

Understanding Eastern Europe

Ricardo D. Ferrer

If we were to undertake the task of explaining developments in Eastern Europe, we will begin by testing the following hypothesis: The problems confronting the countries of Eastern Europe are problems of socialist construction and not of socialism itself; such problems were brought about by errors, mistakes, or weaknesses in socialist construction; and such errors, mistakes, or weaknesses were the outcome of an incorrect theory of socialist construction, i.e., the problems are not inevitable consequences of socialist construction *per se*, but of the wrong engineering design of socialist construction.

This hypothesis actually follows quite obviously from a few premises that are not really that exceptional. If we take into account the self-evaluation of the Eastern European countries that they are socialist, and if we assume that a socialist system is one that must have gone a long way towards abolishing antagonistic contradictions so that relatively peaceful change will be institutionalized, then we can only conclude that these countries have not yet, in fact, completed the phase of socialist construction, and are experiencing the "birth pangs" of a new social order, because of the apparent turbulence in the demands for change in most of these countries.

By the same token, if these countries are still in the phase of socialist construction -- that phase of transcending capitalist mechanisms and institutions -- then it is to be expected that socialist activists, not least of whom are the communist parties, should, in fact, be at the forefront of

economic, social, and political processes and movements (i.e., if socialism is indeed superior to capitalism, which we accept here as a postulate). That capitalist demands and calls for the dismantling of communist parties are apparently dominant in the turmoil in Eastern Europe point to a loss of confidence in a socialist agenda due to errors, mistakes, and weaknesses in socialist construction.

While it is true that in the construction of any social order, a self-conscious agent or an actor with a well defined mission may commit some errors and mistakes along the way, or undertake actions which may not be the best possible moves for the fulfillment of the task, it is to be expected that if the programmatic agenda, as well as the strategies and tactics, are consistent with objective possibilities, then errors, mistakes, and weaknesses will be self-correcting. The simple reason is that all these will lead to development which diverges from objective possibilities, unmasking them for what they really are.

This article suggests that the problems of socialist construction in Eastern Europe have deeper roots to be found in the theory that is applied in socialist construction itself. This theory could be inadequate, if not outrightly wrong, for either of two reasons, or both: 1) the socialist vision itself may be erroneous; or 2) the mechanisms, processes, strategies, and tactics of realizing the vision in practice may be faulty.

Testing the Hypothesis

The hypothesis specified above can easily be tested in principle. The first step



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is to specify a (if not *the*) general theory of socialist construction which may involve: a) specifying the general outlines of a socialist order; and b) mapping out, also in general terms, the processes, mechanisms, and other means, or the conditions they must fulfill, of building socialism (naturally on the basis of an antecedent capitalist order). The next step is to particularize this general theory, if necessary, (especially part (b), since (a) can be assumed to be invariant) by taking into account the particularities of the various Eastern European countries.

The third step is to compare the actual mechanisms, processes, and means employed by the Eastern European countries in socialist construction with the theory of socialist construction developed in the first two steps.

The fourth step is to derive hypotheses or predictions regarding economic, political and ideological tendencies in the Eastern European countries on the basis of the divergences between the theory and actual practice of socialist construction in these countries.

The fifth step is to test the hypotheses or predictions in step four by actual observations. The specification of these hypotheses or predictions will, of course, incorporate specification of methods of observation or measurement and verification.

In implementing these procedures for testing the major hypothesis in the previous section, it might already be possible to specify hypotheses or predictions for specific types of divergences between theory and practice after the second step. It is, in fact, advisable to do this in case the process of comparing actual practice with theory can influence the specification of hypotheses in step four.

In any event, the test procedures enumerated above are rather straightforward. They are, however, by no means easy. In fact, we foresee vigorous objections from certain quarters.

The first point that may be raised is that the whole exercise is based on an idealist bourgeois framework. Specifically, the question is, how can we seriously propose to grapple with the problems facing the Eastern European socialist countries by evaluating them, even if only partly, on the basis of a socialist vision, nay, a blueprint? All this smacks of utopianism alien to Marxism. The process of socialist construction, some people would contend, is a dialectical process where, presumably, the means determine the ends, just as the ends determine the means, in a dialectical fashion.

But this objection, if not ridiculous, is beside the point. In the first place, if socialist countries are consciously and



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deliberately constructing a new social order that is supposed to replace (dialectically, if you will) capitalism, then it follows that a pre-conceived plan must exist. It may simply consist of the fundamental structure of the new order, but it is a blueprint nonetheless. In talking about a socialist vision, we mean no more than this. In the second place, the theory of socialist construction to be used may even dispense with a socialist vision!

If problems arise in the implementation of our research framework, they may rest on the difficulty, not the impossibility, of specifying the theory of socialist construction. But if, after more than a hundred years, Marxist literature cannot yield a robust enough theory acceptable at least to Marxist academics, then we may well have to abandon Marxism as a science.

Such a robust theory can be constructed. The next section outlines what we think is the socialist vision and derives the theory or laws of socialist construction.

We will also indicate in very general terms what the possible consequences are of a divergence between the theory and practice of socialist construction, in what way socialist construction in Eastern Europe has departed from, in a manner of speaking, correct practice, and why it is now, therefore, reaping the bitter fruits.

Our aim here is not to make definitive statements; rather, it is to demonstrate the feasibility and fruitfulness of our proposed research framework. This is yet to be fully implemented, if not by us, then hopefully by a team of researchers as concerned as we all are. What follows, therefore, is a very tentative assessment of developments in Eastern Europe.

The Theory of Socialist Construction

Communism, of which socialism is but its first stage, is a mode of associated producers. The two stages are differentiated from each other by the distributional criteria, "from each according to his ability, to each according to his work" for the first stage, and "from each according to his ability, to each according to his needs" for the second. Socialism, in other words, is itself a mode of associated producers, and it is this mode that we refer to when socialism is mentioned here.

The preceding specification of socialism is the most explicit that we can find in Marx. As a concept interpreted within the context of Marxism, it is already very rich in possibilities, or rather, in terms of appropriate restrictions. The concept seems to imply, and we take it to imply, freedom, democracy, and equality at the level of the economy, since the concept can be interpreted as a generalization of peer group arrangements. Certainly, the manner of

producing the means of life can hardly qualify as an association of peers if people are compelled to work; or that workers are unequal in various important respects; or if workers have no say on important matters regarding their lives.

Obviously, freedom, democracy, and equality as substantive rights among associated producers have material prerequisites for their realization. For instance, the belief that the process of production will get to be more and more complex in the course of technological development, such that skills requirements will become more and more variegated, resulting in even more complex and difficult processes in coordinating work (to name a few aspects of the labor process), suggests that workers will get to be even more unequal in the course of time. But this, precisely, leads to a greater appreciation of an aspect of Marx's vision.

The socialist vision includes the abolition of the distinctions between mental and manual work, between town and country, and between agricultural production and industrial production. If this vision is realized, then the seeming inevitability of inequality among producers evaporates. What this realization implies is that, even if it is true that different skills are required for different tasks, or that hierarchical structures are necessary and inevitable, what is also true is that any worker can do any one of these tasks. To dramatize the point, assume that a particular production enterprise has 1,000 workers divided equally to perform 100 different tasks. On any particular day, the 1,000 workers can be assigned randomly among the 100 different tasks and yet production can proceed smoothly.

Under this condition, equality becomes a reality. And so with democracy and freedom, for, insofar as men are equal in terms of basic, presumably acquired, mental and manual abilities, the possibility for self-management of production and mobility in productive employment is maximized. What is true of a single enterprise is true for all enterprises, and for society as a whole.

The problem with this conception, even if consistent and coherent, is not that it cannot be conceived. It is, quite simply, a fantastic dream, a utopia.

It is precisely for this reason that Marxists, as a rule, recoil from an explicit elaboration of the ultimate socialist vision: the conception, the idea, cannot be proven. But neither can they completely forsake a vision of a future society: *Marxism teaches them that socialism is a projection into the future of the objective possibilities created by capitalism, circumscribed by the laws of social development.*

In the final analysis, therefore, socialism is made operational by a series of visions or a series of feasible structures of society, which we might conventionally call socialist, starting with the first one being constructed from a capitalist order, presumably with the precision of natural science. Any of these structures in the series may not be the socialist society, for that is yet to unfold. From a theory of the socialist society, socialist theory is therefore transformed into the theory of construction of socialism.

But there seems to be a paradox here. If the series of feasible structures of society starting presumably with the second and ending with the ultimate socialist order, cannot be constructed without falling into utopianism, how can a theory of socialist construction itself be constructed? Perhaps this theory of construction is yet to be constructed as the series of feasible socialist structures are being constructed. But how can these structures be constructed if the theory is yet to be constructed?

The paradox is resolved by noting that whatever is the nature of the first feasible socialist structure that is and can be constructed scientifically out of capitalism, such a structure can only be constructed if the process of construction is consistent with the laws of social change. In other words, the theory of socialist construction is not a theory *sui generis*; it is embedded in the general theory of social change. It

can be enriched, as all theories are in the course of practice, as each of the feasible socialist structures unfolds; it is never newly constructed all the time.

For this reason, the incorporation of maximum demands for freedom, democracy, and equality, as features of feasible socialist structures, need not be derived from the concept of a mode of associated producers; rather, they can be derived from previous historical development, where freedom, democracy, and equality have expanded, as progressive social structures succeeded one another in time.

Freedom, democracy, equality. Their maximization is certainly consistent with both the ultimate socialist vision of a mode of associated producers, and historical change hitherto. We take this goal, therefore, as the bedrock of a theory of socialist construction. In other words, socialist construction is the process of developing material forces of production, mechanisms, institutions, etc., which maximize freedom, democracy, and equality. Let us posit this differently and in law-like fashion: *Only if each of the successive stages in the construction of post-capitalist society maximizes freedom, democracy, and equality will the process of construction move progressively and smoothly towards socialism. It follows from this that violation of the law will mean stagnation, retrogression, or counter-revolution.*

Unfortunately, political variables like freedom, democracy, and equality are hard to pin down and measure. Hence, it would be simpler if the law of socialist construction is translated in economic terms. This is easier said than done. A possible recourse is to identify the fundamental socio-economic variables that restrict freedom, democracy, and equality. For this purpose, we propose that unearned incomes such as rent or quasi-rent, the number of unearned statuses and positions of authority and power, and economic wastes be used to measure the degree of restrictions on freedom, democracy, and equality. In other words, the hypothesis is that, if unearned incomes, the number of

unearned statuses and positions of power and authority, and economic wastes are nil, then the maximum possible degree of freedom, democracy, and equality will be enjoyed by people as allowed by the level of development of the material conditions of production and life. We will only try to indicate here the plausibility of this hypothesis.

As a general rule, rents are brought about by absolute scarcities, and the perpetuation of this type of private income in itself implies both the lack of freedom and inequality. For instance, a group of specialist surgeons can constitute themselves into a college, and only its fellows will be allowed to render the specialization required. The result would be an artificial absolute scarcity in the supply of such service, and the fellows can charge their patients more than what that specialist service would normally command. Part of the fellows' income would take the form of rent, and the more restrictive entry into the college is, the higher rent will be. On the other hand, if competence is the only requirement for entry (and if so, the college would, in fact, be irrelevant), rent as a portion of the doctors' incomes will disappear.

Numerous examples of rent-seeking can be enumerated; but they all lead to the same conclusion as in the previous example: lack of freedom and inequality. If real democracy prevails, then the prevalence of rent incomes may disappear, since people can be assumed to value freedom and equality, and to act for their realization. Obviously, the magnitude of rent incomes also indexes absence of democracy, and the mechanisms that bring this about may be tied up with the rent appropriators' actively putting restrictions on democratic processes.

In the case of unearned statuses and positions of authority and power, these are artifacts of social and political processes. The belief, for example, that one person does not earn the right to a super-ordinate position requiring skills of coordination and supervision of some activity undertaken by numerous subordinates implies that it is not one's skill of coordination and supervision

that puts one there. Some other mechanisms or criteria are involved in the process of selection. In short, again, these are manifestations of the absence or restricted nature of freedom, democracy, and equality among the people in general, and among the people with the specific expertise, in particular. Expand the number of such unearned positions and to that extent you magnify the restrictions on freedom, democracy, and equality.

Similarly, economic wastes which, as a general rule, involve the expenditure of economic resources without the production of use values or socially necessary services, subtract as much, or even more, from the social fund that could have gone into, among other things, education and other socially necessary services designed to eradicate the economic and material basis of inequality. It is difficult to tell what the sociological and psychological costs that detract from freedom and democracy are, but intuition tells us that such costs attendant to the generation of economic wastes are not insignificant.

The preceding examples are by no means proofs of the hypothesis that unearned incomes, statuses, and positions of authority and power, and economic wastes are the fundamental socio-economic variables that restrict freedom, democracy, and equality. The validity of the hypothesis is nevertheless assumed. Given this premise, the law of socialist construction may be restated thus: *Only if unearned incomes, the number of unearned statuses and positions of power and authority, and economic wastes are minimized will the process of socialist construction move progressively and smoothly towards socialism.*

Explaining Events in Eastern Europe: A Tentative Statement

The problems of the Eastern European countries stem primarily from wrong theory: *These countries were guided by a theory of socialism rather than by a theory of socialist construction. Thus, they were guided by the law of planned development (i.e., they denied the validity of the law of value in socialist construction); they were*

obsessed by the abolition of private property; and they misinterpreted the notion of dictatorship of the proletariat as the dictatorship of the Communist Party. They were guided in their endeavors by Marxist texts, but these texts may have been wrong; or they may have been misinterpreted.

We say that these countries were guided by a theory of socialism and not by a theory of socialist construction. And this is paradoxical. On the one hand, there does not seem to exist a systematic elaboration of the material prerequisites of the mode of associated producers (presumably because, as indicated above, of the utopian undertones of such an exercise); on the other hand, the law of operation, or the mechanism of regulating production, of such a mode, namely, central planning ungoverned by the law of value, was broadly applied. Absence of private property is also an institutional law for socialism as the mode of associated producers. None of these socialist countries have reached that utopian socialist state, but they were broadly applying the laws appropriate to that state. It is this contradiction which has brought about the crisis in Eastern Europe: *the laws of utopia were applied to a far from perfect world.*

Even in the most advanced capitalist countries in the world today, such as the United States, the first stage in socialist construction (assuming a successful proletarian revolution today), cannot just forego the law of value and private property. For one thing, unless and until the development of productive forces (especially of human capacities) has reached a stage that makes possible a perfectly computable economy, i.e., an economy where *ex ante* plans are routinely fulfilled *ex post*, the law of value, or the regulation of production via the law of value (or prices!) will remain the most efficient regulatory device.

This is not to say that there will be no central planning in the socialist system for the socialist United States we are envisioning. In fact, central planning is the mechanism that will make the law of value

work even more exactly. The price system is most effective for marginal adjustments, while central planning will take care of the appropriate structural changes, and the provision of public goods where the price mechanism is known to fail.

For another reason, the suspension of the operation of the law of value will introduce arbitrariness in rewarding work. In the mode of associated producers, where workers are interchangeable in all productive tasks, one's work is the same as anyone else's, so that all the workers can be rewarded equally in terms of labor time. But even here, there are fine points to consider (which we need not go into.) But in the socialist system we are considering, such is not the case. If so, what criterion will be used to convert one hour's work by, say, the manager (as productive coordinator for one) into its equivalent amount of unskilled work? Marx, in fact, asked this question, but he finessed it by saying that the conversion takes place behind the backs of the capitalists. But what is behind them if not the market?

People may have to be reminded that the law of value is the regulatory mechanism which sees to it that resources go into the production of use values, and the things get to be use values if that is what the people need. Unless and until perfect computation is possible, it may be better practice to perfect its operation, and central planning combined with markets does just this.

With respect to capitalist private property, the issue to settle is whether it has become a barrier to development. After all, capitalist private property was the vehicle of development for an era that had put to shame all the material development of all previous eras. It is, of course, true that capitalist private property in advanced capitalism has, as a rule, become the barrier to social and economic development. But this is so because monopoly capital has become dominant; it is monopoly capital which has become the brake to further development.

In the first stage of socialist construction in advanced capitalist countries, however,

not all forms of private property are backward or barriers to development. Indeed, with monopoly capitalism, an extremely uneven process of development is strengthened, such that the dynamism of certain fractions of capital (i. e., the dynamism of capitalism in its progressive stage), as in the service industries and even in certain segments of industry and agriculture, is thwarted by monopoly capital.

Moreover, it is by no means the case, when the distinctions between mental and manual labor, agriculture and industry, and town and country still exist, that a significant number of the people cannot achieve the full realization of their human potential by owning material means of production. Thus, in the first stage of socialist construction in advanced capitalist countries, private property, while no longer dominant, will still have a role to play in the development of productive forces. They will, certainly, wither away, as further advances under socialist construction will make private property redundant. But they cannot be made to wither away by fiat without costs.

If, therefore, the law of value will remain an efficient mechanism, and private property will still have a progressive role in the first stage of socialist construction in an advanced capitalist country, then it follows, perhaps with the force of logical necessity, that they will remain so in countries constructing socialism from a lower base of economic and social development.

Thus, once more, we conclude: the Eastern European countries, as a rule, applied the wrong theory in the construction of socialism. But what could be the consequences of applying the wrong theory?

If the operation of the law of value is suspended under a regime of central planning that is far less than perfect, then what Kornai calls economics of shortage obtains, with the following as some of its main features:

- 1) excessive and unnecessary inventories of intermediate products are accumulated.



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2) most of these inventories of materials become outright wastes.

3) even labor power is hoarded (i. e., enormous slacks in labor are experienced).

4) unnecessary or sub-standard input substitutions reach significant magnitudes.

5) exchanges between enterprises become necessary, but exchanges are governed more by personal and other non-economic considerations between enterprise managers.

6) access to consumer goods increasingly yields privileges to people in authority.

7) statuses and positions of power and authority are not rightfully earned. (This is due primarily to the reduction of the dictatorship of the proletariat to the dictatorship of the Party.)

Moreover, with the obsessive drive towards socialist (State!) property, certain consequences could be expected. Agricultural production and productivity are the main casualties. Of all the productive sectors of any economy, the agricultural sector is the last to free itself from the vagaries of nature, and from the dominant control over the labor process by the immediate, individual producer. Thus, the drive towards large collective, cooperative,

or state farms is counter-productive. Furthermore, such large undertakings call for numerous administrative, supervisory, or other positions of authority, filled up, in most cases, through the bureaucratic mechanisms of State and Party. Thus, economic wastes, and privileged positions (since unearned on the basis of economic efficiency criteria) are magnified.

From the list of errors, mistakes, and weaknesses mentioned above, flowing primarily from incorrect theory, it is now easier to understand why the turmoil in Eastern Europe appears to be leading the region along the capitalist path. Since the ills proceed from the undialectical negation of two fundamental institutions of capitalism, namely, private property and the price mechanism, then it would appear, even to the peoples of Eastern Europe, that capitalism is the solution. Since these problems also stem from the dictatorship of Communist Parties ideologically passed off as the dictatorship of the proletariat, then it would also appear to the peoples of Eastern Europe that capitalist democracy is also part of the solution.

And now, finally, it seems that, what Max Weber was supposed to have said to George Lukacs, is coming to pass: *Socialist construction in backward countries will give socialism a bad name for a hundred years.* If we accept this proposition, the question then is, when do we begin to count to a hundred?

Appendices

1. Consistency in the Maximization of Two Goal Functions With Identical Arguments

In a paper presented at a seminar at the University of the Philippines School of Economics (UPSE) on 10 November 1989, entitled "A Mathematical Formalization of Marxian Political Economy" (2nd Draft Ms. 132.1), we explained, on the basis of Marxian assumptions, the fundamental propositions in Marx's famous "Preface" to *A Contribution to the Critique of Political Economy*. (A copy of the paper is available at the UPSE Library.)

The paper presented the societal problem that is postulated in the following simplified form:

$$1) \text{ Maximize: } NZ = Z(L, q) - Cu(L, R, q) \\ \{L, R, q\}$$

where

NZ = net surplus as a fraction of total labor Z = surplus labor as a fraction of total labor, $0 \leq Z < 1$;

L = level of development of productive forces, $0 < L < 1$;

R = production relations, $0 < R < 1$;

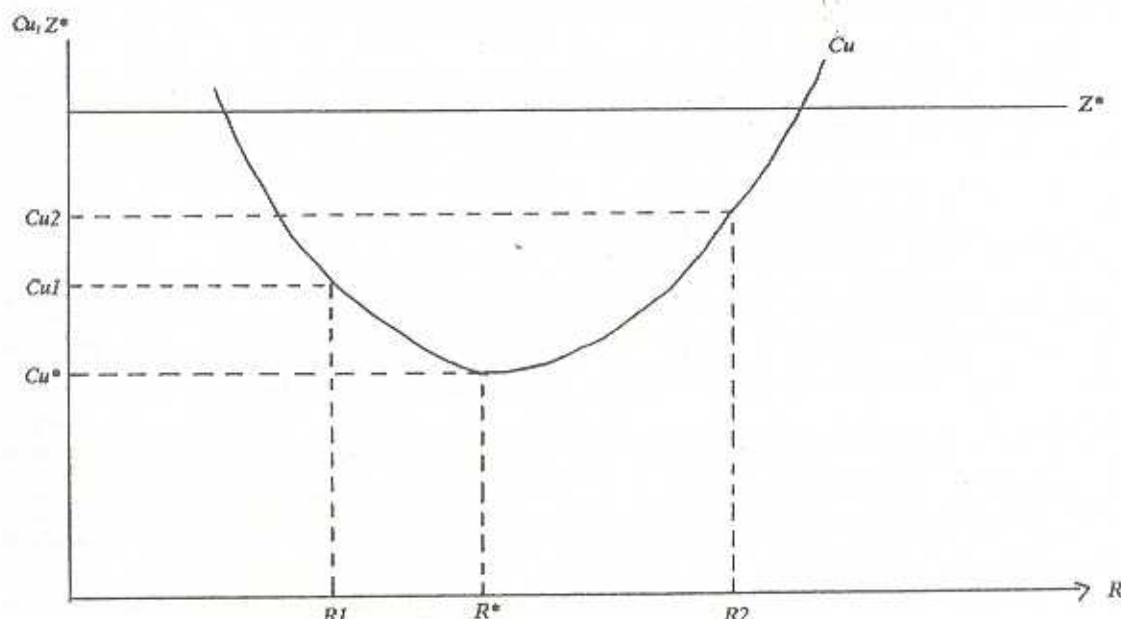
Cu = unproductive labor as a fraction of total labor, $0 < Cu < 1$;

q = level of operation of the economy, $0 \leq q \leq 1$.

In reality, L and R are eight-dimensional, and 45-dimensional vectors, respectively. For simplicity, we assume that L and R are scalars. An R close to zero basically means extreme concentration of ownership and control over means of production, and an R close to unity conversely implies almost total social ownership and control over the same means.

In the present text, the societal goal is to maximize some function of the variables freedom, democracy, and equality, each of which may be measured in the interval $(0, 1)$ where, for instance, a value of freedom close to zero implies almost complete absence of freedom, and almost absolute freedom for the opposite case of a value close to unity. The case for democracy and equality is similar to that for freedom. If both goal functions are mobilized to derive laws of social change, then the natural question to raise is, are both functions consistent, i.e., would they yield identical results? To answer this question, assume that, for $L = L_0$, an optimal value Z^* and q^* have been obtained. In Fig. 1 we drew the Cu and Z^* curves in terms of R and given q^* . At R^* in Fig. 1, the difference between Z^* and Cu yields NZ^* , the optimal value of NZ . Obviously, R^* is the optimal value of R , i.e., R^* constitutes the appropriate relations given $L = L_0$. Is there some sense in saying that at $NZ = NZ^*$, the goal function in the text above,

Fig. 1



2) $S = S(F, D, E)$ is also maximized, i.e., does S also attain a maximum at R^* and q^* , given that $L = L_0$, when F (freedom), D (democracy), and E (equality) are functions of R , L , and q ?

Going back to Fig. 1, suppose that $R < R^*$. In this case, ownership and control over means of production are more concentrated than they should ideally be (at R^*). In this case, one may interpret the situation as that where the number of "managers" running the economy is smaller than the ideal, so that an artificial scarcity exists. Thus, rent income is being appropriated. For example, at R_1 , the magnitude of this rent is the difference between Cu_1 and Cu^* in Fig. 1. We argued above that the presence of rent incomes is a *prima facie* evidence for the presence of restrictions on freedom, democracy, and equality.

Similarly, at $R = R_2$, the reverse situation exists: There is greater social control over production, i.e., there are more "managers" now than at R^* . This situation can be interpreted either as the situation where statuses and positions of power and authority are not "earned", or one where extra-economic arrangements in the recruitment of "managers" are present. An intuitive example here is one where membership in some "fraternity" or "club" (such as belonging to the top 400 families) entitles members to occupy various remunerative positions in public as well as private business. Surplus measured as $Cu_2 - Cu^*$ is dissipated unproductively, which magnitude may index the number of "unearned" statuses and positions of power and authority which, as we have argued, impose restrictions on freedom, democracy, and equality.

It may appear that both phenomena are mutually exclusive. But this appears so only because R is treated as a scalar. Recalling that R is in fact a 45-dimensional vector, simultaneous occurrence of such phenomena is not excluded.

Now, consider the case where $q < q^*$ and $Z < Z^*$. The same Fig. 1 may be used with Z^* replaced by $Z < Z^*$. Moreover, the Cu curve may not bottom out at R^* , and its minimum value may be different from Cu^* . But let us assume for simplicity that this Cu curve indeed bottoms out at R^* . Nonetheless, even at R^* and $q < q^*$, $NZ < NZ^*$, and of course $Z < Z^*$.

The situation envisaged above is one where resources are either idle or, if not, they are being used unproductively, or wastefully, and the waste is measured by $Z^* - Z$. As we have argued above, such wastes in themselves restrict freedom, democracy, and equality or they may simply proxy for restrictions on all three variables brought about by other mechanisms.

The point, therefore, is that if NZ is not maximum, certain avoidable restrictions on freedom, democracy, and equality exist. At NZ^* , all these are removed, and the maximum possible values of F , D , and E are attained. Whatever form S takes, S will be maximum at R^*, q^* where NZ is maximum as long as the partial derivatives of the function with respect to its arguments are positive.

In short, the maximizations of NZ and S yield identical results.

There is a minor point that needs to be mentioned. In the text, for purposes of empirical research, we substituted the minimization of some functions of rents, wastes, and unearned statuses and positions of authority and power for the maximization of S . The reason for this is the elusive properties of F , D , and E , as far as measurement is concerned. From the immediately preceding discussion, it is obvious that the variables that were substituted are not really that easy to measure either; neither are NZ^* or any NZ for that matter. We can only be consoled by the fact that approximate measurements are possible in principle.

II. The Essence of the Dictatorship of the Proletariat

The essence of the notion of a dictatorship of the proletariat can also be clarified by the model discussed in the paper mentioned above, and the present text. Consider Fig. 2. There, we present our results in stylized form because of the scalar treatment of the vectors L and R .

The line ab in Fig. 2 represents the trajectory of society in its development if at all times and for all values of L the social structures represented by R are the optimal social structures, i.e., freedom, democracy, and equality, or net social surplus, are maximized at all times under the inevitable restrictions imposed only by L or the level of development of the material forces of production.

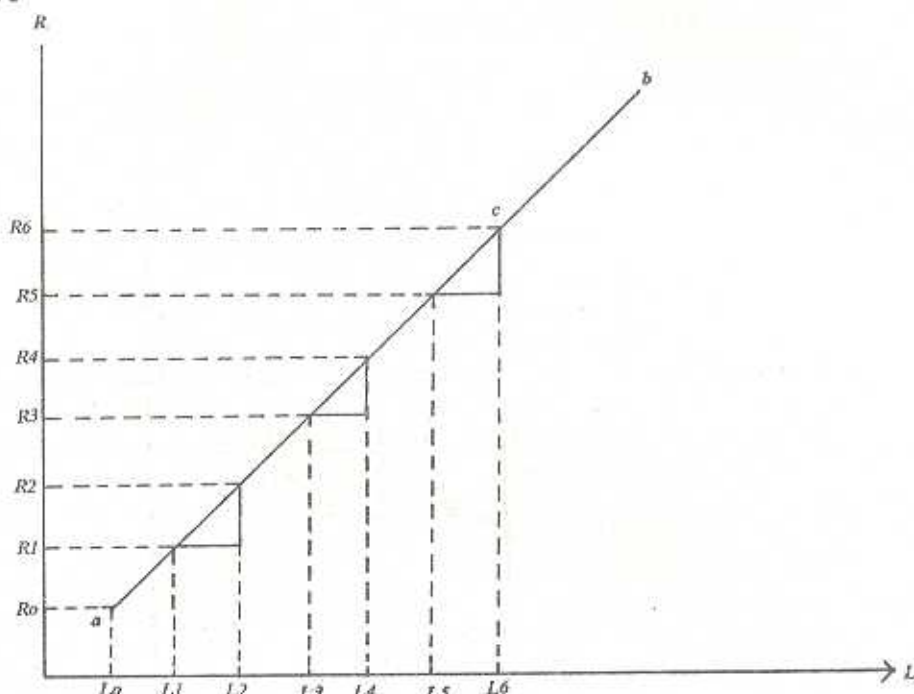
At $L = L_0$ a social order is inaugurated with $R = R_0$. The situation is such that all R fulfilling the condition $R_0 \leq R \leq R_1$ are allowed and accepted by the State, laws, and ideology that are inaugurated together with the ascendancy of R_0 . Development proceeds smoothly along the ab line as L increases from L_0 to L_1 . Indeed, the appropriateness of the State, laws, and ideology facilitates this development. However, starting from L_1 , the State, laws, and ideology become ossified. Classes determined by R_1 no longer favor any change in class relations.

Nonetheless, the development of L proceeds with R remaining constant at R_1 . In fact, as shown in the paper, the classes in favor of R_1 will have to systematically develop productive forces if only to preserve their class positions. But, since R remains fixed at R_1 as L increases from L_1 towards L_2 , the social structure is increasingly becoming a barrier to the development (better still, utilization) of productive forces as the divergence between producible output (and surplus) and actual output increases. In terms of the language of the present article, economic wastes, inefficiencies, rent-seeking, and other privileges increase systematically from L_1 to L_2 or, to put it differently, restrictions on freedom, democracy, and equality, are magnified.

At L_2 , given the scenario presented above, segments of the population who will benefit from the elimination of all of these aberrations eventually marshal sufficient power to overthrow the existing regime (R_1), to put in place a new one starting with R_2 . The same societal processes repeat themselves, i.e., the developments from R_2 to R_4 , and from R_4 to R_6 , are qualitatively the same as the developments from R_0 to R_2 . Only now, they are taking place at much higher levels of development of productive forces.

Such are the processes that Marx analyzed, and from which he derived the laws of social change or history summarized in the famous "Preface". The main characteristic of such processes is that developments are (or were)

Fig. 2



basically the result of numerous uncoordinated actions and reactions in society as a whole, and the laws of social change were, thus, operating blindly. Nonetheless, blind as they have been, the trend of historical development, as we have seen, demonstrates the expansion of human freedom, democracy, and equality.

Now assume that the capitalist order was inaugurated at L_4, R_4 in Fig. 2 and the situation is now verging on L_6 . The Marxist thesis about the role of the working class in the liberation of mankind is that, with history behind it, and the learned lessons from this history* (among which is that private property is now basically the main barrier to development, in the sense that it prevents the full utilization of productive resources and the attainment of maximum freedom, democracy, and equality), it will be the principal agent in the development of a classless (private propertyless!) society, since it is already propertyless.

This new social order will be inaugurated at L_6, R_6 . But at L_6, R_6 , the new social order is not yet the classless society envisioned (when RwI, L also approaches unity and Z approaches 1 asymptotically). The essence of the new order inaugurated at L_6, R_6 , of the dictatorship of the proletariat, is that, henceforth, the trajectory of social and historical development will follow the solid path along ab starting with cb , ultimately ending with the truly classless society of the future, as a conscious process of development.

Let us repeat: The essence of the dictatorship of the proletariat is that from the inauguration of its power, the laws of social development will, henceforth, be consciously applied. From being blind laws to which men, independent of their will, are subjected, the laws will be subjectively and objectively applied. The principal law, as we have seen is this: Whatever the level of development of productive forces is, starting with L_6 , relations will be such that freedom, democracy, and equality will be maximized. A derivative law is this: since maximization of freedom, democracy, and equality is at the same time the maximization of net social surplus product, then the development of productive forces will also be maximized under the dictatorship of the proletariat.

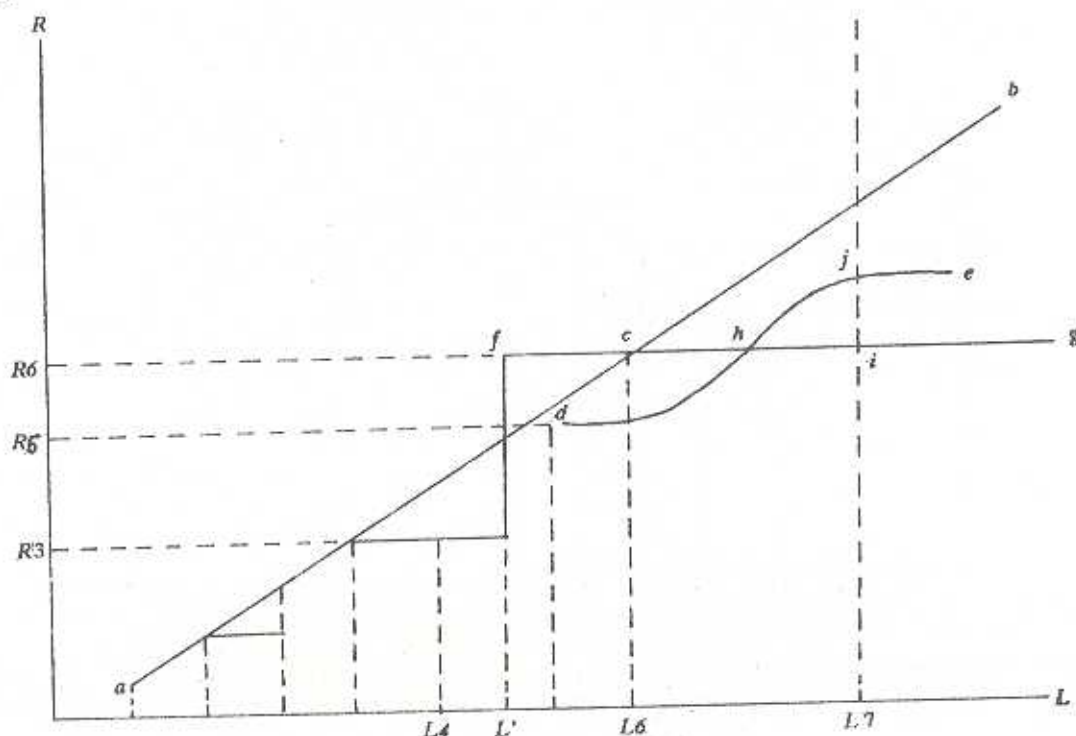
III. Where the So-Called Socialist Countries Went Wrong

The hypothesis about what went wrong with the so-called socialist countries is now practically a logical deduction. Consider Fig. 3 which is exactly identical to Fig. 2 above except for a few additional features.

The stylized facts are the following: (1) When the so-called socialist countries started socialist construction, capitalism was already monopoly capitalism ready for socialist revolution. This is represented by the situation L_6, R_5 in Fig. 3. (2) These countries were already over-ripe for the capitalist revolution at the time they began socialist construction. This is represented by the situation L', R_3 in Fig. 3. (3) Revolution in these countries used the lessons from history represented by developments from (a) or earlier, up to (c) which was then seen as the socialist possibility at L_6, R_5 (Fig. 3).

As stylized representation of events, revolutions in the so-called socialist countries took them from the State L', R_3 to L', R_6 (f). Believing that what they had inaugurated was socialism, practically a classless society, and applying an aspect of the derivative law mentioned in Appendix II above, namely, that development of productive forces will be maximized under the dictatorship of the proletariat (but forgetting the fact that the precondition of the law is the maximization of net social surplus product, which is the first fundamental law of socialist construction, also stated as

Fig. 3



the maximization of freedom, democracy, and equality), these socialist countries followed a path of development labelled *fg* in Fig. 3.

In the meantime, the advanced capitalist countries, given the challenge and experiences of these so-called socialist countries, followed a path of development labelled *de* in Fig. 3. For the most advanced of these so-called socialist countries, its current situation might be depicted as point *i* in Fig. 3, while an advanced capitalist country is at point *j*. The other so-called socialist countries could now be anywhere between points *e* and *i*, or presumably *h* and *i*. But this is of secondary importance.

The success of socialist countries is primarily rooted in the fact that the time it took the most advanced of them to move from *f* to *i* was much shorter (70 years), than for capitalism to move from *d* to *j* (where both countries have practically the same level of development of productive forces), which took it 200 years! By almost every reckoning, it is spectacular. But it would have been more spectacular had the path *db* been followed. This follows from the fact that along *db*, maximum net social surplus is realized.

Both the most advanced socialist country (and all the other socialist countries!), and advanced capitalist countries are, however, operating sub-optimally.

Unfortunately, the advanced capitalist countries are operating less sub-optimally than the most advanced socialist country. Thus, it would appear that the capitalist path is superior to the socialist path (the *fg* path in Fig. 3!). And so, activists in the so-called socialist countries still see a bright future in the *hje* path. They have been, and they will be, encouraged by external forces to traverse it.

When people ask if there is a third way, apart from the *fg* and *hje* ways, believing that there is no other, they exhibit any of the following: naivety, ignorance, stupidity, or counterrevolutionary cunning. Of course, there is a third way, the right way, namely, the *ab* path. But the question is, do the people in the so-called socialist countries who should know, know it? Perhaps Mr. Gorbachev knows it, but it takes more than one man now to bring the socialist countries back to the correct avenue.

What went wrong with the socialist economies then? The answer appears simple: the laws that they followed, and the programmatic agenda that they implemented, were all wrong.