

class movement. One has only to think of the recent developments in 1968 in Italy, France, Spain, Mexico, Uruguay and some other countries, to see the potential power of this new alliance of the working class and the students. The students can play their role not as a superior elite but as part of an alliance. Outstanding individuals, as one can see from experience, can sometimes become part of the vanguard or leadership. If students place their talents, enthusiasm, and knowledge, at the disposal of the revolutionary movement, they can make a valuable contribution to the whole revolution. In turn, they will gain in experience of struggle, of organisation and in their knowledge of the movement and in their understanding of scientific socialism.

If people are against capitalism and want change, this is an essential starting point, this is the common ground on which an alliance of forces can be built. Together we can learn in unity to strike the most effective blows against the class enemy, to advance to power, and to build socialism.

In the new version of the Communist Party programme *The British Road to Socialism*, such a path is outlined for the British people, based on an alliance of the overwhelming majority of the people against the monopolies, an alliance led by the working class, which will assert its democratic strength in order to overcome the capitalist class, assume power and proceed to the building of socialism.

Economic Reform in Socialist Countries

Maurice Dobb

QUESTIONS of planning and market, centralisation or decentralisation in economic decisions, have tended in the past (and perhaps not only in the past) to be too abstractly treated, as an 'either . . . or' of mutually exclusive opposites. They have been treated also quite *unhistorically*, in the sense of being treated without reference to the (changing) historical circumstances and stages of economic development to which planning in a socialist economy is applied. To some extent this is to-day changing in view of the richer experience of actual planning and its problems, and in view of discussion of this in the socialist countries with reference to the trend towards economic reform (involving decentralisation) in the middle '60's.

Obviously in a socialist economy planning will be the major and dominant mechanism for both steering and moulding the shape of economic events, especially in its essential structure and movement (e.g. relative outputs of industries and the relations between them; moreover changing relations with changing conditions, such as population and labour-force, needs and technique). *Per contra*, capitalism is essentially characterised by 'anarchy of production' and governed by the 'law of value' operating 'unconsciously' through the market, even when concentration of capital and of control has reached the stage of powerful monopolies dominating whole spheres of industry (and in their own special way, and their own sectional interest, 'planning' things each within its own special sphere).

Of this essential contrast between the mechanisms of the two systems there is not any serious question and has been none in the discussions of recent years about reform of economic mechanism in the socialist countries. (True, in the famous, but very abstract, economists' discussion in Britain and America in the 1930's, it was commonly assumed that socialism would operate a highly decentralised market-type system which left little if any room for planning; and Yugoslavia in the early '50's, after her breach with the Soviet Union, dismantled much of her central planning machinery and looked like moving in the direction of the Anglo-American economists' 'model'. But this is all a rather special story, and has very little if any connection with what has been done, or contemplated, in the Soviet Union, Czechoslovakia, Hungary or Poland in the past few years).

Planning and Market

At the same time, it is also true that central planning can never cater for everything down to the smallest local detail, and that socialism never has been altogether without a market and market-relations (save in the stringent years of 'war communism') and probably never could be, at any rate in Marx's "first stage of socialism". There has always been a retail market for consumers' goods, on which wage- and salary-earners have been free to spend their money as they deemed fit. (Since the civil war days rationing has characterised only exceptional periods like the shortage-years at the end of the First Five-

Year Plan, war-time and the immediate post-war years). Similarly labour-supply and labour discipline have not been controlled by regimentation (again, outside emergency-periods such as war-time), nor have they been controlled, either in name or in fact, by purely 'moral incentives' so much vaunted today by some sections of the 'Left', and this for fairly obvious reasons of practical expediency. They have been governed by economic inducements of the form familiar to trade unionists, such as wage-differentials, piece-rates and bonuses (though the extent of the latter has been considerably reduced over the last ten years or so in the Soviet Union), and the payment of extra rates to those in unpleasant or priority industries (such as heavy industry in the past and mining, or in remote parts of the country such as the Far East).

Conditions requiring Centralisation

In general, I think one can say that central decision-taking to the maximum extent is most appropriate when the economy has a fairly simple, rather than a complex, structure, when large structural alterations in the economy are needed (necessitating centralised drive and direction), when growth at almost any cost is the primary objective and the priorities are accordingly fairly simple. The first of these conditions applied to the Soviet Union in the late '20's, with its relatively undeveloped industry, at the time when the First Five-Year Plan was launched; and the other conditions mentioned continued to apply throughout the decade of great change and heroic endeavour in the '30's.

It is fairly obvious, however, that they begin to *cease* to apply in the degree that industrial development occurs, and the pattern of industrial structure becomes more complex. To this extent the very success of the first period of planned industrialisation reduces the efficacy of centralised decision-taking and directives to handle all major problems, and introduces onto the stage an increasing number of problems that have to be tackled by other means. In Czechoslovakia industrial development had already (before the war and after) reached this stage of structural complexity; and to a smaller extent this was true of Poland and Hungary (with the additional difficulty of their high dependence on foreign trade). All the more does a shift in the same sense occur in the character of economic problems to be handled as soon as priority in objectives shifts over to consumers' goods industry (Marx's Department II) and to maximum (and balanced) satisfaction of consumers' wants. Indeed the shift over from priority to heavy industry (or Department I) to emphasis on consumption is apt to render the old method of operation by applying (and working down) a priority-list an obstacle to fulfilling the new tasks; since the low-

priority industries tend to get left with nothing when shortages occur.

What undoubtedly precipitated discussion of economic reform, and of giving more independence to individual production units, was the appearance in the early '60's of certain negative economic features, not only in Soviet economy but also in Czechoslovakia most notably, and to a smaller extent in Hungary, Poland and East Germany as well. Most obvious sign that something might be wrong with the old system was a slackening of growth-rates, which fell below the level of the previous decade. In Czechoslovakia in 1963 industrial output was halted and even declined somewhat. It became evident that the rate of annual rise of labour productivity was showing a declining tendency, and what is known as the investment-output ratio a rising tendency (after falling over the previous decade). Moreover, in Soviet economy, the target-increases for consumer goods were repeatedly failing to be fulfilled, while the capital goods industries were exceeding their targets. (Not only this, but Department I, or Group A, "was delivering a diminishing share of its output to the industries producing consumer goods": see M. Bor, cited below, page 99) Hence the simultaneous appearance of decentralisation on the agenda of all those countries affected by these negative features.

Control and Operational Execution

Readers of *Marxism Today* probably do not need to be reminded that already in the '20's the principle was established of a clear line of division between the functions of general control or 'steering' of the economy and more detailed operation and execution of production policy. The former was the province of the planning organs and Ministries (or Commissariats as they were then called); the latter was the job of the managements of industrial enterprises (called at that time 'trusts'; their legal position being that of conditional trustees of State property), acting with (limited) financial and commercial autonomy. Financial autonomy meant in effect being responsible for its own working capital and responsible for maintaining its own balance sheet (as a balance of receipts against expenditures or costs) according to the well-known principle described by that untranslatable term *Khozraschot*. It may be noted that this latter principle was reaffirmed at the end of the decade, on the eve of the First Five Year Plan and the industrialisation drive, and has continued to be recognised down to the present day. The economic reforms of the mid-'60's can be regarded, indeed, as giving it renewed recognition and emphasis.

Centralising Tendencies

During the period of intensive industrialisation in the '30's, during the war and the period of post-war

reconstruction, the first of the two functions that we have mentioned acquired enhanced importance compared with the second; and this for fairly obvious reasons. There was a tendency for centralised decision to grow at the expense of decision at lower levels, so that operational discretion and autonomy of the latter were increasingly hemmed in and restricted. The form this centralising tendency took (the only form it could take) was the issue of administrative orders and directives covering an increasing amount of detail. If there were difficulties about plan-fulfilment when plan-targets were fixed in general fashion, the tendency was for more detailed specification to be added to the plan-targets or else supplementary directives to be issued.

For example, if a plan-target was fulfilled in some overall dimension (*e.g.* in gross value or in tonnage), but there was insufficiency of particular lines, models styles, sizes, or if output-targets were reached but at the expense of costly methods of production and excessive inputs, then in following years supplementary targets would be added to the general ones, stipulating details about 'output-assortment', or else so-called 'cost-reduction indices' and 'limits' upon this or that input (including perhaps labour or the size of the wage-bill). Hence in the course of time the discretion and initiative of industrial managements came to be increasingly fettered by detailed requirements, orders and 'limits'. A disadvantage of the system (inevitable as it was in the special circumstances of that time) came to be that the 'good' manager was not one who showed initiative and worked out something new, but the one who played safe, was good at just carrying out orders (perhaps waited for orders before doing anything as a way of 'passing the buck') or else was influential or cunning enough to get lenient targets assigned to him to give him something in reserve and not to make life too difficult for himself and his staff.

Central Supply Allocation

A further outcome of the situation in those hectic years was an extension of the system of allocating supplies of raw materials and components to producing enterprises, in place of the system (prevalent in the '20's) whereby industrial enterprises would procure supplies of what they needed as inputs, or as accessories like fuel and power, by direct contract with other enterprises. As things like building materials, coal, metals became scarce in face of rapidly growing demand for them, their supply was rationed by a quota system. Goods allocated in this way were called 'funded goods'; and these were divided into two main categories, those for which the main allocation-quotas were worked out at the topmost, all-Union level, and those allocated at the level of Ministries or Republics. In most cases the break-

down of quotas was made as far as the individual enterprise; so that the latter was apt to be told both how much it was getting and from where; and all that was left for it to fix contractually with the supplying enterprise was matters like delivery dates, precise quality and the like.

To operate this policy Gosplan and associated planning offices and bureaux had to work with the so-called 'system of balances' (*i.e.* a balance showed all the requirements for a product, on the one hand, and all the sources of supply, on the other: an aggregated supply-demand table); and by the end of the post-war reconstruction period the central planning bodies (at Union and Republican levels) were regularly operating nearly 2000 balances of this kind, while in all something like 10,000 products were covered by the system of direct allocation in one way or another. At the same time, anything up to 500 indices could be included in the annual plan of a single enterprise (it is unlikely, of course, that *all* of these would ever be fulfilled, and from the enterprise-management's standpoint some would inevitably have a higher rating for plan-fulfilment than would others). More than 5000 products and their targets were listed in the annual plan.

The 'Balance Method'

To appreciate the magnitude of the task involved in the central allocation-system, one has to remember that these balances had to be reworked every time any major adjustment in the output-plan was made in the course of its construction or its carrying-out, and that repercussions of a change in one balance on others could be, and often was, complex and extensive. Moreover, accuracy of calculation of what was needed of some particular input in each case depended on the accuracy of the information supplied 'from below' to the planning bodies regarding the so-called input-output coefficients (how much coal, ore etc. was needed on the average to produce a ton of steel); and since such coefficients were apt to be averages of different constituent cases (*e.g.* different kinds and qualities of iron and steel), this *average* coefficient was subject to modification with every change in the make-up of any general output total (for an industry or an enterprise). Thus it was not something rigid and precise but contained an element of 'play'; which inevitably made it subject to some degree of estimating and guesswork at top planning levels, since these could scarcely have available to them the detailed break-down of every coefficient supplied to them by industry.

Information as a Limit

This last consideration illustrates one of the main reasons for there being, inevitably, a pretty strict limit upon the amount of detail that can be embraced by

planning-decisions: a limit that comes to be reached or surpassed when industrial development reaches the stage of complexity that it had already done by the early '50's. This limit consists in the amount of information available to any top planning or executive body. A second consists in the amount of such information that it can digest in suitable form, and about which it can make the necessary calculations, even with the aid of modern computers, within the limits of a given planning time-table. As regards the annual (operative) plan, it has been customary to issue the initial draft plan (or 'control figures'), drawn up largely on the basis of the previous years' results and on interim reports of the current years' working, in the early summer of the planning year. This is then passed down to the industries and eventually to individual enterprises for supplementation with more detailed provisions and relevant data; and on the basis of these provisional plan-targets enterprises and industries indent for the supplies needed by them for fulfilment. Thus supplemented, the provisional draft plan starts its upward journey; and when it has reached the stage of the Ministries and planning commission again, the work of co-ordination and revision (including the reworking of the system of balances that we have mentioned) to achieve workable consistency takes place; until finally the definitive (and obligatory) plan for the coming year is issued, with detailed stipulations of targets and indices for each enterprise. It should be clear that the need for this plan to be ready before the start of the year to which it applies (which was by no means always the case in the early days of planning) strictly limits the amount of recalculation, to-and-fro consultation in the course of fitting together and revision, that it is practicable to undertake. (On the other hand, drafting the plan cannot start too *early* or it would be out of gear with current output-trends).

As regards the initial information itself, the detailed data about the industrial situation and its possibilities (about the micro-situation on the industrial front) will be in the possession of the industrial enterprises and plants. To be made available to higher planning levels, such data have to be quantifiable in a fairly easily manageable form. This much of it can be, but by no means all (especially where judgements of what is possible depend on probability estimates and on close acquaintance with the actual 'feel' of the situation, depending on experience). Even when this information can be quantified and supplied in a suitably generalised form, it may be subject to certain biases which render it less than perfectly objective. For example, when the setting of targets and 'limits' and the allocation of supply-quotas of inputs will depend upon the data supplied, it is almost inconceivable that managements will not incline towards under-

stating productive possibilities and overstating their own requirements, in order to give themselves a 'safety margin' and 'something in reserve' in case things get difficult. If the planners suspect this, they may, of course, lean over backwards to discount it in the direction of so-called 'tight planning', which will tend to penalise the conscientious who *have* been conservative in their estimating and which may cause difficulties and dislocations in the course of plan-fulfilment from its inflexibility. In any case a margin of uncertainty and of subjective guesswork will intrude.

What can be said in general terms is that the higher bodies will be in a position to see and to appreciate the larger picture—the general (or macro-) relations and needs of the system as a whole; whereas those at lower levels will be better placed to see and comprehend the detailed peculiarities of the particular situation—the finer shadings and minutiae composing the total picture. It follows that a lot of decisions can be much better taken if left to the discretion of the lower levels (e.g. the industrial plant or enterprise); *how* many depending, as we have said, upon the nature and needs of the given historical situation and stage of development. Of course, these lower-level decisions have to be taken within a general framework, planned and determined 'from above' (just as in military affairs tactical flexibility and discretion of small units have to fit into and be governed by a larger strategic plan). Experience alone can decide how much can be decentralised without disrupting this planned framework, and where the line between top-level and lower-level decision should be drawn.

Decentralisation: a Political Question

It may be said that so far we have been talking exclusively about technical questions of administration and management. But the question of centralisation or decentralisation is not only a technical question of how efficiently the economy is managed: it has an important *political* aspect as well. In other words, it concerns the social relations of production in socialist economy and how these develop in line with the rapidly developing forces of production (or alternatively lag behind the latter). A very high degree of centralisation of economic decisions such as developed in the Soviet Union on the approach of war, during the war and after involves (we have seen) a relation between upper administration and the producing units that consists in the main of a one-way flow of directives and orders, which the producers themselves are under obligation to carry out, often in mechanical fashion. The latter have very little scope for displaying initiative and little sense of participation; even if in the course of plan-making their reaction to proposed production-targets is canvassed and there is a feed-

back of information, data and opinion from the factory-floor to top planning levels. It is to this kind of relationship, and stratification, that one refers when one speaks of bureaucracy and bureaucratisation. At anyrate, if the latter term has a wider connotation than this, what it implies will be enormously encouraged by over-centralisation of economic administration and planning. Centralisation tends to breed, on the one hand, the type of administrator whose answer to every difficulty is to issue an administrative directive or a propaganda-exhortation forbidding some action and commanding another, and on the other hand lower-level personnel who temporise by waiting for orders before doing anything and who do not know how to act unless told what to do.

This means that, apart from efficiency, decentralisation becomes increasingly necessary from a political standpoint under socialism, especially after a period of hyper-centralisation (such as we have seen was necessary in the first country to build socialism, in a backward country and in isolation amid a hostile capitalist world). Such decentralisation will have two aspects. Firstly, it involves a reduction in the number of questions that are solved by administrative directives or orders (including the setting of obligatory plan-targets). Secondly, it involves an increase in the number of questions that are left to the production-unit (plant or enterprise) to decide—within the larger framework of planned decisions, of which we have spoken. In the degree to which this happens, there is scope for the production-unit (its managerial staff and its workers) to take a hand in shaping economic policy, at least to the extent of adapting general policy-objectives (about the general lines and shape of development, as laid down, e.g., in a long-term plan) to the particular circumstances and needs of the particular works and its personnel. Vital to the actual functioning of a socialist economy is obviously the relationship of the workers in a particular factory or plant, forming a ‘producing collective’, to the industry of which they are part and to the economic system as a whole. Unless they have a sense of active participation in the plan, those at the factory-level are unlikely to feel the urge to co-operate at all actively or wholeheartedly; individual and sectional interests are unlikely to bow to, or be merged in, the social interest, whatever system of incentives (whether material or moral or a blend of both) may be in force; and the workers’ sense of alienation may not be fully overcome.

The Question of Democratisation

This is why the economic reforms of which so much has been talked in recent years are to be regarded as an essential complement of the process of socialist democratisation; and the latter in turn as being

a necessary condition for adapting the social relations of production to the socialised productive forces (with social ownership and planned control of production as their corner-stone). This has surely been the lesson of recent events in Czechoslovakia, where the ‘Economic Reform’ and the progress of socialist democratisation have been closely linked together (a link of the importance of which, it is also clear, the workers in the big factories are even more aware than are intellectuals). A further lesson, I believe, is that the implementation of economic reform, in the sense of enlarging the scope of decision-making by the plant or enterprise, cannot stop at the level of plant-management and technical staff: that once started it must inevitably involve (indeed, depend upon for enduring success) increased workers’ participation in policy-decisions, e.g. through workers’ councils, production conferences of the whole plant, etc.

True, such questions have to be approached realistically, with due regard for the technical limits imposed by conditions of modern production, and not in any utopian or anarchist spirit (as do some Left groups in this and other countries). The early years of the Russian Revolution afforded plenty of experience of the opposite dangers of anarcho-syndicalist trends, with the factory converted into a talking-shop rather than a workshop, with sectional interests dominant and with lack of individual responsibility for getting things done. (I am referring, of course, to the control of industry by factory committees in 1918, unlimited and unco-ordinated at the outset). Soviet attitudes have been strongly influenced by this experience ever since. As trade unionists well know, modern technique is sufficiently complex, and production-processes interdependent, to preclude nonsense about no decision being taken, or instruction issued, unless first put to a show of hands. What Marx and Engels called the increasingly ‘social character’ of modern production with its intricate division of labour imposes pretty strict limits upon conducting production-decisions by methods of so-called ‘direct democracy’¹ (One of the economic dangers inherent in the latter is an exclusively producers’ bias *vis-à-vis* the consumer; another is sectionalism in wage-and-price-policy, and resulting danger of inflationary pressure).

Nevertheless, this is no sufficient reason to preclude the drawing in of the whole working collective into considerably closer participation in framing the general lines of production policy, factory routine and discipline than has been achieved hitherto. To find the proper synthesis of such actual (and more-than-nominal) consultation with individual responsibility for operative technical and managerial

¹ What the Webbs, in studying the early days of trade unionism, called ‘primitive democracy’

decision is very much on the agenda of socialism today. To quote the Czech *Action Programme (Marxism Today July 1968, p. 207)*: "The main thing is" to make possible "the dynamic development of socialist social relations, combine broad democracy with scientific, highly qualified management, strengthen the social order, stabilise socialist relations and maintain socialist discipline." More concretely it was proposed that there should be "democratic bodies in enterprises with specified rights towards the management of the enterprise"; "managers and chief executives of enterprises . . . would be accountable to these bodies for the overall results of their work"; and "these bodies must become a direct part of the managing mechanism of enterprises, and not (just) a social organisation" (MTD., July 1968, pp. 207, 213).

Economic v. Administrative Methods

Reverting to the purely economic aspects of the matter, there are two further explanations that should, perhaps, be made. In the course of discussion of economic reform the phrase has often been used, in attempting to describe the essence of it, that it substitutes "economic levers and methods for administrative methods". The more that decisions are decentralised to the level of individual enterprises, the more important, evidently, will such influences as prices, credit conditions, tax-rates and rental charges become; and planning and administrative bodies will necessarily make more use of these in steering, shaping and correcting decisions at lower levels. (As a semi-official Soviet description has it: "The Soviet State uses the pricing mechanism as an economic lever in the planned control of the country's economy")². The fact that prices (both of outputs and inputs) will crucially affect the decisions of an enterprise about both the amount and the kind of output to produce, the methods of production and mixture of inputs to be chosen, explains why a Price Reform (to a large extent according to new principles) has accompanied, or even preceded (as in Hungary) Economic Reform in the Soviet Union, Czechoslovakia, Hungary and elsewhere. To the romantically minded preoccupation with such mundane matters on the part of socialist planning may seem dull and uninspiring. But building socialism needs hard-headed learning from experience, as well as poetic imagination.

Trading between Socialist Enterprises

Secondly, the references that have commonly been made to a larger place, with decentralisation of decisions, for market relations under socialism than

was traditionally envisaged are concerned with relations between socialist enterprises, i.e. with market-relations internal to socialist industry itself. What is here involved is the procuring by enterprises of supplies of needed materials and components by direct contracting with other enterprises. Ever since the NEP-period of the '20's, there has always been *some* scope for such direct contracting. But we have seen that in the period of high centralisation, with its extensive allocation-system for so-called "funded supplies", the scope for decentralised contracting was small. In the degree to which output-decisions (especially decisions about output-assortment and the introduction of new designs and models and new products) become the province of the enterprise, the potential scope for such direct contracting in procuring supplies, and choosing both the supply and the supplier, is much enhanced. One could say, indeed, (and I believe it to be both true and important) that enterprise-autonomy in making its own output-decisions is bound to remain more nominal than real unless the scope for such direct contracting is in fact enlarged.

In his speech introducing the Reforms of September 1965, Mr. Kosygin, indeed, envisaged the need "gradually to shift over to wholesale trade in individual types of material and equipment", involving "direct ties between producing and consuming enterprises". But this remained something for the future. Last year there was introduced a system of regional supply-depots for surplus materials and equipment, to which enterprises might sell anything surplus to their own requirements and procure additional supplies if these are available. But this was within the limits of the existing system of centralised allocation; and the continuance of this system is bound to restrict the *de facto* extension of decentralised procurement. Here, indeed, one meets one of the main differences between the reform as it has been implemented in the USSR, on the one hand, and in Czechoslovakia and Hungary (where it has been more radical in a number of respects), on the other hand; in the latter cases dismantling of the previous system of centralised allocation has apparently gone much further.³

³ As regards Poland and the German Democratic Republic, on the whole changes of recent years have here been more cautious than in the Soviet Union; a principal result in the latter, which was earliest on the scene in undertaking change and reorganisation, being to enhance the functions and powers of *associations* of enterprises in each branch of industry rather than of individual enterprises themselves. From what has happened since August in the case of Czechoslovakia (especially some of the sharp criticism levelled at Ota Sik in the Soviet Press) one may judge that the more radical features of the Czech reform do not fully meet with Soviet approval (at least of *some* trends of opinion in the Soviet Union).

² M. Bor, *Aims and Methods of Soviet Planning*, Lawrence & Wishart, 1967, pp. 170-1.

There are some serious objective difficulties of course, which stand in the way of any speedy liquidation of the system of centralised allocation. This system had its origin in the acute supply-shortages of the period of rapid growth and construction; and so long as shortages continue, a strong case can be made for its continuance. To dismantle it might result in a chaotic scramble among enterprises to get hold of scarce supplies, as a result of which supplies would tend to go to those willing to bid the highest (perhaps in the form of premiums over the standard list prices), some would be left empty-handed at the end of the queue and the planned priorities would go by the board. A pre-condition for going over to a system of decentralised contracting must be liquidation of acute supply-scarcity and the existence in the system of sufficient reserve-stocks to meet unforeseen contingencies.

Resistances to Change

But there are also difficulties of a different type. From what has been said above about the political as well as economic aspects of decentralisation, it will not appear surprising that this new trend should require some change of personnel both at higher and at lower levels; and for this reason alone it is likely to encounter some fairly stiff resistance which may reveal itself quite stubbornly in the process of detailed implementation. The old centralised system will have reared a generation of planners and administrators, even of managers, who having grown up with it and its methods are practiced in this and in nothing else. They may well have a vested interest in its continuance. Even if this is not so, and they are sincerely convinced of the need for change, experience may have formed rooted habits which cause them when they meet problems and difficulties to react to them in the old way, instead of finding new answers to new problems. (Note, again, the Czech *Action Programme's* reference to "maintaining people in functions who were not capable of any other way of 'management', who consistently revived old methods and habits.")

For reasons such as these there would seem to be a very real danger of decentralisation schemes becoming muted, at least so far as what I have called their political aspect is concerned, and stopping half-way. This is, indeed, what happened to the first Czech attempt at decentralisation in 1957-8; and the *Action Programme* complained that it was happening again to the new reforms ten years later. There are signs that it may be happening elsewhere (notably in Poland) to the new round of decentralising reforms of the '60's.

We have mentioned the limitations imposed upon an enterprise's freedom of action by continuance of a rigid system of allocation quotas for supplies. There

is also a danger of its being limited because for special reasons the Ministries (in particular, the industrial sub-departments concerned with a particular branch of industry, or alternatively the industrial associations where these exist) continue to issue instructions or prohibitions about matters over which nominally enterprises have been given discretion. This may be at first on a purely temporary or emergency basis, but may eventually become part of the regular and enduring routine.

It will be remembered that the main feature of the 1965 Soviet reform was removal of all but two of the many planning indices to which enterprises had been subject previously in the annual plan. The two that remained were an overall figure, in value terms, of *marketed* output and a general limit on the total wage-bill. Everything else, including the detailed output-assortment (varieties, lines, designs, models etc.) and the methods of production to be used were left to the enterprise to decide. In the Czech and Hungarian cases all output targets and limits imposed on the enterprise in the operative annual plan were terminated: these were left entirely to the discretion of the enterprise within the framework of the longer-term plan.

It would seem that in the Soviet case fairly numerous exceptions have been made in the course of implementing the reform and applying it to various branches of industry. To begin with, in some branches of heavy industry detailed stipulations about output assortment continued to be made, for fear lest shortages might arise of certain types of equipment and machinery needed to fulfil the investment-plan. (Enterprises producing consumers' goods were allowed more latitude to determine output assortment in response to demand). According to a recent article by Prof. Liberman (Liberman and Zhitnitski, *Economic and Administrative Methods of Controlling the Economy, Planovoe Khoziaistvo*, 1968, No. 1) there has been quite a crop of 'exceptions' of this kind, representing a carry-over of the old administrative methods into the new situation. "To this very day", the article states, "the economic press reports cases in which *glavki* and Ministries assign plan-indices to enterprises," reminiscent of the old methods of planning. It mentions instructions issued to enterprises amounting to "non-observance of the ordinances stipulating that the output-programme of an enterprise must be based on the latter's direct contractual links with the consumer".

The article goes on to cite cases where in 1966 the Ministry of Machine Building for the Light and Food Industries "altered the plan for half its enterprises in Leningrad", and in 1967 "changed each quarter the cost plan of the Krivoi Rog Metallurgical Plant", "contrary to the Statute of Enterprises which strictly lays down that any change in the plan must be made

in agreement with the enterprise"; adding that "the list of such examples could be extended". A possible straw in the wind may well be some theoretical attacks that have recently been made (e.g. in the same Gosplan organ a year later and in *Voprosi Ekonomiki*) on the notion of 'socialist market relations'.

Where can a Line be Drawn?

The question may finally be asked: where, if there is to be decentralisation, is the line to be drawn between decisions reserved to the higher and lower bodies respectively? If enterprises are free to take decisions on their own, what is left of planning, and hence of the superiority of socialism as a system of production? I believe that the proper answer here can only be afforded by experience (like much else in the political economy of socialism); and it was the prospect that it would afford answers of this kind which so enhanced the interest of the recent economic changes in the socialist countries.

There are, of course, certain things one can say in advance on purely general grounds. In the first place, it strikes me as right to say that the *major* part of so-called investment-decisions (certainly all large and medium construction or installation projects) must remain centrally planned; while decisions about current output (and choice of inputs) can be left in the main (save for special shortages) to the enterprise. To plan centrally the bulk of investment means that productive capacity in each branch of industry, and changes in it over time, will be firmly controlled. This will set the limits fairly strictly within which day-to-day output and output-assortment can vary; and when one speaks of enterprise autonomy (or *Khozraschot*) operating within a planned macro-framework under a decentralised system, this is what one has in mind.

This has to be qualified for replacements of equipment, plant-reconstructions and new installations below a certain (fairly moderate) 'ceiling-level' to be

at the discretion of the enterprise, if only to afford scope for innovation in new products and methods, and to stimulate an interest in long-term, and not only in short-term, results. In the long-term-plan the trend of growth of output of main products will no doubt be laid down; and there may need to be *broad* allocation-quotas (e.g. by industries) for certain key industrial supplies like cement, timber, metals, fuel and power.

Two other things it seems obvious that central control must cover fairly firmly are selling-prices (at least as regards main standard products) and the scales of wage-rates (the latter being subject to joint agreement, presumably, between the economic authorities and the trade unions, and necessarily co-ordinated each year with the perspective output-plan for consumers' goods, on the basis of the previous year's experience). This will (in all probability) still leave, in the one case, prices of non-standard lines and varieties or purely local products, in the other case wage-grading and particular job-rates or bonuses (and hence to some extent average earnings) to be fixed at the level of industry or enterprise (in the case of selling-prices as part of the contractual process between enterprises). So long, again, as the *main* framework was subject to control, the chance of local and sectional interests and influences introducing substantial distortion would be small—and if it did (e.g. in the form of undue price-raising) *ad hoc* intervention would always be possible.

Ultimately, however, the success of any particular mechanism, with its lines of responsibility and demarcation, will depend upon human beings and human attitudes; and the extent to which individual and group interests, ambitions and sentiments are identified with social aims as a whole. And this is why I have sought to stress that one is dealing with questions not only in the technique of planning and management, but with crucial political questions and matters of political struggle as well.