

Khatkhate on Socialism, Inspired by Kornai: A Note

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Was Marx intellectually responsible for what happened in Russia and eastern Europe, beginning with 1917? A discussion of Khatkhate's position on socialism, inspired by Kornai's ideas in his review article, "Janos Kornai's Odyssey to the Never, Never Land" (EPW, 28 March 2009), and a brief outline of socialism as envisaged by Marx.

We read with considerable interest Deena Khatkhate's review article entitled "Janos Kornai's Odyssey to the Never, Never Land" (EPW, 28 March 2009). He should be praised for introducing this eminent Hungarian economist – who is less known in India compared to many other economists of the west, particularly of the Anglo-American world – to the readers of this journal. However, we have problems with his presentation. What stands out here is not so much an analysis of Kornai's central economic ideas based on the latter's intense experience with the economic organisation of the eastern European countries under communist party rule – which would have greatly benefited students of economics in India – but Khatkhate's strong ideological position. The following lines concern Khatkhate's article insofar as it deals with what its author considers as "Marx's intellectual responsibility" in what happened in Russia and eastern Europe (and China, Vietnam ...) in recent years, beginning with 1917. In other words, the present article is exclusively concerned with Khatkhate's treatment of Marx, considered as the intellectual source of the regimes in question. This article is divided into three sections. The first gives an account of Khatkhate's position on socialism, inspired by Kornai's ideas, the second offers, in a nutshell, the barest outline of socialism as envisaged by Marx in order to set the record straight, and the third discusses Kornai's Marx connection.

Kornai-Khatkhate Position

Right at the start we are struck by the author's manner of presentation. He uses equivalently the terms "Marxism", "Leninism", and "Marxism-Leninism". We are not sure if he is aware that these equivalences come directly from the once-famous "discourse" of the great seminarist successor of

Lenin and was followed later in this usage by the holders of power of the "socialist" system and their uncritical acolytes the world over. Khatkhate writes that "The type of economy the Soviets initiated and was followed later by eastern and central Europe and, finally by China and Vietnam was strongly entrenched in the central ideas of Marx" and that "this was the premise with which Kornai started". He then adds:

Kornai convincingly argues that elimination of property, market and the replacement with public property and bureaucratic coordination – all emanated from Marx and were faithfully followed by Lenin.

On his part, Kornai (in his book, *The Socialist System* (1992)) has written:

The Socialist System in this book exclusively signifies the system in the countries run by the communist party...The official leadership of every country (ruled by the communist party) declared while in power that the system was socialist. Why seek a label for these countries other than the one they apply themselves? (1992: 10-11).

Paradoxically though, nothing could have pleased the rulers of these regimes – including Lenin himself – more than to be characterised as the followers of Marx leading and governing "socialist" regimes.

The problem is that Khatkhate does not verify such loaded statements on Marx by referring to *any* text composed by Marx *himself*, and takes at face value what Kornai has said. This Kornai-Khatkhate position shared by the partisans of the regimes, this uncritical acceptance of the claims of the regimes at their word reminds one of what Marx (and Engels) wrote in the mid-1840s:

While in habitual life every shopkeeper knows very well the distinction between what a person pretends to be and what he really is, our historiography has not yet grasped this trivial knowledge. It believes each epoch at its word what it says of itself and imagines itself to be.

(The term "shopkeeper" is in English in the manuscript.)

Socialism in Marx

In order to establish Marx's "intellectual responsibility" for what happened in the regimes in question we have first to see what are (in Khatkhate's words) "the central ideas of Marx" on socialism and to what extent these particular regimes were "strongly

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entrenched in these ideas". To start with, as a materialist, Marx did not believe that a society could be created by "ideas". As the *Communist Manifesto* (1848) famously declared:

the theoretical propositions of the communists are in no way based on the ideas invented or discovered by this or that world reformer; they are only the general expression of the actual conditions of an existing class struggle, of a historical movement which is going on before our eyes.

For Marx it is the existing capitalist society itself which through its own contradictions creates the necessary conditions for the rise of the society after capital. Naturally, Marx did not leave behind a "blue print" or what he mockingly called "a recipe for the future cook-shop" (1873). However, there are, spread over his writings, enough materials for offering us a fair idea of the kind of society he thought would succeed capital.

Going through Marx's (own) texts one discovers what has been almost systematically downgraded, if not blatantly suppressed, by the "Marxists" as well as by his denigrators, that Marx's perspective of the society after capital is profoundly *human* and immensely *emancipatory*. Right from the start of his adult life Marx viewed the present society as inhuman where an individual's own creation appears as an alien power and dominates her/him and the individual's separation from other individuals appears as the individual's real existence. "So long as the human being has not recognised him (her)self as human being and has not organised the world humanly, the *community* will appear under the form of *alienation*, its *subject*, the human being, will appear as a self-alienated being", wrote Marx in one of his early notebooks (1844) (1932: 536; emphasis in original). About two decades later Marx wrote in the same vein in his so-called "sixth chapter" of *Capital I* (published posthumously much later):

To the same extent as the productivity of labour develops, grows the amassed wealth confronting the labourer as the *wealth dominating* him, as *capital*. The world of wealth confronting him expands as the world alien to him and dominating him; his subjective poverty, destitution and dependence increase in the same proportion in opposition to him (1988: 126-27; emphasis in manuscript).

Following this logic, Marx put in stark opposition two societies – "human society" and "bourgeois society" in what could be called his "Manifesto of New Materialism"

– that is, his *Theses on Feuerbach* (1845) where the 10th thesis reads: "The standpoint of old materialism is bourgeois society; the standpoint of new materialism is human society or social humanity" (Marx 1998: 21). Following the same logic Marx underlined 15 years later that with the "bourgeois social formation" the "prehistory of human society comes to a close".

This "human society" or socialism is the outcome of a process of *self-emancipatory* revolution of the exploited constituting the "immense majority" in bourgeois society. As Marx told the workers in 1864, "The emancipation of the working classes must be conquered by the working classes themselves". Again, as the proletariat constitutes the lowest class under capital's rule, its own emancipation from capital also means the emancipation of the rest of society, as the *Communist Manifesto* underlines. Thus, workers' emancipation signifies human emancipation tout court. This emancipatory social revolution by the "immense majority" in the interest of the immense majority" for a new society starts only when the material conditions for building the new society have been brought about by the bourgeois society itself through its self-annihilating contradictions – these material conditions basically signifying a very high level of productive forces – including the "greatest productive force, the working class" and socialisation of labour and production (Marx: 1847, 1848, 1859). In the absence of these conditions "all attempts to explode the existing society would be Donquixotism" (Marx 1857-58).

The "first step" in the revolution is the establishment of the (class) rule of the proletariat considered as the "immense majority" of society, the "conquest of democracy". However, the revolution does not end there. It is "epochal". The process continues over a long period, a "period of revolutionary transformation" of the capitalist society into socialist society during which the workers "have to pass through a series of historic processes transforming circumstances and men" till the whole bourgeois mode of production along with the bourgeois social order is superseded (Marx 1847, 1848, 1871, 1875). The proletariat along with its rule – the last form of state – ceases to exist, wage labour and commodity production end. Individuals remain simply as producers of goods corresponding to social needs. Classes

come to an end. The outcome of the labourers' self-emancipatory revolution is the socialist (communist) society – a "union of free individuals" – based on the "Associated Mode of Production" with "associated individuals" as opposed to the hitherto existing "Capitalist Mode of Production" with alienated individuals.

Integrally related with this is the social ownership of the means of production. (There is no state ownership here passing for "social ownership"; state, the embodiment of repression, has ceased to exist.) In sharp contrast with the "false" or "illusory" community which as an autonomous power had hitherto subjugated singular individuals, there arises now the "true" community where "universally developed individuals" dominate their own social relations (Marx and Engels 1845-46; Marx 1844, 1857-58, 1872). Individuals cease to be subject to "personal dependence", as under pre-capitalism, as well as to "material dependence", as under capitalism, and as universally developed "social individuals" gain "free individuality" (Marx 1857-58). For those who have some knowledge of the Kornai-Khatkhate "socialist" regimes, it does not require any special mental effort to see that Marx's "idea" of socialism – presented here in a nutshell (on the basis of a careful reading of Marx's own texts) – has absolutely nothing in common with these regimes.

Kornai's Marx Connection

However, there is another side of Kornai's writings of which Khatkhate speaks very little – preoccupied as he is to establish Marx's "intellectual responsibility" for these regimes by invoking Kornai's authority. And here Kornai, it seems, unwittingly and unintentionally, rejoins Marx. This is Kornai's deeper or "esoteric" side as opposed to his "exoteric" side, seen in his rather crude empiricism while taking at face value the "socialist" claims of the particular regimes – which we saw above. (These are Marx's terms, and are drawn from his 1861-63 manuscripts where he critiques Adam Smith in the theory of competition.) We refer here to Kornai's outstanding analysis of the "economic laws(s) of motion" of the societies in question. Kornai distinguishes between two types of economy. In what he calls the "classical capitalist economy" it is the "demand constraint"

that is binding while what he calls the “socialist economy” – whose prototype is the “post-NEP USSR” – it is the “resource constraint” which characterises it. While the demand constraint in the first case gives rise to overproduction and a “reserve army of labour” in the process, the resource constraint in the second case results in labour shortage. In contrast with the capitalist economy “shortage plays a central role” in the “socialist” economy. And referring to his own work he calls it “a descriptive theory of shortage economy” (1980: 5, 41).

Kornai underlines the “initial state of backwardness and poverty” of these countries “with many pre-capitalist features” – affecting also their military and defence preparations – which placed them seriously behind the advanced countries which they had to overtake and surpass. “What technical progress does take place under classical socialism”, writes Kornai, “consists exclusively of copying innovations introduced in developed capitalist countries”, and “even this development proceeds haphazardly” (1992: 22-24, 294). Hence the “expansion drive”, “investment hunger” and the “atmosphere of growth at a forced rate” (1980: 27, 63, 191; 1992: 160-61). It so happens that the development process of these societies which Kornai analyses so well strikingly resembles what Marx shows as the accumulation process of capital in a situation of backwardness with quasi-stationary technical change corresponding largely to what Marx calls “formal subsumption of labour under capital” where the extraction of absolute rather than relative surplus value as the form of exploitation of the labourers prevails. It seems Kornai has completely overlooked this aspect of Marx’s accumulation analysis. Let us have a brief look at it.

While studying the “law of motion of capital” the focus of Marx’s analysis of accumulation quite legitimately was on the accumulation process in advanced capitalism. This accumulation under what Marx calls “real subsumption of labour under capital” is associated with continuous revolutionisation of the method of production and increase in “relative surplus value” through the higher productivity of labour leading ultimately to the crisis of overproduction and “industrial reserve army”. And this corresponds to Kornai’s “classical capitalism” under “demand constraint”, for the

analysis of which Kornai has high praise for Marx (1980: 235). Khatkhate of course does not mention this. Marx, however, also analyses – to a lesser extent, though – capital accumulation taking place at an early phase of capitalism where the method of production of the pre-capitalist economy remains largely unaltered over a period. In this situation of the “formal domination of capital” with largely unchanging composition of capital, accumulation takes place resulting in the “growth of capital without the growth and development of labour’s productive power” (Marx 1953: 633; 1976: 165-66). As Marx underlines, for a long time, capitalism existed without the crisis of overproduction and the reserve army of labour, when “technical progress was slow and the progress of capital accumulation was constrained by the natural limits of the exploitable labouring population” (1965: 1148). Here the needs of accumulation would exceed the existing labour supply which of course would mean labour shortage and more than full employment of labour. To illustrate this Marx mentions England during the whole first half of the 18th century and over a larger period earlier (1987: 561). And precisely this corresponds to Kornai’s “classical socialism”.

Now, Marx’s analysis applies to a *capitalist* economy. Our point of course is that *all* of Kornai’s “socialist” countries, including, in the first place, their prototype, the USSR, were in fact *capitalist* from Marx’s materialist standpoint whose criterion for characterising a social formation is its relations of production, which in the case of capitalism are wage labour and commodity production on a social scale. The societies under consideration – however different their *phenomenal* forms compared to “western” capitalism, entirely explicable by the specific conditions of their origin and continual existence – were all based on wage labour and commodity production. And the very existence of wage labour – by definition signifying workers’ *separation* from the means of production – meant that private property in the means of production continued to exist in these countries, the *formal juridical* appearance of “public property” only serving as a legitimising cover. Economic backwardness and the initial hostile military environment of the USSR dictated the urgency of rapid economic development

of the economy. Lenin’s pre-October (1917) battle cry to “overtake and surpass” the advanced countries summed up the developmental task(s) of the Russian authorities which was translated into a super industrialisation strategy making huge demands on the productive resources including labour. What Kornai calls “investment hunger”, “expansion drive” and “growth at a forced rate” are the natural results.

Oskar Lange very aptly called the Russian economy a “*sui generis* war economy” leading to a centralised administration allocating resources and establishing priorities. Lange added that the “allocation of resources by administrative decision according to administratively established priorities... was done in all capitalist countries during the war” (1993: 343). Russia’s economy was indeed a “war economy in peace time” (Nove 1982: 390). The noted (economic) historian A Gerschenkron with his opinion that Marxian ideology had little to do with the great industrial transformation of Russia, cited Marx’s famous phrase about capitalist accumulation, “accumulate, accumulate! This is Moses and the Prophets” and added:

There is every reason to doubt that there has been any economy on modern historical record to which these words would apply with greater justification than the economy of the so-called *Socialist* Soviet Republic (1966: 285; emphasis in text).

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