

AN OPEN LETTER TO THE PARTY

EDITOR'S NOTE

On November 27, 1964 Jacek Kuron and Karol Modzelewski, both lecturers at Warsaw University, were expelled from the Polish United Workers' Party. The basis for their expulsion was a document they had written analyzing the Polish economic and political system, attacking the regime and calling for workers' democracy. They were tried *in camera* in July 1965. Kuron was sentenced to three years in prison and Modzelewski to three and a half. (For additional background see "Crime and Punishment in Poland," William Remsen, *NEW POLITICS*, Volume IV, No. 4.)

In the pages that follow, we print for the first time in the United States, Kuron and Modzelewski's "An Open Letter to the Party," which was written after their original document was confiscated at the time of their arrest. Except for a few introductory pages reviewing the history of their expulsion and some minor editing, the document is printed in its entirety. The first section appears in this issue, the second half will appear in our next.

It is an exciting, extraordinary document, the work of intelligent, principled revolutionaries whose discussion of the new bureaucratic class is the most thoughtful we have seen from socialists in East Europe. And while they are uncompromising in their opposition to the "Eastern central political bureaucracy," they are no less firm in their opposition to Western capitalism. What gives the Open Letter added importance is that it was written by two young men brought up and educated in a closed society.

Their commitment to socialism and democracy is given depth by the high level of their understanding and political sophistication; but Kuron and Modzelewski are obviously more than politically committed socialist revolutionaries. They are men of great personal courage who knew that their Open Letter, with its direct appeal to the Polish working class to resist the Gomulka dictatorship meant "putting their bodies on the line."

This first installment of their document is primarily concerned with an economic interpretation of the bureaucratic class and includes some particularly interesting statistical data and political analysis which conflict sharply with so much of the apologist pap about Poland, Yugoslavia, Hungary and Russia published in the bourgeois and pseudo-radical press.

In the second section, the authors analyze the international problems of the revolution, present their program and argue with their critics.

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I. The Rule of the Bureaucracy

ACCORDING TO OFFICIAL doctrine, we live in a socialist country. This thesis is based on the identification of state ownership of the means of production with social ownership. The act of nationalization transferred industry, transport, and banking into social property, and production relations based on social property are allegedly socialist.

This reasoning is Marxist in appearance. In reality, an element fundamentally alien to Marxist theory has been introduced: the formal, legal meaning of ownership. State ownership can conceal various class meanings, depending on the class character of the state. The public sector in the economies of contemporary capitalist countries has nothing in common with social ownership. This is true not only because there exist, beside it, private capitalist corporations, but because the worker in a capitalist state factory is totally deprived of ownership, since he has no real influence in the state and hence no control over his own labor and its product. History has seen examples of class and antagonistic societies in which state ownership of the means of production has prevailed (the so-called Asiatic method of production).

State ownership of the means of production is only a *form* of ownership. It is exercised by those social groups to which the state belongs. In a nationalized economic system, only those who participate in, or can influence decisions of an economic nature (such as use of the means of production, the distribution of, and profiting from the product) can affect the decisions of the state. Political power is connected with power over the process of production and the distribution of the product.

To whom does power belong in our state? To one monopolistic Party—the Polish United Workers' Party (PUWP). All essential decisions are made first in the Party, and only later in the offices of the official state power; no important decision can be made and carried out without the approval of the Party authorities. This is called the leading role of the Party, and since the monopolistic Party considers itself the representative of the interests of the working class, its power is supposed to be a guarantee of working class power.

But if we are not to evaluate the system according to what its leaders think and say about themselves, then we must see what opportunities there are for the working class to influence the decisions of the state apparatus.

Outside the Party—none. For the ruling Party is monopolistic. It is impossible for the working class to organize in other parties and, through them, to formulate, propagate and struggle for the realization of other programs, other variants of dividing the national product, political concepts other than those of the PUWP. The prohibition by the ruling Party against organizing the working class is guarded by the entire state apparatus of power and force: the administration, political police, attor-

ney general's office, the courts, and also the political organizations led by the Party, which unmask and nip in the bud all attempts to undermine the leading role of the PUWP.

But more than a million Party members are ordinary citizens; among them, several hundred thousand are workers. What are their chances of influencing the decisions of Party and state authorities? The Party is not only monopolistic, but is also organized along monolithic lines. All factions, groups with different platforms, organized political currents, are forbidden within the Party. Every rank-and-file member is entitled to his opinion, but he has no right to organize others who think as he does to follow his program, and he has no right to organize a propaganda and electoral struggle for the realization of that program. Elections to Party offices, to conferences and congresses become fictitious under such conditions, since they do not take place on the basis of different programs and platforms (i.e., an assessment of political alternatives). Exercising political initiative in society demands organization, but in any attempt to exert influence on the decisions of the "top," the mass of rank-and-file Party members is deprived of organization, atomized, therefore powerless. The only source of political initiative can be—in the nature of things—organized bodies, i.e., the (Party) apparatus. Like every apparatus, it is organized hierarchically; information flows upward, while decisions and orders are handed down from above. As in every hierarchical apparatus, the fountainhead of orders is the élite, the group of people who occupy conspicuous positions in the hierarchy and who collectively make basic decisions.

In our system, the Party élite is, at one and the same time, also the power élite; all decisions relating to state power are made by it and, in any case, at the top of the Party and state hierarchies there exists, as a rule, a fusion of responsible posts. By exercising state power, the Party élite has at its disposal all the nationalized means of production; it decides on the extent of accumulation and consumption, on the direction of investment, on the share of various social groups in consumption and in the national income; in other words, it decides on the distribution and utilization of the entire social product. The decisions of the élite are independent, free of any control on the part of the working class and of the remaining classes and social strata. The workers have no way of influencing them, nor have Party members in general. Elections to the Sejm and National Councils become fictitious, with only one list of candidates drawn up by the "top" and a lack of any real differences in the programs of the PUWP and the satellite parties (United Peasant Party and Democratic Party). This Party-state power élite, free of any social control and able independently to make all key economic decisions of nation-wide importance (as well as all political decisions), we shall call the *central political bureaucracy*.

Membership in the central political bureaucracy is determined by real participation in reaching basic political and economic decisions that are made centrally and are effective on a national scale. It is probably impossible to draw the exact limits of this élite. Fixing its exact limits would require sociological research in an area which is completely taboo. For us, however, the most important thing is not the numerical strength and internal organization of the bureaucracy, but its role in society and in the social process of production.

If the rank-and-file of the Party is disorganized in terms of influencing the decisions of the bureaucracy it is organized to execute the bureaucracy's orders according to the principles of Party discipline. Whoever opposes it is removed, and outside the Party he has no right to organize and therefore to act. In this way the Party, which at the top of its hierarchy is simply the organized bureaucracy, becomes at the "bottom" a tool for disrupting attempts at resistance by the working class, while at the same time organizing the working class and other social groups in a spirit of obedience to the bureaucracy. The same function is fulfilled by the remaining social organizations directed by the Party, including the trade unions. The traditional organization of workers' economic self-defense, subjected to the leadership of the only organized political force, i.e., the Party, has become an obedient organ of the bureaucracy, that is of state power, both political and economic.

The bureaucracy thus exercises the totality of political and economic power, depriving the working class not only of the means of power and control, but even of self-defense. The leaders of the bureaucracy, at the same time, consider themselves spokesmen for the interests of the working class. If we are not to evaluate the system according to the statements of its leaders, we must analyze the class nature of the bureaucracy. The fact that it exercises power is not conclusive. It is the relationships of production that are decisive; we must, therefore, examine more carefully the productive process and the relationships in that process between the working class, which is the basic creator of the national income, and the central political bureaucracy, which collectively has at its disposal the means of production.

II. Wages, Surplus Product, Property

WHO CREATES THE NATIONAL INCOME and how is it being shared? According to Marxist theory, the national income originates in the area of material production, that is, in industry, construction, partly in transport, agriculture, and the craft trades. In industry, the creator of the national income is the so-called collective worker, that is, the sum total of workers who prepare, execute and guarantee the technical productive process. Hence, apart from workers employed directly or indirectly in the productive process, this also includes the technicians, designers, and the

technical intelligentsia. On the other hand, men who are not engaged in the process of production, but whose job consists of supervising relationships between people engaged in that process, i.e., supervisors of wage labor, the technocrats, are not considered productive workers. It is true that they, too, insure production in the same sense in which this was done in the past by the ancient slave driver or the feudal overseer of serfs or a contemporary capitalist factory manager. Their job, however, is to insure the existing production relations and not the material productive process itself.

In agriculture, the productive workers, i.e., the creators of national income, are the individual peasants, the State Farm workers, and the peasants associated in Producers' Cooperatives, rather few in Poland, while in the municipal small manufacturing sector, they are the craftsmen.

Lately the thesis has been advanced that the Marxist concept which limits the creation of the national income to the area of material production is out of date and that today all those who work create the national income. For in the sector of services (i.e., outside the area of material production), the needs of production and consumption are indirectly met. The life of the community is organized, in other words, through a given amount of work. In this way the essential needs of society are met.

Such reasoning would be legitimate only in a society in which an equivalent exchange of production and services takes place—in other words, on condition that the producer of material goods gets in return, in the form of services provided him exclusively, the equivalent of that part of the product of his labor which he provides for the support of the services sector, while at the same time accumulation is subordinated to his interests. If these conditions are not fulfilled, then to treat all work (hence also the work of the policeman, the prosecutor, the officer and the hotelkeeper) as productive labor effectively covers up exploitation. The entire national income, except the part destined for accumulation, could then be reduced to the wages of different types of workers, i.e., the remuneration for “productive” work. In the same way, one could cover up exploitation in contemporary capitalist societies. Apart from individual consumption of material goods by the capitalist class (which amounts to a small fraction of the social product and only a small part of the income of that class) all that is left of the national income would be reduced to the wages and incomes of the producers of material goods, to the wages of other workers employed directly by the capitalists or by the state, and to the accumulation fund. Such reasoning would have nothing in common with an objective, scientific analysis and everything in common with apologetics.

We accept such categories of reasoning which can serve to analyze real contradictions, not conceal them. That is why we assume, following

Marx's example, that the national income is the objectivized labor of productive workers in the sector of material goods production; the basis of accumulation and "services," broadly taken, is the material product created in this sector. Hence the creation of the accumulation fund and expenses for the police, armed forces, culture, health services; etc.—this amounts to making use of the national income created outside those services, which the worker has paid for out of his own pocket, while all the rest is supported from the unpaid part of the worker's or peasant's labor, i.e., from the surplus product. We must, therefore, look more closely at the distribution of that product in order to be able to say in whose interest its various parts are utilized.

The fundamental groups of creators of the national income in our country are the workers and the individual peasants. How do they participate in sharing the product of their labor?

Individual peasants place the products of their labor on the market. But 75% of the production of peasant farms is marketed through state agencies, which buy these products at prices which are, on the average, 40% below market prices. Moreover the state, being in fact a monopolist in the market place, determines prices for agricultural produce in a way which is unfavorable to the peasant in relation to industrial products. We shall drop this matter for the moment, but shall return to it in our analysis of the situation in agriculture.

The workers participate in sharing the national product in an amount which is determined, above all, by their *working wage*. What is the working wage in our country and what does its size depend on?

ACCORDING TO PROFESSOR KALECKI'S ESTIMATE, the worker's real income for the same type work he did before the war averaged 45% higher in 1960 than in 1937. That increase is higher than the increase in real wages for the same work because of the higher rate of collective consumption and secondary employment in addition to the worker's regular job. The postwar statistics understate the cost of living by ignoring the hidden rise in prices. But we shall accept Professor Kalecki's estimate as roughly correct. The wage increase during the period of 1949–1960 took place for the most part in 1956–1959. It was not a normal period for the system but one of political crisis, upheaval in the Party's monolithic structure, strikes and broad collective demands for wage increases and, for a short period, of flourishing Workers' Councils elected by the work crews and independent (until 1958) of the Party apparatus. Because of all these factors, the power apparatus was relatively weak and society comparatively strong. Under those circumstances, the working class, in less than four years, gained a 30% increase in real wages and at least three-fourths of its increase over 1937. It is difficult to find any real increase in wages during the period 1949–1956; the same applies to the period after 1959. According to the Central Statistical Office (CSO) analysis of family

budgets for the past four years (1960–1963), the worker's real family income increased by 2.5%. But taking into consideration the hidden price rise, not included in the official statistics, we conclude that over the past four years the average worker's family standard of living not only failed to rise, but fell somewhat.

On the other hand, the value of the gross industrial product, at world market prices, was nearly 9 times that of the 1938 (and 1948) product, and national income grew from 1949 to 1963 by over 2.5 times. Owing to increased employment, the increase in per capita consumption was higher in the period 1949–1960 than the modest increase in real wages would suggest. But that is observed in every system as the result of growing industrialization. The so-called rate of exploitation does not depend upon the volume of employment but upon the ratio of the value of the manufactured product to the wages of the workers who produced it. The national income produced by the worker has been growing disproportionately faster than the modest increase in his wages (the latter having been won mostly during the few years when conditions were abnormal for the system). During the years 1960–1962, industrial production grew by 20% (net) while the worker's wages grew less than 5%; at the same time, according to official statistics, food prices grew by 3.4% in the nationalized stores, by 7% in restaurants, and by 12% on the free market. As we have seen, the standard of living for working class families did not show any increase at all.

Polish food physiologists established 4 norms for meat consumption. Norm A, hardly adequate and not recommended for a long period, requires a monthly per capita average of 3.7 Kg. Norm B, adequate and permitting a normal functioning of the organism over a long period, requires 4 Kg. The data on family budgets reveals that in about 23% of working class families the consumption of meat and meat products is below the hardly adequate norm, and in 18 to 19% of such families, it is within the hardly adequate norm but still below the adequate norm.

According to a research project conducted at the Warsaw Motorcycle Factory in 1957, 23% of the workers ate meat for dinner once a week or less, and 25% ate it twice a week. One might suppose that data seven years old are no longer true, but in fact consumption of meat and meat products in 1957 was 43.9 kilograms, a level higher than that of 1960 (42.5 kilograms) and not much below that of 1962 (45.8 kilograms).

The subsistence minimum includes not only food consumption but clothing, shelter, elementary comforts and household furnishings as well. In 1957, the corresponding average figures per worker investigated at the Warsaw Motorcycle Factory were as follows: 51% of a woolen suit; 105% of a suit of low percentage fibers; 80% of a separate pair of pants; 60% of a separate jacket. In the lowest income group (18% of the total number investigated), there was one woolen suit for every five workers. As

for winter clothing, the average worker had 15% of a woolen winter overcoat, 12% of a winter overcoat of low percentage fibers, 20% of a woolen topcoat and 50% of a topcoat of low percentage fibers. One might suppose that since then the situation has improved markedly. But according to official data, average real wages increased from 1958 to 1963 by about 12%, and it is a certainty that workers' real wages increased by less than the general average figure. (From 1960 to 1963, the average real income of people employed in industry grew by 4.5%, workers' families by 2.5%.)

Ten per cent of the investigated families at the Warsaw Motorcycle Factory had less than 3 square meters of living space per person; the next 19% had 3 to 4 sq. meters per person; the next 10% had 4 to 5 sq. meters, and another 13% had 5 to 6 sq. meters per person. (Altogether 52% of the families had less than 6 sq. meters of living space.) Only 1% of the apartments had hot running water, and 46% had cold running water, 25% had a water closet in the apartment, 7% had a bathroom in the building. There was 30% of a bed per person for the average family under investigation; 65% of the workers suffered chronic diseases.

According to the CSO data on workers' family budgets, up to the third income group (600 to 800 zloty per month) all income increase goes first of all into increased consumption of meat and meat products, milk and milk products, eggs, sugar and similar food commodities. Only from the third income group up do expenditures on those commodities grow more slowly than the family income and expenses on clothing, education, cultural needs and sports, faster. This means that in the third income group, satisfaction of most elementary needs reaches what workers' families consider to be the subsistence minimum. About 22-23% of workers' families live below that level. This corresponds approximately to those whose meat consumption is below the minimum norm.

The subsistence minimum involves people living in society, hence it is subject to change. It is socially and historically conditioned and grows with the growth of industry, technology and the general cultural level in any given society. Development of modern industry requires workers with additional qualifications on a higher cultural level and, consequently, have greater cultural needs, spiritual as well as material. The workers' subsistence minimum today is no doubt higher than it was in 1937. Similar progress takes place in capitalist countries and in most West European countries the workers' real income increased during the past 25-30 years no less than 45%. Nevertheless, the workers' wages did not cease to represent what they did a quarter century ago: the equivalent of an historically-shaped subsistence minimum or, in other words, the price of labor power.

AS IS EVIDENT FROM THIS ANALYSIS of family budgets provided by the Central Statistical Office, differences in consumption levels among work-

ers' families result, not so much from differences in wage levels but, above all, from differences in the size of each family and the number of wage earners per family. It shows that, at present, the average wage in our country prevents one-quarter of workers' families from attaining a minimum standard of living, due to the size of those families, while a further 13% of workers' families can only maintain themselves with this average wage at a level not exceeding the accepted minimum standard of living. Above the minimum, we find mainly childless married couples and families with one or, at most, two children (provided that both parents are wage earners). This means that the worker's wage in our country corresponds to the *historically determined minimum of existence*. In other words, the worker's wage allows him to take part in the sharing of the national income only insofar as it is necessary for him to survive and bring up his offspring, i.e., to reproduce his own labor power and prepare new workers for industry.

The worker's wage is, therefore, only a *part of production costs*, one that is just as indispensable as investments for raw materials and machines.

As a rule, the worker has the advantage of living very inexpensively in a government-owned building. His lodging is therefore part free. But to live and produce he must stay somewhere. At any rate, his apartment rarely has any luxuries and in most cases not even the elementary comforts. It is part of his subsistence minimum, supplied to him in addition to his wages.

The workers receive medical care free and can buy medicines at a discount, but these are necessary in order to preserve his labor power: they are ingredients of his subsistence minimum. If free medical care were abolished and rents increased, the worker's wages would have to be raised in proportion to the increase in his necessary expenses. These non-returnable benefits and services are a necessary part of the worker's subsistence minimum, a wage supplement as necessary to the worker as the wages themselves, and therefore a constituent of production cost.

In proportion to the worker's wages, those services and benefits are of secondary importance. Their per capita annual value of collective consumption amounts to only 1,200 zloty.

What part of the product created by the worker makes up his working wage? Official statistics give a distorted picture for two reasons: 1) prices, on the basis of which production in Department A (production of the means of production) is calculated, are not real prices but aggregates, and they are calculated at a very low rate in relation to production in Department B (production of consumer goods), which falsely increase the share of the worker's labor in the end product. 2) The artificial lowering of prices for agricultural produce underplays agriculture's role and exaggerates the part played by industry in creating national income.

Out of necessity, however, we have used, in our paper, official statistics, treating the results thus obtained only as an approximate illustration of reality.

In 1962, the productive worker in industry created, on the average, a product worth 71,000 zloty, out of which he received, as a working wage, a monthly average of 2,200 zloty. In other words, for one-third of the working day, the worker creates a subsistence minimum for himself. and for the remaining two-thirds, the surplus product.

The working class has no influence on the size of the surplus product, on its use and distribution, since—as we have seen—it is deprived of influence on the decisions of the authorities, who have at their disposal the means of production and the labor product itself. It is not the working class that fixes the working wage—that wage is imposed from above, just as are the production norms (at one and the same time). The workers have no rights of, and no way of engaging in, economic self-defense, since, as already noted, they are deprived of any organization of their own, and any effective strike action must be organized. Any organization of workers aimed at carrying on a struggle for higher wages is illegal and, as such, prosecuted by the power apparatus—the police, attorney general's office, and the courts. The surplus product is thus taken away by force from the working class in proportions that have not been fixed by the workers, and is then made use of outside the range of their influence and possibility of control.

What purpose does the surplus product serve? First, it is used for capital accumulation, i.e., for expanding production. But since the worker receives only the minimum for existence, the purpose of his production is not his class goal. Similarly, under capitalism, production may correspond to the worker's interest to the extent that it provides him with a job from which he earns a living; for all that, production is by no means his own goal. In the prevailing system, expenditure for accumulation serves a purpose which is alien to the worker. Second, it is used to support the apparatus of coercion (army, political police, prisons etc.) which perpetuates the present economic and social relationships.

Third, expenditures are financed from the surplus product in sectors whose function, to all appearances, is not connected with the class nature of the system (science, education, universities, culture, health, various services). These sectors undoubtedly fulfill a general social purpose, but that purpose is fulfilled by culture, education, and science, and also by the very production of material goods, in any antagonistic society, which does not thereby lose its class nature. In the expenditures discussed above, three general goals may be distinguished:

- 1) expenditures which directly serve production
- 2) expenditures which indirectly serve as an apology for the prevail-

ing social relationships and the process of implanting in the consciousness of the people the required norms of collective living

3) expenditures for various kinds of non-repayable services and benefits for the working class and the mass of hired laborers.

IF THE PRODUCT CREATED BY THE WORKER does not belong to him, it means that his labor—which creates that product—does not belong to him either. Why is this so?

In order to live, the worker must produce. In order for production to continue, there must be a fusion of labor power and the means of production. The worker disposes only of his own labor, but he does not have the means of production at his disposal. The fusion of his labor with the means of production belonging to others can, therefore, take place only through contact between the worker, as the owner of the labor power, and the owners of the means of production on the labor market. The worker is thus exploited, because he is deprived of the *ownership of the means of production*; in order to live, he must *sell his labor*. From the moment he performs that act, which to him is indispensable, i.e., when he sells his ability to do a given job in a given time, his labor and its product no longer belong to him but to those who have bought his labor, the owners of the means of production, the exploiters.

To whom does the worker in our country sell his labor? To those who have at their disposal the means of production, in other words, to the *central political bureaucracy*. On account of this, the central political bureaucracy is the ruling class; it has at its exclusive command the basic means of production; it buys the labor of the working class; it takes away from the working class by force and economic coercion the surplus product and uses it for purposes that are alien and hostile to the worker in order to strengthen and expand its rule over production and society.

It is said that the bureaucracy cannot be a class, since the individual earnings of its members do not come anywhere near the individual earnings of capitalists; since no bureaucrat, taken by himself, rules anything more than his mansion, his car, and his secretary; since entrance to the bureaucratic ranks is determined by a political career and not by inheritance; and since it is relatively easy to be eliminated from the bureaucracy in a political showdown. This is quite wrong. All the above arguments prove only the obvious: the property of the bureaucracy is not of an individual nature, but constitutes the collective property of an élite which identifies itself with the state. This fact defines the principle of the bureaucracy's internal organization, but its class character does not depend on its internal organization or its mores, only on its relationship—as a group—to the means of production and to other social classes (above all, the working class). The individual earnings of capitalists are incomparably greater than the earnings of bureaucrats. But

capitalists, from their individual earnings, set aside an investment fund, pay the overseers of their hired labor and those employees who serve them personally or whose task it is to strengthen their prestige and authority; they gain status, influence, and political power thanks to their individual earnings. From its individual earnings the bureaucracy covers only part of its direct personal consumption, while all that remains—the investment fund, funds for supporting the countless numbers of people whose task it is to protect its rule, to make propaganda for the system, to supervise the workers, etc.—is taken from the revenue of the state, which remains at its exclusive disposal.

In view of the limited numerical strength of the bureaucratic class, its consumption of luxury articles takes up only a fractional part of the social product, but in the capitalist system, too, the personal consumption of the capitalists takes up only an insignificant part of that product. This is not the essence of exploitation, for direct personal consumption is not an end in itself of the ruling class under any system. The privilege of high consumption, prestige and power, as well as all other social privileges result from the ability to command production. Hence every ruling class aims at maintaining, strengthening and expanding its command over production and over society; to that end, it uses the surplus product, and to that purpose it subordinates the very process of production.

III. The Class Purpose of Production

EACH RULING CLASS SETS THE GOALS of social production. It does so in its own class interest, that is, in the interest of strengthening and extending its authority over production and society.

The position of an individual capitalist (of a corporation, a monopoly, etc.) in society depends on the size of its capital, just as the international position of the capitalist class of a given country depends on the amount of national capital. For capital is the contemporary form of ruling over labor and its product. The aim of the capitalist, therefore, is first of all to increase or accumulate his capital.

The capitalist acquires all elements necessary for production on the market: machines, raw materials, labor. He must, therefore, sell all his manufactured products on the market. For him, the goal of production is not the surplus product itself in its physical form but a maximum profit, the maximum difference between his total expenditure on production (machines, raw materials and labor) and the price obtained on the market for the whole product.

The contradiction between the tendency to accumulate capital and the low consumption of the working class arises in the very process of production. It manifests itself on the market as a disproportion between the growth of capital and the social product and the low

purchasing power of the masses. In free-competition capitalism this contradiction was regulated by cyclical crises; in contemporary capitalism, by business fluctuations and, in certain cases, by a slower rate of growth, a decrease in productive capacity, production of armaments and by state expenditure which, to a certain degree, makes production independent of the market; finally, by an increase of consumption by the so-called middle class and by the working class organized into parties and unions, which fight for increased wages and social benefits. However, if the statistics show that for certain longer periods of time the share of capital and labor in the distribution of the national income is more or less stable, this does not mean that the goal of production has changed. Maximum profit remains the goal and the increase of consumption by the working class is a necessary evil, unavoidable for political or economic reasons.

In our system, individual capitalists do not exist. The factories, foundries, mines and their entire production belong to the state. Since the state finds itself in the hands of a central political bureaucracy—the collective owner of the means of production and the exploiter of the working class—all means of production and maintenance have become one centralized national “capital.” The material power of the bureaucracy, the scope of its authority over production, its international position (very important for a class organized as a group identifying itself with the state) all this depends on the size of the national capital. Consequently, the bureaucracy wants to increase capital, to enlarge the producing apparatus, to accumulate.

What is the class goal of the bureaucracy, implemented in the very production process? What is the class purpose of production? It is not the profit of the given enterprise but the surplus product on a national scale. For it provides both the means for capital accumulation and the investments needed to maintain and strengthen the rule of the bureaucracy. As opposed to the capitalist, the bureaucracy does not need to achieve its surplus product in the market place, nor that part of the total product which corresponds to the depreciation of the fixed capital. It is the owner of all industrial plants and their production, and therefore does not need to buy anything from itself. If the transfer of steel from a foundry to a mill or of coal from a mine to a foundry is entered in the ledgers as the purchase of the means of production, then, in reality, it is simply a form of registering the transfer of a product within the bounds of the same property and not a real act of buying and selling. As proof, we have the fact that prices within the nationalized sector are of a purely agreed-upon nature. They are only a tool that serves to count goods, hence their relationships need not correspond to the relationships between the values of the goods.

The only element of production which the bureaucracy does not

possess is labor power. The bureaucracy buys it "en bloc," under monopolistic conditions (behind every factory there is the same owner, so the worker always "chooses" the same buyer, who does not permit him to organize for the defense of his own economic interests), but even so, it buys it on the market. It is a real act of buying and selling and the worker must be paid. Only with what? With money of course, but we know that banknotes in this system have a different meaning for the bureaucracy than they have for the capitalist—they are simply a means of controlling the process of sharing the product, this being in the hands of the bureaucracy. The size of the working wage simply determines the level of living standards at the disposal of the bureaucracy which it passes on to the worker as the equivalent of his labor.

In fact, the bureaucracy pays for labor with a certain amount of means of subsistence by producing consumer goods, building apartments, hospitals, nurseries, etc., as well as by producing food. Where the land is owned individually the products of the soil are not the property of the bureaucracy and it must buy them on the market from the peasant producer. In this case also there is a monopolistic market in which the bureaucracy determines prices for peasants' products at a disadvantage for them in comparison with industrial prices. Nevertheless, it is a real act of sale and purchase and the peasant must be paid. With what? Again, with the production of consumer goods and of industrial tools for the cultivation of the soil. The food bought from the peasants represents part of the workers' minimum subsistence. Therefore, the price paid to the peasant is part of the expense of the purchase of labor for industry, construction, transport and the non-productive sectors. The price of labor is therefore derived from the production of consumer goods, the building of apartments, hospitals, etc., and the production of agricultural machinery.

As we have seen, labor power is the only element of the productive process that the bureaucracy does not own directly. The purchase of labor or the production of "Department B" (consumer goods) is, from the bureaucracy's point of view, the only necessary expense for keeping production operating and the surplus product coming in. Striving to obtain the maximum surplus product, the bureaucracy keeps this expense at the lowest possible level. Production for consumption is, from its class point of view, a necessary evil, whereas production for production is its goal.

When we look at production as a process between man and nature, as a natural process existing in every society, it cannot be an aim in itself. It is always production for consumption. For it is a conscious activity, caused by a need, and consumption of the material goods recreates the need.

The subjective and private goal of a ruling class (class goal of pro-

duction) may be opposed to this general social goal of production. This occurs in capitalist society as well as in the bureaucratic, in view of the specific tendency of ruling classes to increase production and, simultaneously, to narrow distribution on class lines, thereby limiting consumption. In both systems this contradiction limits production itself, but in different ways.

To achieve his goals, maximum profit and its accumulation, a capitalist must sell the goods he produces on the market. The nature of the product makes no difference to him as long as the market absorbs it. In the last analysis, this production is directed at the consumer. Therefore, the effective demand, conditioned by the level of social consumption, determines the possibilities of market capacity and, by the same token, restrains capitalist production and accumulation through periodic crises or other difficulties in selling manufactured products.

In the section on the economic crisis of the system, we explained how a low level of social consumption limits production in a bureaucratic system. We would like to expand on that. It does not happen through the mechanism of the market. For the class goal of the bureaucracy is not profit and its accumulation, but the surplus product in its physical form and the expansion of production, i.e. production for production's sake. What enters the market is only labor power and the means of maintaining it, not the surplus product or the part of it which serves to recreate and enlarge constant capital (machinery, raw materials, fuel, etc.). The market does not regulate production. Therefore, cyclical crises of business or limitations of production through marketing difficulties cannot occur. As a result, it is possible to maintain for a long period an extremely high rate of accumulation and growth of industrial production while consumption remains low. The contradiction between the class goal of production and consumption becomes manifest in this system before the start of the production cycle, at the planning stage. Usually in economic planning one presupposes the highest possible level of accumulation, i.e., the lowest possible share of consumption of the national income because of the greater increase of production in Department A than in Department B. This disproportion becomes greater during the realization of the plans; as a rule the execution of the investment plan is threatened and there is a tendency to carry out the plan at the expense of consumption. Consequently, the area of accumulation increases and the area of consumption decreases. The increase of production in Department A is accordingly higher and in Department B lower.

IT IS EVIDENT THAT, despite this, an increase in the national income is usually accompanied by an increase in consumption. This results from the growth of employment and (in far lesser degree) from an improve-

ment in the minimum level of existence. During certain periods, the proportion of consumption in the national income can be stable or can even grow (especially under the influence of a direct political threat by the working class). This does not mean, however, that the class goal of production has changed: the bureaucracy treats the growth of consumption as a necessary evil and the surplus product remains the goal. As with every economic law, production for the sake of production and inflated accumulation remain a trend and not an absolute rule.

Over longer periods, this tendency shows up in statistics. In 1949, which can rightly be taken as the starting point because it marks the end of the period of reconstruction and the consolidation of economic, social and political conditions into the system of bureaucratic dictatorship, the share of consumption in the national income was 85% and the share of accumulation—15%. In 1963, the share of consumption was 74.6% and accumulation—25.4%. This tendency was not realized in a uniform manner. In 1950, there was a rapid increase of accumulation from 15% to 20% and in 1953 it reached an all time high—27.1% of the national income. Then it grew more slowly (22.4% in 1954). In 1956-1957, the share of accumulation went down, respectively, to 19.7% and 21.5% and in 1960, another jump occurred, from 21.9% to 24.2%. After that, there is a tendency for it to increase: in 1961-1963 consumption increased by barely 15% (individual consumption by only 12%) and accumulation by 23%, according to official statistics. General consumption increased in addition to individual consumption—what official statistics call “remaining consumption,” i.e., material expenditures for unproductive sectors of the economy—from the military and the police to nurseries and kindergartens.

The share of individual consumption in the national income in 1949 was 77.8% and in 1963—66.1%. (The lowest during the last 20 years, since even in 1953 it was 66.9%). We must also remember that the prices of the means of production in which accumulation is calculated have, among us, a putative character and are calculated on the basis of low consumer goods prices. If we accept the level of consumption in 1949 as 100, then the figures for 1963 were: 361 for accumulation and 215 for consumption. The smaller percentage of accumulation in 1956-1957 coincides with the political crisis, the weakening of the state power and the pressure on wages. Other than that, from 1949 on there is a hardly interrupted increase of accumulation in the national income along with decreased consumption. Due to large investments planned for 1966-1970, there will be a further tendency in the same direction. We can see then that the tendency toward “production for production” is not myth, but reality.

In our consideration of the class purpose of production, we have completely ignored the personal consumption of the bureaucrats. In

view of the small size of the central political bureaucracy, its consumption takes up such a tiny part of the total product that the goals of production cannot be affected. But from the surplus product, the bureaucracy supports a great army of officials, propagandists, managers, policemen and so on, who serve to maintain and strengthen the production and social relationships on which its rule is based.

This throng consumes its part of the national income and contains privileged groups with a high level of consumption. The most important undoubtedly is the technocracy, in view of the connection between its functions and the productive process. Is it not the case then that the goal of production is also, partially, that of satisfying the needs of the apparatus, with the managers of industrial enterprises at its head? Does this mean that the bureaucracy is not the ruling class but merely serves the ambitions of privileged social groups, just as the power élite in the capitalist countries is, in fact, the political representative of the great monopolistic bourgeoisie? But, under conditions of capitalism, this happens because capital, property and command of labor and its product, i.e., class rule, is concentrated in the hands of the monopolies and not of the élite itself. Under the new system, command of labor and its product, the national capital, property—all these are concentrated in the hands of the central political bureaucracy alone: apart from it, there is no one who rules production and society. The technocracy does not rule anything and takes no part in decision making. It only carries out the directives of the bureaucracy and supervises the exploitation of the worker, because this is what it is paid to do. The bureaucracy is even willing to pay well, to grant the managers access to the privileges of high consumption, in order to bind them closely to itself and to its system. It does this, however, in its own interest and not in anyone else's. It does not represent, but only bribes the technocrats. From the standpoint of the worker, the expenditure involved in the high consumption level of the managers belongs to that part of the surplus product which is directed against him.

In terms of economic analysis, these expenses are in the unproductive category, since they serve a specific class organization of production and not the process of material production itself.

AS LONG AS SOCIAL AND ECONOMIC CONDITIONS permitted, until 1956, the bureaucracy maintained the wages and income of supervisors of hired labor on a comparatively low level, much lower than before the war and considerably lower than at present. Despite the fact that they serve the regime, the consumption of lower officials has been kept within the limits of the workers' subsistence minimum. If they can serve the regime for 1,600 zloty, there is no reason to pay them more. The technocrats serve to realize the class goal of production as its paid and controlled

supervisors. Actually, however, their own collective interest is not identical with that of the bureaucracy, but alien and hostile to it. Insofar as the technocrats are outside of bureaucratic control with a possibility of showing their own initiative, they will try to achieve their own goal which is contrary to the goals of production determined by the ruling class.

The whole of these relationships, in other words the system of management, is nothing more than an organizational tool designed to help achieve a specific production goal. Hence in a class society, the whole of management relationships is determined by the class goal of production. This goal is achieved in the production process by the workers and the supervisors of the labor force—the technocrats.

As we have seen, the interest of both these groups is consumption, although it has a different social and material character for each. This means that the class goal of production is opposed to their goals and must be realized against their natural drives. This is the task of the entire system of administration: to force both working masses and the directors of industrial enterprises to achieve the goals indicated by the bureaucracy. For this purpose, the initiative of both these groups must be reduced to a minimum. That is why the management of a factory is deprived of the right to make basic decisions about the factory. It has to carry out the recommendations of the central authority. Decisions about methods, raw materials and costs—what we call administrative decisions—are determined by the central authority. They are transmitted to the factories as obligatory administrative instructions, so-called index “directives.” This is the essence of the centralized system of administration which reflects the prevalent conditions of production.

One is often told that the present economic crisis is caused by a faulty system of central administration and that these shortcomings can be overcome by an administrative reform from above. This reasoning mistakes the effect for the cause. A belief that the management system can be changed within existing conditions is obviously utopian.

Can the so-called decentralized system take the place of central management, and be reconciled with the system of production existing in our country? In the decentralized system, a given enterprise is autonomous and basic decisions concerning production are made on the factory level. But decisions are made not by levels, but by people, the social groups which have the monopoly of administration on a given level. An autonomous factory can be administered by any one of two basic groups linked on this level by the organization of production—the working force or the technocrats.

Workers' democracy cannot limit itself to the level of an enterprise. For when economic and political decisions, the actual rule over the

surplus product and the labor that creates it, do not belong to the working class, then participation of the workers in managing the enterprise must also become fictitious. Workers' self-rule in an enterprise, therefore, requires full workers' democracy in the state. The working class organized under such conditions will set the goals of social production, guided by its own interest, the interest of the people living today at subsistence level. The goal of production will then be, of course, consumption for the broad masses. This signifies the overthrow of existing production and social relationships and, with them, of the bureaucracy's class rule.

There would be an entirely different situation if the managers and related groups, the technocrats, had a monopoly on autonomous decisions in the factories. Such an arrangement can exist easily behind a facade of a formal workers' government, with a monopolistic government party which, unavoidably, will become a tool for dictatorship over the workers. The old military and political apparatus of power (the political police and the regular army) are, by their very nature, tools of anti-popular democracy. Such a system, which exists today in Yugoslavia, has nothing in common with workers' democracy. There, the working class has no influence on the size, distribution and utilization of the surplus product and its consumption is maintained on a minimum level. Therefore, the worker is again exploited and the production goal is alien to him. Nevertheless, it is not the same goal that exists under the bureaucratic system.

In a so-called decentralized system, an industrial enterprise decides its own production and the achievement of a central plan takes place not by means of administrative measures but through economic actions undertaken from the center (key investments, credit, bank rates, government grants and influence on market prices).

The factory cannot be evaluated, as it is in a centralized system, according to norms established at the top.

The sole possible criterion for evaluating an enterprise is the economic effect of its activity, measured by its profitability, i.e., by the profit it makes in selling its product. This means that the volume, cost, structure and quality of production must be adjusted to demand, so that the newly-created goods can be completely absorbed by the market.

Production is therefore directed at the buyer in the market or—in the last analysis—to the consumer. Since not only industrial consumption goods and labor power are marketed, but also the means of production, production is regulated by the market. As a result, production must be adapted to the needs of consumers, expressed by the demands of the market. The state can modify the market by its economic policy but cannot entirely prevent the consumer from influencing production. The

consumer influences production inasmuch as his needs create an effective demand, in proportion to his purchasing power.

Futhermore, in a technocratic system, production for the sake of production, which is the specific class goal of the bureaucracy, cannot be achieved for the following reasons:

a) Production depends on the market and is therefore limited by the volume and structure of consumption much more directly than in a centralized system.

b) In running enterprises, the technocracy tends toward a primary division of income on a broad scale. It is a relatively sizeable stratum and sets aside (like all other privileged groups) the whole of its high individual income for consumption. What follows is a strong demand for high quality and luxury goods and for corresponding services which, of course, exert a significant influence on production.

c) Transforming the technocracy from simple executors of administrative orders and supervisors of hired labor into the "de facto" powers that act at the enterprise level immediately raises its rank and significance in the state. Because of its social function, it is an organized stratum and organized for the management of production at that. It must, therefore, be reckoned with when making economic decisions of a central nature. In this way the "stratum of managers" gains the ability to influence economic decisions which in a centralized system are the monopoly of the central political bureaucracy. Under conditions where production is regulated by the needs of the market and by the economic influence of the state, the influence of the technocracy on income sharing and economic decisions creates a trend toward production designed to satisfy the needs of the high level consumption of the privileged strata. (It is characteristic that the rush to invest going on in Yugoslavia today primarily affects the consumer goods industry.) Hence the so-called decentralized system can in no way be a tool for realizing the class goal of production, associated with the rule of the central political bureaucracy. Also, where the working class continues to be deprived of control over its own labor and its product—that is, where it is exploited—and where the management of enterprises is concentrated in the hands of the technocracy, the decentralized system of management serves to achieve a different production goal. Consequently the membership and character of the ruling class is also different and *production relationships are different*. It follows that a general change in management relationships is possible only in connection with a change in the existing production relationships, while it is impossible within the present framework.

It is production relations, particularly the class goal of production, not an abstractly considered system of management, that determine whether a social-economic system favors economic development or hinders it. As a consequence, they also determine how lasting are the

present social relationships and the class rule of the bureaucracy which is based on them.

IV. The Origin of the System

ACCORDING TO A VERY widely held theory, the present system in Poland was brought to the country, along with the first governmental team, by the Red Army; it had no economic or social foundations in the "national soil" and could take hold only under conditions where there was an absence of sovereignty. In this way, *the basis* for the bureaucratic system taking hold is transferred beyond the borders of Poland and as such is of not too much interest to the advocates of this view. They are interested in the results, that is, in the existing state of affairs, which is presented as "the Polish *raison d'état*."

We do not deny that the external conditions under which capitalism was overthrown in our country (weakness of the elements working for an authentic and independent revolution, the decisive role of the Red Army, the strict dependence of the new authorities on the Soviet bureaucracy which had long ago formed itself into a ruling class, and the situation within the international Communist movement), effectively speeded up the process of bureaucratization. We hold, however, that it was objectively conditioned by the level of economic development and the socio-economic structure both of Tsarist Russia and Poland between the wars, as well as of the vast majority of countries in our camp, given the fact of their relative international isolation (the highly developed industrial powers remained capitalist).

When their capitalist systems were abolished, all these countries were backward, with reserves of unused labor, unemployment in the cities and, even more important, overpopulation in the countryside. Their economies were dominated, one way or another, by the capital of industrially developed, imperialist states. Under such conditions, only industrialization can bring a real improvement of material, social and cultural conditions for the mass of people in the cities and countryside.

The apparatus of production in industry was meager and, accordingly, the economic surplus, the basis for accumulation, was very small, too. One could not count on the aid of the capitalist countries. On the contrary, the world market was oriented toward their export of food and raw materials. It subordinated the economies of the underdeveloped countries to the capital of the industrial powers which dominated the market and, thereby, hindered industrialization and perpetuated backwardness. The development demanded was independence from the international capitalist markets. Industrialization had to be rapid or not at all. The basis for such a development could be found in large reserves of unused labor. Necessarily, industrialization took place by giving them employment and quickly creating new productive power

(a so-called extensive method). However, increased employment could not be accompanied by an equally rapid increase in consumption because this would diminish a still too small economic surplus and make rapid construction of the productive apparatus and further employment impossible. In a word, it would slow down industrialization. It was necessary to obtain maximum production and employment while maintaining consumption on a low level—production for production's sake. For a certain time, until a sufficient basis for industry was built, this goal corresponded to the demands of economic development and the general interests of the society.

IN THE COURSE OF INDUSTRIALIZATION, there was a mass migration of available labor from the countryside to the new industries, a rapid numerical growth of the working class, the technical and professional intelligentsia and a very rapid expansion of the technocratic cadres. At the same time, however, the necessity of limiting consumption dictated a substantial reduction in the earnings of the technocracy, the intelligentsia and white-collar employees as compared to the prewar level and a limitation of workers' wages to a very low level, which the old worker cadres felt to be a reduction in wages. Finally, there was a policy of taking away from the peasants all agricultural surpluses over and above the needs of the farm and the peasant's family. The general social interest in industrialization did not correspond with the separate interests of any of the above-mentioned classes and social groups. The natural aspiration of each of these—of the peasants as peasants, the workers as workers, the managers as managers (and not as people who had recently been promoted or who could reasonably hope to improve their lot and status through promotion)—was to increase their individual income to a maximum and improve their material and social situation.

On the other hand, the conditions of industrialization imposed upon them production for the sake of production. For the new authorities, industrialization was a "raison d'être" and a fundamental task. They set about realizing that task despite the differing interests of the remaining classes and social strata and, in a sense, against them: Against the peasantry deprived by force of its surpluses and threatened with loss of property through collectivization; against the working class, whose wages were held down to the lowest possible level and even reduced; against the intelligentsia and the technocracy. The effective realization of such a process of industrialization required that all classes and social strata be deprived of the means of defining their differing interests and fighting for their implementation or in their defense. It required that the whole of political decision-making and of power over the means of production and over the social product be concentrated exclusively in the hands of the new élite. It required, finally, that production be made

independent of the regulating influence of the market and that the economic initiative of the working class, of the technocracy and of the peasantry be limited to the greatest possible degree.

It thereby transformed itself into a new ruling class—the central political bureaucracy, while the state which it ruled was transformed in this process into a state of class dictatorship by the bureaucracy. It may be said, therefore, that the nature of the task of industrializing a backward country called to life as a ruling class a bureaucracy which was able to achieve this task, since it alone, through its class interest, represented the interest of industrialization under such conditions—production for the sake of production.

Under these conditions, production relationships based on bureaucratic property insured rapid economic growth, and thanks to this, the remaining classes and social strata, within the bureaucratic system, had real possibilities of improving their lot. Industrialization opened the road to an improved standard of living and a higher material, social and cultural status—a road that led from the countryside into the ranks of the working class, from the ranks of the peasantry and the working class, through the expanding school system at all levels, into the ranks of the technical intelligentsia, the civil service, the liberal professions, the technocracy. Mass social advancement, an end to overpopulation in the countryside and to unemployment were accompanied by an increase in the cultural level of the population in general, by the development of the health services, social benefits, education, etc. Thanks to this and despite coercion and terror, the bureaucracy found enthusiastic support from groups in all social strata. Its power found social support; its ideologists and propagandists could effectively impose its hegemony on society at large, since the achievement of industrialization also meant the realization of a general social interest. The class rule of the bureaucracy was based, therefore, on a solid social foundation and was, therefore, a lasting rule, as long as production relationships—especially the class goal of production—corresponded to the requirements of economic development, in other words, until the foundations of modern industry were built.

V. Economic Crisis of the System

WE HAVE SEEN THAT the class goal of the bureaucracy—production for production—corresponds to the economic development of the backward country during the period of initial industrialization, that period of building the foundations for industry. How long that period lasts depends on the degree of industrial saturation of the economy achieved in the first stage. In Poland, it ended by the mid-Fifties. In 1956, the apparatus of industrial production was three times larger than in 1949, and in 1960, four times larger.

Let us now look at the situation which develops when—after the fundamental tasks of that period have been accomplished—the class rule of the bureaucracy is maintained and, with it, the same class goal of production. The foundations of a great industry have been built; the investment efforts of the previous years have brought, as a result, a rapid multiplication of resources in the means of production which, in turn, have permitted the employment of the available labor force. Production for the sake of production means a tendency toward a state of affairs in which, possibly, the entire growth in production is confined to Department A, when it assumes the form of new means of production. To maintain this trend in the above-mentioned situation, where the economy is “saturated with industry,” means that all production resources, with the exception of what is absolutely indispensable for a minimal growth in consumption, must be used up to create new means of production, to further expand the productive apparatus. The manifold increase in productive resources must be paralleled by a further increase in the part played by capital accumulation in the national income.

The forced industrialization of a backward country cannot take place under conditions of stability. The economic surplus is small and it is not possible to build everything at once while, at the same time, keeping harmonious proportions. Disproportions which arise in the course of rapid expansion of the productive potential create the need for additional investments and additionally swell the investment fund. Let us assume that the whole productive apparatus, multiplied by industrialization, is to be exploited fully; that conditions are to be created for the full utilization of productive resources which have increased many times over. If the trend toward production for the sake of production is maintained, this would require such a tremendous increase in investment that consumption would, as a result, be reduced to a level below that which can be considered minimal from the social point of view. One must remember at the same time that, along with full employment, with the development of an industrial civilization and with an improvement in the general level of social culture, consumption needs also grow which are considered indispensable in these circumstances. To reduce consumption below the subsistence level brings with it the danger—under these conditions—of an economic, social and political catastrophe. It is therefore impossible. Equally impossible is any increase in the level of investment that would create conditions for the full use of the multiplied production resources.

In the final analysis, a low level of social consumption limits production itself in the bureaucratic system as well. This does not happen because of difficulties in marketing the goods produced, but because of the direct limitation of added investment. To maintain production as the goal of production after the foundations of industry have been built

(i.e., under conditions of "saturation with industry"), gives rise to *the contradiction between the productive potential of industry in the course of expansion and the low level of consumption*. This contradiction leads to an inability to make full use of increased productive resources, to wastage of the economic surplus and to a slowing down of economic development. Therefore, it becomes the source of a crisis. In the most general terms, the crisis manifests itself in a slowing down of the rate of economic growth despite increased investments designed to expand production.

During the years 1950-1955, the national income grew 74%, about 10% per year. During the years 1956-1960, the national income grew 38%, 6.6% per year. It should also be remembered that this increase was accompanied by a certain fall in the rate of accumulation in the years 1956-1959, as compared to previous years. However, during 1959-1963, national income increased less than 30% in comparison to 1958—5.2% per year—while at the same time the investment in the national economy grew by 53.4%, by 8.9% yearly, and the industrial investment by 60% (10% per year). The share of accumulation in the national income during the years 1960-1963 was not only higher than 1956-1959 but even higher than 1950-1955, whereas the rate of increase of the national income was almost 50% lower than in the period of the Six Year Plan, 40% lower than in 1956-1959, and 40% lower than planned. (According to the plan the average increase in national income was supposed to reach 8% per year.) This means that with a growing investment one gets a decreased growth rate of the national income. A similar phenomenon can be observed in other countries under bureaucratic dictatorship with a similar share of industry in producing the national income (Czechoslovakia, East Germany, Hungary and probably also the USSR) as was emphasized in the sensational article by a Czech economist, Josef Goldman.

During 1960-1962, the share of material costs in total production grew from 49.7% to 61.9% (in absolute figures an increase of 137.1 billion zloty), while the share of national income decreased from 40.3% to 38.1%. In 1962, the production of the same amount of national income as in 1960 required about 22 billion zloty more in material costs. This indicates the higher costs per unit of produced national income, or a decrease in productive efficiency.

WHAT FACTORS ARE DIRECTLY RESPONSIBLE for slowing down the rate of economic growth and increasing its costs and what are their essential origins?

1) Under conditions in which a trend toward production for the sake of production is accompanied by an expansion in the productive potential, the braking effect of low consumption on economic growth manifests itself most directly in the form of the so-called *inflation barrier*.

The rapid growth in investment and employment lead to an expansion of the nominal wage fund; under conditions of production for the sake of production, supplies of consumer goods reaching the market are not sufficient to meet the growing demand which leads to higher prices and the danger that real wages might fall below the socially acceptable minimum. The inflation barrier is already evident in the present five-year plan period, while in the period 1966-1970, due to an unusually intensive investment program, this same phenomenon will inevitably manifest itself far more sharply.

2) *The raw materials barrier*, the deficit in raw materials and fuels, puts a brake on the possibilities of expanding the manufacturing industries and is one of the reasons why the productive potential is not fully exploited. This is a technical phenomenon which, to all appearances, is not connected with production relationships. In reality, however, two factors inseparably bound up with the present system are at the root of the exceptionally acute shortage of raw materials and fuels. First, the very tendency toward production for the sake of production means that economic growth, where possible, falls in "Department A." In this sector however, material and fuel costs are much higher than in the consumer goods sector. As a result of the one-sided development of the production of the means of production, the consumption of raw materials and fuels per unit of growth of the national income is increased, the share of material costs is increased and the raw materials base is more quickly exhausted. Second, the existing production relationships are—as we shall see—connected with a huge waste of raw materials and fuels.

The consumption of steel for producing the same product is 30% higher in our industry than in the developed countries of Western Europe; the so-called burnings of coal per unit of product are 40-50% higher in our industries than the world average. The plans to lower material production costs are only realized by 50%. This accelerates exhaustion of fuel, raw material base and creates a *raw material barrier*. The only way to overcome it is to invest more in raw materials and fuels which is exceptionally costly and a long range process. At present, such investments represent 45% of all investments in our industry. This contributes to diminishing national income and increasing basic costs.

3) *Squandering of the economic surplus* in the form of excessive consumption of raw materials and fuels, inability to make full use of the productive potential and immoderate increase in reserves. We have already spoken about the waste of raw materials. The degree to which the productive potential on an industry-wide scale is made use of is not known to anyone and research in this area is complicated by the fact that enterprises seek to conceal their reserves. In the electromechanical industry, the degree of utilization of the productive potential is reckoned at 58 per cent of capacity. Full use of productive capacity in this one

branch of industry only would increase the national income by 18 billion zloty yearly. Failure to make full use of the productive apparatus is widespread; for instance, building machines in all the construction enterprises in the country are used at only about 20% of capacity. Rejects ("Buble") for which there is no demand or which cannot be marketed because of poor quality, make for an excessive increase in reserves.

This production represents a loss. Its costs produce no new values or new consumer goods. In 1961-1963, the national economy lost about 21 billion zloty. The amount of unnecessary stocks included in the plan itself is not known; at any rate, the increase of stores and reserves in 1960 absorbed 28.2 billion zloty (7.4% of the national income) and in 1961, 32.9 billion zloty (8.1% of the national income) and in 1962, 21.4 billion zloty (5.1% of the national income) and in 1963, 32.3 billion zloty (7.3% of the national income).

The common cause of non-utilization of productive capacity and of accumulation of unneeded reserves is *the general inadaptation of production to needs*. The mass production of lines of goods which can find no market and which are dispatched to swelling warehouses is accompanied, not only by a sharp deficit in raw materials, but also by a shortage of certain types of tools and equipment leading to numerous work interruptions, non-utilization of productive resources and a general lack of rhythm in production (catching up with plans toward the end of the reporting period at the cost of excessive effort on the part of the worker and of lowered quality of goods). Production is not adapted to needs. This is true not only in the structure of the various lines of goods, but also so far as quality is concerned. The poor quality of raw materials and tools contribute to lowering the quality of the end product and speeds up the wear on the means of production, a source of additional waste. It is hard to sum up the excessive use of raw materials and fuels, the non-utilization of capacity, the unnecessary stocks and the damages arising from poor quality production. There is no doubt, however, that all this waste consumes many tens of billions of zloty yearly. Compared to this waste, all economic scandals put together seem quite insignificant.

4) *The non-utilization of so-called intensive factors of economic growth*, that is of increased productivity through modernization, technical progress, technological progress (product improvement, reduction in raw material costs, etc.) and organizational progress (discovery and exploitation of reserves). The achievement of the stage of "saturation with industry" means that the productive apparatus has been expanded to the point where employment of the available labor force at a given level of productivity in agriculture is assured. Further growth cannot take place simply by expanding the productive apparatus and employing labor reserves, i.e., by extensive means, but must be based mainly on factors which lead to increased productivity, i.e., intensive factors.

According to the figures published in the Fall of 1962 by the Minister of Internal Trade, the objectives of the 5-year plan in the area of new products were achieved by 57%, in the area of mechanization by 44%, in automation by 28%; and the tendency of various industrial enterprises not to disclose all their reserves is generally known. Failures in the area of increasing labor efficiency when the development cannot, as previously, rely on extensive factors, contribute to further decreases in the growth rate of the national income.

5) *The export barrier*, that is, difficulties in the foreign trade balance of payments due to increased imports from the capitalist countries and the inability of the manufacturing industry to export. Eighteen per cent of production in the engineering industry is destined for export; of this, however, export to capitalist markets amounts only to four per cent and export to the highly developed Western countries to only one per cent, while exchanges with those countries constitute about 39 per cent of Poland's entire foreign trade and the balance of payments in this sector is in very serious straits. This is connected with the non-fulfillment by industry of export production plans and with the low technical and qualitative levels of home industry production. Due to poor quality or to excessive raw material costs, these goods find no buyers or are sold at a disadvantageous ratio of export production costs to the price of goods purchased abroad. Shortcomings in industrial exports are patched up with increased raw material, fuel and food exports and this is the least profitable kind of export. In this way, the national income to be shared is decreased, while at the same time the internal deficit in raw materials and fuels (the raw materials barrier) and the shortage of food articles on the home market (the inflation barrier) are increased.

The *symptoms* of economic crisis enumerated in Points 3, 4 and 5 follow essentially from the same causes and we will analyze them jointly. These causes are often sought in the defective functioning of the economy, shortcomings in the system of incentives and indices, in the system of management. Enterprises are interested in fulfilling directive indices or, to be more precise, the basic index, in which the total planned production is contained. Given strict bank control of the wage fund, fulfillment of this target is achieved most easily by turning out lines of goods whose prices are fixed substantially above costs and which are characterized by a large participation of material costs and a low participation of labor in the final product.

Managements try to produce that which assures the easy fulfillment of the plan and not that which is necessary. They try to conceal their reserves in order to be assigned reduced tasks in the plan. It is easiest to fulfill the plan when it has been set below the productive capacity of the enterprise (i.e., when the reserves have not been taken into account) and when one turns out mainly those products whose prices are fixed

substantially above production costs (which therefore assure a high rate of accumulation) or by selecting lines of goods which have a high value but take little labor to produce, i.e., lines of goods which consume a large amount of raw materials. Improved quality, reduced material costs, technological progress, everything that increases the participation of human labor and decreases the value of the raw material in the end product, all this renders more difficult the fulfillment of the quantitative total production plan. Modernization and increased efficiency achieved by the enterprise through its own means give rise to the danger that the wage fund index will be exceeded or that the quantitative plan will not be fulfilled. Therefore, the squandering of raw materials, the lack of adaptation of production to needs, low quality of production, difficulties in achieving technical progress, the flight from production for export and the negligible effect of industrial exports. According to some, the fault lies with the total production index which acts as a counter-incentive. According to others, it lies with the centralized system of management which not only creates counter-incentives but also paralyzes the initiative of both the managers and the workers and, at the same time, the intensive factors of economic growth.

WE HAVE SEEN THAT the centralized system of management is a function of the prevailing relations of production and cannot be altered in a general sense within the framework of those relationships. Let us now see whether the sources of the above-mentioned crisis symptoms do not lie deeper and whether a reform of the indices within the framework of prevailing production relationships will permit us to overcome the crisis.

First of all, it is not true that managers' and workers' teams are entirely deprived of initiative and do not show any. It is impossible to make central decisions on everything, still more difficult to control the execution of all specific orders and even of all directives. This means that managers as well as workers, act partially on their own initiative. It is impossible to evaluate an enterprise from twenty points of view simultaneously. The worker tries to lower efficiency and hides the reserves in his sector to delay the change in norms; he makes a product of inferior quality in order to meet the norm more easily. The manager will ignore the poor product because of the "factory's interest," i.e., production of quantity instead of quality. The management hides reserves in order to obtain lower plan figures, chooses high accumulation or material-consuming assortments to carry out the plan more easily, tries to escape production of labor consuming export goods and to avoid technological progress, improvement or modernization achieved at the expense of the enterprise. All this massive social initiative, apparently directed toward the execution of plans decreed by the bureaucracy, is in fact directed against them, and therefore directed against the class

goal of production. Like all social initiative, it is a conscious activity to realize the aims and interests of the people concerned. The technocrats claim to act in the so-called interest of the enterprise (which is really their own interest) and also in the name of a "compromise" with the workers which would enable both to arrange themselves within the existing framework of production and administration.

In fact, what we have here is not a contradiction between the objectives of the plan and the anti-stimuli resulting from faulty directives, but a contradiction between the class goal of the ruling bureaucracy (production for production) and the interests of basic groups who achieve the production (maximum consumption). In other words, it is a contradiction between the class goal of production and consumption, and it results from existing conditions, not from mismanagement.

This contradiction is inseparable from the existing conditions of production and has accompanied them from the beginning. But in the stage of primitive industrialization the first task consisted of building the foundations of industry and employing available labor—therefore production for production, and an extensive development. Almost every new enterprise which increased the productive apparatus was an achievement. In that stage, the system was increasing economic development and its contradictions were of secondary importance. After the productive apparatus had been developed and labor reserves absorbed by industry, the main problem was how to use productively the potential created, and how to increase labor efficiency. Then, the non-adjustment of production to needs, the low quality, brakes on technological and organizational progress, in other words, the paralysis of intensive factors of economic growth became of major significance in hampering growth. And the disproportions of the system became most striking when the *contradiction between the developed productive potential and the low level of social consumption became evident*. It is precisely this contradiction which causes the crisis with all its symptoms. Without eliminating it, without changing the goal of production and the conditions of production as a whole, it will be impossible to overcome the ever growing crisis.

There are proposals to change the chief index from gross production to net production and more far-reaching proposals to accept profit and loss as the chief index. What can such reforms bring about in present conditions of administering production? Probably a less wasteful use of fuel and raw materials. But the basic contradictions will not be eliminated. The enterprise will still hide its reserves to achieve a lower and more easily attainable basic index; will still choose assortments with a high accumulation rate which will make it easier to achieve the plan figure and carry out the directive which is always expressed in quantities. There will still be an assortment of goods of a quality not fitted to the needs, with the usual consequences for our foreign trade. The

adaptation of production to needs can be made only by the market buyer—and ultimately by the consumer—but never by the central planner who fixes the price of goods by himself and without reference to the market and who judges an enterprise by its execution of central directive indices which are necessarily expressed by quantities. Technological progress, modernization and improvements achieved by the enterprise from its own resources are contrary to the interests of the central planner so that the brakes on technological and organizational progress, i.e., on the intensive factors of growth, will not be eliminated.

That is why the symptoms of crisis described in points 3, 4 and 5 (waste of economic surpluses, non-utilization of intensive factors and the export barrier) are also derived from the conditions of production and cannot be overcome within their framework. Let us accept, for the moment, the abstract assumption that bureaucracy could achieve this. If the existing economic conditions, i.e., production for production, are preserved, the crisis would take the form described at the beginning of this section. The whole wasted part of the economic surplus would be turned into additional means of production whose utilization in accordance with the class goal of production would require an increase in accumulation and the reduction of consumption below the socially necessary level. In practice, the inflation barrier would move into the foreground. It would make it impossible to raise investment, to utilize the additional means of production. The crisis would then be reduced to its essence, the contradiction between a high production potential and a low level of consumption. It can thus be seen that the waste of economic surplus, the non-utilization of growth factors, etc., are only manifestations and camouflaged forms of this basic contradiction. Therefore no improvement in the functioning of the economy, even if it were possible, would overcome the crisis, unless it were linked to a change in the class goal of production for consumption.

Do any serious economic reserves exist today that would help to alleviate the crisis, at least temporarily?

Such reserves existed in the mid-Fifties when the basic industrialization was achieved. The contradiction between the high production potential (three times that of 1949) and the low level of consumption became manifest, and the economic crisis started. The fundamental source of the reserves was the fact that investments made previously began to produce profits. There was therefore a chance to achieve a relatively high increase of the national income with a lower share of accumulation and a higher share of consumption.

Another essential source of reserves, particularly relevant for possibilities of increased consumption, was agriculture. Industrialization caused the transfer of many superfluous workers from agriculture to non-agricultural employment in urban centers, thereby reducing over-

population of the countryside, improving the agrarian structure and increasing the income of the majority of farms. This created a possibility of developing agricultural proficiency and increasing the quantity of farm produce. Under the Stalinist policy of ruthlessly depriving the peasant of all surpluses and the constant threat of collectivization, such possibilities did not exist since, for a peasant, it did not pay to increase his production. The change in agricultural policy based on the abandonment of forced collectivization and the creation of conditions to make farming profitable by easing the requisition of surpluses, on concessions to the peasants, could in that situation mobilize the reserves without a considerable government investment and without a radical change in peasant economy.

As can be observed, in both cases the mobilization of reserves represented a possibility of increased consumption, although from the point of view of the bureaucracy it was only a retreat, a necessary evil with a view to maintaining power and class rule during the critical social and economic conditions of those stormy years. The political spring for mobilizing the reserves was the general revolt against the Stalinist forms of dictatorship and, primarily, the pressure of the working class which caused an increase of 30% in real wages, a change in agrarian policy and a parallel increase in peasant income.

The concessions to increased consumption made the continuing contradictions between the developed productive potential and low level of social consumption less marked, at any rate, temporarily. And this was the main cause of the improved economic situation in 1956-1959. As we see it, however, the reserves permitting the increased consumption belonged to the earlier period of forced industrialization. During the subsequent period of crisis the system did not produce any new reserves and the remaining ones, after the years of the glorious youth of the system, were naturally exhausted.

Toward the end of the Five Year Plan (1956-1960) the productive powers organized during the early period were fully mobilized; further growth called for greater increase of labor efficiency or another increase of investments. At the same time, more or less, the rural economy reached the ceiling of its production under the given technical conditions and the rate of exploitation of the state. In 1956-1958, rural production grew by 15%, and in 1959-1960, by only 5%. Today, it hardly catches up with the population increase. Stagnation in agricultural production became a barrier to increasing consumption, and in order permanently to end the economic crisis it would be necessary to produce a radical change in the proportions of investment and economic growth to achieve modernization and a renovation of the technological base of agriculture along with the steady, rapid growth of the industrial produc-

tion of consumers goods. This, however, would mean to change the goal of production.

Meanwhile, during the class struggle of 1956-1957, the bureaucracy had kept its political power and, in 1958-59, achieved a stabilized class dictatorship. The conditions of production that guaranteed its rule were maintained together with the class goal of production. Under such circumstances, nobody will be surprised that, at the threshold of the present Five Year Plan, the economic crisis had reached a ripe phase. The system does not have, today, any considerable reserves and its difficulties do not result any longer from the Stalinist agrarian policy or the necessity of quickly building an armaments industry. The economic crisis can be reduced in its pure form to the crisis within existing production conditions. There are no possibilities, therefore, that it will recede; on the contrary, with the further development of production for production, the contradiction between the developed productive potential and low consumption will become more acute and so will the crisis.

The investment program for 1966-1970, anticipates creating 1.5 million new jobs for the "demographic surplus" (for full employment there should be even more), while the investment expenditure is supposed to reach about 830-840 billion zloty. This means a further increase in the share of investment in the national income by some 20%. In spite of such huge expenditures, the planned increase of the national income is supposed to be 30% during the five years. This shows that even at the planning stage, the bureaucracy takes the braking action of the system into consideration. It appears from the Report of the Central Committee of the PUWP at the IVth Party Congress that the plan is based on stabilized real wages. In other words, the size of accumulation funds is fixed directly on the edge of the inflation barrier. But we know from experience that the realization of the investment program will require much higher investments than planned. It means that the inflation barrier will be crossed so that the real wages will be pushed below the minimum level socially necessary, or the plan will not be executed. In that case, the growth of national income will be stopped again and unemployment drastically increased. (We recall for comparative purposes that in the period of the Six Year Plan, with investments of less than 319 billion zloty at 1962 prices, employment rose by 2.4 million and national income increased by 70% as compared to 1949.) In both cases, the economic crisis will be unavoidably strengthened.

Therefore, no justification for the functioning of the economy, even were it possible, can lead to overcoming the crisis if it does not involve a change of the class goal of production and a shift over to production for the sake of consumption.

Production relations based on bureaucratic ownership have become chains hampering the country's productive forces; with every day this

continues, the crisis deepens. Therefore, the solution of the economic crisis requires the overthrow of these production relations and the elimination of the class rule of the bureaucracy.

VI. Relations of Production in Agriculture and the Crisis

The production relationships in our agriculture are based on individual peasant ownership and on a state monopoly of the market. (The state is, in practice, the exclusive supplier of industrial goods for the needs of the countryside and the purchaser of the major part of the peasants' produce.) In 1961, agricultural produce amounted to about 60.8 % of the end product of individual farms (by end product we mean that part of the total product which remains after subtracting material costs). Taking into account the fact that a peasant's farm is also a family unit which produces its own livelihood, its ties with the market are very close ones. This may result from two fundamentally different causes. Either we have to do with a specialized, rationally run and efficient agricultural enterprise, producing for the market while the family's consumption needs are met by the market; or else the farm is at a low level of development at the same time that an unfavorable ratio of prices between industrial goods and agricultural produce, and fiscal oppression compel the family to limit its own consumption if it wishes to maintain its farm.

According to official data concerning the IER (category of farms on a higher level than average), consumption of food commodities and clothing in a peasant's family is growing steadily, as the farm area grows. Various farm sizes show relatively small differences in expenditures for other consumers goods. But if we look separately at the consumption of meat, the difference becomes striking. In 1961-62, the annual consumption of meat per person in the farm category of up to 3 hectares (44.6% of all farms) was 26.2 kilograms; in the category 3-7 hectares (28.9% of all farms), it was 27.7 kg.; in the category 7-10 hectares (12.7% of all farms), it was 34.3 kg.; in the category 10-15 hectares (7.9% of all farms), it was 39.3 kg.; and in the category above 15 hectares (2.8% of all farms), it was 46.6 kg.

It should be remembered that Norm A (hardly sufficient) indicates 37 kg. of meat and meat products per person. Therefore, over 85% of peasants—main producers of meat—consume meat below the physically hardly sufficient norm. No wonder that a rise in income immediately means the greater consumption of meat.

Next to meat, the food which shows marked consumption changes in relation to income is potatoes. Generally, the consumption of potatoes decreases with a higher standard of living. But in peasants' families it is the opposite. In 1961-62, consumption of potatoes per member of the peasant's family on farms below 3 hectares amounted to 216 kg.; on farms

from 3-7 hectares—217 kg.; from 7-10 hectares—239 kg.; from 10-15 hectares—251 kg.; above 15 hectares—269 kg.

From the figures quoted above, it follows that, from the point of view of the peasant, a high degree of involvement with the market is not a means to maximize consumption but—on the contrary—is achieved at the price of limiting the basic consumption of the peasant family.

What compels the peasant family to limit personal consumption so sharply? First, direct *fiscal pressure*, that is taxes and compulsory deliveries. True, compulsory deliveries are paid for, but at rates which are, on the average, only one half of free market prices. In 1961, farms which conduct agricultural bookkeeping received for compulsory deliveries 7% of their total income for produce, which means that the state took over for nothing, in the form of compulsory deliveries, 7% of the produce of an average farm. In the same year, taxes swallowed up 7.5% of the income from produce of the average peasant farm.

Second, the pressure exerted through *the state monopoly of the market*. The state is the only *supplier* of everything that the peasant farm acquires on the market. It is also the purchaser. In 1961, 76% of the income from produce of the average peasant farm came from the sale of produce to the state (of this, seven per cent was for compulsory deliveries). Apart from compulsory deliveries, the state acquires from the peasants their produce within the framework of the system of above-norm contracting and purchase at prices which are on the average 30 % below free market prices.

What forces the peasant to sell “voluntarily” to the state a major part of his produce on such unfavorable terms? In some areas, above-norm contracting and purchase are the only available form of marketing. But a decisive role is played by another factor: the pressure exerted by the state as the monopolistic supplier of all non-agricultural goods indispensable for the farm and the peasant family. Only contracting farms have the right to buy coal, which is indispensable for livestock breeding (and is the source of over 69% of the income from produce of the average peasant farm) and artificial fertilizer.

Through the state market monopoly, the ruling bureaucracy artificially opens the so-called *price scissors* and drains the production surplus from the countryside. Much is written about the prewar price fork, the relationship of prices for industrial goods and agricultural produce, unfavorable to the countryside.

Let us compare the prices of certain industrial articles bought by the peasants during the years 1927-28 and in 1962, counting in Kilograms of rye. For a one-furrow plough in 1927-28, the peasant paid 100 kg. of rye; now he pays 112 kg. of rye, if we count in terms of the prices of the contracts and non-obligatory supplies which form 69% of goods income of the average farm; or 73.3 kg. of rye in free market prices (24%.

of goods income). For a given quantity of coal he paid, before the war, 36 kg. of rye; today he pays 53 kg. in terms of non-obligatory supplies and 36 kg. at free market prices.

In comparison with 1928, the industrial potential has grown six times, industrial efficiency has increased and industrial costs of production have decreased much more than they have in agriculture. The artificial maintenance of agricultural prices on such a low level constitutes the main tool for helping the system to obtain farm products—not by increasing farm production but by decreasing the consumption of the rural population and resisting investments on the farms.

Where does such a tendency come from?

We have seen in Chapter II that the purchase of food from the peasants is, from the bureaucracy's point of view, a constituent part of expenditure for the purchase of labor for the industrial and service sectors. We have also seen that production for the sake of consumption (which agricultural production is by its very nature) is, from the bureaucracy's point of view a necessary evil, while production for the sake of production is its goal. In terms of achieving that class goal, the size of agricultural production is determined by the level of employment and the minimum for existence. It is not therefore a question of maximum development of that production, but rather of obtaining at minimum cost the food necessary to feed the labor force employed in industry, construction, transport and services. The system of draining surpluses by reducing the market prices of produce from individual peasant farms (and, accordingly, limiting the consumption and investment power of rural population) is therefore a means of reducing expenditure for the purchase of labor power and results from the class goal of production. In this way, the exploitation of the peasant is a result of the exploitation of the worker and is inseparably bound to production relationships prevailing in industry.

THE SYSTEM OF DRAINING away surpluses deprives the countryside of a material base for the expansion of its own productive potential. This leads to a relative stagnation of agricultural production with a simultaneous rapid growth of production resources in industry. In this way, a disproportion rapidly appears, known officially as "the inability of agriculture to keep up with industry." This phenomenon is common to industrialized countries ruled by bureaucratic dictatorships and is in reality an essential element in the contradiction between the expanded productive potential and the low level of social consumption. Despite this fact, the standard of living of the rural population is much higher today than it was before the war. General productivity in agriculture has also increased, especially productivity per worker. This is the result of industrialization which liberated the countryside of the chief economic scourge of prewar days: millions of redundant workers went to the towns

or at least found employment and wages outside agriculture. This happened in the period 1949-1955; yet the agricultural policy of that period, consisting in deprivation of surpluses by force and in threats of expropriation by collectivization, made it impossible to take advantage of the possibilities created by the elimination of over-population for increasing agricultural production and peasant consumption.

In 1956, the policy of collectivization was given up and the system of draining the resources of the countryside was changed: economic coercion exerted through the state market monopoly and through the price scissors took the place of administrative and police coercion. This definite concession, forced on the authorities though it was, allowed the countryside to take advantage of the reserves created by the elimination of over-population in order to increase agricultural production and its own consumption. But the nature of the relationships between the peasant producers and the state did not change. They still amount to a drainage of production surpluses and to achieving the indispensable supply of produce, not through the expansion of agriculture, but by limiting the consumption of the peasant family and its possibilities of investment—though all this is done by different methods than were used before. It could hardly be otherwise, since the old production relationships in industry have been maintained. That is why the growth of agricultural production was bound to come to a halt, as indeed it did when the reserves created during the Six Year Plan were exhausted.

During 1956-60, total agricultural production grew by 20%, but three-quarters of this increase belongs to the period 1956-58. In recent years, 1961-64, farm production hardly matches the population increase, and its periodic fluctuations are in the category of economic cataclysms. What we have here is stagnation. But today, unlike the period 1949-55, no new reserves are growing which might later become the foundation for rapid progress; the plan for 1966-70, anticipates maintaining present employment on the individually owned farms, with certain decreases in the area of peasants' property.

The source of stagnation today is no longer any so-called "inappropriate agricultural policy," any specific *form* of drainage of the resources of the countryside, but the *system itself* of draining surpluses, by which the countryside is deprived of the material basis of its own development. (The Fund for the Development of Agriculture does not change this fact: for instance to plough one hectare with a tractor belonging to an Agricultural Circle costs, at the official rate, 220 zloty, 100 kilograms of rye at above-norm contracting prices, the equivalent of a one-share plough. For the majority of villages, mechanization in this way is too expensive: in the period 1959-1962, the fund's facilities were utilized at the rate of about 22%.) In other words the crisis in agriculture results today directly from *existing production relationships*.

What are the prospects for the future? To answer this question we must consider a factor not considered thus far in our discussion of the relationship between peasant production and the state, namely, the internal structure of agricultural property. In 1960, small farms (0.5–5 hectares) represented 52.5% of the total number (and the “dwarf farms” under 3 hectares—over 40%), and occupied 27.5% of the cultivated land. Farms averaging 10 hectares constituted 10.7% of the total, and occupied 32.6% of the cultivated land.

Per 100 small farms there are 97.5 heads of cattle and 23.3 horses, where per 100 farms above 15 hectares, there are 590 heads of cattle and 216.2 horses. Aside from that, 100 (exclusively larger IER) farms investigated in 1962 owned 98 private tractors. All these figures indicate a tendency toward the development of capitalist farming conditions in agriculture. Meanwhile, the process of property polarization is unusually slow and hired labor plays only a small part: only 3% of the farms constantly use hired labor (300 man-days per year or more).

The conditions of capitalization are that: 1) the largest farms should have sufficient means of accumulation, 2) there should be a large supply of cheap land created by failing dwarf holdings and 3) there should be a large supply of cheap labor in the countryside.

In the period 1950-1955, the main forms of exploitation of the countryside were compulsory deliveries and taxes, burdens growing progressively in proportion to the size of the farm. Together with the anti-kulak policy, this deprived the largest farms of the means of capital accumulation and even led to their downfall. After 1956, the main form of exploitation became the price scissors, applied thanks to the state's monopoly of the market. This is a form of exploitation which weighs equally on all producers, therefore it is relatively easier on the richest farms which, at the same time, gain the means of accumulation and it is hardest on the poorest farms. If the mass of dwarf holdings (52.5% of the total) were then deprived of sources of income outside agriculture, under conditions of a wide-spread price scissors, they could not stand up to the fiscal pressure and would have to fail. As a result, a large supply of cheap labor and cheap land, needed for capitalization, would be created.

What saves the mass of small holdings from failure and puts a brake on the process of capitalization in agriculture is the employment of peasants in state enterprises. The so-called peasant-workers constitute about 26% of all persons employed in the socialized economy, while the holdings of peasant-workers make up 45.5% of the sum total of individual farms in our country. By employing in industry people who live in the countryside and have small land holdings, the labor surplus has been eliminated to a large degree.

In recent years, reductions in the factories showed that first to be

fired are the peasant-workers. At the same time, and for the first time since 1945, the rate of wages in agriculture dropped by 15% in 1962.

The investment program for 1966-70, foresees creating 1.5 million new working posts. But even if successfully carried out, it will not cover the increase of the working-age population. Under conditions of unemployment and strong pressures on the labor market it can be forecast easily that the available working posts will go to inhabitants of industrial areas, while the peasant-workers will be fired. Therefore, it is not realistic to expect the same level of employment in individual farming, even if the plan is successful. But this is unlikely to happen, because the investment fund of the plan will, as usual, be insufficient for a sensible investment program. Yet, it is calculated at the verge of the inflation barrier, so that any excess expenditure may have serious consequences. The prospect of an insufficient investment means a serious rise in unemployment and, in particular, mass firings of peasant-workers.

As we have already seen, a high percentage of peasant-workers is an essential factor in fighting rural overpopulation, in maintaining the existence of small farms and the main obstacle to further capitalization. An unavoidable consequence of the progressing industrial crisis will be the reappearance of a rural labor surplus (through reduction of the number of peasant-workers in the factories) and the collapse of many small farms. With the resulting overpopulation, conditions will emerge which will contribute to the transformation of the richest peasant properties into capitalist farms.

The crisis in agriculture is closely connected with the economic crisis in industry and—within the framework of prevailing production relationships—can only go from bad to worse. To overcome the crisis in agriculture, as in the entire economy, it is necessary to overthrow the existing production relationships inhering in bureaucratic class rule.

VII. The First Anti-Bureaucratic Revolution, 1956-1957

Our paper was to include a chapter devoted to an analysis of the class struggle in the years 1956-1957. Due to the intervention of the Ministry of the Interior, we did not have time to write that chapter. However, since it is essential from the point of view of understanding our political standpoint and also because attempts at evaluating the events of October (the causes of the failure of the left wing current and the fiasco of the 1956 revolution became the starting point for the evolution of our views), it is necessary to summarize that chapter.

The Fifties produced an international crisis for Stalinism—the first phase of a general crisis of the bureaucratic dictatorship. It resulted in the first revolutionary acts of the working class: the general strike in the GDR and the demonstrations and street fighting of June 17, 1953, in Berlin, the series of strikes in the concentration camps in the USSR,

the events of June 1956 in Poznan and the first anti-bureaucratic revolutions in Poland and in Hungary.

The economic background to these upheavals is provided by an understanding of the economic crisis of the system. Once the foundations of industry had been built and labor surplus employed, the contradiction between the expanded productive potential and the low level of social consumption became obvious. For the vast majority of people, the prospects for improved living conditions were no longer connected with mass transition from the lower classes to strata with a better material and social situation. Instead, they were concerned with improved material, social and cultural conditions of living in their own stratum. The distinct class interest of the peasants, forcibly deprived of their surpluses, of the workers receiving starvation wages, of the supervisors of hired labor, relatively badly paid and deprived of the right to make decisions, necessitated increased consumption which was contrary to the class goal of production set by the bureaucracy.

Once these distinct class interests assumed decisive significance in economic and social practice and in people's awareness, the whole of society found itself in conflict with the ruling bureaucracy. The Stalinist system of total police dictatorship which deprived all classes and social strata of the means of struggling for their own specific interests became the object of universal hatred. This form of dictatorship thereby lost its effectiveness as a bureaucratic tool. There followed the 20th Congress.

Since the social crisis erupted in the opening phase of the system's economic crisis, the economy still had substantial reserves, created during the initial period of industrialization. These were reserves for increased consumption released when the state power felt threatened by the pressure exerted directly by the working class. But the very fact that these reserves existed also created the possibility of a transient stabilization, the economic basis for an external reform of the system—and means of maintaining the class rule of the bureaucracy.

The Hungarian bureaucracy was saved by the revolution's isolation and by armed Russian intervention. How could Poland's bureaucracy retain power by peaceful means?

The fate of a revolution is decided by the clash of two fundamental social classes: the working class and the bureaucracy. The Poznan events showed clearly enough that these are the main forces in the conflict and that the revolution requires the leadership of the working class as the logical and most consistent anti-bureaucratic force.

In order that the working class have the ability to play the leading role, it must be conscious of its distinct, particular interests. It must express them in the form of a political program and organize itself—as a class fighting for power—into its own political party or parties.

The so-called October Left—a political current made up in large

measure of the natural leaders of working class, youth and intellectual opinion—could have been a substitute for the political vanguard of the mass working class movement. The October Left differed from the liberal current, especially in its views on the Workers' Councils, in which it saw the basis for new production relationships and the nucleus of a new political power. But it was not a uniform movement. The Left did not separate itself from the technocratic current in the Workers' Council movement (the demand that factories be run by the Councils did not go beyond the program of the technocracy) nor from the liberal bureaucracy, in the political showdown on a national scale. It did not set itself apart from the general anti-Stalinist front as a specifically proletarian movement. In this situation, it was evidently unable to formulate its own political program, to propagate it in an organized manner among the masses, to create a party. Without all this, it could not become a politically independent force, and therefore, it had to transform itself into a leftist appendage of the ruling liberal bureaucracy.

The Eighth Plenum of the CC of the PUWP was a victory of the liberal wing within the bureaucracy. This wing aimed at mitigating the social crisis and stabilizing the system by internal reform, economic concessions and by achieving hegemony; it aimed at taking the lead in the mass movement in order to contain it within limits safe for the system. A leadership was chosen which enjoyed popularity and a platform of reforms and promises indispensable for the realization of the liberal bureaucracy's aims was put forward. Giving up collectivization and changing the agricultural policy met the demands of the entire countryside (though it most benefited the rich peasantry); widening the margin of private initiative corresponded to the aspirations of the petty bourgeoisie; the accord with the Episcopate removed an important factor of political tension and created new political-propaganda possibilities (the electoral pact with Wyszynski); the consistent post-October policy of increasing the salaries and incomes of managers aimed at associating the technocracy with the system; criticism of the Six Year Plan and the announcement of a new economic policy gave rise to universal hopes for an improved standard of living. Above all, however, the national question brought popularity to the new leadership: the masses tended to regard the newly-won sovereignty of the Polish bureaucracy as their own. On the other hand, the working class was not even promised the wage increases that were later won. The *fait accompli* of the creation of Workers' Councils in the factories was recognized, but they were given no real rights and the new leadership of the bureaucracy, first secretly and later openly, opposed their development.

October 1956 was, however, not only the month of the Eighth Plenum, but also the climax of the revolution. In the immediate post-October months, the new leadership of the bureaucracy was completely deprived

of the means of crushing the revolution by force. The only chance it had of retaining power was through the mobilization of confidence in, and authority for, the new leadership. It had to win hegemony over the masses, make concessions and maneuver till such time as economic stabilization would lessen the tension of the social crisis and the apparatus of power would regain its repressive strength and control over society. The only chance of expanding the revolution was to propose a working class program and to organize a movement around it opposed to the rule of the liberal bureaucracy. At this decisive moment, the Left not only failed to put forward such a program and organize itself into a party, but it lent support to the liberal bureaucracy, the chief anti-revolutionary force. All the great authority which the activists of the Left enjoyed in their arenas was passed on to the new leadership. In this way, the Left contributed to maintaining the power of the bureaucracy, and by the same token, it prepared its own political death and the defeat of the revolution. In the spring of 1957, at the Ninth Plenum, the leadership of the bureaucracy was able to declare a "struggle on two fronts" aimed at restoring the monolithic unity of the Party and able openly to condemn the concept of expanding the Workers' Councils and convoking a national congress of councils as an "anarchistic Utopia." By the autumn of 1957, the bureaucracy was able to enter a decisive battle. It began with the police crushing a strike by streetcar workers in Lodz, then came the closing of *Po Prostu*, dispersing mass demonstrations in the streets of Warsaw (October 4-7, 1957), abolishing freedom of the press, a purge in the Party which did away with freedom of discussion within the PUWP and restored its monolithic character and, finally, in the spring of 1958, the subordination of the moribund Workers' Councils to the control of the Party apparatus directly through the Plant Committees and indirectly through the trade union apparatus (the creation of the so-called Workers' Self-Government Conference). In this way, all the achievements of October which exceeded the framework of an internal reform of the system were liquidated and the October Left was finally crushed.

The mobilization of economic reserves and an increase in real wages, fought for and won by the working class, created a base for the stabilization of a reformed bureaucratic dictatorship. As we have seen, however, these stabilizing reserves were of a transient nature; production relationships were not altered, and so, with the exhaustion of these reserves toward the end of the last five-year plan, the economic crisis appeared in a more mature form. The system no longer possesses economic reserves nor any margin for further reforms: those reforms which do not involve the class nature of the system have already been carried out. With the renewal of the economic crisis, a general social crisis has erupted.

(To be concluded next issue.)

Anatomy of an Apologist—II

ISAAC DEUTSCHER AS THEORETICIAN

Julius Jacobson

BEFORE STALIN'S DEATH, familiarity with the ideas of Isaac Deutscher* was limited in the United States to small groups of radicals and Sovietologists. Today, his reputation is firmly established in wider overlapping academic, intellectual and radical circles.

One group of new admirers comprise former Communists and fellow travellers who left the Party or its periphery after Khrushchev's Revelations and the Hungarian Revolution with understandable bitterness toward the Party and the Kremlin. Unfortunately, once the shocks of 1956 wore off many of them proved incapable of completely breaking with Stalinism as they made a limited retreat toward earlier ideological positions. They abandoned their dogmatic allegiance to Russia but were unable to discard fully their illusions about the "basically progressive" nature of the Russian social system. Their critical support of the Communist world, now freed of organizational or ideological servitude to a ruthless totalitarian party, paralleled Isaac Deutscher's elitist political stance and organizational independence. And in Deutscher's writing they found the soul-saving thought that despite their earlier terrible "errors" as members or followers of the Cult of the Personality they had, after all, contributed their energies to "historical progress" and not merely to a monstrous lie.

Another source of Deutscher's popularity is to be found among those who were once part of the militant anti-Communist left. Former Trotskyists, Socialists, independent radicals, even anarchists and libertarians have been convinced by Deutscherite arguments that Russia is an historically superior society evolving into a more fully acceptable form of socialism.

That these forces, moving from opposite ends of the radical spectrum, have converged at positions long held by Isaac Deutscher is not calamitous for the future of American socialism. Far more distressing is the positive reception Deutscher and/or Deutscherism have received among some of the more politically sophisticated cadres and mentors of the New Left which reinforces its double standard in protesting injustices in foreign lands. For example, the New Left admirably proved its militancy in protesting Franco repressions, South African Apartheid and the Indonesian massacres. But where are the demonstrations against

* The first section of Julius Jacobson's critical review of Isaac Deutscher appeared in *New Politics*, Volume III, No. 4.