very wide disparities are common between these prices and those in valuta roubles. The necessary adjustments for profit and loss are made via the State budget. The foreign trade corporation is unaffected by this. Its job is to buy and sell in accordance with needs and availabilities as they are communicated to it. But prices and costs do enter calculations on the desirability of foreign trade. A commodity costing 100 roubles and selling for 200 dollars should all things being equal be preferred to one selling for 200 dollars and costing 175 roubles. While this does not affect short run decisions it does affect investment.

The list of potential imports always exceeds the possibility of paying for them. Many requests have to be cut back. Because of currency shortages Soviet planners sometimes authorise purchases of certain items only on condition that the necessary valuta is earned by additional exports.

Soviet trade deals are often bilateral, especially in Comecon. Items of export, and the means of producing them are earmarked in the process of drawing up the instructions and allocations of which the operational current plan consists. It is therefore important that the requirements of the foreign customer be known in advance. This is more difficult with multi lateral trade. Though not all foreign trade is conducted on the basis of bilateral agreements it is clear that given the taut nature of the planning system unpredictable demands should be kept to a minimum.

Bilateralism also stands in the way of greater integration of Comecon. Planners in each country resist the closure of any productive unit already operational, thus reducing the possibility of increased specialisation, and division of labour. New organisational forms are being developed to ensure that joint projects and their input - output consequences are written into the operational plans of the countries concerned, with appropriate priority calling for the development of an agreed five year plan of multilateral integrated activities.

New forms of East West trade are developing too. Factories ~~are~~ have been built in the Soviet Union by western firms. 'Compensation agreements' are negotiated involving long term western credits to be repaid out of the output of the factories etc. these are used to build. The smaller eastern countries have concluded a variety of agreements with western firms ranging from production of components to joint projects in which western firms contribute capital (e.g. the Intercontinental hotel in Budapest and the Forum in Warsaw). Rumania has adopted laws making possible direct involvement by western firms.

PRICES

1) Wholesale prices.

Are defined as prices which enterprises deliver their goods at to other state enterprises.

The elimination of the private sector - 1928 - 32 - led to the assertion of the total dominance of the plan. Prices were what the planners decided they should be. Many basic materials and fuels were priced well below cost. Since there were objective limitations to what the state could achieve this downgrading was eventually challenged. The 'law of value in transformed form' was created. The law of value applies only to retail sales and sales from kolkhoz (collective farms) Stalin later argued. But, Stalin argued "the law of value can be a regulator of production only under capitalism".

Prices have no allocative role, but encourage fulfillment of plans and enable supervisory organs to judge management efficiency. Workers and managers wages are unaffected by the price of the goods they produce as these are centrally determined, and enterprises using their products are unaffected as their allocation is also determined administratively. As a means of supervision, and eliminating waste it is necessary that prices remain stable.

2) Retail prices

Whilst wholesale prices are based on cost plus retail prices are calculated separately to take account of the demand situation (to clear the market). Retail prices pursue a number of inconsistent objectives. They are a means of pursuing social policies :- high taxes on vodka, subsidies on vitamins. Certain goods are priced way below cost, e.g. meat, and supply cannot meet demand.

THE PROBLEMS OF PLANNING

The most obvious problem for a planned economy in the transition period is that of the continuance of economic constraints - the fact that there will be inadequate resources to meet all the needs of society. The law of value will continue to operate as was stated earlier in the quotation of Marx's letter to

Kugelman. As a result choices will still have to be made about what, how and how much to produce. A healthy workers state will differ from the Stalinist states by the fact that those decisions will be taken democratically rather than bureaucratically, but it is naive to believe that simply replacing democratic decision making for bureaucratic decision making will solve all the problems.

What are the main problems facing the planned economy in the Soviet Union? Some have already been mentioned in passing. Now let us look at the others.

Because there is insufficient resources to meet all societies needs, and because workers and peasants continue to receive money wages their continues to exist a retail market. The size of this market depends on two things, (a) the extent to which consumer needs are met by the Plan, and (b) the level of disposable income. In the Soviet Union the consumer goods sector continues to receive lower priority than the producer goods sector, and the consumer goods that are produced are often shoddy, and do not meet consumers needs. That is a consequence of bureaucratic control of the economy. Whilst a healthy workers state would have to work within the physical economic constraints imposed upon it, and would have to ensure that sufficient resources were set aside for investment, it would (a) be able to ensure a better balance between consumer and producer goods, and would precisely because of the direct input of workers into the planning process be able to ensure that the consumer goods were of the right type, and quality. As a result a greater proportion of consumer needs would be met by the Plan as opposed to the market, a greater proportion of disposable income would be spent on goods produced under the Plan, fewer administrative measures would be needed to reduce disposable income, there would be more congruence between the Production Plan, and the financial Plan, and therefore fewer unplanned exchanges and a strengthening of the Plan.

In the section on the Production Plan I referred to the problem of production of unwanted goods. A parallel problem exists in so far as the financial Plan. Short term credits are made on the basis of security of material assets or of payments due. If a factory produces unsaleable cloth due to poor quality it will receive its credits to pay its workers and suppliers as its plan is in square metres. The wholesaler may refuse to take it presenting the problem of how to repay the credit, but more likely because of shortage the wholesaler will take it. The consumer may refuse it, but the cloth can then be used as collateral for a credit to the trading organs which can be carried over indefinitely. If unsaleable items are produced on a large enough scale the planners can call an inquiry, and issue instructions to cease production of the unsaleable items.

This problem may or may not be resolved by replacing bureaucratic by democratic planning. The most that can be said is that the massive problem of production of unwanted goods in the Soviet Union stems directly from the bureaucratic nature

nature of the planning system, and that in a healthy workers state workers would have an obvious incentive to ensure that what they produced was in line with the needs of the consumer. However, we also have to recognise that the attitudes to work like the attitudes to racism and sexism built up in the working class over centuries will not change overnight. We cannot simply assume that because it is logical to us that workers have a vested interest in ensuring good quality goods that workers, who under capitalism have quite rightly developed the idea of getting as much money for as little work as possible, will overnight be convinced.

That is one reason why transitional demands are important. We need to develop the idea of transitional demands to start educating the workers towards a socialist consciousness and culture now under capitalism. I will come back to this later, but let me give an example of what I mean. Last year as a Councillor 95% of the complaints that I received were over council house repairs. The problem of council house repairs is only partly insufficient funds. The greater part of the problem is the bureaucratic management of Council Housing and Works Departments, and poor and shoddy work by council workers. Bureaucratism because the Works department will send an inspector to assess the problem sometimes three or four times before a worker will eventually turn up to do the work. Poor and shoddy work because the workers in the DIO's have no more say in the running of the Department, and therefore suffer the same alienation as workers working for a private company. Workers control of the DIO's is a transitional demand, but on its own it is an inadequate transitional demand. It needs to be supplemented with demands for the establishment of tenants committees, and joint management of estates by tenants, and DIO workers. Such a demand strikes at the heart of the politics of the soft/Local Government Left because it says these are our houses its up to us to say how they are maintained/managed. It reduced the Council to being simply a rubber stamp to the decisions of the tenants and workers. At the same time by giving DIO workers control over their work process, and at the same time forcing them to confront the consumers of their work it lays the basis for overcoming the alienation of labour. Whilst the link between the interests of tenants and council workers may be obvious to us it is not necessarily so to the tenants and council workers. We have to demonstrate that link in practice.

The sketch I have drawn of the Soviet economy demonstrates the problems of a rigidly centralized, bureaucratic planning system. On the basis of control of the economy and production the bureaucracy was able to usurp political power. Planning decisions reflect the mentality and interests of the bureaucracy rather than the needs of the working class. Decisions are taken by those unable to input appropriate information while those capable of providing necessary information, inputs and initiative are squeezed out of the decision making process. The result is to remove any dynamism from the system, and create a

hierarchy of plan fulfillers. Yet as Nove points out in the NLR article, "Democratic procedures are indeed essential, but these cannot be meaningfully applied to multiple millions of micro economic decisions." In other words democratic control is okay for setting out general priorities like "we should build more hospitals", but it is next to useless for determining how many more ball bearing of a specific type need to be produced to fit in the wheels of the extra hospital beds. And its no good making a democratic decision to build x number of hospitals if you don't also take decisions to allocate resources to produce the ball bearings, and its no good then taking decisions to produce the ball bearings if that means that steel supplies are then inadequate for constructional steel to build the hospitals.

Bourgeois economists started out with the objection to socialism that it would make any economic calculation impossible because such calculation requires a market. Having been beaten back on that they took up another argument which is similar to that above, which is that economic calculation would be impossible in practice because it would require the simultaneous solving of millions of equations. Even with the most advanced computers such calculation is impossible. Soviet economists have said that even using all the computers in the Soviet Union they would be unable to fulfil the task.

SOME SUGGESTIONS FOR SOLUTIONS

The basis of a planned economy in marxist economics is that production is increasingly socialised, and that a planned economy can overcome the problems of overproduction inherent under capitalism. Under capitalism crises of overproduction are not instances of genuine overproduction, but overproduction of capital i.e. overproduction of commodities which are unable to find their equivalent on the market. It is the effects of unemployment and destruction of capital which planned economy seeks to solve not the "overproduction". So Nove's concept of micro mismatch is to some extent a diversion. No one could hope to plan an economy where exactly the right number of sticks of rock were produced with exactly the right amount of inputs also being produced. Of course wide disparities could not be allowed to continue for any considerable length of time, but the plan should have built in it sufficient flexibility in its coefficients to ensure that production is not held up because of lack of inputs as so often occurs in the Soviet economy. In the Soviet Union is needed to create an incentive for the workforce which is suffering tremendous alienation. In a democratically planned economy such methods of incentive should not be needed.

It is also ludicrous to assume that a centralized plan can work down to a level of disaggregation whereby each individual input can be dealt with. As Nove points out there are a thousand types of ball and roller bearing alone. Obviously there is a need here for suppliers to liaise with their consumers to determine the type and quality of inputs required, and to help in the research and development of new products. In terms of consumer goods a lead can be taken out of the book of capitalist industry. Capitalist industry does not rely on

market forces to tell them what consumer goods to supply. They employ market research techniques. Of course they also use advertising to create demand for their products, and in terms of the world market socialist industries would have to operate in an environment where tastes were also formed by capitalist advertising.

Some of the problems of formulating the Plan are not that great. Take the motor industry for example. Workers in industries supplying the motor industry already know, more or less, the type, amount and quality of inputs required. Decisions like we would like car production to rise by 5% a year in the next plan can be taken through democratic planning bodies, and the amount of inputs required also calculated. Provided that workers in the supplying industries give the correct data about what inputs are needed the amounts of steel, rubber, plastic etc. can also be calculated. By allowing flexibility in these coefficients problems of shortage and disproportionality can be avoided. But it will still require bureaucrats and technocrats to come together to take the information about what inputs are needed etc., and for them to match them against other claims for resources, and against the ability to meet demands out of existing resources. Having done that they will have to provide general guidelines and options as to what can and what cannot be produced.

The difference is that in a healthy workers state such bureaucrats are under the political control of the workers state not vice versa. Their job is to report to ~~the~~ whatever democratic planning bodies the workers state creates, and to put forward alternatives not instructions, (The decisions on what to produce are the priority of the planning bodies (Soviets or whatever), and to draw up the detailed plans on the basis of those decisions. Because control of the economy, and the production process is in the hands of the workers the bureaucrats are unable to provide themselves with any point of support to usurp political power.

PLANNED ECONOMY AND THE USE OF TRANSITIONAL DEMANDS NOW

Earlier I referred to the question of changing workers consciousness, and culture. That is one of the functions of transitional demands. Transitional demands are not just clever devices for leading workers towards revolution, they are also instruments for educating workers in socialist norms and values here and now, for showing workers a glimpse of how socialism operates, and of demonstrating to workers that they are quite able to run society. When we raise transitional demands therefore we need to stress this educative role. For example, the demand for a sliding scale of wages fulfils a number of roles. Firstly, it is a demand to protect workers wages against high rates of inflation, and says to workers don't accept responsibility for the crisis. Secondly, it links in with other transitional demands to the extent that the bosses oppose the demand, and an escalation of the struggle to obtain it is called forth. Thirdly, the demand also requires workers to establish their own cost of living index. This aspect

of the demand is the one most often given least attention, yet it is the most important. Both the other aspects of the demand can easily be assimilated into trade union militancy - workers taking up the demand no more means they have recognised that they should not pay for the crisis any more than their putting in for an above the rate of inflation pay claim would, nor is there any necessity that a refusal to meet the demand would lead to an escalation of struggle - but if workers start to create their own cost of living index as part of the demand it shows that (a) there has been a change in consciousness as workers say we need to do this because we can't trust the bosses, and (b) the workers are prepared to take a little bit of power, a little bit of responsibility for running society, into their own hands. In doing so the workers learn that they can run society.

It is therefore important that when we raise transitional demands we stress these educational aspects of them. We also need to develop other transitional demands that can perform this function. The question of a workers plan for energy as an alternative to the Plan for Coal is a good example. Trotsky also raised the demand during the mass unemployment of the 1930's of workers in the West drawing up plans, and demanding that their governments make trade deals with the Soviet Union to supply it with its requirements as a means of employing their workers. A similar demand today could be developed, alongside the demand for such deals to be on the basis of democratic decision making in the Stalinist States, and for direct rank and file links between British workers and workers in the Stalinist States.

As the Tory reaction rolls on we also need to develop appropriate democratic and transitional demands. Democratic demands like the election of judges, proper control of the police etc., and also to use the increased demand for a Freedom of Information Act as a means to popularise the demand to Open the Books. If workers have a right to open the State's books we have a right to open the bosses books too.

One thing that capitalism and Stalinism have in common is that both, each in their own very different way, ensure that participation in the political process is kept to a minimum. A planned economy can only work, can only prevent the danger of bureaucratisation, if we ensure the maximum mobilisation, and participation of the working class at all levels of decision making. The Tory reaction is increasingly closing the opportunities for participation, increasing the pressure on the working class to "keep out of politics", on pain of losing your job. We have to angle our propaganda, and our political demands against that.

SCOTT

OCTOBER 1984

NOTE.

1) I make no apology for trying to sketch out the Soviet Planning system, which to many comrades may have seemed boring. We take it for granted that as Marxists

we need to know how capitalism works in order to overthrow it, yet my experience is that very few people know anything about how the Soviet Union works.

2) The information on the Soviet Planning System was largely just a precis of the description given in :- "The Soviet Economic System" (Novo)

"Soviet Economic Development Since 1917" (Dobb)

I have attempted to correct what in my opinion were politically incorrect or inadequate statements, and interpretations in those works.

2)Erratum. Page 2 para. 5 line 11. Should read ("as are all long term plans").

N.C. minutes Dec. 15, 1984

1. MINERS' STRIKE

Hill reported. The NUM has withstood the back-to-work offensive. But they have been ditched by the TUC. The TUC has even cut donations/loans to the miners after warning letters from Price Waterhouse.

The courts' soft line on the TGWU (use of Queen's Remembrancer) indicates that the government is still cautious.

The slogan 'Recall the TUC' comes from that. We need to argue for a general strike, but the TUC obviously isn't about to call one.

There is a difference between the 'Recall the TUC' slogan now and over the NGA. Then there was a much bigger movement for 'Recall the TUC'. Now it's just us and the Thornettites! But we can get a resonance.

It is very difficult to fault the NUM leadership recently. A drive has been made towards power stations - but with patchy results. However, the government will have to move pithead coal stocks.

The NUM leadership have made correct calls over the heads of the union leaders, but have not organised properly. The sequestrators are coming into the NUM HQ. They have real problems.

There was a split at the NUM executive and special conference about whether to bring funds back to Britain. The CP took a conservative position but were defeated.

The NUM is taking the Notts NUM to court. It's like Militant taking the LP leadership to court. It should be criticised.

General strike? We've raised it recently in a new way. There is an unprecedented attack by the state on the NUM. People like Benn and Skinner are calling for a general strike - they haven't done so before. It's difficult to see a general strike happening. But it's necessary to call for it. We also need bridging demands towards the necessary call for an all-out general strike - e.g. calls for individuals unions or groups of unions to call a 24 hour general strike.

Kinnell: On 'recall the TUC' I was in a minority on the EC. 'General strike' is a fundamental necessity, therefore worth fighting for even it is not 'realistic'. 'Recall the TUC' is much more a tactical gadget, justified only if it has some bite and pulls people towards more fundamental ideas. It does not have that bite now.

Weightman: Agreed with Kinnell on 'recall the TUC'.

Pictou: 'Recall the TUC' is a feasible demand, but should be very much second-string to direct calls for rank and file action.

Carolyn: Workers may be sympathetic to a general strike, but they don't think they can do it. We have to relate to people who think a general strike is impossible. 'Recall TUC' campaign can enliven the movement, promote discussion. There would be some input from rank and file at a congress. There is no implication of trusting the leaders; but you have to relate to the TUC. There is not going to be a spontaneous general strike in the present atmosphere. We may get explosions - but even then we'll have to relate to the TUC. Also demand 'Recall TUC' because the September Congress decisions have been ditched. It's a subordinate slogan, not the central one.

French: Are there any chances of the left unions taking action?

Collins: 'Recall TUC' is necessary. People are sympathetic but sceptical about a general strike. Being cynical about the TUC can mean letting them off the hook.

Ellis: We can use 'recall TUC' with workers who say, 'Yes, we need a general strike, but it won't happen'. We reply: organise in your union for a recall TUC to make it happen.

Kinnell: Slogans like 'recall the TUC' can in general be useful. But it has not got any bite today.

Hill: Without 'recall the TUC', you're left with abstract demands on the TUC, on the one hand, and general calls to the rank and file on the other.

Voting: Line of front page lead in paper no.209 endorsed unanimously.

Amendment to delete 'recall the TUC' lost with 1 vote in favour.

2. ATTENDANCE

Apologies: Whettling, Matthews, Strummer (arrived late). Keith had resigned from the organisation. Hill reported on discussions with Lindsay.
Unaccounted for: Potter, Fraser.

3. LABOUR PARTY

Kinnell introduced a discussion.

Contributions from: Weightman, Jagger, Hill, French, Collins, Ellis, Carolan, Joplin.

Voting: the following resolution was carried unanimously.

(1) The LP Left has been considerably revived by the miners' strike, though its ideological level remains shallow - as shown by the reaction to Hattersley's economics.

(2) The Left's reaction to the miners' strike shows a differentiation between more serious working-class activists and middle-class radicals.

(3) We have, however, failed to capitalise sufficiently by recruiting LP leftists interested in serious working-class politics. The basic reason is poverty of contact work: intensive contact work is the only way to recruit such people. We must improve contact work.

(4) We should also try to organise broader sections of the Left:

- a) round the Mineworkers' Defence Committee,
- b) round re-selection (the EC must discuss this in detail),
- c) round a challenge to Kinnock - we should start a campaign to draft Benn.

(5) We must prepare for a new witch-hunt. This is a serious risk. As one small step, we should, on 'convergence', formally jettison the ..L name. This will at least give us some protection when the right wing attempts to link the paper to the .. L.

French moved that we offer the ..L name to the Socialist Group. This motion was defeated with 3 votes in favour.

4. FINANCE

Kinnell circulated a written report, and presented a 'checklist' on paper sales.

Discussion on Xmas schedule: agreed to miss papers dated December 19 and 26.

4. BUILDING THE ORGANISATION

Carolan introduced. Look at Militant. They have contemptible politics. Yet they have grown. We've got a good political record, yet we are weak.

Our deficiencies? Scepticism - not on the fundamental politics, but as a matter of style. No sanctions. No functioning machinery to drive the organisation. We're not a sect, we don't use moral terrorism - yet we also are short of rational commitment. We're now in a crisis of growth, yet generally we never manage to raise ourselves up organisationally.

We've become partly dissolved into the surrounding movement. We need a turn inwards: intensive cadre-training, learning our own history, building party-consciousness. We need a series of schools, measures to develop a real network of organisers.

Discussion with contributions from French, Ellis, Joplin, Picton, Kinnell, O'Connor, and summing-up by Carolan.

General line of introduction endorsed.

Motion from Kinnell: that new recruits be asked to make a special donation

NC/3

when they come into the tendency. Agreed.

5. MINERS' STRIKE

Kinnell raised the issue of the NUM court case against Notts NUM. Tactically it is idiotic, but in principle the NUM has the right to use any weapon it can find against the scabs.

Hill: No. The scabs are part of the labour movement. It is despite everything a dispute inside the NUM.

Voting: Hill's position was endorsed, with 1 vote against.

