

THE LAW OF VALUE, MONEY, THE STATE, AND THE SMALL, PERIPHERAL  
TRANSITIONAL ECONOMY: AN ANALYSIS OF SOME PERSPECTIVES

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It is always the direct relationship of the owners of the conditions of production to the direct producers ... which reveals the innermost secret, the hidden basis of the entire social structure... This does not prevent the same economic basis, due to innumerable different empirical circumstances ... from showing infinite variations and gradations in appearance, which can be ascertained only by analysis of the empirically given circumstances.

K. Marx (Capital III: 791-2)

There is never a 'commodity mode of production', but in any economic and social formation in which commodity production and circulation exist, the problem of the relationship between the prevailing mode of production and commodity circulation arises.

De Brunhoff (1978: 39)

...the stages of transition of each economy that carries out its socialist revolution can be qualitatively different from the apparently analogous stages passed through by ... countries which have preceded it on the same road.

Bettelheim (1978: 18)



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CB	Central Bank.
Ch.	Chapter.
CM	Credit Money
CMP	Capitalist Mode of Production.
CP	Commodity Production.
CS	Credit System.
Dpt(s).	Department(s).
Emp.	Emphasis.
Esp.	Especially.
FF	Formal Facilitation.
FFPP	Forces of Production.
FS	Formal Support.
GE	General Equivalent.
HC(s)	Historical Category(ies).
LP	Labour Power.
LT	State-backed Money of Legal Tender.
LOV	Law of Value.
M-C	Money-Commodity.
MK	Money Capital.
MMPP	Means of Production.
MOC	Means of Circulation.
MOP	Means of Payment.
MOV	Measure of Value.
NEP	New Economic Policy.
NKP	Neo-Kaleckian Perspective.
Orig.	Original.
PSE	Peripheral Socialist Economy.
R-R-A	Realist-Retroductive-Articulation.
(S)DOL	(Social) Division of Labour.
SNALT	Socially Necessary Abstract Labour Time.
SEPPF	Synchronized Economic-Political Functionalism Perspective.
SNLE	Socially Necessary Labour Expenditure.
SOV	Store of Value.
SP	State Power.

SPTE	Small Peripheral Transitional Economy.
SRP	Social Relations of Production.
SS	Substantive Support.
SSP	State Socialism Perspective.
STAMOCAP	State Monopoly Capitalism.
STP	Symultaneous Transformation Perspective.
TC(s)	Transhistorical Category(ies).
TS	Transitional State.

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## INTRODUCTION

The widespread tendency among Socialist-Transition writers of the most diverse perspectives to use such words like 'value', 'money', 'law of value', 'commodity production' (vis-a-vis the 'capitalist mode of production'), 'social relations of production', 'forces of production', 'State (Power)', etc., as if they conveyed unambiguous meanings to most readers, is a significant problem. One of the arguments of this paper is that those words have been defined and used in very different ways in the literature on Socialist Transition in general, and on monetary and financial policies during the latter, in particular. The same argument can be made with regard to Marx's method of analysis and in fact it seems that this latter divergence lies at the basis of the previously mentioned problem, particularly among those writers who assert the validity of 'the' classical Marxist tradition for socialist experiments in the periphery.

Moreover, this paper also seeks to demonstrate that Marxist methodology is useful for understanding the role of money (as the 'general equivalent') during the Transition as well as for analyzing and evaluating other writers' positions on this issue. However, the unavoidable choice of interpretation of Marx's method, whether conscious or not, would seem to lead to correspondingly different theoretical and political conclusions. In sum, the debates over which are the meanings to be attributed to the above-mentioned notions, when attempting both to understand transitional societies and to design socialist strategies, are not just a matter of simple academicism or theoricism. On the contrary, they seem to be of crucial importance for decision-makers. This paper will provide examples where particular and largely unscrutinized adoptions of particular concepts of 'value', etc., have played a significant role in the sometimes (unintended) highly counterproductive formulations of the 'main' theoretical and political problems during the Transition period. It is thus the intention of this paper both to delve into these issues so that these notions might perhaps be satisfactorily clarified for future research, as well as to reassert the relevance of one particular

elaboration of these notions based on a particular interpretation of Marx's method.

Hence, this paper adopts and describes what regards as the most loyal methodological interpretation of Marx's method, namely, the Realist-Retrodution-Articulation interpretation. The latter is seen as more adequate mainly because it ceases to arbitrarily separate the 'Base' from the 'Superstructure', implies better definitions of the above notions, and provides a better understanding of Marx's postulation of the existence of an essential contradiction between 'forces of production' and 'social relations of production' as being the driving force in the movement from one to a 'more advanced' mode of production. And these are precisely the elements needed for a better understanding of the Transition process as well as for an adequate criticism of four perspectives on the role of monetary and financial policies in the small peripheral transitional economy. The critical analysis of the four perspectives' substantive and methodological contents made in this paper (Ch. 3) is thus based on a theoretical framework which was developed (Ch. 2) in accordance to our methodological interpretation of Marx (Ch. 1). In particular, a classificatory scheme to identify and distinguish all the forms of State intervention which have to do with the 'general equivalent', is proposed in this work. Nevertheless, this paper should not therefore be seen as attempting to provide either a general theory or detailed and concrete prescriptions about the Transition. Very much on the contrary, our methodological perspective rules out any such attempt, and leads us instead towards the more limited task of simply formulating the nature of the problems which could be faced by revolutionary forces during the Transition.

The four perspectives amply described and analysed in this paper do not exhaust all possible alternative views on the subject. However, within our space limitations they would seem to be representative enough given the range of transitional experiences on which they are based viz USSR, Czechoslovakia, Chile, Mozambique and Nicaragua. Our (hopefully comprehensive) analytical discussion of these perspectives within a relatively small number of pages might thus perhaps also be another contribution towards further research in this field. Moreover, our critical analyses of these perspectives would seem to lead to the following theoretical propositions:

1. None of these perspectives have adequately defined the 'law of value' in view of our seemingly more useful wholistic understanding of it;
2. Our law-of-value notion implies problematic and permanent trade-off devaluations between labour and money;
3. A fundamental problem during the Transition consists precisely in the fact that the law of value predominates in most economic sectors and in the economy as a whole, and that, in those sectors where it might have been superseded, highly counterproductive effects for further socialist transformation may have occurred, both within them as well as in their articulation with the rest;
4. The latter problem, which was not explicitly conceived as such by the four perspectives, manifests itself in monetary and financial dimensions (e.g. inflation), labour devaluation, as well as in undesirable forms of economic re-articulation; and,
5. The four perspectives have chosen to stress on relevant but individual aspects of the problem e.g. absolute economic direction, income distribution and consumption, re-articulation and production levels, and wide social transformation and State-organised differential access to resources.

With regard to money in particular, this paper cannot but produce the following hypothesis: The role of money during the Transition is to be (or not to be) reproduced by State interventions, as the 'General Equivalent', at the national and/or international levels, and for different social groups, production forms, etc. This reproduction would seem to be better regarded as the active management of changing conjunctures over time, rather than as the pursuance of predetermined and 'autonomous' monetary and financial policies. The ultimate objective of this strategy being, as it usually is (by design or by default), to benefit, foster the development of, and/or avoid the weakening of the new 'social relations of production' vis-a-vis the old ones. Let us now try to substantiate the arguments sketched above.

## CHAPTER ONE

### MARX'S METHOD AND ITS IMPLICATIONS

#### 1.1 The Relevance of Marx's Method to our Study.

One important question raised by a recent study on "the socialist experiments in the periphery" is if there is anything relevant in the "classical Marxist tradition" to these experiments' realities (Fagen et al. 86b). In this regard there is a variety of viewpoints. For example, Nuti argues that, despite few exceptions,

the Marxian approach to modes of production has been seldom applied to socialist economies of Marxist-Leninist inspiration, and the development of a political economy of socialism has been delayed, slow, and fragmentary. (p. 228).

Moreover, not only has it been argued that the Marxian approach has been seldom applied, but its very applicability to such economies has been either regarded as inadequate for 'socialist planning' (Ellman 79), or seen as 'obscuring the real issues' when discussing the role of money and finance in the Transition to 'socialism' (Griffith-Jones), or depicted as a 'Marxist straitjacket' which should be substituted by the 'new socialist economics' (Wilczynski), or denied as valid altogether (Bukharin; and Luxemburg, see Nuti: 230). The latter denial has been recently echoed by Nove (83) who has explicitly and categorically rejected the usefulness, relevance, and correctness of Marx's economic categories for the 'economics of feasible socialism'. Brus (85) refuted Nove only to argue, basically, that 'Marxist theory' has been relevant for 'actually existing socialism', but in the wrong way because "Marx was [on balance] a centralist and an anti-marketeer in his views on the future socialist economy" (p. 47; see also 72: Ch. 2).

Another set of responses to Fagen et al.'s question simply attempts to somehow bypass it. For example, Nuti himself offers an alternative political economy of socialism based on the "dialectical interaction between capital accumulation, economic decentralization and political liberalization" (p. 257); he applied it to the USSR and the Eastern European socialist countries. Spoor (82) applied Nuti's political economy to the experiences

of Cuba, Viet Nam and Mozambique. There have also been attempts at re-formulating 'the' Marxian approach, usually in such terms so as to justify the status quo of 'actually existing socialism'. Thus, as Nuti again pointed out, there is also a

Soviet-type orthodox political economy of socialism [developed in] Soviet and... East-European official texts [which] have more explicitly claimed the correspondence of production relations and productive forces under socialism, i.e., the end of conflicts and dialectical contradictions. (pp. 230-1).

Corrigan et al., from another perspective (similar to the one taken in this paper), have attempted "to demonstrate the relevance of Marx's theoretical generalizations concerning production - above all the capitalist mode of production - to understanding" the USSR transitional experience (78: xiv). Last, but not least, Bettelheim argues strongly that "it is by applying the conceptual tools and scientific methods that Marx worked out that the problems of transitions can be formulated and ... solved correctly" (78: 14).

This variety of responses to the question as to the relevance of 'the' Marxian tradition to socialist experiments would in itself seem to demonstrate its interesting nature. However, the analysis and comparison of the above-mentioned viewpoints is made cumbersome by the fact that Marx's own method of enquiry lends itself to different interpretations (Dow; Jessop)<sup>1</sup>. If the very analytical method of the founding fathers themselves of Marxism is not unanimously interpreted, how can it be possible to evaluate the divergent perspectives of those who employ a 'Marxist' framework when dealing with the socio-economic problems of the Transition? Notwithstanding this problem, and given the inherently conflictual character of any Transition to 'socialism' (as shown later), it would seem to be necessary to discuss this method precisely because of its widely recognized<sup>2</sup> major importance for the theoretical analyses of practical and crucial issues raised in all social struggles in general i.e. for the design (and/or critical evaluation) of more appropriate strategic and tactical policies, such as monetary and financial ones, during these struggles; not to mention the fact that

Some one-third of the world's population now live under governments which claim Marx's imprimatur for their policies and indeed legitimate their very existence in terms of his supposed theory of history. (Sayer 87: viii; our emp.).

Indeed, this problematic about the correct interpretation of Marx's method as well as about its policy implications seems to have played a very important role in the theoretical debates during the first socialist transitional experience viz the USSR. Although space does not allow probing our hypothesis, a careful reading of Bukharin (Ch. 9, esp. pp 148-50, where Marx's method of presentation is taken to be his method of enquiry) and of Preobrazhensky (Ch. I, esp. pp 44-8, where Marx's method of enquiry, as described in the next section, is more, although still not fully, adequately explained and understood), would make it apparent that much of their diverging perspectives (as exemplified in the famous 'industrialization debate'), and conceptualizations of the 'Law of Value' [LOV] and of the 'commodity categories' such as 'money' (see next Ch.), may well be at least partially explained by their different methodological interpretations of Marx. This hypothesis of course does not mean that the correctness of all their arguments about particular issues of substance depend on their 'correct' interpretation of Marx's method of enquiry. Nevertheless, what it could mean is that wrong interpretations may well have led to particular conceptions (by some of the leading members of the Bolsheviks) of the dynamics and nature of the Transition which, once translated into policy, may have contributed to disastrous human consequences (e.g. Stalinism) and/or serious economic dislocation (e.g. the 'moneyless economy')(see Sik: Ch.1).

Hence, any theoretical and/or empirical study on the economics and politics of the 'peripheral socialist experiments' which asserts the relevance of 'the' classical Marxist tradition, will also have to make it explicit its own underlying notion of the nature of the political economy of socialism, given that 'the' former tradition is not an unproblematic and universally accepted homogeneous notion. For the same reason it is unavoidable to take sides in the debate. In that regard this chapter fully sympathizes with the Realist-Retroductive-Articulation interpretation [R-R-A] of Marx's method as developed by Benton, Bhaskar 75 & 77, Edgly, Jessop, Keat and Urry, Outhwaite, and Sayer (79 & 87). This interpretation, as this paper will try to show, seems to be more adequate and satisfactory for a number of reasons, the most important being its empirical validity in these experiments' realities. This interpretation and its implications will inform our conceptualization of the 'political economy of socialism', and therefore our approach to the nature of, and the interrelationship between



Transition, 'money', and the 'State'. This approach, in turn, will become the basis on which we will develop the theoretical framework (Ch. 2) to be used in our analysis of some important viewpoints on these issues (Ch. 3).

## 1.2 Marx's Method of Inquiry.

There are two features of Marx's analysis which can be identified:

(a) The aim of the analysis, which was to provide a scientific understanding of the underlying workings of the basis of society, particularly under the capitalist mode of production [CMP], so as to ease its transformation into a more humane organization of social life where there would not longer exist exploitation of men and women by other men and women (i.e. the 'Communist society'). And where, consequently, 'the government of persons (would be) replaced by the administration of things' given that the realm of necessity would nonetheless remain. Indeed, out of his research he drew the conclusions that classes and the relations between them were major factors explaining historical change, and that the latter factors should be approached from a perspective based on the 'primacy of production' (Sayer 75, 79 & 87) whereby the form in which surplus<sup>3</sup> (labour) is produced and appropriated constitutes the framework under which social relations and their changes should be comprehended.

This materialist conception of history was also seen by Marx as being his basic premise for the analysis of different forms (or 'modes') of production. Thus, by extending the logic of his argument, this conception should also be employed for the analysis of transitional societies. This seemingly unproblematic 'extension' of Marx's logic, however, has met difficulties arising out of the above-mentioned interpretation problem. A further complicating factor is that Marx himself "provided neither a blueprint of what the transition would look like nor an analysis of socialism itself." (Fagen et al. 86b: 16; see also Sik: 20).

(b) Marx's R-R-A Method of Enquiry and Concept Formation.<sup>4</sup> The method (1) consists basically in defining the historicity of both the phenomena under analysis and the categories through which they are grasped; (2) makes some distinctions with regard to both degrees of abstraction/concretion in one

plane of analysis<sup>5</sup> and different analytic planes;<sup>6</sup> and finally (3) it is underlied by the notion of the 'contingent necessity' of specific conjunctures of the theoretical object being studied, which

highlights the fact that, while the combination or interaction of different causal chains produces a determinate outcome (necessity), there is not single theory that can predict or determine the manner in which such causal chains converge and/or interact (contingency). (Jessop 212).

The method has the following two 'moments':

- (1) The use of Transhistorical Categories for the identification of the 'concrete social forms' which constitute Marx's explananda, in order to produce Historical Categories, at any given plane(s) of analysis.

The Transhistorical Categories [TCs] are concepts which can be applied across all modes of production (or 'social formations', if preferred), thereby defining classes of phenomena common to 'production in general'; phenomena or conditions 'without which production is not possible'. For example we have that, in the 'value' plane of analysis, and at a high level of abstraction, the 'labour process' (i.e. the relation between producers and nature) is always involved in all modes of production: independently of the forms it might assume under different social conditions, it will always combine labour, raw materials, and technology i.e. the 'means of production' [MMP]. Likewise the 'use value' of the product of labour (i.e. the utility of the product for the user), the 'law' (or need) of allocation of (labour) resources in some basic proportions (see Bukharin: 149-51; and next Ch.), etc., are attributes which remain across all modes of production.

Now, within different modes, the phenomena common to 'production in general' take singular and differing social forms. The attributes which define these social forms, in turn, depend entirely on the particular conditions and relations of the individual modes of production in which they occur e.g. the number and nature of different social forms of production being articulated in any particular 'social formation', the nature and level of development of the 'forces of production', historically configured cultural traditions, etc. These attributes, therefore, are the objects of Historical Categories [HCs] i.e. of concepts which can properly be applied only within historically limited parameters, for example, in the 'value'

analytical plane, and again at a high level of abstraction, the 'exchange-value' of the product of labour, 'abstract-labour', 'money as the general equivalent' (see next chapter), etc.

In sum, HCs grasp the singularities which differentiate the phenomena to which they refer as individual members of TCs. Moreover, most of these HCs need to be originally and creatively constructed for the particular analyses/studies of specific socio-economic phenomena, especially when conducting those analyses/studies at a more concrete level. This in turn implies not only that dogmatisms (e.g. economic reductionism, Soviet textbooks' 'subsumptionism'; see Jessop and below) contradict Marx's method of enquiry, but also, what is even more important, that there is room, and even the need (ibid: 75) both for the prolific formulation of HCs (and therefore for constructive critical debates) and for the combination of several analytical planes (e.g. Value, Class, Gender, etc.), so as to better understand (and change) the social reality being studied.

The explananda-phenomena identification step, therefore, consists of the following criteria: the 'concrete social forms' should appear to exhibit qualities that make them either elements of the labour-process (as seen above) or the social relations contingently necessary to the latter's performance e.g. technical relations among workers in a workshop, the 'Capital/Labour relation' between workers and capitalists in the CMP, etc. This is true even for those social relations which are usually regarded as 'belonging' to the 'Superstructure' (e.g. State political-economic interventions in the labour process), or to 'gender relations', inasmuch as they are demonstrably entailed in any given mode of production.

Thus, which relations are contingently necessary for production (i.e. for the labour process to go on) in specific forms (or 'modes') of production, is entirely an empirical question.<sup>7</sup> They cannot be known 'a priori'. There is not room for dogmatic deductions from (or subsumption under) 'Marxist-Leninist principles' such as the laws of surplus value and of uneven development, the historical tendency towards a greater socialization of labour, etc.<sup>8</sup> This point, which is not an argument in favour of simple empiricism, is further substantiated by the remaining elements of Marx's method of enquiry, as it will be seen shortly.

Now, after having abstracted the 'transhistorical' similarities/attributes from the 'concrete social forms', the remaining 'attributes' i.e. the HCs, still need to be accounted for. These 'historical' attributes, in turn, become the starting point for the method's second moment:

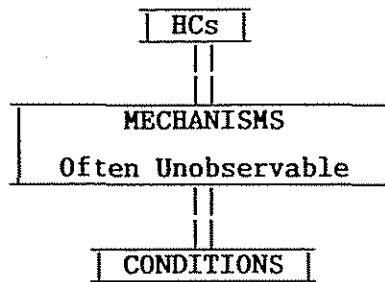
The starting-point of the analysis lies not in abstractions ('simple' or otherwise) but in a concrete social form, the commodity, as, moreover, it presents itself phenomenally. After identifying this phenomenon, Marx distinguishes that which pertains to its natural form, that is, that which it shares with products of labour per se, its use-value, from the quality which distinguishes it as a definite social form, its exchange-value. Use-value is then left on one side. It is exchange-value which calls for further analysis. This is in turn identified as merely a phenomenal form of value, which itself has to be accounted for by still further explanans. (Sayer, 79: 112-3, orig. emp.).

This account, which is provided in the next chapter, is also based on the application of the same reasoning to the analysis of the relations between labour-power, 'concrete' and 'abstract' labour.

(2) Explaining the 'distinctive social forms' by an 'a-posteriori' retroductive reasoning towards explanans.

Marx's logic of hypothesis formation consists of a process of abstraction governed by the phenomena it purports to explain and is based on Realist epistemological and ontological foundations<sup>9</sup>. His **retroductive reasoning**, starting from any concrete explananda-phenomena, coherently posits and articulates some potential (or tendential) underlying 'mechanisms' and their 'facilitating conditions' and/or 'countervailing mechanisms' (whether observable or not), all of them being taken from one or more analytical planes, and at varying degrees of abstraction. This postulation/articulation will thus help to describe/explain the contingently necessary connection between the explananda-phenomena under consideration (Jessop: 217-8). In the course of this Retroductive reasoning scientific concepts and theories are developed a posteriori, and should always be empirically validated (Sayer 75, 79 & 87), although the plane(s) of analysis and level of abstraction chosen to define the explananda-phenomena will determine the adequacy of the explanation provided (see Jessop: 214). This R-R-A reasoning could thus be described as in Figure 1.

Fig. 1



Now, this reasoning is not deductive because (1) it cannot deduce HCs from TCs i.e. cannot deduce what is particular to a form of production from attributes which are common to all such forms; and also (2) because it "does not involve logical inference from specific major and minor premises to an outcome entailed therein" (ibid: 217). Hence, it is always necessary to discover the particular underlying essential relations, conditions and mechanisms, which make the observable phenomena to assume the forms they do in every social formation.<sup>10</sup>

As it is not possible to know 'a priori' what are the contingently necessary social relations (for production) involved in specific (historically configured) forms (or 'modes') of production, to uncritically ascribe to Marx the a-priori 'classic' division of social relations into two distinct categories, viz the 'Base' (supposedly consisting of both 'technical and property' relations) and the 'Superstructure' (the remaining 'legal' 'political/statal' and 'ideological' social relations), does not make justice to, and conflicts with, his method of enquiry.<sup>11</sup> Nevertheless, although "there is certainly enough in Marx to warrant rejecting both the classical account of base and superstructure and the restricted category of production relations which it sanctions" (Sayer, 79:81), it seems to be the case that there is still room for arguing over what did Marx exactly mean by using what is, after all, his 'base/superstructure' metaphor.<sup>12</sup>

This R-R-A reasoning is not inductive either because, for Marx: (1) the phenomenal forms could be misleading, and the reasoning itself must be done in each separate instance i.e. it is always an empirical question to ascertain what are the (contingently) necessary social relations in every

social formation; and, (2) these social relations may well change between different social formations and within one social formation over time. The inference of 'general laws' from the observation of certain 'empirical regularities' in the transitional experiences of the USSR and Eastern Europe, as well as of the 'socialist experiments in the periphery',<sup>13</sup> would therefore contravene Marx's method. A different exercise, of course, is to try to design a 'logic', even if based 'on the observations of common experiences', for a model of 'socialist accumulation' given that it would essentially be a prescriptive endeavor, rather than a descriptive (i.e. explanatory) one e.g. FitzGerald's Kaleckian model for the 'peripheral socialist economy' [PSE] (see Ch. 3), and the Sandinista notion of the 'logic of the majority' (see Gorostiaga 82).

Having made explicit our interpretation of Marx's method, let us now see the latter's relevance to our paper.

### 1.3 Implications for our approach.

#### 1.3.1 On the 'Value' and 'Social-Relations-of-Production' Notions.

A first implication derives from the R-R-A method's criteria for the identification of the explananda: even social relations which 'belong' to the 'Superstructure', or to the 'sphere' of exchange circulation and/or distribution, could be regarded - again, after making an empirical study - as being contingently necessary for production.<sup>14</sup> Marx's notion of 'value' should therefore be interpreted in a wholistic and open-ended manner (see Ch. 2 and Harvey). The same applies to the concept of 'social relations of production' [SRP] (Sayer 79: 82). Indeed, Marx himself in many of his empirical analyses (e.g. on L. Bonaparte) did regard State ('superstructural') phenomena as being of crucial importance for the working of the French capitalist labour process at that conjuncture (Jessop). Here we are touching upon wider issues such as the nature of the State and 'State Power' [SP], 'political hegemony', etc., as well as upon the economy-society separation issue. Indeed, in order to understand the role of money and finance in the Transition it is important to make a distinction between the nature of this

first implication in the context of a capitalist society from that in the context of a transitional society.

Certainly, "in a capitalist society, a separation appears to exist between economy and politics" (Coraggio 86b: 143), and although this appearance "is a manifestation of capitalist domination itself" (ibid), it is ultimately rooted in commodity production (Hoffman). However, as seen above, there will always exist the theoretical and empirical possibility of 'superstructural' social relations (i.e. typically ideology, law, politics, and the State) actually becoming SRP; although, and by the same token, there are no a-priori reasons as to why any particular element of the 'superstructure' should become SRP.<sup>15</sup>

Now, whereas in the capitalist society one of the revolutionary tasks is "to demystify the phenomenon by demonstrating the effective relation between the economic interests of the dominant classes and the structures which sustain its political power" (Coraggio 86b: 143), in processes of social revolutions it is not only the case that "the overlap between economy and politics tends to become more evident" (ibid; our emp.), but the long-term aim of the Transition itself is precisely to wither away political institutions as forms of political<sup>16</sup> domination of the popular forces over the outmoded SRP and, in the medium-term, the objective is the dispersion of political power (i.e. the concentrated capacity to exercise a coercion which commands consent) away from the 'Transitional State'<sup>\*</sup> [TS] and towards the popular sectors (Hoffman, Ch. 7), whatever they may be, in particular transitional experiences.<sup>17</sup> Hence, one (and not just the "single most")<sup>18</sup> "important message of [the Marxist theoretical] heritage is the profoundly democratic trust inherent in its vision of an entire people as subject, of a people empowered" (Bengelsdorf: 193).

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\* However, it might also be argued that immediately after the victory, "there is not such thing as a 'transitional state'...[because it,] in both its constitutional and organizational manifestations, is still to be created." (Fagen: 252).

### 1.3.2 On the 'Forces-of-Production' Notion.

A second implication is that Marx's method leads to a definition of 'forces of production' [FFPP] which differs from the traditionally held concept which a priori includes only MMPP and accumulated knowledge (e.g. Cohen). The alternative open-ended definition, however, is the one 'coined' by Marx himself (Sayer 75, 79 & 87; Corrigan et al. 78):

Marx's claim is not that production causes but that it entails social relations...[and that, therefore,] both the nature of the labour process and the character of the production relations may influence how productive people's labour is. Both are therefore, in Marx's terminology, potential social forces of production. (Sayer 79: 79-80; orig. emp.)

Hence, in opposition to Second International Marxism, the 'material' aspect of production does not mean that the latter can be either emptied of any effective socio-historical content, or regarded as 'prior' to any human mediation (Hoffman: 112). For example, whereas on the one hand in the CMP "the coercion involved in the independent 'private spheres' is ... an economic coercion and all the more flexible and productive as a result" (ibid: 87; orig. emp.), in the peripheral transitional experiences, on the other, "the social transformations brought about by revolution themselves create a new form of production: popular mobilization for such activities as literacy campaigns, preventive health programs, housing construction, and civil defense" (FitzGerald 86a: 33).

Sayer (75, 79 & 87) has substantiated this interpretation not only by bringing in 'proving' quotations from Marx, but by arguing that the above empirically-open-ended definitions of SRP and FFPP could not have been otherwise without contradicting Marx's own method of enquiry. The same argument can also be made about the LOV definition (see next Ch.)

### 1.3.3 On the Driving Force of the Transition.

From the previous implication there follows a third which relates to the Transition from one mode of production to another being explained by Marx as resulting from the conflicts between 'burgeoning' FFPP and 'outmoded' SRP. This has been sometimes interpreted (e.g. by the Second



International and Cohen: see Jessop, Hoffman, and Sayer 79 & 87) as if Marx held a technologically deterministic view of the Transition,

which is manifestly irreconcilable with the facts of history and Marx's own prognoses [as opposed to 'predictions'] for revolution in such technologically 'backward' social formations as Tsarist Russia. [Moreover, this problem] disappears as soon as we adopt the broader definition of productive forces proposed here. The analysis of transition I have just outlined makes it perfectly clear that in this case, at least - and the transition from feudalism to capitalism is the only one considered in any detail in Marx's work - the relevant contradiction is not between technology and social relations simpliciter but between one set of emergent production relations, which both constitute a productive force in their own right and are capable of sustaining a superior technology, and another, 'within the framework of which they have operated hitherto'. (Sayer, 79: 86; orig. emp.)

Consequently, the point is not only to recognize that the 'economic' invariably has 'non-economic' presuppositions, as done by the Althusserians (see Hindess and Hirst 75 & 77), but to include these so called non-economic elements into the 'economic' and reinterpret Marx's claim for the primacy of the latter accordingly (Sayer 79: 86). Likewise, the strategy should not be simply to reverse the traditional paradigm and then to assert the dominance of relations over FFPP, as done by others,<sup>19</sup> but to challenge the orthodox conception of FFPP as such (ibid). Hence, contrary to these authors, politics dominate in (and not over) production (Corrigan et al. 78: 151).

Thus, although the Althusserians and Bettelheim have indeed made important contributions, their strategy of asserting the dominance of politics over production would seem to be unsatisfactory because of the following 3 reasons: (1) Marx himself explicitly recognized certain production relations as productive forces (Sayer 79: 86); (2) May suggest the separability of the technical from the social dimension of production (ibid: 87) and; (3) During the Transition it may well help to justify 'theoretically' a 'developmentalist' perspective - i.e. a one-sided and disproportionate emphasis on the development of the (material) FFPP - which, concomitantly, is bound to be based on political voluntarism (Corrigan et al., 78), with its potential dangers of unnecessary economic strain and dislocation (e.g. Cuba's late-60s 'Revolutionary Offensive'), and/or of 'despotic bureaucratism' (Hoffman) as a way of forcefully developing the (material) FFPP (e.g. Stalinism).

It would therefore seem to be the case, both along the lines developed by Mao (and to some extent by Bettelheim) with regard to the major role played by contradictions even during the Transition (Corrigan et al., 78 and 79), and in agreement with the above exposition of Marx's method of enquiry, that the conflicts between 'outmoded' and emergent SRP continue being the driving force of the transitional society i.e. class struggles (which forms, groups and/or political configurations vary according to structural and conjunctural factors in every social formation<sup>20</sup>) are a major factor to be reckon with in all theoretical and/or empirical analyses of transitional experiences. This is in short, and at a relatively high degree of abstraction, our conceptualization of the class-struggle plane of analysis.

#### 1.3.4 On the 'Conjuncture' Notion.

It was argued above that Marx's R-R-A analytical method relies on the notion of 'contingent necessity'. From this notion it would follow that, and from the perspective of guiding the socio-economic transformation process during the Transition, there should be a concern (on the part of the 'vanguard party' and/or the TS) with the conjunctural (re)construction of the complex and heterogeneous revolutionary subject i.e. 'the people'. More specifically,

This process requires an economic policy which combines the long-run transformation of the economy with short-run measures consistent with the strategic program. The conjunctural control of the economy becomes a fundamental component of the revolutionary order. (Coraggio 86b: 143; our emp.).

In other words, the ontological and epistemological basis of the R-R-A method are to be 'reflected' at the policy/prescriptive level. Theory and 'practice' can thus perhaps achieve a more meaningful 'synthesis', from a decision-making perspective. This proposition, and our advocacy of the R-R-A method, might thus perhaps be regarded as an attempt towards the design of a more elaborate and relevant methodology which seems to be needed for the establishment of "the various orders and types of determinism at each concrete juncture" (ibid: 166). In the next chapter we will see how the previously analysed implications of Marx's method inform the theoretical framework we employ for studying the role of money in the Transition to Socialism.

## CHAPTER TWO

### THE LAW OF VALUE, THE GENERAL EQUIVALENT AND THE SMALL, PERIPHERAL TRANSITIONAL ECONOMY

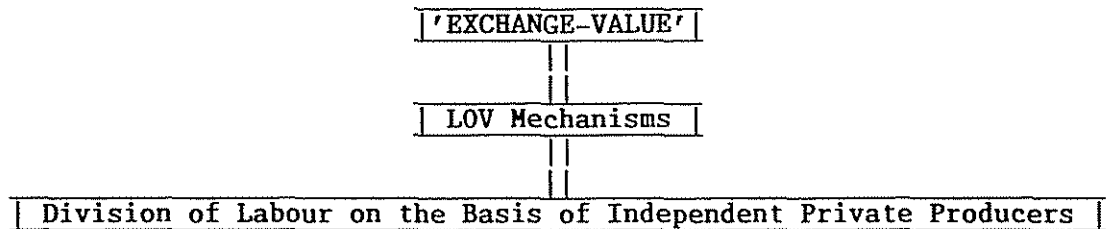
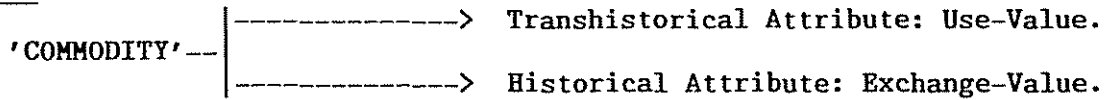
#### 2.1 The Law of Value: Ex-Post Verification of State-Mediated Commodity Production.

The LOV provides underlying and often unobservable mechanisms which explain why the 'concrete social form' called 'commodity' comes to assume the phenomenal form it has i.e. its historically specific character of being 'exchange-value'. From the explanation it becomes apparent that the 'commodity' is not just an economic object, but it also implies the existence of specific conflictual social relationships whose essence is class struggle as previously elaborated.

Marx's argument goes like this: commodities differ physically from one another because they are the products of 'concrete' labour i.e. of a specific kind. Thus a chair, the product of the specific labour of a carpenter, differs from a shoe, the product of a shoemaker's labour. Nevertheless, the products of these heterogeneous labour can acquire an 'exchange-value' and become commensurable only because they are also the products of 'abstract labour' i.e. they have been produced within specific social relations: 'abstract labour' is the result of the division of social labour among individual producers endowed with independent decision-making power, and without full knowledge of others' production and of social needs. This independence in decision-making, however, does not negate interdependence and coercion but, on the contrary, it problematically presupposes the latter (despite their mystification) given the social division of labour [SDOL] (see Hoffman: 82). Commodity relationships, therefore, "are relationships of separation between producers, and between producers and consumers" (de Brunhoff, 78: 125); and the commensurability of commodities achieved through exchange relations renders the labour embodied in them equally commensurable thanks to the peculiar conflictual social relations of commodity production [CP].

By strictly following Marx's R-R-A method, and making a parallel with Fig. 1 above, the LOV could be depicted like this:

Fig. 2



The mechanisms proposed to explain 'exchange value' consist of the HCs of 'value' and 'abstract labour' and of the 'supply-and-demand/price mechanism'. Now, given the (transhistorical) need or 'law' of having to allocate labour and other resources in some (contingently variable) basic proportions for various purposes<sup>1</sup> (i.e. variable production technical coefficients) and the (historical) problematic relatively-independent private division of labour mentioned above (i.e. no conscious and knowledgeable social regulation of production), labour and other resources are only indirectly proportionately distributed via the State-mediated exchange of products as commodities due to the workings of the supply-and-demand/price mechanism (i.e. 'competition').

This indirect and problematic proportional distribution of resources implies, for Marx, that the 'value' of the commodity/product will be the 'socially necessary labour time' [SNLT] employed in its production. More specifically, as 'abstract labour' can be defined as SNLT, the 'value' of a product is the socially necessary abstract labour time [SNALT] (see Cole: 235). The 'socially necessary' aspect consists of the following elements:

2.1.1 Ex-Ante Labour Expenditure: SNALT has to do with labour productivity, which depends upon, among other things, the average amount of skill of workers, the state of scientific development and application, the technical organization of the labour process, and the development of the (material) FFPP. (These factors of course are in turn significantly influenced by class

struggle.) For example, typically, the development of the MMPP imply a reduction in the amount of SNALT embodied in the newly produced commodities i.e. the latter are 'de-valued' by the LOV in relation to the previous production period. Thus,

'Value' is not a fixed metric for describing an unstable world, but an unstable, uncertain and ambivalent measure. (Hoffman: 193).

**2.1.2 State:** Commodity exchanges presuppose the private proprietors' right (as 'juridical individuals') to dispose freely of their products. But,

Such a condition supposes not only a solid legal foundation to exchange but also the power to sustain private property rights and enforce contracts. This power, of course, resides in 'the state'. The state in some form or another is a necessary precondition to the establishment of values. (Harvey: 18-9: our emphasis).

In other words, the establishment of a ('superstructural') 'formally rational legal system' (Jessop) by the State is a contingent necessity for CP, and it may also affect the 'valuation' of commodities. Moreover, as this Chapter will try to show, State monetary/financial intervention is important in this regard..

**2.1.3 Ex-Post Verification:** Value has to be verified 'ex post' i.e. there are not aprioristic assurances that the quantity of labour time employed in the labour process will be 'socially necessary'. Labour or the commodity producer, whatever his/her ultimate motivation for engaging in CP (e.g. either the acquisition of other use-values, or of profits), cannot create 'value' unless he/she produces social use-values i.e. use-values which satisfy social wants or needs (which moral justification is of no relevance in this respect and at this level of abstraction<sup>\*</sup>): "value has to be created in production and realized through exchange and consumption if it is to remain value." (Harvey: 15-6)<sup>2</sup>. Hence, there is a compulsion over the individual producer which consists in having to provide social use-values at a price that is regulated by the average conditions of production of a commodity; and competition is here the underlying socially-conflictual driving force. In other words, the social conditions of the exchange of equivalents are imposed upon the exchanging producers as 'law of value' (see

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\* However, see footnote No. 20 below for the direct relevance of this aspect of 'use-values' to our (less abstract) analysis of the problems faced by the small, peripheral transitional economy.

de Brunhoff, 80: 51-3, 67-8). If the commodity values are not 'sold' then they are 'devalued', with the attendant detrimental socio-economic effects (bankruptcies, layoffs, etc.). It should also be noticed here that the latter is another type of potential commodity 'de-valuation'.

The occurrence of these detrimental effects, of course, presumes that the 'independent' producer faces a 'hard' budget constraint a la Kornai (79 & 84) i.e. an ex-ante behavioral constraint consisting in that the producer can expect to spend as much money as he/she has. However, even if a 'soft' budget constraint were to come about (i.e. even if producer's set of alternative decisions are not effectively constrained ex ante by any monetary budget) as a result of 'correct' expectations of getting monetary 'bailing-out' in case of, say, inadequate sales, the LOV cannot be said to have been superseded. On the contrary, the operation of the LOV would be clearly seen in the calling into question of the 'real' value of the types of money used in the 'bailing-out', as it will be shown later. And this is true independently of whether the producer is selling either commodities or his/her own LP, and will probably also entail crises though of an inflationary kind.

Here again class struggle can greatly help explain the above-mentioned social wants's origins, competition, as well as any specific distribution of 'budget expectations', among economic actors.

**2.1.4 Money:** It plays a crucial role in the previous verification problem. As de Brunhoff (78: 39) stated it:

The need for private labour to be socially validated is expressed by what Marx termed 'the dangerous leap of the commodity', as it seeks to establish its exchange value by being sold for money on the market. This amounts to a 'monetary constraint' imposed by the social conditions of commodity production.

Thus, for Marx the exchange-value of a commodity cannot be understood without analysing the nature of the 'money' that permits exchange-value to be clearly expressed as a 'price': money "becomes a measure of relative price to the extent that it is the monetary expression of the total of social work, which manifests itself in price" (Kühne: 328-9). In the next sub-section I will present this analysis; with regard to the price-value relationship we should notice the following:

2.1.5 The Price System: Precisely because of its flexibility, it "facilitates the co-ordination of the spontaneous activities of innumerable individuals so that production achieves 'the quantitative proportion...which society requires' [Marx 1967: 72-3]." (Harvey: 19). The flexibility of prices, by facilitating the equilibration of supply and demand in the market, would help to establish exchange ratios which point of equilibrium would precisely be expressed by 'values'. However, in this equilibration process the deviations of 'price' and 'value' magnitudes from each other cause a relative (de)valorization of the commodities being exchanged, in accordance with the LOV<sup>3</sup>, resulting in bankruptcies of some production units and successful survivals of the 'fittest'. This price system may also require State regulation, particularly in the sense of guaranteeing the quality of the money in circulation (see below). Class struggle will here again probably exert a determining influence upon the nature of this price system.

For Marx, therefore, the operation of the LOV depends on the interaction of the above-listed mechanisms<sup>4</sup> under the influence of class struggle. Hence, the LOV expresses the need that

Each obtains, on the average, from other commodity producers commodities of a value corresponding to the value of the goods he produces for others. (Sik: 17).

However, the absolute, perfect, and permanent verification of the LOV is highly problematic as a result of all the social contradictions of CP (de Brunhoff 80: 82). Yet, the LOV will hold true inasmuch as the above-described underlying conditions of the latter are still present in society.

This is, in essence, what Jessop calls the 'value plane of analysis' at a high level of abstraction. On the other hand, analyses of concrete reality should try to show how the LOV is either mediated or successfully superseded by (historically specific) SRP, whether at the level of the social formation or within specific production forms (or within specific markets), and should follow Marx's R-R-A method of enquiry. Let us now see how 'money' fits into this plane of analysis.

## 2.2 LOV and Money: The Hierarchical-Institutional Mediation of the Reproduction of the 'General Equivalent'<sup>5</sup>

Marx's analysis of money concentrates on the "relationship between money as the general expression of value and commodities as the real embodiment of value" (Harvey: 24). His analysis of the latter was already presented above. 'Money', on the other hand, is a special 'commodity' (e.g. gold) which, in the course of a specific historical process, has become the universal or 'general equivalent' [GE], i.e. it has become "the socially recognized incarnation of human labour in the abstract" (ibid; our emp.), thanks to the proliferation of exchange. This GE is 'dispersed' across time, space and individuals. In this way, the total quantity of the GE circulating in society at a given velocity has to be enough to enable the exchange of a given quantity of real commodity values at appropriate prices: indeed, as it will be implicitly seen below, Marx stresses on what are nowadays called the 'transactions demand for money' ('a la' Keynes)<sup>6</sup>, and the 'velocity of money' ('a la' Quantity Theory's formula,  $MV=PQ$ )<sup>7</sup> (Junankar: 109-11).

The expansion and extension of exchange, however, also brings contradictory pressures to bear on the money-commodity [M-C] and the source of this contradiction lies in the latter's 'use-' and 'exchange-values'. On the one hand, the M-C's exchange-value is meant to reflect its 'value' i.e. the SNALT undertaken in its production: it is its 'inherent' exchange-value, which is precisely the one that is expected to become the measuring unit of all the other commodities's exchange-values. And this is the 'measure-of-value' [MOV] function of money<sup>8</sup>. On the other hand, the M-C's use-value consists in the facilitation of the circulation of all other commodities i.e. in the exercise of its 'means-of-circulation' [MOC] function. However, during the exchange processes the M-C acquires another 'exchange-value' which is determined by its actual average purchasing power i.e. it acquires a 'reflex' exchange-value.

Hence, although ideally the two exchange-values should coincide, the 'lawless irregularities' of commodity production maintain the potentially contradictory character of the interrelationship between money's MOV and MOC functions. And this is particularly so because the rationale of the MOC function implies a permanent social endeavor to try to reduce the costs of



commodity circulation and to increase the flexibility of the 'means' of circulation through the design of several forms of money which 'inherent' exchange-values become increasingly dubious e.g. the 'paper symbols' convertible into gold, the (inconvertible) State-backed money of legal tender [LT], and other 'credit moneys' [CMs]. The latter are especially troublesome because they just represent 'fictitious values' (i.e. commodity-values which have not yet been realized), as it will shortly be seen.

The failure to resolve this contradiction would result in the devaluation of the M-C (or of the LT) i.e. inflation. Consequently, its capacity of performing as a GE would be seriously jeopardized which, in turn, would disturb commodity production and exchange. Moreover, the non-verification of the GE can benefit certain social groups at the expense of others, given the differential effects of inflation upon the GE of people at different times and places. Furthermore, the social devaluation of the GE might have such redistributive effects among all private producers that production may be affected further (de Brunhoff, 80: 83-4). Moreover and concomitantly, inflation may significantly affect the outcome of, as well as being affected by, class struggle.

Nevertheless, the fact that money's GE character depends upon its social power (i.e. the granting of the monopoly privilege of being the expression of value par excellence, independent of and external to particular production processes or specific commodities, by society at large<sup>9</sup>), may help resolve the contradiction: this social power is the basis of the other functions of money, viz to be a 'store-of-value' [SOV] and a 'means-of-payment' [MOP]. These functions could complement the MOV and MOC functions via the utilization of CM.

The MOP function implies that credit (money) was already employed for the acquisition of commodities when the need for it arose; the M-C (or the LT) is then used to cancel the debt at the end of the credit period. The MOP function, therefore, enables an instantaneous adjustment of the GE to its exchange requirements, provided that the principles for contracting and settling debts are in strict harmony with daily commodity-exchange fluctuations. The SOV function, on the other hand, enables the use of money as an 'instrument of hoarding'. **Hoarding** i.e. the passive aggregation of

money values, implies an interruption in commodity circulation and therefore also a potential for crises, but it also regulates and preserves the latter circulation in so far as it follows some coherent principles: hoarding of the GE when there is a reduction in commodity production, and vice versa. (See de Brunhoff, 76, and Harvey: 11-3) However, the more money is used as a SOV, rather than as a MOC, the greater the monetary costs of circulation become; and here again CM plays the double role of flexibility and of reducing circulation costs.

Thus, the unity of all money's functions and forms, which is determined in its modalities by the dominant SRP, is of crucial importance for the reproduction of money as the GE (see de Brunhoff, 76 and 80: 56), and CM is the key form of money in this respect. Certainly CM presents the following two peculiar characteristics: (a) private individuals and institutions (e.g. banks) can adjust the quantity of the GE instantaneously to commodity transaction volumes; and, (b) the private issuers of credit must be subject to some discipline and the quality of credit (moneys) must be guaranteed if the latter are to circulate securely so as to enable the reproduction of the GE (see Harvey: 245-6). All of this implies that there is a particular circulation of money as money which is necessary for commodity circulation.

Monetary institutions are therefore required to relate diverse CMs to each other and to 'real' money (i.e. the C-M, gold, or, in case of inconvertibility, the LT), i.e. to regulate the above-mentioned (credit) money circulation so as to solve the MOV-MOC contradiction. In essence the regulation consists in that the money's MOC function implies the creative design of increasingly more flexible and less costly CMs which will consequently require more and more political power (as the M-C backing decreases) so as to maintain their credibility as GE.

The regulatory monetary institutions, however, need to adopt a particular structure which derives from the private origin of CMs: unlike the other forms of money which are socially created, CM is perpetually being created by private individuals or institutional units (given their independent decision-making power) through their granting of credit to each other (e.g. bills of exchange, commercial credit, etc.). The latter, in turn, require higher-order banking institutions which, by auditing the

credibility of the credit-issuers, will be willing to substitute their own checks (or notes) for the multitudinous CMs of the numerous credit-issuers. The same auditing functions, however, will have to be made of these 'private bank-CMs' by a higher order Central Bank [CB] so as to guarantee their free convertibility into CB-money thereby enabling the balancing of their mutual accounts. Now, the CB (or any other institutional arrangement) can be 'the' institution of the 'commanding heights' of this hierarchical structure only because it has been granted the monopoly privilege of keeping the Nation-State's gold reserves (i.e. the M-C) which enables it to issue its own (convertible) CB-national money. In the case of inconvertibility (into gold) the CB-money enjoys full State support (as the 'LT').

The quality of the Nation-State's CB-money, in turn, will have to be guaranteed at the international level by a 'highest-order' institution controlling world gold reserves when gold functions as the GE of world exchange. When the gold standard is abandoned there arises a series of problems which analysis is out of the scope of this paper. Here it suffices to note that this hierarchical structure of the national monetary institutions leaves unresolved the convertibility problem at the international level: the central MOV-MOC contradiction is merely transposed to higher levels and usually manifests itself in balance-of-payments problems, together with all the attendant effects in terms of income and wealth redistribution, as well as social conflicts.\*

Thus, as Harvey summarized it, and at this high level of abstraction, The notion of some absolute [MOV] may appear redundant at any one particular level in the hierarchy, but the problem of ensuring the quality of money remains - and what is this quality if not a guarantee that a nominal amount of [CM] does indeed represent real commodity values? (Harvey: 249; our emp.).

There are some final points of Marx's analysis of money which need to be emphasized here: Firstly we must notice the limited character of the power for guaranteeing the quality of the (credit) moneys at a lower order, of the institutions which occupy the immediately higher level within the hierarchical structure. The maximum that could be done by the latter

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\* See Aliber for a lively description of these effects under the post-War international monetary system.

institutions is to engaged in what Harvey has termed 'financial repression' i.e. to refuse to discount the CM that exists at the hierarchy's lower levels. In other words, individual commodity producers will always be able to exercise their potential capability for granting credit<sup>10</sup> as well as for hoarding, unless their independent decision-making power in this particular respect were to be effectively taken away by, say, the State. Secondly, the supply of money in itself would not increase commodity production. We need to see which are the specific motivations which lead producers to produce within the context of historically specific SRP (e.g. under feudalism, capitalism, etc.). Nevertheless, inadequate management of the GE and/or inappropriate financial structures may have detrimental effects upon the expansion of CP.

Thirdly, the monetary constraint on the validation of private labour implies that the commodities have to be 'sold' for money whatever the form it may take (e.g. gold, convertible paper money, and even CM). A different problem is whether the money with which the commodity is purchased is able to perform its MOV function. Hence, the analytical and 'phenomenal' notion of 'the market' should include even the imaginary case whereby all commodities were to exchange for CMs, such as the 'money of account' in ledgers. Consequently, even in the case of 'barter' the GE is playing a role inasmuch as an 'unit-of-account' and 'prices' are being employed for 'accounting' the transactions. However it is theoretically, and perhaps even really possible that the monetary constraint might be 'lifted' in cases of dramatic reductions in production caused by extraordinary circumstances (e.g. war) i.e. the GE's social power might be seriously jeopardized by class struggle leading perhaps to a 'moneyless economy', or at least to some 'moneyless economic sectors' (see Griffith-Jones, Ch.2), or even to a production and exchange standstill.

Fourthly we should notice that economic agents may well choose different forms of money (provided that they have access to extant money forms) depending on their purposes (hoarding, purchasing, speculation, etc.), on the economic conjuncture (e.g. depression, war, promising future, etc.), and on their socio-economic status (e.g. worker, peasant, statal institution, private traders, etc.). (See De Brunhoff 78: 59-60; Harrey: 251). Hence, monetary-financial analyses made at abstract and aggregate levels need to be

properly adapted and disaggregated (along the R-R-A method) when dealing with real concrete phenomena. Aggregate (even if at an intermediate level of abstraction) analyses may prove to be counterproductive for policy objectives.\* Last, but not least, the capacity of any government, through its CB, of commanding real resources via inflation by financing with LT issue the purchase of goods and services, as well as its decreasing effectiveness as hyperinflation develops (Griffith-Jones, Wuyts 86), should also be pointed out.

### 2.3 The Capitalist LOV: The Exploitation of the Special Commodity 'Labour Power'.

The operation of the LOV under capitalism (which is based on CP) depends upon the basic societal conditions of the CMP.<sup>11</sup> Certainly, the extra historical characteristics acquired by the LOV are the following: (a) The labour process within commodity production is characterized by the antagonistic property relations between capitalists (the owners and controllers<sup>12</sup> of the MMPP) and the 'legally' and 'materially',<sup>13</sup> free labourers who 'own' (and 'sell') their 'commodity' viz labour power [LP] i.e. their mental and physical capacity to work; (b) The ultimate aim of the capitalist entrepreneurs, in general terms, is the production and accumulation of surplus value in the GE form i.e. as 'money capital' [MK], thereby accumulating social power in their private hands. This accumulation process is based on the exploitation of the labourers given that the monetary remuneration they receive in exchange for their LP, and which enables them to pay the monetary prices of those use values socially necessary for their survival,<sup>14</sup> is less than the monetary equivalent of the value of the commodities they themselves produce, but to which they are not 'entitled' because of the previous property relations; the difference being explained by the special characteristic of the commodity-LP of being able to produce greater value than itself has; and (c) the competition of capitals for a greater share of the annual social surplus value production becomes

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\* See Wuyts 85: 201-2 for a relevant example in the context of the Transition.

the necessary and sufficient condition for the operation of the LOV (see Corrigan et al., 78: 151).

Hence, given that the value concept captures the relations within the totality, under the conditions of the CMP the meaning of 'SNALT' as the MOV lies in that it regulates (i) the exchange ratios among commodities, (ii) the quantity of each produced, (iii) the allocation of the labour-force to the various branches of production, (iv) the direction of capital movements, (v) the specifically capitalist form of exploitation, (vi) the capitalists' compulsion to accumulate, and (vii) the distribution of surplus value for expanded reproduction between different branches as well as among other exploiting classes (e.g. rentiers and financiers). "Under capitalist conditions, therefore, the law of value operates in an extremely complex and mediated fashion" (Sayer, 79: 127). And its operation is brought to the forefront by Marx's analysis of how the internal contradictions of the CMP are translated into a perpetual tendency to waste LP either by not using it or by embodying it into commodities that are unable to satisfy social wants and needs as these are structured under capitalism.

The capitalist LOV is also mediated by State intervention, particularly with regard to the 'managing' of both the special commodity LP as well as the special functions acquired by money (de Brunhoff, 78). The effective managerial capabilities of State intervention, however, depend both upon its institutional mediations (i.e. the forms in which the nation's social forces may be politically represented in the State apparatus, and the latter's own internal organization) and upon the net balance of its social bases of support and resistance (Jessop). Here it is not necessary to focus upon the problematic of the capitalist State's management of LP; nevertheless the analysis of the new capitalist 'functions' acquired by money is of major importance for the topic of our paper, as we will see below.

#### 2.4 Money under the CMP: The Credit System.

"The money economy is common to all commodity production" (Marx, Capital, 78: 116). The CMP is based on CP, thus there is money. Money is a category which is both analytically simpler and historically prior to that

of capitalism (Sayer, 79: 90). Consequently, the problematic of the effects of the MOV-MOC contradiction upon the reproduction of the GE holds. However the way in which the GE functions is affected by the above described basic societal conditions of the CMP: the internal contradictions of the latter lead to the development of the 'credit system' [CS] which, in turn, heightens rather than diminishes the MOV-MOC contradiction we described earlier (de Brunhoff, 76, 78 & 80, and Harvey, Chs. 9 & 10).

Certainly, the fact that the phases of the circulation of capital are separated in time and space, from the MK-stage (when capital needs to be realized in production), through the productive-capital-stage (when capital needs to be realized in commodity form), up to the commodity-capital-stage (when capital needs to be realized back into the MK form), forces capitalists to create new financial instruments and a jumbled CS.

#### 2.4.1 Functions

In the above-described context, the CS plays the following functions (Harvey):

(1) The CS can coordinate the material basis of production which are typically characterized by interrupted sequences and disharmony. More specifically, it can coordinate the exchange relationships between departments and industries with different working periods, circulation and turnover times, as well as the above-mentioned phases of capital circulation. And it is precisely this exchange-coordination function which is behind the fact that "at the international as at the national level, and at the centre as at the periphery, bank operations with the private sector are concerned mainly with trade credit and working capital" (FitzGerald 85f: 459), rather than with fixed capital investments.

This coordination function is based on the fact that a 'correct' allocation of credit could guarantee a balance between production and consumption. From this it follows that if capitalist 'financiers' and 'producers' were to be united, the control over the labour process would be enormous. And it is precisely their competitive and somehow antagonistic

relationships which help explain a lot of the anarchy of capitalist societies. On the other hand, it is not too difficult to think of the possibility of a more 'rational' transitional society of 'using' this (inherited) CS as an instrument of 'planning' (see next sub-sections).

(2) The CS facilitates the mobility of MK among production spheres thereby helping to equalize the profit rate, which is important for 'guiding' capitalists' investment decisions.

(3) Accumulation and re-investments are greatly enhanced because their need for frequent expenditure of large sums of money on MMPP (and in accordance with the given technological development level in the chosen investment field), can be easily satisfied by the CS in the form of 'Fictitious Capital', without having to resort to the relatively smaller amounts of real savings i.e. long-time savings out of existing quantities of values in GE form. Hence, unlike the "classical Marxists", Marx himself does not adhere to

the classical assumption in Smith and Ricardo...that the availability of surplus (or profits) is a prior constraint on investment from the funding side: that, quite apart from the obvious requirement of expected profitability to induce investment..., the present rate of profit limits the rate of investment. (Ibid: 453, original emphasis).

This capability for creating 'fictitious capital', however, might be 'misused' by ambitious capitalist producers (who accumulate for accumulation's sake) as well as by speculative financiers, thereby 'overheating' the economy. This overheating, in turn, by overflowing the market with 'fictitious values' performing a MOC function, worsens the MOC-MOV contradiction.

Here we should also notice that capitalist accumulation presupposes as well as enhances a given structure of income and wealth distribution between, basically, capital, labour, and the State. Structure which is typically both biased in favour of the exploiting classes, as well as ridden with antagonisms. In this regard the CS could provide potential means for achieving that distributional structure which would be socially necessary for 'balanced' capitalist accumulation. Moreover, even in the case of imbalances, the CS could facilitate forced processes of 'primitive



accumulation' to the benefit of bankers and financiers. By the same token this distributional aspect of the CS might again be 'used' by the transitional society so as to achieve a distributional structure in accordance with a perceived set of 'socialist' socio-economic goals (see below).

Thus, in general terms the CS comes with a mixed blessing for the CMP. On the one hand it could 'fine tune' accumulation by coordinating the economy's investment decisions, but on the other it offers the potential for a serious undermine of the GE: the currency may be debased, chronic inflation could set in, and monetary crises might spread to such degree that depression and/or devaluation of most of the 'fictitious capital' may well be imposed upon capitalists as a 'law of value' with a vengeance. In other words, the CS is a 'contingent necessity' for the CMP.

#### 2.4.2 Institutions.

The execution of the CS's functions, nevertheless, is mediated by complex institutions which can be classified as follows (Harvey):

(i) Financial Intermediaries: They mobilize savings out of an existing quantity of values, independently of their origin (i.e. whether from 'revenues' of the workers, or of capitalists, etc.), and into deficit units, notwithstanding their purpose (e.g. consumption, productive investment, etc.). In fact the fragmentation of these institutions is the result of the varied nature of myriads of potential 'savers' and 'borrowers'. These intermediaries, nevertheless, are highly integrated, to the point that the circulation of capital is 'fused' with the circulation of revenues.

(ii) Markets for 'Fictitious Capital': E.g. stock markets, commodity and commodity future markets, and government-debt (Treasury bills) markets. These markets are crucial for the survival of the CMP because they are the only means to guarantee the continuity of the flow of capital within the CS, which is needed for the fulfillment of the coordination function mentioned above.

(iii) The Banking System: They are the strategic sector of the CS because of their combining of both monetary and financial operations (de Brunhoff 78 & 80; Harvey) i.e. their management of both, means of payment and MK. And it is precisely the banks' unlimited capacity to create CMs which worsens the MOV-MOC contradiction, and, as a result this banking system presents the hierarchical structure described above. Hence, under the CMP, the Banking System is typically confronted with the dilemma of having to choose "between the need to sustain accumulation through credit creation and the need to preserve the quality of money" (Harvey: 280).

(iv) State Institutions: The need for State intervention in the CS is not limited to the 'apex' of the hierarchy of national monetary institutions (i.e. to the CB), but goes from supervision and the provision of legal backing, guarantees, and insurance schemes (e.g. for depositors, investors, and shareholders; see Mullineux), the design and regulation of special purpose credit channels and/or institutions, the regulation of the stock exchange, etc., up to the direct absorption of the flow of the CS's circulating capital in the form of State debt. Moreover, although at the international level multinational banks "are not prevented from appealing to the extra-economic diplomatic power of their home governments or to intergovernmental organizations to recover their debts" (FitzGerald 85f: 459; our emphasis), there usually are only a few ex-ante regulatory and supervisory mechanisms.

In sum, the CS is "a kind of central nervous system regulating the movement [or circulation] of capital" (Harvey: 272), and that sector of the capitalists who control it (e.g. bankers, stock brokers, etc.) occupy the 'commanding heights' of the economy. Of course the effective power of the CS is limited to its domain over exchange economic activities; nevertheless, the fact that the CS, as capitalism grows, requires more and more State intervention, socializes the economy's capital resources, and centralizes control over social labour (particularly when 'finance' and 'industrial' capital become one), implies, as suggested by Marx and argued by Lenin, Bukharin and Hilferding, that it could be a potential instrument to be employed for the transition to a new mode of production viz 'socialism'.

Finally we should point out that in the last two sub-sections we have made a very abstract and simple presentation of the operation of the LOV and money under the CMP. However, as it follows from our earlier exposition of Marx's R-R-A method of enquiry,

...more concrete analyses [of capitalist societies] must consider the differential interpellation and modes of calculation of particular capitals in assessing how they function in the realization of [the LOV] and how competitive forces influence different capitals. (Jessop: 216).

These analyses, however, are out of the scope of this paper.\*

## 2.5 The LOV under 'Socialism': 'Planning' vrs. 'The Market'?

There is not a universally agreed definition of 'socialism' (see Bettelheim & Sweezy: 123 ff., and White 83) and definitions abound (Wilczynski: 1). Nevertheless, it is by now clear that part of the definitional debate, implicitly or explicitly, has to do with whether or not 'socialism' is, or should be, based on CP either in the whole economy or in certain major markets e.g. the MMPP, LP, Consumer goods, and Service markets. This debate has been somehow misleadingly coined in terms either of the rather questionable distinction between 'planning' and 'the market' as alternative resource allocation mechanisms, or of the 'synthetic' question on 'the role of the market in the planned economy' (see esp. Bettelheim's works, Bettelheim & Sweezy, Brus 72 & 85, Corrigan et al. 78, Ellman 79, Mandel 86, Nove's works, Sik, and Wilczynski). Space does not allow tackling this issue fully in this paper. Nevertheless it is necessary for our analysis on the role of money in the Transition that we make explicit a series of points on this topic, based of course on our R-R-A perspective.

Firstly we must point out, following Bettelheim, that the 'Plan' and the 'Market' are phenomenal forms which, therefore, and in this departing

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\* See Lewis and Davies (87) for a non-Marxian survey of the operations and unchanging functions (despite structural changes over time) of banks and related financial intermediation institutions which, interestingly enough, parallels, though at a more concrete level, our perspective with regard to the CS under the CMP.

from Bettelheim, rather than being discounted as simple "metaphor" they should be accounted for in terms of their conditions of existence (Corrigan et al. 78). Hence, it does not suffice to establish that 'planning' could be possible under the CMP and that commodity categories are still present within the State sector in the centrally planned economy (e.g. USSR) so as to demonstrate the wrongness of the ideological identification of 'Plan' with socialism and 'Market' with capitalism; nor is it probably just a matter of bringing in the class-struggle plane of analysis so as to account for the use of this "metaphor" in specific (bourgeois) ideologies (see Bettelheim & Sweezy: esp. 34-46). Rather, these two notions in themselves should be fully accounted for in terms of the value plane of analysis in order to identify their real and distinctive conditions of existence so as to ascertain whether they actually exist in any concrete social formation and/or economic sector.

Secondly, it should be noticed that there would seem to be no a-priori reason both why 'socialism' ought (not) to be based on CP, and why, consequently, depending on the perspective adopted the commodity category of 'money' ought (not) to be given a role<sup>15</sup> (see Brus 72: 137). Thirdly, in any case, it is not the prevalence of CP (and consequently of the 'Market' in some form or another) as such, given the existence of SDOL and independent decision-making,<sup>16</sup> and its LOV implications, which would (or should be expected to) distinguish the CMP from 'socialism' (Sik). Rather in this context it is logically the manner in which the LOV is being mediated what does (and should) enable us to make a proper distinction i.e. it is the extent to which the emergent SRP (as represented for example in new production forms and/or forms of political representation/mobilization) prevail vis-a-vis the 'outmoded' SRP, in a context of permanent and unavoidable class struggle. Consequently, the value plane of analysis is a necessary but not a sufficient element in the CMP/Socialism distinction: the Ideological, Gender, Politics, etc., planes would seem to be equally important.

Fourthly, although there seems to be no much opposition, in the literature we reviewed, to the argument that money will be needed during the Transition, the perspective adopted on the above-mentioned 'CP-question' would obviously have some bearing both upon the nature and extent of the functions money would be 'allowed' to perform as well as upon the rate at

which money-categories 'should' be 'withered away', during that period (see Griffith-Jones, and Sik). But of course divergences of opinion on these issues may also be due to other reasons. Moreover, and for example, despite Griffith-Jones' ambiguity as to whether the hyperinflation and the 'moneyless economy' of the USSR's War Communism period (1917-21) was either 'a product of necessity and not of ideology' or at least 'partly' the unmeasurable effect of 'a general belief' in 'liquidationism' (p. 40), our own research<sup>17</sup> would seem to suggest that methodological interpretations of Marx must have had some effects (not least because of the 'organic intellectual' character of Bukharin).

Hence, there is not any a-priori theoretical justification for arguing that the generalized and immediate abolition of commodity categories or of the operation of the LOV is the necessary and sufficient condition for the establishment of socialism (e.g. Bukharin); moreover, the working of the LOV mechanisms (given the objective existence of their conditions) should not be conflated with capitalist CP (Sik) and, therefore, from a terminological viewpoint at least, a competition during the Transition between the 'LOV' and the 'planning principle' need not be postulated (e.g. Preobrazhensky, Ch. III), neither there would seem to be the need for the State having to 'prevent' the 'reemergence' of the 'LOV' as the determinant of economic activity (e.g. FitzGerald 86a: 40).

Very much on the contrary, the LOV operates even under any planning system (provided the existence of its underlying conditions) and this is why "it is ... essential for a real market to function as a continual criterion and correction of erroneous decisions in planning" (Sik: 272). Whether it is really feasible and/or desirable to successfully supersede its operation (by abolishing all independent decision-making in all the economic spheres viz production, consumption, exchange and circulation) either in the whole economy or in any particular market, is of course a different point. Nonetheless, inasmuch as the gathering and processing of all the necessary information is impossible, and/or there is a LP market resulting from the separation between producers and consumers implying, as it does, that workers will be chiefly interested in getting that level of consumption (contingently) necessary for their reproduction, such supersession of the LOV would seem to be unachievable (Sik: Ch. 2).

Moreover, we shall not overlook the fact that whether for voluntaristic reasons or for aprioristic definitions of 'socialism' (though these two factors can usually be found to be correlated), rushed and forceful attempts at immediately superseding the LOV-operation in any particular area may well lead to highly counterproductive economic and socio-political effects. Furthermore, the same effects would probably occur if its operation were to be ignored while either no alternatives were to be provided or there were to be a disorganized and unconscious handling of the effects of its inevitable operation.\*

This argument, of course, unlike Wilczynski: Ch. 2, does not imply a-priori 'the peaceful, complementary and harmonious co-operation' of the 'plan' and 'market' mechanisms<sup>18</sup> (whatever the form they were to take) in any planning system. As pointed out above, the LOV-operation is an inherently socially conflictual and economically problematic phenomena being largely affected by class struggle, and its potential detrimental effects during the Transition, being, as they usually are, intertwined with the effects of the articulation of the prevailing modes of production, should therefore be analytically distinguished from, rather than being automatically equated to, the CMP's effects.

The above-analysed definitional debate, therefore, should go beyond the 'appearances' of the 'Market' and the 'Plan', and be instead more concerned with the 'capitalist' LOV/'socialist' LOV dichotomy. At a less abstract analytical level the following would seem to be a more precise postulation: During the Transition there are usually different forms of production (e.g. pre-capitalists, capitalists, statal, co-operatives, etc.), each with its own dynamics and needs for extended and simple reproduction (Bukharin), to be articulated through the (mediated) working of the LOV, and under the expectation that the latter two are strengthened (i.e. accumulate) at the expense of the former (cf. FitzGerald 86a). Articulation which would not

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\* See Coraggio 86b: 151-3, for a description and analysis (though without any reference to the LOV) of what is perhaps an instance of this type of situation in the case of the Sandinista Revolution during the 1983-85 period.

necessarily imply that both the internal- and the inter-production-forms money-commodity relations are identical in their respective economic content (see Brus 72: 89-90, n.2). Moreover, this articulation also entails "social structures of power, custom, ownership, and so on" (FitzGerald 86a: 52, n.3), and is an extremely difficult task which success largely depends upon the ongoing class struggle, as it will be seen shortly. It also implies the possibility of failure (Fagen et al. 86b; White 83) as the Transition is likely to be a double way as between capitalism and 'socialism', as generally argued by Bettelheim (see also Corrigan et al. 78).

This diversity of production forms is typically underlied by such a degree of development of the (material) FFPP that it may well not be enough for the creation of a social-economic centre capable of effectively and consciously disposing of all national production in accordance with the needs of society (Bettelheim 76 & 78a). More specifically, it would seem to be the case that the central economic question of the Small Peripheral Transitional Economy [SPTE], consists in managing the value forms (i.e. prices, money, etc.) in different conjunctures so as to attempt to articulate the various production forms in such a way that will generate that social appropriation of the surplus which is needed "to transform the inherited economic structure of underdevelopment into one that benefits the majority of the population and at the same time generates acceptable levels of growth" (Fagen et al., 86b: 17). In other words, the central economic question consists in the mode of appropriation of the surplus, in a context of rapid and unavoidable social transformation propelled by class struggle.

## 2.6 Problems of the Small Peripheral Transitional Economy.

There are, however, some specific factors inherent to the SPTE which make the task of articulating and transforming the various production forms an extremely delicate and problematic one. These factors can be grouped as follows (see and compare with *ibid*):

**2.6.1 Peripheralism:** The SPTE's inherited accumulation model is typically based on its export sector: its 'Department I' (i.e. producer goods e.g.

heavy plant and equipment, technologically advanced inputs, etc.) "is located abroad in the industrialized countries" (Fitzgerald 86a: 29) and "it is the foreign trade sector which, through exports of primary products at exogenous international prices, provides these producer goods, and thus is the 'heavy industry' of such 'incomplete' economies" (ibid 85a: 6). Consequently its growth rate is determined by parameters which are established abroad e.g. prices and markets for its pre-eminently commodity exports, import prices and as a result its external, usually deteriorating, terms of trade, technological development, etc. Moreover, the SPTE's peripheralism would also seem to consist in its dependence on regional 'international financial centers' (located in UDCs e.g. Panamá, Singapore, etc.), where its GE (local capitals - in financial form - and/or government finances), can be 'articulated' or converted into international moneys under the hegemony of finance capital's control over these hard currencies' (usually high) prices or interest rates (see Gorostiaga 84). In other words the SPTE has no choice but to conform to the (capitalistically mediated?) 'international' LOV in order to grow (through the realization of the surplus), and sometimes even only to survive (White, 83). (See Fagen et al., 86b).

2.6.2 Smallness: Usually there is not much natural resource endowments and/or human resources (ibid). Particularly, there is a lack of those technical skills needed for the type of economic management to be required by the SPTE (see Griffith-Jones), not to mention the probably undeveloped and/or distorted telecommunications and information processing/gathering systems, as well as the general lack of socio-economic information itself (e.g. on the CS's assets/liabilities structure, input/output and consumption levels of different socio-economic sectors, etc.). Also, the small (simple manufacturing) industrial base there is both is 'dependent' upon foreign input supplies due to the SPTE's 'incompleteness' (FitzGerald 85a: 7) and caters for a small internal market resulting from poverty and unequal income distribution. Moreover, what is probably the other side of the same coin, there is typically "a large 'peasant' (or more strictly, petty commodity production) sector which supplies food for the towns, seasonal labour to the export sector and small scale artisan wage goods" (ibid, 85g: 95). These supplies in fact are the kernel of the agrarian question in the Transition (see Saith). Furthermore, the SPTE's resources are not only relatively



scarce but they tend to be immobile as between economic sectors. The low development of the SPTE's (material) FFPP, therefore, implies large 'expenditures' of SNALT in the production of the domestic product.

Last, but not least, domestic 'Fictitious Capital' markets are probably either non-existent or undeveloped, and their role in guaranteeing the continuity of the CS's capital flows, and therefore its coordination function, is typically taken over by the State i.e. the banks' reliance on the State is more pronounced in the SPTE than in the large capitalist economy (FitzGerald, 83a: 122).<sup>19</sup> In fact, this role or 'stylized fact' usually set the stage of the wider and more important problem of the relationship between the (relative autonomy of the) State and the management of accumulation (i.e. essentially foreign trade and finance) in the periphery, whereby the State becomes a 'financial intermediary in its own right' (see ibid 83a & 85f). The latter problem in turn, and under the assumption that the SPTE's CS were not to be nationalized, may well be complicated further by the fact that 'the' banks are not an homogeneous entity but are typically differentiated in terms of ownership as between national (State, cooperatives, Trades Union, etc.) and transnational property rights and therefore also in terms of financial potential: Expatriate banks may outcompete the national banks and dominate the CS through their advantages in terms of business ties, branch networks across the country (and abroad), communications network, etc. (see Thomas: 73). It should also be noticed here that the above-described 'stylized fact' also implies, inversely, that the State's internal financing of its deficits relies basically on monetary expansion (Griffith-Jones: 16-7).

**2.6.3 'Expected' Problems:** The transformative character of the Transition entails a confrontation with the 'outmoded' SRP (e.g. landownership, 'comprador' bourgeoisie, finance capitalists, old ways of enterprise management, sexist values and practices, etc.). Hence it will probably involve both strategic and/or defensive nationalizations within the economy as well as struggles over the nature of the new SRP at the workplace level (Wuyts 86) and within the other social spheres; the objective being by and large to replace the old accumulation model together with its accompanying system of sociopolitical control, by the new political hegemonic project of the revolutionary forces (see previous Ch.).

More specifically, and based on the empirical evidence provided by some research works we surveyed (e.g. esp. Fagen et al. 86a, FitzGerald's works, Griffith-Jones, Jamenson et al., Spoor's works, White et al., and Wuyts's works), it seems to be possible to argue the following: In general terms it can be 'expected' that, at least during the early stages of the Transition, the disarticulation of the previous production forms and the total dismantling and/or abolition of the old repressive mechanisms and economic pressures for maintaining labour discipline, will reduce labour productivity and supply, provoke 'capital flight' and/or induce general economic sabotage, thereby seriously disorganizing, reducing and/or disrupting, production. The CS will also probably reflect the increased intensification of the class struggle and it would therefore seem reasonable to expect that a tension will arise following the ceasing of State (financial-intermediary) support for capitalist accumulation: as the TS deals with the new priorities regarding the continuity of financial flows the occurrence of mistakes and/or the activities of the old SRP might create the possibilities for alternative competing mechanisms to redirect those flows against socialist transformation objectives e.g. foreign exchange's black markets (cf. Wuyts's "Simultaneous Transformation Perspective" in our next Ch.).

Moreover, national-income distribution struggles<sup>20</sup> will probably be exacerbated as post-revolutionary expectations for higher living standards are exerted by the poor and the party organizations on the TS (FitzGerald 86a: 37); while government revenues would ultimately depend upon the TS's willingness and ability to tax different social groups in combination with other circumstances there may arise<sup>21</sup> e.g. changes in the revolutionary forces' control of the State apparatus (see Griffith-Jones: esp. 190).

Futhermore, wars of attrition, with trade embargoes, cuts in financial aid and credit, etc., may well be waved by imperialist countries (with their local allies) thereby compelling the SPTE's TS (a) to maintain higher than usual levels of foreign exchange reserves (ibid); (b) increase, or at least making it impossible to reduce (Griffith-Jones: 41), its defence expenditures and draw labour from all production forms for the war effort (the army thereby probably becoming the larger wage-earner group of the population<sup>22</sup>); and (c) to 'speed up' the reinsertion into the international DOL with the resulting larger 'adjustment' costs. The consequent highly detrimental

effects in terms of both production losses and reductions of popular living standards would be obvious. As if all above were not enough, SPTEs usually present "unstable supply conditions due to the frequent impact of national disasters (hurricanes, drought, floods, pests, etc.)." (Thomas 83: 75-6).

In this context solidarity from friendly (Socialist) countries as well as from internationalists<sup>22</sup> would obviously also be of crucial importance, though its nature, extent, and content would probably be largely determined by conjunctural international/geopolitical and economic factors and/or dynamics which may well not be the most favourable for the SPTE; particularly when considering "the secondary nature of the socialist world to development in the periphery in terms of trade, finance, transfer of technology, and even in foreign aid." (Fagen et al. 86b: 12).

Last, but not least, due to the former, constantly and radically changing unfavourable economic and political conditions (both internal and external to the SPTE), the common negative effects of excessive lags in policy making and implementation are magnified beyond the 'normal' level of all 'normal' economies (Griffith-Jones: 72), although sometimes those lags may be almost unavoidable due to a particular combination of the factors at play. Moreover, in the context of the SPTE the differential and additional effects of rushed, disorganized, and unsuccessful attempts at administratively overcoming the LOV (e.g. when price controls and/or rationing systems are really unnecessary and ineffective), in terms of increasing the labour time 'socially necessary' for obtaining the basic staples, are also greatly magnified. And all of this can also be seen particularly in the fact that, at least during the early stages of the Transition (in general), little importance has been usually given to short-term economic and financial policies, as exemplified in the cases of the USSR, Chile and Czechoslovakia (see *ibid*: 185).

In sum, and in other words, SNALT would increase (for given technology), "while at the same time the social cost of labour reproduction rises, against a background of stagnant or declining production" (Fitzgerald 86a: 37). And, at a more theoretically abstract level, it is equally clear that the existence in the SPTE of a LP market as well as of a large petty commodity production sector, in addition to the crucial role played by the

foreign trade sector, clearly establish the need of recognizing that the LOV operates both within and between the latter sectors, whatever the attempts at 'planning' their articulation. An attempt should therefore be made at studying the manifestations of the LOV-operation as well as of its (successful?) supersession in any particular market, economic sector, and/or production form, in terms of labour and/or money devaluations. This paper is thus specifically concerned with how the latter devaluations have been conceived by different perspectives in the context of the SPTE and in the following sections we will elaborate our analytical criteria.

## 2.7 Money and the State in the Transition.

'Production' and the 'State' 'in general' do not exist in the real world, and are rational abstractions which are useful for theoretical work to the extent that they bring out the common elements and foundations of all productions and States (Jessop). However, such conceptions must always be complemented and combined with many other determinations and specific elements (i.e. analytical planes) in order to produce an adequate account of concrete forms of production, State and SP (ibid: 29).

In the same manner, and paraphrasing Jessop, we argue that the rational abstraction 'money in general' (i.e. as the GE) does not exist (it requires the simultaneous commensurability of all money forms at all levels in the above-described hierarchy and the unity of all its functions), and is equally useful for theoretical work on the role of the GE in the SPTE. Consequently we employ this abstract notion in order to analyse and compare different perspectives on this role. Hence this paper deals not with the reconstitution in thought, as the 'complex synthesis of multiple determinations', of 'real-concrete' TS phenomena in determinate conjunctures of particular SPTEs' experiences. Instead, it deals with the analysis of the TS's monetary and financial interventions, in the sense of the political economy of the non/reproduction of the GE, as developed earlier.

More specifically, it seems to be essential, for the design of appropriate conjunctural monetary and financial strategies and tactics for tackling the central economic question of the SPTE, to remember the most

abstract determinants of money as the GE as well as to assess their implications, so as to help complement the analysis made of the conjuncture-specific socioeconomic determinants e.g. particular forms both of production and of TSs (democratic, liberal, despotic, etc), balance of political forces, development of the (material) FFPP, etc.

On the other hand, the production of an adequate account of the political economy of the (non)reproduction of the GE, during any given conjuncture of any particular transitional experience would require the detection, analysis, and incorporation of particular determinations and specific elements being present in the particular conjuncture/experience i.e. it would entail an empirical research 'on situm'. And this is a task which cannot be tackled within the limits of our paper.

## 2.8 Assumptions and Comparative Criteria.

Thus, within our limitations, and following Jessop's (221ff.) suggestion with regard to the adaptation of his (R-R-A based) criteria for the analysis of 'Capitalist States' to the analysis of other 'points of reference', we will adopt the following criteria (assumptions) in order to carry out our comparative/analytical task. Our analysis, therefore, will necessarily have to be at an 'intermediate' level of abstraction and degree of complexity.

### 2.8.1 Assumptions

(i) 'Money', as the GE, "is never a pure class instrument, even if it is efficiently administered by the interests of any class." (de Brunhoff 80:9).

(ii) The State is a set of institutions which in itself cannot exercise power, and which unity is but only problematically achieved, if at all. The State apparatus is not the special place where 'power' is 'located'. More positively, 'power' is here seen "in conjunctural, relational terms rather than as a fixed sum of resources which can be appropriated by one social force to the exclusion of others." (Jessop: 225). Hence, 'State Power' is a

complex social relation that reflects, through the mediation of institutions, the changing balance of social forces in a determinate conjuncture (Jessop). Consequently, even if the 'Vanguard Party' were to control the State apparatus' key decision-making posts it would not necessarily imply their hegemony over SP. The SP of the SPTE might then perhaps be regarded as 'socialist' to the extent that it creates, maintains, and restores the conditions required for both (a) tackling the central economic question of the SPTE as posed above; and (b) the dispersion of 'political power' away from the TS and towards the "building of a new people's power within civil society" (Coraggio 86a: 16; see also Bettelheim & Sweezy), in any given conjuncture.

(iii) Political forces do not exist independently of the State: they are conformed partly through the latter's forms of (political) representation, internal structure, and forms of intervention (Jessop). In fact, one of the usual aims of an alternative (popular) hegemonic project is to reorganize the State apparatus (i.e. changes in both structure and personnel), so as to change the composition as well as the balance of the struggling political forces (see Bettelheim & Sweezy).

(iv) The success of the different forms of State intervention (viz legal, monetary/financial, administrative and directly in production) is highly problematic in the SPTE, not only because of its inherent and relatively more intensive class struggles between 'outmoded' and 'new' SRP, but mainly because State policies themselves represent both the exercise of the new revolutionary popular power as well as the terrain of these class struggles (cf. Coraggio 86b: 145-6). In any case, these forms of State intervention (and therefore also the one in which we are here interested viz monetary/financial policies) can be examined in terms of their (a) institutional mediations, (b) social bases of support and resistance, and (c) economic constraints.

### 2.8.2 Forms of Monetary/Financial Intervention.

We have dealt with the SPTE's special economic constraints above (at an 'intermediate' level of abstraction e.g. smallness, etc.); with regard to

the social bases we have mentioned a few (e.g. landowners, popular sectors, etc.), but here again we cannot go into details; in relation to the institutional mediations, finally, we have pointed out several forms of TS (e.g. democratic, etc.), again abstracting details. On the other hand, the monetary/financial form of intervention itself can, by adapting Jessop's typology, perhaps be classified as follows.

(1) Formal Facilitation [FF]: When the TS maintains a "formally rational monetary system" as a "general external condition" for the reproduction and articulation of the SPTE's different forms of production. As pointed out above, the SPTE will probably 'inherit' the capitalist CS described earlier. Hence some initial general questions, with regard to the different perspectives to be analyzed in the next chapter, would be about the terms under which the CS would be 'inherited' and/or whether monetary/financial interventions should be reorganized as a way for both changing the balance of social forces in struggle and starting a process of 'primitive socialist accumulation'.

More specifically we have the following questions: Would it make sense to conceive of a 'socialist' CS performing the same functions delineated above? Does the CS have to be nationalized given its crucial character of being the 'commanding heights' of the economy? If so, will its hierarchical nature be changed even though the MOV-MOC contradiction prevails (given the existence of the CP's conditions)? Would it be necessary and/or advisable to merge the CB and the rest of the (nationalized) banking system and to engage in 'financial repression', or will the regulatory and supervisory requirements be carried out in some other fashion? What would be the roles of the interest rate and of gold as 'the' M-C? Should the TS's legal backing (and enforcement) always be strong and determined? Etc.

(2) Formal Support [FS]: When the TS alters the monetary/financial system in a particularistic manner and/or establishes some monetary/financial channels and/or institutions favourable to particular forms of production which remain 'formally free and autonomous' e.g. the design and regulation of the flows, and financial costs, of credit channels for special purposes and/or activities (e.g. agricultural credits, commercial credits, credits for

tradecraft production, foreign currency allocations and rationing for all types of imports, etc.).

Another possible indirect way of supporting any particular form of production and/or strategic activity is by affecting the degree of (de)centralization of money wealth and control with redistributive fiscal policies and/or inflationary monetary strategies e.g. inflationary financing of the defence budget by 'forcing savings' out of the 'consumers' in general. Hence, another relevant question in this regard would be how has the political economy of the (non)reproduction of the GE, in relation to the achievement of a desired income-distribution structure, been conceived (if at all) by the different perspectives to be analyzed in the following chapter.

(3) Substantive Support [SS]: When the TS allocates real savings and/or 'fictitious values', in usually large amounts, directly to a particular production unit of any form of production e.g. State investments in strategic sectors, special State credits and/or subsidies, the mobilization of resources for the maintenance of the State apparatus itself as well as for its current and/or capital expenditure i.e. taxation and/or foreign borrowing, etc.

(4) Direction: When the TS supresses and/or closely regulates and manage the economic units' independent monetary and financial-transactions power e.g. State control over its enterprises' finances, pricing policy, and credit-granting power, State control over all foreign exchange transactions, etc.



## CHAPTER THREE

### PERSPECTIVES ON THE ROLE OF MONEY AND FINANCE IN THE TRANSITION TO SOCIALISM

#### 3.1 THE STATE SOCIALISM PERSPECTIVE

The State Socialism Perspective [SSP] is expounded in Soviet<sup>1</sup> 'manuals' or textbooks on 'the political economy of socialist planning'. It employs a subsumptionist analytical method<sup>2</sup> and is based on a particular interpretation of 'the Marxist-Leninist theory' whereby 'ever-advancing' economic growth and progress consist in harmoniously developing both the (material) FFPP and the SRP; and planning, therefore, deal with both production as well as ownership and income distribution questions (Ellman 79: 16). Thus with regard to the latter we have that: (a) the national product is distributed between Dpts. I (producer goods) and II (consumer goods), and the aggregate social product/income is distributed among the replacement, accumulation, and social and personal consumption funds (Cherevik et al.: 47); and, (b) the essence of 'socialist' SP lies in 'the supremacy of socialist ownership' of the MMPP<sup>3</sup> which, in fact, implies an instrumentalist conception of SP as being easily 'utilized' by the workers so as to "complete the socialist transformation, and to control and plan the economy" (ibid: 17), through the Communist Party's monopoly control over the State apparatus (Stark: 247-8). This 'essence', together with its specific 'social nature' of being a 'government of all the people', as well as other changing national conditions (e.g. nationalities, regional relations, etc.), are seeing as determining the actual forms of socialist political representation, for example, the Soviets (Chirkin). Nevertheless, whatever the forms, socio-economic contradictions and/or conflicts (and therefore resistance) are simply assumed away i.e. diverging individual interests are aggregated and their unity is absolutized (see Ch. 1, and Sik: 99-214).

With regard to 'socialist production' the SSP admits that the latter is 'CP' and that therefore the 'LOV' holds. However, it reduces the notion of the LOV essentially to ex ante SNLE which, in turn, 'must' regulate the production and exchange of goods. In other words the SSP wrongly assumes that "commodity relations do not result from contradictions within social production, as a form of necessary solution of these social contradictions, but only as a form of keeping records of labour expended and of assuring an equivalent exchange." (Sik: 183)

The ex post verification problem, nevertheless, is considered though separately and dogmatically through the postulation of

The basic economic law of socialism [which] lays down the necessity of the constant expansion and improvement of production ... for the most complete satisfaction of the constantly growing material and spiritual needs of society... (Cherevik et al.: 21; orig. emp.)

This verification is meant to be achieved through the mediation of the so-called 'law of planned, proportional development of the socialist economy' which postulated underlying working mechanisms will be described in what follows.

The SSP's price mechanism also reflects its own LOV notion. The state bases its all-embracing two-tier pricing policy on SNLE (thereby covering even 'surplus-labour')<sup>4</sup>. And although the supply-and-demand mechanism 'could' admittedly affect Dpt. I prices indirectly (through the increase in, say, storing and maintenance costs) and Dpt. II prices directly, these price increases 'could' be avoided either through previous inclusion of the supply-demand equilibrium in the planning of prices (by manipulating the turnover tax) or through production increases. In any case prices are not only assumed as being ordinarily stable (Rumantsiev: 166-9), but consumer price level stability itself is interpreted as a sign of the economy's efficiency and stability as well as a landmark of 'socialism' (as opposed to the CMP's 'inflationary chaos').

Before dealing with the other postulated mechanisms it is necessary to point out that the SSP advocates, essentially, pervasive State direction of the economy, which largely reflects a deep ideological mistrust of all 'spontaneous' economic processes: the latter are seen as causing 'capitalist anarchy', wastage and antagonisms between the private and social interests.

Thus the aim of 'central planning' is not to influence spontaneous development, but to replace all decentralized decision-making (Asselain: 14-5). In other words, the objective is really to attempt to supersede the LOV-operation in the whole economy.

The SSP's hyper-centralized planning (Mandel 86) employs several methods,<sup>5</sup> for example, the Analytical one (which combines qualitative and quantitative analysis of 'planned economic phenomena'), the Normative method (using norms expressing production efficiency), computerized econometric methods, etc., but the basic one is the Balance method: It co-ordinates the regional and sectoral economic development plans, solves investment problems, and consists of a system of plan balances each of which reflects, on the one hand, resource demands and, on the other, supply sources. These balances are used at all plan preparation stages and for progress control, and are basically: (a) the Material Balances, which are worked out for separate product types and are calculated in physical terms; (b) the Labour Balances; and, (c) the Value (monetary) Balances. These balances are aggregated into a Balance of the National Economy and their co-ordination is ensured by the Inter-Sectoral Balance (a sort of Input-Output Table), thereby attempting to ensure a proportional distribution of products between Dpts. I & II (Cherevik et al.: Ch. III). In fact the Inter-Sectoral Balance can be seen as a mechanism designed to carry out directly all the functions performed by the CS in the CMP. Once legally approved,<sup>6</sup> the more-or-less horizontally arrived-at national plan is disaggregated from the highest (GOSPLAN, ministries) to the lowest levels (branch associations, enterprises) and is put into effect by means of directives and indicators, administrative regulations, guidelines and incentives.<sup>7</sup>

Money is certainly assigned a role in this framework and is peculiarly defined as a GE 'of a special kind': As it is used in a planned manner within the above described planned system, its 'universal exchange capacity' is limited (Rumantsiev: 159). However this definition logically and necessarily follows from the SSP's 'LOV' and 'harmonious development' notions.<sup>8</sup> Indeed, the money's MOV function is not only inevitably reduced to representing SNLE thereby becoming just an accounting unit i.e. a certificate for a certain time unit (Sik: 183), but to be so the SSP is forced to assert

that money's MOC, MOP and SOV functions are carried out free from any antagonistic contradiction and/or monetary crises (see Rumantsiev: 158-65; 487-8). In sum, by definition the MOV-MOC contradiction disappears (and the simultaneous commensurability of all money forms and unity of all money functions are achieved) and the GE is therefore automatically and unproblematically reproduced, though of course in a 'limited' manner. Undoubtedly the USSR has experienced radical paradigm changes, from the GE-abolition view (see Ch. 2) to the advocacy of a permanent and 'planned' actual reproduction of the GE (cf. Griffith-Jones: 68).

'Limiting the GE' consists<sup>9</sup> in planning the following two, assumedly distinct and separate, money circuits which both correspond to the economy's division into the socialized and the 'semi-socialized' and household (population) sectors, and represent two distinct money forms to be distinguished by their functions: Fiduciary money (cash) is meant to play the 'MOC' function within the circuit which articulates the exchanges between the socialized and household sectors, and also within the household sector; and Script money ('money of account' in ledgers i.e. current account credit balances or CM) is regarded as playing the 'MOP' function and as operating only within the exchanges of the state sector (production and distribution enterprises). This distinction of money forms in itself is not unique to the SSP given that it is also made by monetary theory under the CMP; its uniqueness rather lies in the major socio-economic importance given to it by the former (Hussain), as it will be shown now.

Thus we have that the SSP's money-circuits-planning employs mainly the following Value Balances: (a) Primary financial balances (income and expenditure) of the socialized sector's members (mostly enterprises) determining their relations with both the state budget and the banking system; (b) State Budget; (c) Banks' credit plans (long- and short-term) with regard to real savings sources and lending categories; and (d) Population's monetary income/expenditure balance which is used to determine the population's level of effective demand and the volume of goods in circulation i.e. to guarantee aggregate supply-and-demand equilibrium in Dpt. II, so as to guarantee stable money circulation (Cherevik et al.: 57; Rumantsiev: 471-3).

Now, script money supply is endogenous to the plan i.e. it strictly corresponds to the (execution of) Material Balances.<sup>10</sup> Consequently discount and suppliers' credits are impossible and/or undesirable under the SSP: Buyers are determined in advance, demand is usually greater than supply so that there is not need for credit stimuli and last, but not least, these credits could be used to evade direct bank control (see below) (Zwass: 8).

Fiduciary money supply, on the other hand, is planned as follows (Lavigne 74: 267-71): Firstly, its total quantity for the planned period is calculated by means of the above-mentioned Population's balance. The latter's income side is planned largely through a direct system of wage control whereby the centre determines the size of the enterprises's wage bills, usually by linking them with centrally fixed success indicators (which are independent of market sales given the above-described pricing policy) (Adam). Thus wage fund planning is the mechanism used for controlling fiduciary money supply. The expenditure side, however, enjoys (unavoidably) a margin of choice<sup>11</sup> and is therefore meant to be 'planned' (given an income size) through the planning of commodity supplies and the fixing of retail prices (see above). Secondly, the Population's balance is the basis for the Bank's cash plan, which is necessarily in balance: If receipts exceed payments,<sup>12</sup> excess cash is transferred to the Bank's reserves; conversely, which is usually the case, reserves are used to balance 'deficits' and are 'obtained' through issuing money which means that, thirdly, the Bank's short-term credit plan is 'adjusted' so as to inject the required additional quantity of fiduciary money supply. Thus the overall Banks' credit plans mentioned earlier are designed "to calculate how much credit should be created throughout the economy as a whole, bearing in mind the requirements of economic growth and the avoidance of monetary disequilibrium." (Lavigne 74: 271) Under the SSP every credit is therefore regarded as creating money (Zwass: 9), though of different kinds, and the rate of interest does not play any decisive role in the determination of the total amount of credit and its distribution (Wilczynski: 149).<sup>13</sup>

In other words the SSP prescribes<sup>14</sup> both Direction for controlling script money circulation as well as what is essentially, as shown above, an incomes policy (rather than a monetary one), as the basic types of State monetary/financial intervention to be based, of course, on a particular form

of FF: Both are managed by a simple monobank-monobudget system<sup>15</sup> (Garvy 66, 77) which is meant to control and supervise plan implementation, mostly through the maintenance of the separation (i.e. 'preventing spillovers') between the two money circuits<sup>16</sup> i.e. all banking operations are subordinated to the needs of the plan (Wilczynski: 146). The main features of this system are: (a) It is highly centralized and operates on a branch basis i.e. every branch is not an independent unit; (b) Overall it is a simple CS-structure: there are neither 'fringe' financial intermediaries nor markets for 'fictitious capitals' (money is the only financial asset and is distributed among cash, demand and time deposits), but only a single banking system which combines the CB and the 'commercial' banks i.e. the State Bank; (c) The latter performs several activities similar to those of the CB under the CMP e.g. note issuing, carrying out government's financial policy, setting the rules governing bank deposits, credit extension, interest rates, bank accounting and statistics, re-financing other branches, servicing the State Budget, and directly administering foreign payments; and (d) Local budgets form an integral part of the State Budget (e.g. USSR's nearly 50,000 local budgets are all reflected in the State Budget). Although there may well be other banks specializing in some activities (e.g. Foreign Trade Bank, Industry (Investment) Bank, etc.), they would do so on a branch basis. (Wilczynski: Chs. 11 & 12, Portes 83: 151-55) Moreover, this system is

completely insulated from and unaffected by foreign-sector transactions, whether on current or capital account. Transactions with non-residents are centralized in the foreign trade bank., and there are not problems of control over the operations of international banks and multinational corporations. (Portes 83: 153)

In sum, a central premise of the SSP is that (credit) money should play essentially an endogenous<sup>17</sup> role in all circuits, and monetary management, as part of an overall financial strategy, should therefore replace monetary policy (Garvy 77: 3-4). Credit moneys are thus assigned essentially the roles of being an unit of account as well as an instrument of control (see Asselain: 18-9).

### 3.2 THE SYNCHRONIZED ECONOMIC-POLITICAL FUNCTIONALISM PERSPECTIVE

The Synchronized Economic-Political Functionalism Perspective [SEFPF] has been put forward by Griffith-Jones<sup>1</sup>. As noticed in Ch. 1 above, she argues that

discussion on the role of money and finance within the framework of marxist economics have to some extent obscured the real issues faced by countries beginning the transition to socialism. (3; our emp.)

This discussion, moreover, is seen as having distracted attention from the 'real issues', as exemplified in the USSR during the NEP period (51). Thus, and setting aside the question as to what did Griffith-Jones mean by 'marxist economics', it is not surprising that her analysis obviated Marx's value theory and that she regarded a "modified version" of Kalecki as a "useful starting point" (18, 72; see also the next section). However, somehow inconsistently she actually employed, implicitly or explicitly, certain clearly Marxian concepts and/or notions in her analyses of money and the market.

For example, Griffith-Jones does grant money<sup>2</sup> the functions of being an "unit of exchange" (read MOC), an "unit of account" (read 'reflex' MOV) and, even quite explicitly, a MOV, a SOV and a "medium of payment" (i.e. MOP) (7, 38, 50, 67, 71). She has also explicitly referred to the NEP's price-index numbers as having being functional as "measure of value and deferred payments" (51) and, more importantly, she did implicitly (and probably unavoidably, we would argue) recognize or detect the MOV-MOC contradiction when she argued that the "value of money has to remain stable" (7) when the market links economic units to each other. The 'Marxian' notion of the GE is then clearly lurking underneath her theoretical analyses and, if careful reading is done of her empirical material we would also detect how the MOV-MOC contradiction repeatedly (and implicitly) crops up e.g. the analysis of the introduction of the new NEP currency viz the Tchervonetz (see esp. 67). Thus, it would seem that the latter notions were indeed 'real issues' worth considering explicitly.

Her analysis of the role of the 'market', on the other hand, is impaired by her lack of distinction between CP (and 'market relations') and

free private capitalist trade (see 47-8). The former are thus regarded as elements of the existing capitalist system and, despite their 'capitalist' nature, they are both positive and useful for the Transition but are usually ignored and uncounciously destroyed without considering harmful repercussions (footnote no. 17 in p. 174). However, although the SEPFP implicitly and correctly recognizes the importance of the LOV-operation (and its implications) during the pre-Transition period, it leaves unresolved the question as to the whether 'socialism' itself (rather than just the Transition to it) should be based on CP (see 3).

In any case, the neglect of the 'capitalist-market elements' by "socialist policy-makers" is the reason why they "undervalue the role of money and finance" in the pre-Transition period (185). More positively for the SEPFP 'the market' is necessary during this period

to continue the functions of both production and distribution, particularly when there is no alternative mechanism. For the market links to perform these functions, and for the rapid construction of an effective system of planning and management, a certain degree of stability of the value of money is required; this implies limits for financial policies. (185)

As a prelude to the analysis of this argument's details we will now assess Griffith-Jones' analytical method. She tackles the problematic of the role of money and finance during the pre-Transition period on the basis of the Soviet (Bolshevik), Chilean, and Czechoslovak experiences. She has explicitly stressed on the historical specificity of each experience, not only with regard to 'general internal characteristics' of each country (e.g. class structure, level of development), but also in terms both of the changing international context as well as the particular 'road to socialism' chosen by the revolutionary forces (1, 8-9). Moreover, this is the reason why "the dominant inflationary pressures and mechanisms vary according to the different experiences." (18)

On this basis the SEPFP argues for the ex-post evaluation of the revolutionary forces' financial and monetary policies in terms of whether or not they reflected a coherent strategy to further the adopted political and economic aims (9). Moreover, she also advocates a similar ex-ante conjunctural perspective for the design of those policies, as will be shown later. Nevertheless, it should also be noticed here that Griffith-Jones has



somehow contradictorily put forward an argument about the particular 'aggravation' of

many of the trends and elements which lead to a large state sector deficit during [the pre-Transition and which] already existed - though often on a smaller scale - in the capitalist or mixed economy functioning previously in that country (17; our emp.)

Those 'trends and elements' are seen as having been well illustrated by FitzGerald (1978). The point we want to make below is not merely one about the unwarranted nature of the easiness with which the underlying basis of FitzGerald's analysis of 'The Fiscal Crisis of the Latin American State' (e.g. bourgeois political hegemony, mostly privately-owned CS and wholesale trading, no agrarian reform, etc.) are transposed to the transitional experience. But it also has to do with whether historical specificity is denied to the meaning of that experience's state budgetary phenomena.

Thus, as it will be shown in what follows, the 'general features' seen as characterizing the pre-Transition by the SEPFP are not exactly the same as the SPTE problems:<sup>3</sup>

- (1) The pre-Transition period is defined, by quoting Bettelheim 78: 22, as the period of initial instability, of the period preceding what Marx calls the social stability of the mode of production. The initial stage is that in which the fate of the new social formation has not yet been sealed, or in which this fate is still uncertain.

Hence, there is meant to be an intense political struggle for a greater share of SP and therefore for a greater control of the State apparatus, between the 'revolutionary forces' (e.g. Communist and/or socialist parties possibly making 'Left coalitions', Trades Unions supporting the latter, etc.) on the one hand, and the social basis of the resistance to transformation (e.g. the armed forces, the police and the 'middle classes' in Chile under Allende, unnecessarily-and-counterproductively-encouraged wealthier peasants during the USSR's NEP period, bureaucrats and small and medium entrepreneurs in general, etc.), on the other; and their respective compositions may vary according to conjunctural factors (see esp. 1, 8, 13, 34, 70, 72, 125, 135-6, 171, 191).

This struggle can take place either parliamentary or armed forms (1). However, whatever the forms, the political dimension of class struggle

and/or domination is clearly regarded as underlying this struggle: leaders of a class who take power may well have to face a situation in which he/she will have to defend the interests of an alien class in the interest of the movement itself and will therefore have to put off his own class' interests with phrases and promises (55-6). In this context the revolutionary forces utilize and restructure that part of the State apparatus they control so as to reorganize political forces in their favour and make structural economic transformations e.g. nationalization of MMPP which, incidentally, is also regarded as crucial both for augmenting the revolutionary forces' SP share and for laying the basis for socialist planning and management (1-2). In fact, for the SEPFP, the 'socialist' character of SP is achieved until the main means of production and distribution have been nationalized, a planning system is the main regulator of the economy, and the State is controlled by a Marxist-ideology party(ies) (2-3). This definition of 'socialist' SP certainly ignores both the issue of the transformation of the nationalized production forms (and of the non-recently nationalized ones too) as well as the problematic of the articulation of the different production forms (and not just of 'economic units') during the (pre-) Transition, and therefore also jumps all too easily over the implications of the latter for justification of the former definition.

Moreover, although Griffith-Jones does not have an instrumentalist conception of SP, she seems to assume the inevitability of 'the moment or moments of crucial power confrontation' between the two contending sides during the pre-Transition (133) e.g. changes in the composition of the National Congress and/or in the National Army. Furthermore, this unavoidable confrontation also implies that, precisely since that (those) moment(s), the SP distribution would be permanently and significantly in favour of the revolutionary forces for the rest of the Transition. Why this should be so, however, was not made clear.

(2) For the SEPFP the intensity of the political struggle will 'inevitably' sharpen the conflict 'between different classes or groups (as well as between the public and the private sector)' over the distribution of the national income (18): After allowing for conjunctural political and economic factors, everybody, from the government (as a 'basic goods' consumer) and workers up to the wealthy, will want both to maximize consumption and/or

income (e.g. by putting pressure on higher wages) as well as to pay as little as possible for the bill (e.g. in the form of taxes and/or State enterprises' prices) (see 7, 17-8, 190). Moreover, there usually is not only a process of progressive personal-income distribution,

but also an expansion of total nominal income available for consumption. The latter tends to occur partly because the surplus available for redistribution, particularly within the specific political context and the existent class alliance, is insufficient to compensate for the increased income granted to the poorer strata. The problem is often not visualized clearly in advance by left-wing politicians who over-estimate the surplus, mainly from 'the rich', effectively available for redistribution. (19)

Griffith-Jones argues further that whenever violence is widely used to realize or defend the revolution in an underdeveloped country the following can be generally expected: (a) Production disruption, assets destruction, and foreign-trade reduction will drastically limit the tax base as well as increase the nationalized enterprises' financial needs; (b) Expropriation of MMPP and debt repudiation will greatly limit the base for direct taxation as well as for loans; (c) Impossibility of reducing defense expenditure as the revolutionary army must be maintained, and; (d) The fiscal apparatus' limitations and lack of experience make it difficult to raise revenues or curtail expenditures (41, footnote no. 40 in p. 44, 186). In sum, national-income distributional struggles, and the need for government defence-expenditure increases, resulting from internal and external (e.g. antagonisms from capitalist governments and international financial institutions such as the IMF, World Bank, etc.) opposition, as well as State enterprises deficit financing, all constitute the above-mentioned 'trends and elements' generating fiscal crises during the pre-Transition (7, 17-9, 187). And this is so despite the fact that there usually is relatively little net capital accumulation as most of the surplus is allocated to finance the above-mentioned short-term goals and/or war, and as capitalists would expectedly fear to reinvest their profits (2, 167).

The expected (increased) struggle over the nature of new SRP within the different production forms, however, was totally ignored by the SEPFP, which is surprising as this struggle is presumably the core of the above-quoted definition of the pre-Transition. This neglect, nevertheless, might perhaps be at least partly explained by Bettelheim's own emphasis on the notion that 'politics are in command': successful political struggle in the

'Superstructure' takes precedence over the struggle about the SRP in the 'Base' of the transitional society.

(3) The SEPFP also maintains that, due to the virtual non-existence of 'Fictitious Capital' markets: (i) The government cannot finance its deficit from this source which, in turn, implies (arguably) the possible insignificance of distinguishing between monetary and fiscal policies: There is assumedly very little scope for investment in financial intermediaries or treasury bills by the private sector and the demand for money is therefore primarily for transactions (16). External borrowing, on the other hand, can hardly help financing State deficits and balance-of-payments disequilibria for long periods of time (21, 188-9). Consequently, money supply will probably be the main financial source (21); (ii) The asset motive (when extant) is "usually satisfied by investment in real as opposed to financial assets" (16-7), which implies that in underdeveloped economies,

the impact of the increases in the money stock on increased expenditure of goods and services and real assets is more certain and direct than in developed economies, with sophisticated capital markets, where the effect seems to be transmitted indirectly, basically via changes in the structure of interest rates. Naturally, this argument is reinforced for underdeveloped economies with very high rates of inflation or hyperinflation, as any existent 'demand for money for speculation' would immediately disappear as a result of the high inflation (152);

And finally, (iii) interest rates are then fixed institutionally thereby being scarcely related to money supply behavior (152).

Although the SEPFP has correctly pointed out the absence of 'Fictitious Capital' markets, the need and the implications for the Transition of the continuity of the financial-capital flows within the CS was not given enough consideration. For example, Griffith-Jones adhered herself to Popular Unity's emphasis on the importance of the State for the reduction of Chile's pre-Allende 'STAMOCAP' system's contradictions and therefore for the management of capitalist accumulation and of the CS (through essentially State financial intermediation and backing of the banking-industrial groups); and, as seen above, she also assumed that the transaction motive was always the fundamental one for demanding money. However, she also noticed, (once again) somehow inconsistently, that during the short-lived Chilean transitional experience and in a context of financial disequilibria, "the demand for

national currency was transferred to demand for foreign exchange [as a] way in which the public wished to maintain its liquid assets" (161), with the resulting increase in the foreign exchange's 'black price'. Thus there was a speculative demand for money though it was being satisfied by a foreign but locally available currency into which the national currency could be converted (probably illegally). Moreover, this seems to have led to an unofficial and highly speculative foreign-exchange circuit which should probably better be regarded as the attempt by the old SRP to outcompete the new SRP being established in the specific field of the CS.<sup>4</sup>

Furthermore, as shown by Bitar, in Allende's Chile it was only until later that the asset (speculative) motive was satisfied by 'real' assets, first by consumer durables followed by basic goods. Griffith-Jones, instead, seems to stress on 'real assets' speculation while neglecting the importance of the 'foreign-exchange' one (see 161), and on surplus transfer to the 'private sector' in general with no much further distinction of the latter's speculative sector (see 121). In sum the SEPFP does not adequately enough disaggregate the demand for the GE in terms of agents' socio-economic status and purposes.

(4) As a result of all above there is, for the SEPFP, a 'trend' not only towards the expansion of aggregate demand, but also towards a change in its composition: the expansion will tend to concentrate in the 'basic needs' sector, particularly in food, as a result of increased incomes to urban workers. The same aggregate/sectoral changes are pointed out with regard to supply potentials. Thus, aggregate supply constraints are due both to the only marginal production increases which are possible given existing investment as well as to the specific additional problems caused by the structural transformations themselves e.g. property and management<sup>5</sup> changes, egalitarian agrarian reform, etc. On the other hand, the agrarian reform and other factors will probably seriously affect the growth of (or will decrease) food supply, particularly for the cities. In short, during the pre-Transition there are typically supply-demand disequilibria, at both aggregate and sectoral levels, as well as a slow down of economic growth in the short-run, all of which are mostly due to structural changes. (19-20, 122-3, 187) Here again, however, the SEPFP presents the same lack of adequate disaggregation of supply and demand in production-forms terms.

Now, although large financial disequilibria would allow the country to live above its means for a time, thus obscuring the urgent need for the political leadership to make explicit choices on the investment and consumption levels of different groups; (188)

they, in turn, would also result in the following problems: (a) Hyper-inflation, which endangers the viability of the economy as essential market operations are disrupted, complicates planning (e.g. as the general inflation level cannot be predicted it is not possible to calculate precise budgets), distort the 'correct' income distribution between social groups and/or economic sectors such as consumption, accumulation, defence, etc. (assuming no comprehensive rationing), leads to inefficiency as the effect of the latter on costs increases cannot be measured vis-a-vis purely inflationary costs and as production efficiency improvement is neglected in favour of more profitable currency operations, increases inflationary expectations thereby increasing the transactions demand for, and 'black market' price of, foreign exchange and leading to goods speculation, etc. (7, 50, 71, 151, 161, 187); and/or, (b) Scarcity, Queueing, and 'Black Markets', all of which

are time consuming and provoke widespread irritation, ... lead to an erratic (and often unfair) distribution of goods and services, as well as to an atmosphere of speculation and corruption. (187-8)

and/or, (c) Large import increases which, in the absence of export growth and/or net foreign-credit inflows, would increase (imported) goods scarcity further and decrease the revolutionary government's relative strength vis-a-vis the external opposition (188); moreover, and conversely, the latter is equally so even if there were foreign capital inflows from friendly socialist and/or capitalist countries (189). The internal opposition, on the other hand, may be increased (and/or the social bases of support weakened) by 'a' and 'b' (186).

For the SEPFP, therefore, financial disequilibria may be "one of the most important factors" contributing to the overthrow of socialist governments and, in practice, have strengthened the opposition and spoiled the pre-Transition's key aims in particular conjunctures. All large disequilibria are thus regarded as harmful though their detrimental effects would increase as supply constraints arise and/or SP struggle takes parliamentary forms and extra-parliamentary confrontation would not favour the Left. Conversely, financial disequilibria is less important if comprehensive

alternative mechanisms for physical resource allocation can be rapidly and effectively established (e.g. rationing) and/or if there were to be sufficient net foreign credit and aid inflows from abroad, particularly before and during the crucial power confrontation moment(s). (188) In any case the SEPFP classifies pre-Transition financial disequilibria into two types: avoidable (e.g. Chile under Allende, USSR's NEP period) and unavoidable<sup>6</sup> (e.g. USSR's 1917-21 War Communism period, though see our Ch. 2 above); and the latter usually occur when violence is involved (26, 186).

(5) Under the SEPFP State interventions are highly problematic and might even contradict each other (see 46) due to the following sets of reasons (21): (i) The government may have a wrong understanding of the issues involved,<sup>7</sup> or; (ii) The technical handling of the latter may be cumbersome,<sup>8</sup> and/or; (iii) The Revolutionary forces' SP share may be not enough so as to use new policy instruments (and get the surplus from the private sector). More specifically, as the SP share increases the policy-instruments options consist from pricing policy, through direct taxation increases and the overcoming of Trades Unions' pressure for higher wages, up to 'unorthodox' measures for controlling financial disequilibria (e.g. rationing and monetary reform). Conversely, very little SP share may imply even the non-compliance of global and sectoral credit limits set by government officials. (21, 151, 191)

Moreover, for the SEPFP the forms of political representation or 'institutional arrangements', within the Party or the government, are also important in this respect. For example, (more desirable) parliamentary and pluralist forms both, allow the opposition to legally boycott the effectiveness and scope of all State-intervention forms, as well as imply greater political costs for policy mistakes; likewise a decentralized government would imply greater difficulties in reversing previously negotiated policies at the federal or central level, whereas a monolithic, centralized and consolidated political organization would facilitate the imposition of economic policies in a 'market-economy context'. (See esp. 11-2, 64, 71, 92, 105, 136-7, 143, 191-2, footnote no. 37 in 113)

Having analysed the SEPFP's general characterization of the pre-Transition, let us now assess its policy prescriptions. The 'economic-political functionalism' of this perspective consists in its over-emphasis on increasing the SP share of the revolutionary forces (vis-a-vis the 'private sector') during all historical conjunctures. Hence, the chosen political aims and class alliances, about which incidentally Griffith-Jones does not provide any evaluative or analytical criteria,<sup>9</sup> should determine the choice of economic mechanisms (for the carrying out of the 'production and distribution functions') as well as the economic strategy to be implemented. The determination of the latter variables is not seen as the main factor for the achievement of the chosen political goals, however 'wrong' policies may make their achievement more difficult or decrease the revolutionary forces' chances of survival. Financial policies, consequently, should facilitate the operation of the chosen mechanisms. (7-8 67, 70, 115-6)

Thus, if the 'market mechanism' is chosen - particularly when there are no alternative mechanisms available and there is no violence involved - for mediating the links within the State sector as well as between the latter and the non-State sectors, financial balances (and/or disequilibria) will then make the financial authorities to take cognizance of the existence of real resource constraints and possible incompatibilities between different goals. Hence, despite the nationalization of the economy's 'commanding heights', financial policies will play a crucial role, particularly in resource allocation and/or income distribution. The former authorities should in turn indicate to the political authorities both the existing constraints as well as the need to choose an economic strategy consistent with existing resources; choice which is regarded as the prerogative of the political leadership. (7, 71, 185-6)

In the above context short-term financial and/or 'stabilization' policies should then (in other words) control the GE's MOV-MOC contradiction, in order to guarantee the efficient operation of the market mechanism and avoid the financial disequilibria's detrimental effects, as well as to facilitate the rapid construction of an effective planning and control system (of a particularly financial nature) for the growing State sector. (7, 50, 170-1, 181) The SEPFP proposes the following financial identity in order to "begin analyzing the [immediate] causes of monetary expansion." (17-8):



$$\text{MoSSA} = \text{PSBR} + \text{NBLPS} + \text{NFE0} + \text{SPSBPS}$$

where, MoSSA = Change in Money Supply; PSBR = Public Sector Borrowing Requirements; NBLPS = Net Bank Lending to Private Sector; NFE0 = Net Foreign Exchange Operations; and SPSBPS = Sales of Public Sector Bonds to Private Sector. For the SEPFP it is then evident that PSBR will play a crucial role, whereas NBLPS and SPSBPS will be of much less importance as the role of the private sector decreases over time (ibid). The NFE0, however, was relatively neglected by the SEPFP thereby disregarding the role of balance-of-payments control.

With regard to the financial policies themselves the SEPFP argues for the synchronization between (a) the political strategy being pursued, (b) the state of the economy, and (c) the latter policies. 'a' is classified as either 'gradual' or 'rapid', in the sense of creating the conditions for the crucial SP-share confrontation, whereas 'b' can be either in the 'Kaleckian range' (i.e. 'when the economy can respond by increasing output and employment') or in the 'Kaldorian range' (i.e. full employment and/or capacity utilization). (133-4, 187) The 'basic idea' here being that, when

the moments or moments of crucial definitions of power are expected to occur, the economy should be within (or have just surpassed) the Kaleckian range, so that the positive effects of the expansion of demand result in maximum political capital being obtained. (133)

Thus, if a gradual 'a' is chosen and there is an ex-ante Kaleckian economic situation the financial policies should gradually heat the economy up i.e. a gradual (in time and size) growth in aggregate demand via wage and government deficit increases, so as to maintain the economy within this range for the required period. If instead a rapid 'a' is chosen financial policies should then quickly overheat the economy. (133-4, 165, 187) And,

Were it necessary to make some sacrifice of exhaustible resources (such as foreign exchange or stocks) and/or provoke financial disequilibria this would be justified<sup>10</sup> in terms of its functionality towards the achievement of power. Furthermore, once a stronger position were assumed measures could be taken to compensate for former loss of resources and to control the financial disequilibria (i.e. stricter wage controls, rationing, monetary reform). (133-4; our emp.)

However, as shown above, for the SEPFP there is during the pre-Transition a inherent tendency towards fiscal deficit growth and/or

financial disequilibria. Consequently Griffith-Jones argues for certain in-built financial policies so as to both reduce budget deficits and capture larger financial surpluses from the private sector. (189) However, this argument would seem to be weakened to some extent by a series of points. Firstly, for the SEPFP price policies are particularly useful as they are flexible, need not parliamentary approval, and could rather administratively costlessly 'tax' off the private sector's surplus. They should thus reduce public sector deficits, strengthen the State sector and perhaps even finance larger State-enterprise investments. Regressive income-distribution effects could be avoided by relatively higher increases in non-basic consumer goods. On the other hand, a policy of price reduction or controls should not be implemented as it would have clear positive redistributive effects only if accompanied by physical goods rationing (see Kalecki 41c, 44), and as it would increase black markets and speculation. (6, 106, 110, 189) This view, however, because of its excessive emphasis on income distribution neglects the relationship between prices and the production-forms articulation problematic. Secondly, the nationalized banks' interest rates should be positive and relatively high (189-90). However, the SEPFP obviates the possibility of oligopolistic State and private enterprises being able to pass higher interest-rate-induced costs on to the consumer so that the net effect on income-distribution itself would not necessarily be so clear cut. Thirdly, as experience shows that the 'very rich' taxable resources are 'relatively limited', taxes on the richer sectors among the middle groups should be increased. Moreover, for the SEPFP even if tax policies are not economically functional they could be politically exploited by deliberately provoking, thereby publicly showing, the differential social-classes responses. (190-1) Fourthly, a conservative incomes policy should be followed by politically persuading workers and State employees that the 'socialism's future benefits cannot be granted during the pre-Transition through higher wages and salaries. For this purpose the nationalized CS should be given enough (political) leverage and, if necessary, wages and salaries increases should be linked to (politically mediated) tax increases. Moreover, this incomes policy is seen as dependant upon the revolutionary forces' share in SP as well as in 'civil society power'. (191) This advice, nevertheless, although being concerned with financial stability, it does not seem to give due consideration to the interrelationship between short-term real consumption and medium- to long-term labour productivity growth within

a context characterized by the LOV-operation. Finally we should notice here that for the SEPFP a structural reform of the CS, though helpful it is nonetheless dispensable for stabilization purposes. (151, 186)

Now, if, on the other hand, a 'physical resource allocation mechanism' is chosen instead, then the importance of financial disequilibria and/or policies decreases significantly. This 'choice' is in fact regarded as being sometimes unavoidable, particularly when the Revolution inherits financial disequilibria. In this context a 'passive' financial policy is seen as the only alternative and the SEPFP therefore advocates an efficient and comprehensive physical planning and rationing system, particularly in the distribution sphere. The latter might in fact entail demonetization, requisitioning and/or tax in kind,<sup>11</sup> coercive administrative measures, etc. (71, 110, 162, 170-1, 186) Moreover, for the SEPFP this mechanism and the 'market' should be related according to the following principle: The speed with which 'market relations' are eliminated should not exceed the speed at which it is technically and politically feasible to replace them by 'planning mechanisms'. (170) Furthermore, a conjunctural perspective should be maintained all along this process:

Analytically there is no necessary dichotomy between structural changes and a minimum of financial equilibrium. Furthermore, the belief that financial disequilibria are not relevant to the question of power is basically incorrect; its validity depends on the concrete historical circumstances and on the role which economic policy is obliged to play in the power struggle. (102; our emp.)

### 3.3 THE NEO-KALECKIAN PERSPECTIVE

The Neo-Kaleckian Perspective [NKP] has been developed by FitzGerald<sup>1</sup>. He argues that despite considerable differences between PSEs<sup>2</sup> in terms of 'historically specific' SRP, economic structures and policy responses to the latter, there are enough 'common characteristics' among them so as to warrant the postulation of the existence, as well as the exploration, of a certain common, and generalizable, 'logical relation' between (or 'political economy' of) capital accumulation and income distribution between classes (85f: 95-6, 98, 106). Postulation which FitzGerald also made in relation to the peripheral capitalist economy (see 85e: 451-2):

The accumulation of capital requires the mobilization of the surplus and hence a particular distribution of income between capital, labour and the State. (85e: 453)

In the PSE context though, the income-distribution process is changed as the foreign investments' returns will probably be reduced (e.g. through higher taxation, etc.), capital exports will be made very difficult and 'basic needs' supply will be increased at the expense of trade (86a: 34-5; see below). FitzGerald then links this 'logic' to Kalecki's works on the 'financing of economic development' (see Kalecki 1972, 1976; and below).

However, whereas on the one hand FitzGerald has explicitly and carefully rejected the idea of providing any a priori definition of the Transition which would go beyond the assertion that

the social formation combines relations of distinct modes of production in such a way that the transformation of the dominant relations of production is a possible outcome of class struggle; (86a: 29)

on the other he is unclear as to the precise nature of that 'logic': although the latter is not explicitly regarded (a priori) as being an economic law, yet it is not perfectly clear whether the 'common logical relation between accumulation and income distribution' is essentially a prescriptive model (as we interpreted it in Ch. 1), or whether it is actually an underlying law and/or significant regular phenomena-explananda based on the 'common characteristics' of PSEs.<sup>3</sup>

Likewise, although the NKP departs from Kalecki's rejection (following Robinson) of Marx's labour theory of value (and thus of the LOV-categories<sup>4</sup>)

as being 'metaphysical' and therefore 'superfluous' (see Brus 77: 59; Sawyer: 147-8, 161-2), it is nevertheless ambiguously unclear, if not inconsistent, as to its own definition of the LOV. For example, whereas on the one hand FitzGerald defines SNLT, and by extension the LOV, on the basis of the ultimate motivation ('objective') of production (86a: 39), on the other he has clearly provided an explanation of the LOV-operation in terms of the independent-decision making power of production forms with regard to prices and outputs (85f: 97-8; 86a: 40-1). It is therefore not surprising that the NKP postulates both: (i) the possibility of a relatively rapid substitution of the 'LOV' by 'planning' (the latter meaning in a 'broad sense': 'organizing the economy according to needs'; 85a: 11); as well as (ii) the maintenance of a 'restricted' LOV-operation 'reflecting the logic of the (conflictive) reproduction' of the 'mercantile exchange' between the PSE's production forms; i.e. reflecting the impossibility of exercising a 'social control of the economy' through the subjecting of prices, wages, outputs, consumption and investment to centralized control due to the 'scarcity and atomization of production processes'. (See 85b: 12; 85f: 105; 86a: 31, 40-1, 46) Moreover, the NKP also tends to neglect the question as to whether the 'LOV' in the latter sense can really be superseded, in the middle- and/or long-run, within any one of the production forms, particularly within the State sector and in the face of the permanence of a labour market. Hence, the possibility that an unsuccessfully superseded LOV might lead to labour devaluation with a vengeance (and not just to financial instability and currency depreciation), was not taken into consideration by FitzGerald.

Prices are regarded by the NKP as a 'value form' which, as one among other 'commodity categories' (e.g. 'stock piling', 'foreign exchange allocation'), can be manipulated in accordance with plan objectives 'as the basis for economic calculation' (85b: 12; 85d; 86a: 40). Prices are in fact a crucial component of the NKP as it will be seen later. With regard to money, although it was excluded from the NKP's notion of the 'LOV' given that the former's 'convertibility' (i.e. the absence of inflation) was seen as a pre-condition for the latter (whatever the meaning attached to it) (86a: 45), on the other hand the 'banking system' was also conceptualized as a 'commodity category' to be manipulated (85b: 12). In the same manner the ex-post verification of CP was not associated with the 'LOV', though its importance

during the Transition was recognised implicitly.<sup>5</sup> The GE's MOV-MOC contradiction is implicitly appreciated by the NKP. For example, when dealing with the peripheral capitalist economy FitzGerald argues for the adoption of what he calls De Brunhoff's understanding of money "in a wider sense" (85e: 468). 'Money' is thus seen as encompassing monetary policy, fiscal structure, foreign finance and macroeconomic stabilization; the latter taken to mean the management of accumulation and income distribution as well as the balance of payments. In sum the organization of money is the intrinsic responsibility of the State. Moreover, the hierarchical nature of the CS crops up in his analysis: the banks need some form of CB to guarantee their assets and liabilities. (See 85e: 462-8 and 83a: 122). This same appreciation of money is maintained with regard to the PSE.

Let us now see FitzGerald's conceptualization of, and prescriptions about, the Transition. He distinguishes between three different stages: (a) contracted, (b) simple, and (c) extended reproduction (86a). During all of them there is the problematic of the articulation of different production forms which are competing over the distribution of resources and the appropriation of the surplus. This problematic arises as a result of the disarticulation of the 'historically specific social relations' (which underlied the old accumulation model) brought about by the Revolution itself; of particular seriousness being the disarticulation of the peasant exploitation system<sup>6</sup> which provided cheap LP and food supplies for the towns as well as the investible surplus (85c: 217). Hence,

...one of the major tasks of the transition is to rearticulate the economy so as to assure the required production levels while at the same time transforming social relations of production and exchange. During the transition, the state is clearly the hegemonic force in the economy, although not necessarily the dominant property owner, while the degree of division of labour and the level of development can only be advanced in the long run. Articulation must be planned (that is, it cannot be simply the result of various conflictive dynamics) while the socialization of the principal means of production and exchange initiates the construction of a new economy, no longer based on the private appropriation of surplus labour. However, the different production forms must also be assured the conditions of their reproduction to sustain the economy while this construction takes place; so the mode of appropriation of the surplus becomes the central economic question. (86a: 31; our emp.)

It should be noticed here how exchange relations are regarded as critical for the 'direct articulation of production and consumption' during the

Transition, and they have indeed been defined as "essentially a way of appropriating surplus labour and controlling the social distribution of the means of production." (86a: 31) The NKP thus generally argues for a shift in planning objectives from State-sector production planning, investment and growth, towards consumption and stabilization, during the Transition, as it will be shown later.

The production forms identified by FitzGerald, for example in the Nicaragua's Sandinista Revolution, and as having to be articulated within a 'mixed economy under State hegemony' are the following (85b): (a) State enterprises, (b) Co-operatives, (c) Petty commodity production and commerce<sup>7</sup> e.g. peasant, trade craft producers, small retail shops, etc. (85d: 3), and (d) Capitalist enterprises. In this context the social transformation process is seen as entailing the simple reproduction of the old forms (i.e. 'c' and 'd') and the extended reproduction of (accumulation in) the new ones (i.e. 'a' and 'b') (86a: 33-4); all of which certainly, and probably unwarrantedly, a priori assumes away any trade-off between these two types of reproduction.

And as for the NKP agriculture is the base of the 'national accumulation model' in nearly all PSEs, this model must allow for an adequate production-forms articulation as an essential element of the rural transformation process itself and should regard the social control over agricultural exchange relations as being as important as ownership of the MMPP, especially land (85c: 224-5). State hegemony in this context implies that the State sector should act

as a point of articulation for small and medium farmers instead of acting as a competitor to them. This articulation essentially implies subordinating them to the state rather than marginalizing them, but also means shifting input and investment resources towards them in exchange for guaranteed production sold to the state. (85c: 224)

Hence, State intervention in the circulation process through its control over stock-piling (of production), prices, inputs, technical assistance, marketing, processing, credits and investments, is the articulation mechanism proposed by the NKP in order to appropriate the surplus (see 85b and 86a: 32); mechanism which will also contribute to the effective removal of the agrarian capital's control over the economy "without land expropriation as such." (85c: 224) Much of this economic articulation 'necessarily

imply effective commodity relations' and is thus seen as having to be expressed in 'value forms' (85b: 13; 86a:31), 'despite of'<sup>8</sup> which it is possible to socialize distribution (86a: 40).

This articulation task and the PSE's surplus-generation capacity, as well as the required satisfactory macroeconomic equilibrium and financial stability (see below), are nonetheless regarded by the NKP, both at a general theoretical level and in the empirical analyses of the Nicaraguan Sandinista Revolution, as being extremely difficult.<sup>9</sup> Hence monetary imbalances are not always avoidable. And all of this is seen as the outcome of the following factors:

1. Structural economic constraints such as lack of centralized information on complex intersectoral transactions (which is needed for, for example, Material Balances programming a la SSP), State's limited administrative resources (vis-a-vis the larger firms' advancement in terms of administrative requirements), uncontrollable international terms of trade with its detrimental effects on the realization of the surplus as well as the State enterprises' reliance on foreign technology (as generally observable in Latin America's peripheral capitalist economies), etc. (see 82; 83a; 85a: 11; 85b: 11-2; 85c: 213; 85d: 2-4; 85e: 462-4; 85f: 97; 86a: 32, 45). Of particular relevance to our topic is FitzGerald's emphasis on how the PSE's 'strong organic links' between internal finances and both export production and foreign trade limit the possibilities of an autonomous monetary policy as co-ordination requirements (i.e. flexible purchasing decisions) will strongly depend on foreign exchange and credit availability, which are affected by the reinsertion into the international DOL (85b: 3, 5).

2. Organizational factors such as a desintegrated price system, lack of internal logic within the State enterprises sector with regard to sectoral surplus distribution and the articulation of their productive processes, the lack of linkages between the administrators', workers' and technicians' interests and enterprise efficiency, imperfect coordination between State institutions as well as their odd internal structure, etc. (85b: 8; 85d: 2-4).

3. Conjunctural-social struggle (or 'unstable-social-relations') factors resulting from the struggle between production forms and/or class struggle



as well as the political need of maintaining a wide-ranging nationalist alliance in view of the expected aggression of a (regional) hegemonic power (see 82; 85b: 12; 85d: 2-4; 86a: 33-4); and in this context the break of war would be especially disruptive (85b: 11-2; 86a: 50-1). More specifically, FitzGerald's appreciation of the typical PSE's class structure leads him (85a: 12-3):

3.a To emphasize less on the manufacturing proletariat as the sole historical subject as they are a minority within the national labour force. And although the capitalist agricultural development process generates a large proletariat (e.g. in Nicaragua), the latter is 'disguised in the form of impoverished peasantry' as 'semi-' or 'sub-proletariats' (e.g. seasonal workers), and is usually located in the non-State sector. Permanent primary-export-sector workers are thus usually a minority. This de-emphasis, nevertheless, does not mean neglecting the 'proletariat' for the NKP. On the contrary, if there were to develop an 'accumulation bias' as experienced in some PSEs, the latter groups (as well as peasants in general) might dangerously join the social bases of the resistance to transformation. (82: 204; 85a; 85c: 211, 213, 225; 85f: 98)

3.b To have severe reservations about the bureaucratization implicit in a large State sector. For example, in the Nicaraguan experience the reconstruction of commercial links with the peasantry was impaired by the inflexibility of the multiple State institutions involved (85c: 219). In fact FitzGerald has usually been concerned with the role of (the different factions of) the 'State Managers' of the Latin American peripheral capitalist countries, and their alliance with 'finance capital' to form the so-called 'grupos' (see 83a and 85e: 464-5). In the PSE context, however, the planning technocracy and/or bureaucracy are seemingly assumed to be part of the social bases of support (e.g. 85a), despite the caveat that the 'emergent bourgeoisie', in any case, is to be found in the State (rather than in the form of 'Kulacks' in the countryside);<sup>10</sup> and,

3.c To reevaluate the role of small producers and traders (albeit in co-operatives). For the NKP socialist experiences do not indicate that peasant differentiation is a real problem during the Transition; hence

the revaluation, particularly when considering that, in any case, potential 'Kulacks' could be controlled through taxation, banking, agrarian reform laws (e.g. limitations on wage-labour), etc. (85c: 220; footnote no. 9 above). Ultimately the argument is motivated against the (classical justification of the) displacement of the 'peasantry' by a State-centred accumulation bias, which, through the turning of the internal terms of trade against the former, would nonetheless be self-defeating (see below). However, although this argument seems to be convincing enough, the NKP's emphasis on 'middle farmers' as well as on the need to maintain a 'productive alliance' with (e.g. non-Somocista) agrarian capital in order to sustain production and national unity against external aggression (85c), has been put forward somehow at the expense, or through the neglect, of the 'poor peasants'' own dynamics and revolutionary potentials.

Although 'peasant differentiation' is underscored by the NKP, the avoidance of the emergence of an 'essentially private process of capital accumulation and differentiation' is regarded as crucial for the PSE. Moreover, the private commercial sector which deals with luxurious imports, food distribution and real state speculation, is unequivocally located within the permanent social bases of the resistance and there is therefore no option but for the State to confront it. (83c: 12, 85f: 99) However, despite these concerns with private capital (and with exchange relations in general), the NKP obviated the theoretical and empirical possibility of the 'black-market' type of private commercial capital being able to outcompete and re-articulate the production forms through alternative money and commodity circuits as well as the policy implications if such a situation were to develop. FitzGerald seems to wrongly assume that the nationalization of the CS (which does imply an obvious change in the conditions of circulation through greater control of CM issuing) is a necessary and sufficient condition for the absolute control of the social power of money within a (largely) CP context. In sum, the implications of the unavoidable struggle over the control of the financial flows' continuity within the CS was neglected by the NKP.<sup>11</sup>

In relation to the NKP's institutional conceptualizations it should be noticed here Fortín's (1983) criticism of FitzGerald's neglect of the implications of increased political class polarization and of political representation forms for the peripheral capitalist economy's capital accumulation.<sup>12</sup> Much of the same argument would seem to be applicable for the NKP in the PSE context. However, recognition should be made of FitzGerald's scatter ideas in this regard: He argues for a 'responsive party structure' as a condition for the decentralization of 'basic need' provision from the State towards the 'popular' sector (co-ops, etc.) as well as for local popular democracy as an 'instrument' of the Plan (85a: 11, 13; 85f: 105). More specifically he argues for a clear definition of the role of workers' and peasants' popular power in economic management (which - incidentally - is also regarded as a way of increasing productivity and efficiency) (85b: 13). Moreover, in his empirical analyses FitzGerald has also argued for the reorganization of the State apparatus so as to change the balance of political forces as well as to gradually facilitate central economic management (see 82: 208-10, 20; 85b: 13). In sum, although the NKP has obviated altogether a theoretical view on the nature of the TS and SP, in the empirical works a non-instrumentalist view of the latter seems to have been adopted (see 82: 208-10; 83c: 10; 85b: 8-9). The NKP's nearest definition, though still very indirectly, of SP being that of the 'Plan' as "the expression of a collective social decision materialized through the state". (86a: 44)

Having analysed the overall elements of the NKP, let us now see its 'planning' and 'monetary/financial' aspects. The NKP advocates 'central planning' though certainly not a la SSP. Rather, by this term is meant the 'logical relation between accumulation and income distribution'. More specifically the NKP has been concerned with the classical problem of the 'balance' between 'Departments' in the industrialization process; in this regard FitzGerald has drawn particularly on Kalecki's analytics, given that the latter consist in the application of the classical reproduction scheme to economies facing supply constraints so as to develop a 'structuralist' approach where 'basic needs' supply is a central element (see 85a, 85f, 86a). Hence, the PSE is divided into two output sectors: Dpt. I-producer goods (primary exports), which prices are externally determined by the world market but which output levels can be controlled to a significant extent by the TS, and Dpt. II-consumer goods. The latter has been innovately subdivided by the NKP into Dpt. IIa-'basic-needs wage goods' sector (i.e. food

staples and basic services) and Dpt. IIb-'incentive goods' sector (i.e. manufactured consumer goods). The three sectors do not necessarily correspond to production forms, though the latter's articulation is seen as underpinning the intersectoral balances. Thus the crucial 'internal balance' here is between the locally organized-Dpt. IIa food production to feed and stimulate the productivity of the other Dpts.' labour force, and the mostly State-'planneable'-Dpt. IIb production to incentivate the peasants to increase their marketable surplus. And as the TS can control the prices of Dpts. IIa and b it can then determine the 'internal terms of trade', whereas the (world-market determined) external terms of trade as well as the (unplanneable) level of foreign exchange inflows will determine (given the planned nature of export and import volumes) the investible surplus i.e. the balance of payments. (Ibid)

Now, given the existing trade-off, both in foreign-exchange allocation (to buy imported investment goods) between the more-potentially-mechanizable Dpts. I and IIb, as well as in LP allocation between the usually-labour-intensive Dpts. I and IIa under SPE conditions, there would usually be an overall trade-off between consumption (food production) - and therefore the population's living standards - and investable-surplus generation (primary exports earnings). The balance of payments - i.e. foreign exchange allocation - is thus seen as defining the balance between consumption and investment as well as income distribution, 'whatever the internal financial, fiscal and monetary equilibria may be'; and, together with the domestic-pricing pattern a clear accumulation model could then be established. In short, the PSE's 'primitive socialist accumulation' (or State surplus-appropriation and -distribution) process can take the form of foreign exchange allocation, and can be expected to be based mainly on 'differential rent', rather than on 'normal' or 'excess' profits.<sup>13</sup> (Ibid)

Hence, under the assumption that the revolutionary forces control the 'commanding heights' of the economy - viz. the CS and foreign trade (with local currency being employed as the only MOP internally) - as well as key large enterprises of the 'modern sector',<sup>14</sup> the TS should firstly define its overall development strategy and therefore its planned growth rate. This in turn will automatically determine the investment rate required and consequently the (ex-ante) 'correct allocation balance' between Dpts. (Ibid) And,

as for any particular allocation decision and production pattern there corresponds 'a matrix of consistent prices', income-distribution (and the real-wage growth rate) will thereby also be decided upon a priori and from the supply side (83c: 10):

Once the production and distribution plan is determined, [a relatively complex interlocking system of prices] (including indirect taxes as a form of price) will serve to distribute the monetary surplus among production units and between them and the centralized fund. (86a: 41)

This continually adjustable price structure (or 'economic calculations'), in harmony with the external terms of trade, should therefore guarantee both the (articulated) reproduction of individual enterprises (production forms) and the labour force (the 'wage vector'), as well as a 'centralized financial surplus' with which to finance planned investments or any other priorities of the TS. (85f: 100-1; 86a: 39, 41-3) The flexible manipulation of the internal terms of trade is thus regarded as the policy instrument whereby the TS can both increase the population's living standards and increase its social bases of support. This manipulation should be done in such a way that workers' real wages and the peasants' real incomes<sup>15</sup> are enough for the satisfaction of their 'basic needs' and the maintenance of the 'internal balance'. (85a, 85f, 86a) In this latter respect for the NKP the key policy element is the price and supply of Dpt. IIb-goods, the assumption<sup>16</sup> being that attempts at increasing the surplus by manipulating the internal terms of trade against Dpt. IIa "will only depress real wages as peasants reduce food supply, without greatly increasing the investible surplus, which depends on the export sector." (85g: 99-100). Workers productivity will consequently also drop (ibid). Nevertheless, this assumption would seem to have to be played off against the Dpt. IIb-prices' special function of performing, through their increases, as a 'sink' of any excess money balances (86a: 43) which could potentially increase private consumption beyond its planned level (see below). Moreover, a warning is made with regard to the 'correctness' of the price set: 'wrong' prices will lead to unrealizable money balances, inflation, black markets and shortages, and will disarticulate the economy (86a: 43). No concern is shown, however, as to the possibility of 'black-market' commercial capital being able to capitalistically re-articulate the economy and outcompete the nationalized financial system's functions (see below).

In the above context the CS is regarded as the 'axis' of the national planning system. Thus the coordination function is explicitly highlighted: Banks should be able to guarantee an effective use of society's accumulated resources through their articulation with production and distribution activities i.e. through the financial control of the articulation task. Their local branches should have a direct and active relation with enterprises so as (1) to monitor the latter's finances and/or 'economic calculations', (2) to participate in economic programming, and (3) to support the relevant State administrative unit in charge of plan implementation. Examples of this relation are the integration of credit provision with agricultural and livestock programs, the financial control of investments, etc. The CS would thus help to articulate the State sector with the other production forms and the world economy. (84: 1; 85a: 11; 85b: 12; 85d: 4, 7) The investment guidance function's nature is fundamentally altered in the PSE: Financial intermediaries and the Banking System have been nationalized so as to closely integrate with, and regulate, Dpt.I (see 85a: 6; 85b: 5), and the allocation of the foreign exchange for the investment program will not depend upon the profit-rate equalization process as under the CMP.

Finally, under the NKP the CS is a mechanism which could be used as a less-desirable alternative to the price matrix for the distribution of the surplus (86a: 41). To be sure, the accumulation/income-distribution function of the CS is actually regarded as having to be shared with the fiscal system. Indeed, the NKP attempts to integrate production targets, foreign exchange allocation, budgetary programmes and financial balances into a single planning framework. The latter in fact resembles to some extent the SSP's centralized monobudget-monobank system though the NKP emphasizes on the flexibility required in order to 'match' the volume and composition of demand to foreign-exchange and wage-goods availability i.e. in order to attempt to integrate short-term stabilization policy and planning. Hence demand stability and "an essentially 'conservative' monetary policy (with its implications for fiscal and financial restraint)" (86a: 46), are seen as necessary for restraining total expenditure given the foreign-exchange controls<sup>17</sup> and for guaranteeing State-centred financial surplus appropriation. (84: 6; 85a: 11-2; 86a: 44-5)

Inflation is therefore regarded as a problem for everything. Thus, although inflationary financing might constitute a potentially supplementary mechanism for carrying out 'concealed' State-surplus appropriation, it will also have the following detrimental side-effects: (a) the price matrix will be destabilized;<sup>18</sup> (b) the planned articulation and income-distribution tasks will be jeopardized: it will accelerate the growth of speculation at the expense of both workers' and peasants' real incomes, enable private surplus appropriation through commodity circulation and, consequently, will cause a drop in labour productivity, growth in the 'informal sector' and a decline in production; and (c) State-sector 'economic calculus' and planning will be extremely difficult. (83c: 10; 85b: 9-10; 86a: 45-6) Having said this it should nonetheless be stressed here that the NKP is not concerned with financial stability as such, but with the achievement of the 'right' proportions in the economy at large. However, the potential danger of private commercial capital being able to outcompete the TS in the economic articulation process was ignored as a potential side-effect.

The NKP thus proposes a 'fiscal-financial balance',<sup>19</sup> which should respect the internal (inflation) and external (foreign-exchange shortage/dependence) limits on the PSE. Hence the budget should (1) allow for the planned income-distribution without inflationary internal financing, (2) finance the necessary State expansion in public-needs provision and investments, and (3) reduce private consumption to offset the expected increase in 'popular' and public consumption. Current government expenditures should then be limited to those for which there is a real capacity to undertake and should therefore determine government current income, particularly the taxes on the 'rich' (e.g. wealth/rent tax, export taxes, increasing progressive-income taxes, higher clearing Dpt. IIb-prices, etc.) so as to balance the current account. In the same manner should be determined government capital expenditure with the difference that external financing might in this case help finance a capital account deficit resulting from a high real-capacity to carry out investments on the part of the government. Any remaining and necessarily small overall budget deficit should then be catered for by the 'financial balance'.

Thus, on the 'demand' side the financial balance should provide for, in addition to the budget deficit, the maintenance of such level of foreign-exchange reserves so as to be able to make up to more-or-less two months of import payments in view of expected foreign-exchange fluctuations (see 86a: 46), as well as for the financing of the State and private enterprises' working capital (or credits) needed for, for example, inputs and harvest wagefunding (see 85c: 210), and in accordance to the plan. On the supply side foreign borrowing can fill the 'gap' though it should respect the external limits, whereas national liquid assets should not be inflated through money creation so as to respect the internal limits. The latter assets, however, might be increased if greater (real) savings were to be generated by capitalists and the enterprises' surpluses. Here again, however, the NKP seems to neglect the social nature of the GE's power: it obviates the ability (and therefore the implications) of private enterprises for providing consumer credit thereby exercising an independent pressure upon the MOV-MOC contradiction.<sup>20</sup>

So far we have described what constitutes the core of the NKP in relation to the simple-reproduction transitional stage. With regard to the other stages the NKP holds the following views, which are nonetheless always underlied by the conjunctural notions of the "socially feasible rate of change" and of the objective of economic policy having to be the control of the dynamics of change rather than maintaining socio-economic equilibrium (a la Nove 83) (86a: 34, 45). Thus, during the contracted stage and under conditions of war the TS should attempt to minimize production damages as well as the reduction of workers' and peasants' living standards (85b: 12). To achieve this, rationing and strict financial discipline may be extremely necessary in order to avoid the State-centred surplus appropriation having to be realized through inflation as a 'war tax', which will disarticulate the economy and lead to "complex administrative controls which may require a high degree of coercion to be even partially effective." (86a: 51) It should again be noticed here, however, how the NKP has stop short both of accepting or realizing that the economy might be re-articulated, though by 'capitalist' forces, as well as of elaborating, beyond the mentioning of 'complex administrative controls', on the policies which would have to be followed if such situation were to arise.



On the other hand, for the long-run or during the extended reproduction stage - and unlike the simple reproduction stage when labour productivity increases entail increased consumption (and surplus transfers from abroad) at the expense of accumulation - greater DOL and technological improvements as well as a superior social organization of small producers (co-ops) will be the major factors underlying the growth of labour productivity and of living standards (86a: 33, 35, 38-9). Moreover, for the NKP during this latter stage a 'central economic plan' would take precedence over the 'traditional instruments of economic policy' due to the following factors: (1) The PSE's reduced size would help to overcome the information constraints on 'Material Balances' as well as compensate for the lack of the technical skills required by decentralization; (2) Its poverty implies that it is easier to know and standardize the most basic social needs; (3) Central 'economic calculus' could do without domestic market forces given the existence of a 'correct' and unique price matrix; and (4) Worker participation in management but without undesirable surplus-appropriation independence is allowed by a centralized banking and financial system. (86a: 44) Moreover, trade programming and technological transfers will be enhanced in the long-run as trade with socialist countries increases (85b: 13). No mention was made, however, of the political representation forms which might have to correlate with that 'central economic plan'. Nor is it clear whether the latter entails the absolute abolition of the CP's conditions of existence.

In sum, the NKP quite correctly departs from the implicit recognition that monetary and financial policies, though crucial, in themselves cannot give an impetus to the PSE's system. Rather the NKP looks first, in good classical fashion, to the nature of accumulation and income distribution during the Transition, and then derives those policies. However, it would seem to be the case that this perspective needs to give greater attention to the social nature of the GE's power, as well as to its own 'value' notions.

### 3.4 THE SIMULTANEOUS TRANSFORMATION PERSPECTIVE

The Simultaneous Transformation Perspective [STP] has been elaborated by Wuyts (84, 85, 86)<sup>1</sup> on the basis of the Mozambican transitional experience. He explicitly rejected the idea of developing a theoretical framework a priori and then applying it to that concrete experience. Rather his analysis correctly departs from a study of the latter so as to develop more widely relevant and empirically backed theoretical propositions (86: 1-2). Moreover, he has not only stressed on the importance of the analysis of the conjunctural balance of class forces 'for helping to formulate a socialist strategy' (86: 120), but also holds the notions of the "surface appearances" of monetary/financial phenomena and of their "underlying explanatory mechanisms" (85: 200). Some of the latter, however, are once again wrongly regarded as being tantamount to capitalism.

For example, Wuyts seems to regard the 'LOV' as competing against the 'law of socialist primitive accumulation' (a la Preobrazhensky) (see 86: 209-13). And, although he sees the 'intensification of commodity relations' or 'commoditisation' (within the Mozambican rural economy) as being correlated with DOL between (rural) households (86: 52), he did not link the 'LOV' to CP. The latter was also clearly (though implicitly) regarded as tantamount to the CMP when he defined privately provided services (and by implication goods as well) as 'commodities' (86: 180). This would seem to imply that publicly provided goods and services (i.e. those produced by the State) are not 'commodities' and that, consequently, the legal property status of the producer determines the 'commodity' nature of the product of labour.

Wuyts has also employed (though did not define) the notions of 'hoards', 'money capital' and 'speculative commercial capital', and recognized the social basis of the power of money when he noticed how, during a particular conjuncture, although the Mozambican Transitional State wielded the power to issue, and to impose limitations on its acceptance of, its own money, 'speculative commercial capital' increasingly came to concentrate the power of money balances within the economy (86: 217, 224, 261; 85: 201).

Despite his wrong conceptualization of CP, Wuyts has argued that exchange under CP conditions (e.g. the exchange between the State and the peasantry) "must necessarily take place within the context of a monetary economy and, hence, monetary stability within this exchange is crucial" (85: 204). In other words, the handling of the GE's MOV-MOC contradiction is very important for him. Moreover, he also maintains that monetary imbalances

cannot always be avoided, or...should in all situations. Indeed, it is hard to envisage a process of major social change which would proceed along a balanced path. [...] monetary imbalances have to be analysed with reference to the direction and context of the process of transformation. (86: 9)

Thus, as for the STP "the role of money can only be analysed within a context" (86: 171), the question is not whether monetary imbalances are destabilizing in general (and they might even be stabilizing), but the fact that they are not neutral in terms of the process of transformation of the social organization of production (and not merely with regard to income distribution) during the Transition (86: 10, 171-4).

More generally Wuyts is concerned both with the pattern of material resource allocation and its relation to the money's and commodity's circuits as well as with the required conditions for these circuits (85: 181, 194). In this regard he argues that a basic question of the Transition is

the form of planning with respect to the distribution of resources within the economy and to the interaction of plan and market through the planned intervention of the state sector within market relationships. (84: 38; our emp.)

Thus 'plan' and 'market' are not seen as being mutually exclusive: "...the direction of change which is propelled by the market depends on the way in which access to resources is organised within that market." (85: 204-5) Moreover, as Mozambique presents many of the SPTE problems, quite considerably (interdependent) economic sectors, specially rural ones, remain outside the State sector and are integrated to the rest of the economy through the market, and not under the direct control of the central plan (84: 37; 86: 106; see also below). Whether the latter implies the real elimination of CP conditions and/or the successful establishment of the SSP model within the State sector is an issue which, nevertheless, was left theoretically unanalyzed by Wuyts.

The STP stresses particularly:

(1) On Mozambique's inherited economic structure and problems which consist basically both of its integration within the Southern African subsystem - under the domination of South Africa's capitalism - through LP exports and transport services, and of the 'agrarian question'. The latter is seen as having to do with the implications for socialist strategy both of the peasantry's partial degree of proletarianization and of the dependence on migrant wage labour (abroad and within), as well as of its differentiation patterns resulting from the different types of colonial labour regimes. (86: 3-4, 24-5, 41, 47-51, 53, 88, 94, 106-7) During the Transition the task would then consist of transforming the organization of the labour processes themselves, which implies the reorganization of the labour-markets structure and of the link between wage labour and family agriculture, the ultimate objective being the creation of a stable proletariat while simultaneously strengthening family agriculture through the co-operative movement (85: 193, 204); and

(2) On the expected problems resulting from the continued struggle after independence between the old economic order (colonial bourgeoisie and petty-bourgeoisie, factions of the administrative and technical labour force, rich peasantry and large private farmers, 'speculative commercial capital', etc.) and foreign (South African) aggression through counter-revolutionary forces, on the one hand, and the new political power committed to building socialism (FRELIMO cadres, 'Dynamising Groups',<sup>2</sup> consumers' and producers' co-ops, poor peasants, etc.), on the other (86: 3, 59, 65, 72). These struggles are seen as taking place not merely over income distribution, accumulation, and/or producers' incentives, but also over the content of the new SRP at the workplace level (86: 110); the latter usually implying the weakening of old labour organizational forms without the prior development of alternative ones which, in turn, seriously affect workers' discipline and productivity (ibid), and concomitantly the 'underlying conditions of profitability' as well (85: 204).

It is precisely within this context of struggle, argues Wuyts, that the transformation of the socio-economic reality is a must as the alternatives are assumed to be mutually exclusive: either transformation or taking the

risk of setting in motion processes which may end up competing directly against socialist transition (86: 215), given that nothing ever remains static (86: 9). Hence, to stabilize, or to avoid the destabilization of, the strategic developmental aims there should be a process of simultaneous transformation of all economic and social sectors (86: 9, 107): While accepting the existence of several production forms during the Transition, for the STP a key task of socialist construction consists not only in articulating, and maintaining the balance between, these production forms through exchange, but also in transforming them into more socialized forms of production e.g. co-operatives, socializing the nationalized enterprises' management as well as the State's own internal organization, etc. (84: 37; 86: 9, 207-8). And the achievement of this task is seen as being dependent upon the way in which resources are channeled through these markets (84: 37).

The same perspective is maintained with regard both to the relation between accumulation and consumption, as well as to the maintenance of a proper balance between sectors, within a socialist growth process: The fact that accumulation implies consumption through the expansion of wages within that growth process might constitute a necessary condition for increasing accumulation, insofar as it leads to a more efficient utilization of (material) FPP and is done through the simultaneous consolidation and transformation of the existing production organization (86: 97, 113-8). Thus accumulation and productivity are seen as being linked to the actual production organization and the latter is not merely regarded as a question of 'authority' and/or 'management' but of the wider problematic of (simultaneous) transformation (86: 97, 108, 113; 85: 204).

Before analysing the monetary and financial aspects of Wuyts' STP in greater detail we will have a look at his conceptions of the State apparatus and of SP. The reorganization and transformation of the State apparatus was clearly seen by Wuyts as a way of changing the balance of political forces in favour of the revolutionary forces during the Transition (86: 9, 18, 215). More specifically for the STP the state sector

commands considerable economic power within a period of transition: directly, as a major producer, and indirectly through its control over allocation of material resources and of labour within the economy. This concentration of economic power constitutes a crucial force to propel social and economic change. (85: 180)

Thus, in a seemingly instrumentalist perspective (but see below), for Wuyts the State sector should 'organize itself so as to become a powerful instrument' to create favourable conditions for the socialization of the whole economy by those classes which will advance the Revolution (see 85: 204). The 'patriotic Dynamising Groups' (vrs. 'some' administrative and technical staff) within State administration and enterprises were singled out as an outstanding example of social administrative changes, though their heterogeneous class composition as well as their attendant internal class antagonisms are seen as having affected their effectiveness (86: 68).

Class antagonisms are in fact generally regarded both as manifesting themselves in the complex and rich political struggles within the State apparatus over the content and organization of 'planning' (see below), and as also making it highly unlikely that any form of State intervention will be absolutely successful in achieving its aims (86: 5, 45, 80). Thus, not only has the STP quite explicitly rejected an "instrumentalist view of the state" (86: 167),<sup>3</sup> but also sees the State itself as being an object of class struggle, to the extent that its actions may become so incoherent that it would severely jeopardize its control over the economy (86: 86, 214).

Moreover, it also seems that under the STP the 'socialist' nature of SP is established not only by the protracted transformation of the (newly nationalized) State sector itself: An initial nationalization of certain key private MMPP and/or enterprises is a necessary but not a sufficient condition for the "socialization" of SP (86: 64, 75-6, 248). Rather, as the State sector is not taken to be the only transformative force, SP is 'socialist' if this sector manages to assume a dynamic role by mobilizing (or coercing), within a class struggle context, precisely those social forces which (assumedly) 'propel the direction of change', behind its strategy (86: 5-6, 168-9). Furthermore, this approach to the transformation of class relations is, for the STP, the only way for carrying out the wider and 'socialist' transformation of production within the economy (86: 7). And this is particularly so given that the 'official' economy rather unavoidably never coincides with the economy at large during the Transition due to the simple fact that SP is never absolute (86: 216; see also below).

More concretely the STP maintains that the transformation could be carried out through the differentiation of the access to resources among classes according to the priorities of economic policy. These priorities should reflect (as they also actually did within the CMP e.g. in the pre-Revolution Mozambican colonial capitalist economy) precisely those class interests being propelled by the State and, therefore, should indicate the manner in which the State's 'economic and coercive powers' should be used (86: 248-50). In sum, all forms of State intervention do, and should, reflect those interests. For example, whether resources allocated to the countryside are channeled to richer peasants or instead to the development of peasant co-ops is a significant issue for the socialist transformation of agriculture (85: 204).

For the STP planning is therefore regarded not only as a question of the techniques needed to balance different economic sectors but, very importantly, as having to do with the ways in which State economic power is constituted, organised, and utilized to carry out the protracted process of transformation of the social organization of production, exchange and distribution (86: 2, 4, 166-7; 85: 192, 204). Planning also has to be based on an (explicit or implicit) analysis of the nature of that social organization so as to identify both the class which can carry the process forward as well as the conditions for transformation (86: 18; 85: 180, 192). But this process "is by no means unproblematic" (86: 167) as seen above and its planning involves political struggles over its content and organization; struggles which are often posed as 'technical matters' (86: 5, 80). In sum, all planning is about changing society (86: 166) and it "takes place within a context and is itself determined by that context." (86: 3)

The content of planning has to do with the setting of priorities and the rationing within priorities, given a limited availability of resources: choices have to be made and they will inevitably entail 'social costs' (on future accumulation, for example). (86: 8, 76) With regard to the social organization of planning the STP argues that "the organization of money, finance and international payments of a country corresponds to the overall organization of the economy." (84: 2) Moreover,

The process through which [monetary] imbalances are created is not independent from the specific nature of the adjustment mechanisms.

The question is not one of either/or with respect to possible adjustment mechanisms, because these processes take place within an organizational context which also determines the nature of the imbalances. (86: 202; our emp.)

Thus, when central planning (presumably meaning a la SSP) is "the main factor to organize savings in function of investments" (84: 31), 'Fictitious Capital' markets are scarce and the CS's financial intermediation function is transferred to the State Budget: The latter will receive directly the State enterprises' surpluses as well as other taxes. (Ibid) Within this context monetary policy will then be able to

become active within the economy as a whole if it becomes the expression of a planning process which locates the role of the state sector in relation to the other sectors of the economy and allocates resources in function of the overall organization and growth of the economy. (84: 36-7)

This particular context of a 'managed economy' should therefore constitute the framework within which monetary imbalances, and their effects, should be analyzed. In effect, as SP is not absolute and the State does not control all production, the latter will but simply fragment the access to resources thereby raising, and determining the location of, certain specific boundaries between the 'official' and the 'parallel' economies, as well as with the interrelationship between their respective money-circulation circuits. The problem with this parallel economy being not so much its probably regressive income-distribution effects as its detrimental impact upon the new 'SRP'. (86: 177, 215-7)

More specifically the STP is concerned with the fact that, as the central planning model implies 'soft-budget constraints', a 'state of suction' and State-centered accumulation (a la Kornai), there exists the possibility that the concomitant monetary imbalances will facilitate the rapid transformation of excess money (poured into the system) or 'hoards' into MK in the hands of (previously extant) 'speculative commercial capitalists': The latter's strategic location in the control over the supply of consumer goods enables them both to mobilise, and set higher-than-official prices for, marketed food surpluses, as well as to attract cheap labour, thereby creating alternative private ways of accumulation. Thus, this struggle over the control of the continuity of the CS's financial flows might be won by those private traders. As a result, (a) the development of



alternative terms and circuits of exchange may accentuate peasant differentiation and strengthen the space for private enterprise and for the richer peasantry. This is particularly so as economic agents, as producers or consumers, cannot always choose between the 'official' and the 'parallel' markets as it depends on their specific situation; and (b) the State loses its own production-forms transformative and articulative capacity and the socialization of the countryside may then be blocked. In sum, central 'planning' would have in fact boiled down to pseudo planning (84: 37; 85: 181, 201; 86: 217, 224, 236-9, 255-6)

Now, although the above-described dynamics result from the particular content and organization of 'central planning', much of the same problematic will be present in different situations. Particularly because the Transitional economy is, almost by definition, a managed economy thereby entailing price differentials and the fragmentation of markets through the imposition of priorities and rationing rules. In sum, for the STP, State intervention forms should always correspond to a socialist strategy (and tactics) which is clearly, explicitly, and adequately based on the concrete context of particular transitional economies. And from this should be derived the role of money and finance. (84: 37; 86: 238-8, 248)

### 3.4 BY WAY OF CONCLUSION.

This chapter has exposed and analysed four perspectives on the role of money and finance in the Transition. It has attempted to do so not so much in terms of their empirical validity but in terms of their theoretical underpinnings vis-a-vis the theoretical framework developed earlier in this paper. A comparison of these views can be made from their exposition but it was not attempted here as it would have entailed enlarging this paper beyond its already sizeable form. Moreover, such comparison would not have been of much use for the main argument of this paper as elaborated in the introduction. Two points, however, would seem to easily follow from our previous analyses: (a) These perspectives' views on the role of money and finance cannot but be analysed in terms other than simply their policy

prescriptions. Greater attention would seem to have to be given to their underlying conceptions of the LOV, money, the State, and the nature of the Transition; and (b) Much of their assense is determined by the particular transitional experiences on which they are based.

## FOOTNOTES.

### CHAPTER ONE.

1. One way in which his method of inquiry (which is the one we are concerned with in this chapter) has been misinterpreted (e.g. by Althusser and Balibar, 68; Bukharin 79: Ch. 9) is by confusing it with Marx's method of presentation (i.e. going from 'abstract' or 'essential relations', to 'concrete' or 'phenomenal forms'; see Sayer 79: Ch. 4, especially pp. 94-5 and note 20 in p. 172) in Das Kapital; the latter method being employed only after the former has been utilized in any particular analysis: the categories coined and produced by the application of the method of enquiry as shown below, are then articulated from the simpler abstract categories ('capturing' certain simple relations) towards the more complex and concrete ones ('capturing' more complex relations) so as to 'reconstruct' the whole (see Sayer 79: 90-1, and note 19 in page 171; on the notion of 'articulation' see below). Thus Das Kapital "presents the social forms of capitalist production according to the order in which their underlying relations suppose one another" (Sayer 79: 171) i.e. the circuit C-M-C (commodity-money-commodity) is thus analytically presented before the circuit of capital viz M-C-M.

Here we also should point out that, although in our paper we have sided with one particular methodological interpretation of Marx's method of enquiry, we have not touched upon either the validity or the usefulness of his presentational method. Likewise we leave out the question on the extent to which Marx's method (or its evolution over time) might have led him (and perhaps also to Engels) to their seemingly incomplete, and perhaps even contradictory, treatment of 'nationalism' (see Munck, esp. p. 23) and of the 'capitalist state' (see Jessop, and Hoffman).

2. See inter alia, Sayer (87) on the political and practical implications of 'Marxology'; Fine on the importance of method for the analysis of ideology, law and the state; Hoffman on the "dialectics of coercion and consent", 'hegemony' and the "transitional state"; Jessop on the analysis of the "capitalist state"; Corrigan et al. 78 & 79 on the "construction of socialism"; Sik on Stalin's deductive-method-based conception of commodity-money relations as well as on the 'socialist economic theory's absolutization of the general unity of individual interests', and on the detrimental socio-economic effects resulting from their application in 'subjective and teleological socialist planning'; and Bettelheim (78) on the 'transition to socialist economy'.
3. See Saith 85: 17-8 for the description of three concepts which could be derived from the classical concept of surplus, the latter being defined "as the difference between aggregate net output and aggregate essential consumption" (p 17).
4. Here, as we follow Sayer's exposition of this method (in Sayer, 79), we will introduce its "articulation" character, as well as its underlying notion of "contingent necessity", as elaborated by Jessop.

5. An example of this is the movement from the abstract concept of 'capital-in-general' to the notion of 'particular capitals' in the same 'value' plane of analysis.
6. Examples of analytical planes are the 'value' plane, the plane of relations of political domination for the analysis of popular-democratic antagonisms (as opposed to) the plane of relations of economic exploitation for the analysis of class antagonisms, the plane of 'gender' relations and 'feminism', etc.
7. One example of the possible application of this view is Marx's notion of 'productive labour'. Rowthorn (80) addressed the issue by extending it to include those (socio-economic) activities which make the direct labour force productive in the first place (e.g. education and health care). FitzGerald (86a: 29) stresses that the criteria for inclusion of services into the above notion of 'productive labour' is the extent to which they are socially necessary for the reproduction of labour force (thereby including "even" the 'superstructural' activities like culture and sport). None has approached this issue through an analysis of Marx's method of enquiry. Nevertheless, it is interesting to notice that their conclusions are very similar to those to which a R-R-A approach would arrive, except perhaps for the latter's greater emphasis on the "contingent" character of these 'socially necessary relations'. Emphasis which significance is highlighted when considering the 'contingently socially necessary' aspect of 'gender relation' and which, incidentally, was absent in Rowthorn's and FitzGerald's analyses.
8. See Jessop, particularly p. 72, and our analysis of the Soviet State-Socialist perspective on the role of money and finance in the Transition in Ch. 3 below).
9. As formulated by Bhaskar 75 & 79, and Keat and Urry (see also Outhwaite, and Benton); in relation to Marxism it has been further elaborated by Sayer 79 & 87, Edgly, Corrigan et al. 78, and Jessop:

while the realist approach assumes that the real world is stratified into different domains or regions which reveal distinctive, sui generis emergent properties and thus require the development of different scientific disciplines to consider their respective conditions of existence, it also argues that each domain comprises not only a level of appearances or phenomenal forms but also an underlying level or levels at which are located the mechanisms that generate the surface phenomena of that domain. The former assumption entails the necessity of different planes of analysis, the latter implies the necessity of different levels of abstraction in each plane. (Jessop: 215; our emp.).

10. A practical example of this, in the context of the particular Nicaraguan transitional experience, is Coraggio's complaint:

The usual recourse of affirming that at [any] juncture the class struggle takes the form of an anti-imperialist struggle does not contribute analytically to the understanding of social contradictions, nor to orient the specific practice of distinct social agents in the revolutionary process. Everything tends to

be reduced to a single principle contradiction, a mechanism which hinders 'a concrete analysis of the concrete reality'. (Coraggio, 86b: 167; our emphasis).

11. Cohen defends this dichotomy and maintains "in the final analysis a largely technological determinism" (Sayer: 87: 5). Additionally, it has been argued that the Second-International Marxism's conception of the 'Base/Superstructure' distinction of social relations, holds that the 'Base' determines the 'Superstructure' a priori (Corrigan et al. 79: 29-30); and this 'reductionism' would seem to be connected with the fact that "the Marxists of the Second International frequently regarded Marx's view of 'abstraction' as nothing more than a process of mental generalization", so that they ended up embracing "a 'vulgar' empiricist standpoint of the world as a series of disconnected 'things' whose relationships are imposed 'from above' by hypotheses and 'mental generalizations'" (Hoffman: 103; orig. emp.).

Harnecker is not much any less guilty of the same 'dichotomous sin' by just asserting that the Base determines the Superstructure "in the last instance" in a context of "mutual interdependence". Likewise, de la Peña, although he designed a very imaginative 3-components whole (for "analytical purposes") by coining the concept of an "intermediate body" which is constituted by elements which are taken from both, the 'Base' and the 'Superstructure', and which is then meant to cover class organizations and structures (e.g. trade unions, entrepreneurs' associations, etc.), ultimately came down to the notion of a 'Base' determining "in the last instance" (or having a "determinate importance", "exercising greater influence", etc.) the other two components, even if "mutual interdependence" is also granted.

Thus, in general,

the Althusserians argue that a mode of production (and, by extension, a social formation) is a complex structured whole, comprises several relatively autonomous regions which nonetheless condition each other, is characterized by the dominance of one region (economic, juridico-political, or ideological) over the other regions, and is subject to economic determination in the last instance in so far as the mode of reproduction of the relations of production assigns the dominant role to one or other of these regions. (Jessop: 130).

In all of these cases, therefore, "if the causal claim is to have any meaning at all, the capacity of the base to subsist independently of its superstructure must logically be presupposed" (Sayer 79: 80; our emphasis). And this is where the problem with the 'dichotomous' interpretation lies.

12. In this connection Sayer suggests that:

[Al]though the proposition cannot be defended here, I believe that the base/superstructure metaphor can best be seen as a popular way of expressing a distinction which is fundamental to Marx's work, namely the distinction between essential relations and their forms of manifestation. Essential relations can be said to comprise any society's 'economic structure', not virtue

of any innately 'economic' qualities they might possess but because of their entailment in the production process without which that society could not exist; but the superstructure, in this view, would consist not of a separate body or kind of relations but rather of the 'legal, political, religious, artistic or philosophic - in short, ideological forms in which men become conscious of' these essential relations themselves [Preface to "A Contribution to ..", 1859]. Understood thus the distinction would cease to be substantive or institutional, and 'determination' would take on [a] non-causal connotation. (79: 80-1; original emphasis).

13. E.g. Nuti's model of the "dialectical interaction between capital accumulation, economic decentralization and political liberalization". Moreover, the unwarranted nature of this procedure can be highlighted by the fact that Nuti rather superficially dispensed from the validity of the Yugoslav experience as being a clear-cut 'socialist' one; nevertheless, despite its 'market-oriented' phenomenal form, and contrary to Nuti's description of the under-investment tendencies which are meant to plague capitalist economies as well as the Yugoslav "self-management syndicalist system", the economy of this country has indeed presented an 'accumulation bias' with the simultaneous working of a highly decentralized and federalized political system (see Burger, Prout, Singleton and Carter, *inter alia*). This point, however, does not necessarily imply that the rest of Nuti's substantive claims are false.
14. See note 7 above, and Hoffman 115, Jessop: 235 ff., and de Brunhoff: 6.
15. E.g. the 'State-Monopoly-Capitalism' [STAMOCAP] theories of the capitalist state which treat STAMOCAP as a distinct stage of capitalism characterized by the fusion of monopoly forces with the bourgeois state to form a 'single mechanism of economic exploitation and political domination'; or, at a minimum, they emphasize the growth of a close, organic connection between monopoly capital and the state (Jessop). And, as shown by Jessop, "all of these theories have been ratified and expounded in various communist conferences and included in new editions of party programmes and textbooks" (p. 42); for an example see the soviet textbook written by Cherevik et al.: 16. Another example is Popular Unity's Marxist-structuralist-dependentista diagnosis of Chile's pre-1970 economic structure as showing a 'historic tendency' towards a 'dependent' STAMOCAP (Griffith-Jones: 119-22). It might here be hypothesized that the former example is connected with the latter given the fact that senior Popular Unity economists worked in Cuba (where Soviet manuals are influential) before going to Chile (see Bitar).
16. 'Political' in the general sense that, given the existence of heterogeneous and conflicting interests as well as an underlying division of labour (particularly between the dominant class and its political representatives), the 'Transitional State' can only represent the interests of the popular sectors and/or the 'proletariat' in an 'illusory form' i.e. through the 'active, conscious and official' (i.e. universalistic) projection of these interests over and above those of the 'outmoded' SRP and/or previously dominant minorities (see Hoffman, Chs. 2 & 7, and Munck pp. 24-5), as well as through the handling of the contradictions between the 'general interests' of the popular sectors

and the particular interests of individual groups (e.g. 'social movements') within the latter (see Coraggio 86a). As Hoffman put it:

Marx sees politics as an obstacle to human emancipation and allows it only a transitional role. Revolutions are political, Marx says in 1844, because they are necessary to dissolve the old order, but once the organizing activity of the new socialist society begins, the political cloak has to be thrown away...[i.e.]..once 'the old civil society' gives way to an association which excludes classes and their antagonisms, 'there will be no more political power so-called'. (p. 31; our emphasis).

Thus, contrary to Resnick: 169, Marx does have a 'political theory of a transitional society'.

17. A particular example of this is provided by FitzGerald 85a; although he maintains the narrow definition of 'productive forces' we criticize in the following sections. He argues that in the context of the PSE the raising of consumption without detriment to investments

may require political developments if basic needs are to depend upon development of production relations rather than productive forces so to speak, because it would effectively place control of the reproduction of the labour force in the hands of that labour force, rather than under direct control of the state. (p. 10).

18. As it is implied in this paper, Marx's method of enquiry would seem to be a very important 'inheritance' too.
19. E.g. Bettelheim 1959: 148, 1976 & 1978a: 47-53; and Bettelheim & Sweezy 1971: 66; in general he argues that the development of the FFPP will not solve the 'lack-of correspondence contradiction', but that, on the contrary, the handling of the contradiction will affect the development of the FFPP, so that "politics are in command" and the Transition is therefore to be distinguished by the 'correctness of party line' i.e. by the application of a 'mass line' (a la Mao) (see Nove 72: 127-8, 133-4, and Corrigan et al. 78); see also Althusser & Balibar 68: 236ff.
20. An example of emergent SRP are the so-called 'new social movements' a la Laclau i.e. a multiplicity of 'social movements' struggling (autonomously) for immediate, limited and self-determined ends in a restricted social area. Coraggio (85) has stressed on their historically specific and conjunctural character as well as on the problematic of their 'articulation' into a complex and heterogeneous active revolutionary subject (i.e. 'the people') by a 'vanguard' party, during the Transition, so as to construct an effective popular hegemony.

CHAPTER TWO.

1. See Bukharin (79: 149-51) and Nove (83: 11-2). In fact, this transhistorical 'law' or need is what Nove, following Basle, calls 'LV1'; whereas their 'LV2' is our 'LOV' so that it is the latter (and not 'LV1') what is mediated by historically specific conditions and relations of particular modes of production (or social formations), as it will be seen below. The 'LV1' nevertheless continues being a constraint on economic activities on the whole, thereby implying the possibility of crises, independently of historically specific mediating conditions, in the process of achieving simple reproduction, and of course, more of a possibility when considering extended reproduction or accumulation, as argued generally by Marx.
2. We take the 'ex post' notion from Nove, 83. However, here we should notice that Nove (83: 21-3) has misinterpreted Marx. He argues that for Marx only production conditions enter into the formation of value and that, therefore, Marx's argument is ambiguous given that also, supposedly, for Marx, "values underly prices, independently of supply, demand and exchange, even though values are 'realized' in the real world through exchange" (ibid: 22; original emphasis); thus Marx should have included circulation conditions as well. Nevertheless, as we saw in the previous chapter, Marx was very clear (and consistent with his R-R-A method) in that within the concept of production are included all those relations which are (contingently) entailed by the labour process i.e. circulation conditions and/or relations would also enter into the formation of value. This criticism would equally apply to Wilczynski's definition of the LOV as "the socialist doctrine of prices" which, nevertheless, is correctly ascribed by him to 'the traditional Marxist approach' held in the Eastern-European socialist countries (see Ch. 10, esp. 129-31, and section 3.1.1 below).

As Harvey put it: "[Marx's general conclusion] is not that production, distribution, exchange and consumption are identical, but that they all form members of a totality, differences within a unity" (p.41). Consequently, 'Value', as a concept, capture the relations within the totality. See also Jessop: 235ff, de Brunhoff 78: 6 and 80: 67, and Hoffman: 115.

3. We are aware of Marx's famous algebraic problem of the transformation of values into prices (see Junankar), which is out of the scope of this paper, probably without any serious or meaningful detriment to our argument. We have elsewhere attempted to reinterpret this problem from a Realist perspective and under the framework of the (Positivist) Neo-Ricardian vs. Marxist debates on this issue (see Escoto 85).
4. Thus, based upon our R-R-A perspective, we cannot but disagree with Brus' (72) distinction between the LOV and monetary-commodity forms including the market mechanism. This distinction, in fact, has been widely shared in the literature we reviewed.
5. This sub-section attempts to synthesize the much more developed expositions of Marx's theory of money made (especially among others) by de Brunhoff, 76, 78 and 80, Kühne, and Harvey. Their work, therefore, constitute the basis of what follows, unless otherwise explicit



reference were to be made of other authors. Also, we agree with Harvey and Harris in that Cutler et al. totally misrepresent Marx on money, so we did not take the latter's work as a basis here (see also note 8 below).

6. See Laidler 64ff.
7. Where  $M$  = quantity of money in circulation;  $V$  = the velocity of money in circulation per a given period;  $P$  = the general price level; and  $Q$  = the quantity of goods and services in circulation. See Bain: 79-80, for a more detailed description of this identity.
8. Cutler et al. reject the validity of this MOV function of money on the grounds that there should not be 'a-priori' epistemological arguments justifying such function. Here there is not enough space to elaborate my argument so I will simply and succinctly list the essential points of my criticism of Cutler et al, which, of course, does not necessarily imply the invalidity and/or irrelevance of more specific and concrete claims made by them (but see Harris).

First, certainly there should not be a-priori epistemological justification of the 'necessity' of the MOV function and in fact, and more generally, Cutler et al. seem to be right in rejecting the scientific validity of that interpretation of Marx's method as consisting of going from the abstract to the concrete i.e. Marx's presentational method in Das Kapital (see footnote no. 1 of Ch. 1 above). In this regard Harris's overall criticism of Cutler et al. is undermined by his adherence to the latter interpretation. However, and secondly, Marx did not provide aprioristic justifications. Moreover, and thirdly, his R-R-A method actually runs counter any such 'a priorism'; and, fourthly, more specifically and positively, from his method it follows that the MOV function is a 'contingently necessary' condition for the reproduction of the GE character of money, as I try to show in this sub-section.

9. This social power of money, however, can be appropriated and used by private persons. And, it is also a contingent social power which depends, ultimately, upon the creation of real values through the embodiment of social labour in material commodities, as implied by the working of the LOV (see Harvey: 241).
10. This point has also been made by the post-Keynesian theory of endogenous credit money. See Gedeon.
11. Given the necessarily highly abstract character of our analysis in this subsection, here we assume away the existence of (as well as the problematic of the articulation of the CMP with) other modes of production within a social formation. On this topic see Hindess and Hirst, 77 and 75, and Wolpe).
12. We abstract here from the distinction between 'managers' and 'owners' which should be made when analysing this aspect of the CMP at a more concrete level.
13. In the sense of being separated from possession of the MMPP. This condition of the labourers is the result of a historically specific process of primitive capitalist accumulation whereby labourers were either

directly (state-enforced) or indirectly (e.g. through usury money lending) expropriated.

14. 'Socially necessary' for both the continued accumulation of capital and the reproduction of the labourers, depending upon historically specific factors (e.g. culture, geography, the existence of other modes of production, etc.).
15. We realize that Marx's notion of 'alienation' is strongly related to 'commodity fetishism', as well as to his loose definitions of 'Communism'. Whether 'Communism' is feasible and/or desirable to strive for is an issue we have to leave untouched here (see Nove 83 for a sort of pragmatic argument in this regard).
16. Bettelheim 76 & 78a, and Sik have clearly and rightly reminded us of the role of 'freedom of manoeuvre' i.e. independent decision-making, in the explanation of the existence of commodity categories in the Eastern European centrally planned economies (see also Nove 72).
17. Griffith-Jones herself is 'amazed'

that so much effort and talent was devoted to work such as [sic] the definition of a labour unit of account, when the economy's problems were so critical that they endangered the very survival of the government. (p. 40; our emphasis).

And this major endeavor was carried out despite the Bolsheviks' lack of trained personnel, which, when juxtaposed to the fact that "no attempt was made to create a monetary and financial system" (Lavigne 74: 224), must have had major hyperinflationary effects by default, if not by design.

18. Wilczynski presents his argument for 'market socialism' as a moderate one:

[In] Market Socialism [...] Social ownership of the [MMPP] and central planning are still retained. The basic proportions and directions of development of macrosocial importance are centrally determined [...] But otherwise the operation of the economy are left to market forces. Some extremists [...] whilst supporting public ownership of the basic [MMPP], advocated market Socialism without planning, entrusting all economic decisions to the market. (p. 25).

19. This 'reliance' is further strengthened by "the need for government underwriting to obtain access to foreign capital markets" (FitzGerald 83a: 122).

20. There will also be struggles on

the extent to which the spending of income will be left to individual choice when culture and the market continue to produce (formally or informally) socially destructive commodities (drugs, prostitution, gambling) in a context of scarcity of basic needs. (Fagen: 262).

21. In fact the redistributive functions which could be performed by budgetary operations are usually 'determined' by highly sensitive political considerations. For example, whereas inflationary consequences of government expenditure might have such detrimental effects on the popular sectors's purchasing power that it would be politically unacceptable, on the other hand it might well be the case that open unemployment would be equally politically unacceptable despite of its implications in terms of lower government expenditure (see Fagen). It might also be possible that, due to the political need of maintaining a broad nationalist alliance against foreign aggression, the TS would engage in 'capitalist' taxing (i.e. no large increases in wealth, property and/or progressive income taxes) while exercising a 'socialist' expenditures policy (i.e. large increases in government consumption addressed to the majorities's basic needs). We took the idea of a 'capitalist'/'socialist' dichotomy from a seminar given by FitzGerald at the ISS, The Hague, on 4/3/86 and entitled 'Nicaragua: Planning a War Economy'.
22. This point was made by FitzGerald in the above-mentioned seminar.
23. See Waterman 87 for a comprehensive attempt at 'understanding' the three different types of internationalism identified by him: (1) the old and 'moribund' socialist-party led, Marxism-inspired labour internationalism; (2) the new middle-class, 'social movement' internationalism; and (3) the new shopfloor labour internationalism. In Waterman (88) there is a collection of articles on this topic and in Escoto (88) we have attempted to hypothesize on the 'internationalist question' of the Sandinista revolution on the basis of the previous works.

CHAPTER THREE.SSP

1. In this section we concentrate on what could be regarded as the Soviet 'orthodox' view (as elaborated by Cherevik et al., Chirkin, & Rumantsiev) which, although it has been highly influential among the Eastern European socialist countries's economists (Sik: Ch. 1), it does not completely hegemonize their viewpoints and analyses (see Wilczynski on the "New Socialist Economics"). Moreover, even within the USSR there are divergences of opinion. Furthermore, this 'Soviet orthodoxy' itself has not only been mostly a response to the requirements of the forced industrialization policy of the late 20s (Asselain: 13), but seems to have changed its views overtime mainly as a result of 'reforms' in the economic system (Wilczynski).

We focus upon this 'orthodox' perspective because of its ideological influence in the SPTEs, which is probably largely due to the fact that its 'manuals' are easily and cheaply provided in there and have also been the textbooks of planning courses for SPTE's planners and revolutionary party leaders. These textbooks in fact are geared towards the vindication of the existing socialism in the USSR and Eastern European countries. Alternative viewpoints held in these countries are nonetheless indirectly and partially presented in our paper inasmuch as we brought some of them (e.g. Adam, Brus, Kornai, Sik, Zwass, etc.) into our analysis.

We should also point out that the actual planning systems of the Eastern European socialist countries show variable degrees of difference from the SSP's model, and range from the highly decentralized Yugoslav system and the 'liberal' Hungarian one, to the most centralized of all, the Soviet one. They have also undergone several processes of reform (see Wilczynski), and Gorbachev's 'Perestroika' may well imply the abandonment of the SSP but, in any case, it might take some years before the financial implications of the latter are fully elaborated in 'manual' form.

2. Soviet manuals are characterized by their postulation of aggregate 'laws' and/or premises under which individual instances of concrete explananda-phenomena are unproblematically and automatically subsumed. We saw how this contradicts Marx's R-R-A method. Here it is very illuminating to quote Mao's criticism of Soviet subsumptionism given that his method closely resembles Marx's (see Corrigan et al. 78 & 79).

The effects of principles and laws must be subjected to analysis and thorough study; only then can principles and laws be derived. Human knowledge always encounters appearances first. Proceeding from there, one searches out principles and laws. The [Soviet] text does the opposite. Its methodology is deductive, not analytical. According to formal logic, 'People will die. Mr. Chang is a person. Therefore Mr. Chang will die.' This is a conclusion derived from the premise that all human beings die. This is the deductive method. For every question the text first gives definitions, which it then takes as a

major premise and reasons from there, failing to understand that a major premise should be the result of researching a question. Not until one has gone through the concrete research can principles and laws be discovered and proved. [Mao Tse-tung, A Critique of Soviet Economies, Monthly Review Press, 1977, our emp.].

3. Most of land, manufacturing industries, banking, finance, domestic and foreign trade, and natural resources have been 'socialized' i.e. nationalized: 92% of farming land and 95% of the national income are in (contributed by) the socialized sector i.e. the State and collective farm-and-co-operative sectors of Bulgaria, Czechoslovakia, the German D.R., Hungary, Poland, Romania, the USSR and Yugoslavia (Wilczynski: 3).
4. Under the SSP prices's resource allocation function is greatly reduced, however they are meant to be actively used as an instrument of economic and social policies. The SSP advocates a two-tier price system: producers' prices are paid to the producing enterprises (including farms) by other producing enterprises (in the case of Dpt. I goods) and by wholesale trade units (in the case of Dpt. II goods); and retail prices which are paid by consumers for retail goods and services. The former usually includes a profit mark-up representing an average of 10-15% of the enterprise's average total (labour) cost, whereas the latter covers the former plus a wholesale margin ( $\pm 2\%$ ), a retail margin ( $\pm 7\%$ ) and the turnover tax (usually on average  $\pm 41\%$ ) which is in most cases calculated as a residual and is charged in a highly differentiated manner as between the taxed goods and services (ibid: 129-35, 156).
5. It also presupposes the existence of a 'State Planning Commission' e.g. the USSR's GOSPLAN. And of course the planners' priorities are assumed to reflect social needs (ibid: 15-6)).
6. The national plan is first examined by the Council of Ministers and then submitted to Parliament where it will become a law (ibid: 17).
7. Directives to enterprises can take the form of instructions for producing and delivering specified quantities of products of defined quality to specified recipients by particular dates. Examples of directive (success evaluation) indicators are the gross value of output, basic production volume, labour productivity, investment limits, limits to centrally allocated raw materials and components, foreign exchange transactions restrictions, etc. (See ibid: 17; & Adam). Incentives take the form of 'bonuses': usually 5-12% of the enterprises' total wage bill is composed of the Bonuses Fund which is mainly for top managers (Adam).
8. Sik has clearly established the importance of these notions:

According [to SSP], the plan always assures a [SNLE], it is always in harmony with society's needs. From this assumption there arises a theoretical explanation of [CP] which reads as follows: value grows out of the necessity of converting heterogeneous work (differing in complexity) to a common denominator and for calculating the amount of this work. This is necessary in order that every enterprise might receive the same amount of labour from others in return from a certain amount of labour expended (value) - in other words merely to

ensure equivalence. [...] So value is ... only a method of determining and balancing a certain quantity of heterogeneous labour [...] and money is only an accounting unit. (p. 182-3; our emp.).

9. See Garvy 66 & 77, Lavigne 74 & 78, Portes 83: 151, Rumantsiev: 159, 488-9 & 494, Wilczynski: Chs. 11 & 12, and Zwass.
10. Lavigne 74: 267 & 78: 31, and Garvy:

...in the socialized sector, money cannot be permitted to interfere with planners' intentions. It can become effective only jointly with goods orders (vouchers) issued to implement plan objectives. Conversely planners determine the level of cash balances appropriate for each individual enterprise and adjust these balances through loans, grants, and subsidies, as well as through transfers from or to other units. (77:4).

All these current account adjustments are called 'cashless settlements' which, incidentally, should not be confused with the West's checks though the latter are also used in Socialist countries, usually constituting less than 10% of total value payments (Wilczynski: 143).

11. Here we are referring to what Brus (72: 32, 75, and Ch. 3), following Lange, calls "consumers' freedom of choice", as distinguished from "consumers' sovereignty" in the Dpt. II markets: the former

is only a particular procedure for distributing consumer goods, independently of the degree to which the structure of supply of consumer goods is determined either by the preferences of the central authority or by consumer preferences [i.e. consumer's sovereignty] (p 75).

The "sovereignty" notion, on the other hand, corresponds to our ex-post-verification element of the LOV (see Ch. 2).

12. Usually about 90% of total receipts are the paying in of takings from the sale of goods and services, and about 80% of payments are withdrawals from enterprise accounts for wage payments and other remunerations (Lavigne 74: 270).
13. Bank credits' interest rates are fixed centrally to fit various objectives (usually to promote efficient credit distribution and application at the operational level), and range between 1-5% p.a.; banks also pay interest rates so as to generate real savings deposits from enterprises, institutions and individuals (Wilczynski: 149-50).
14. See Portes 83: 151-3, Ellman 83: 103-4, Garvy 77, Wilczynski: Chs. 11 & 12, and Zwass.
15. It has been argued that although the USSR's financial system has evolved, since its inception in the early 30s, through a "largely politically-determined experimentation [process...], some of its features can be traced back to the Tsarist regime" (Garvy 77: 2-3; see also Davies).

16. In principle banks can apply the following series of FS-sanctions when credits are misused, projects are not completed on time, and/or credits are not repaid in due course: (a) charging penalty interests; (b) requiring earlier credit repayment; (c) refusing to release wage and/or bonuses funds; and (c) reject future credits. (ibid: 148-9).
17. This has been variously termed in the literature as 'passive', 'implementary', etc.

# SEPFP

1. All page references in this section are to Griffith-Jones (1981) unless otherwise explicitly indicated.
2. Griffith-Jones explicitly included fixed term deposits and savings accounts into her notion of money (see 25), and excluded the 'money of account' in ledgers as she seems to have implied in her analysis of forced requisitioning in the USSR during the 1917-21 War Communism period: she talks about the 'moneyless economy', thereby implying that the 'account prices' are non-existent and that the account money itself is not money (see her Ch. 2 passim).
3. Czechoslovakia and the USSR cannot certainly be regarded as SPTEs, whereas Chile can be so. In fact Griffith-Jones noticed the special role of the external terms of trade during the Chilean experience (187).
4. As demonstrated by Bitar, to whom Griffith-Jones herself referred as a major source for her analysis of the Allende period,
 

a speculative capitalism has taken root [led by the politically insecure national bourgeoisie in its search] for new means of retaining its economic power [so as] to fulfill two requirements: high returns and liquidity. The most attractive area was black market dealing in dollars [which] was supplied from a variety of sources: those receiving their incomes in dollars, firms or speculators who were selling off currency specially brought in from outside the country in order to finance speculative and contraband operations, and increasingly by foreign funds to finance the opposition's political operations. (Bitar: 131; our emp.)
5. These 'management' changes is one of the very scarce references the SEPFP made with regard to the struggle over the new SRP; however this reference itself is still dubious as it might simply refer to the change of managers rather than of management style. The other examples of 'structural transformations mentioned by the SEPFP mostly refer to wealth redistributions.
6. Thus, contrary to Wuyts' (1986: 171) interpretation of Griffith-Jones, for the latter monetary imbalances cannot always be avoided. Whether she thinks that (when possible) they should, is another matter, and even in this regard Wuyts does not seem to have a accurate picture of her SEPFP (see footnote no. 9 below).

7. For example, in some transitional experiences there has been an ideological emphasis on the structural changes' effectiveness in eliminating inflation, with the consequent neglect of short-term monetary and financial policies (e.g. of pricing policy and its implications for stabilization) and diversion of operative capacity away from the latter (104, 122-3, 151). Misunderstandings may also be due both, to an 'underdevelopment' of economic and political interdisciplinary analysis, which is particularly crucial when there is rapid social change e.g. when having to design stabilization policies, as well as to a general lack of relevant information (8, 68, 151).
8. This may be due to: (a) Inherited financial disequilibria and the economic disarticulation of previous economic links between economic units (2, 20, 117, footnote no. 13 in 173); (b) Either non-existent or ineffective and weak material planning of production and distribution, given that the administrative apparatus is just starting to develop and is still very fragmented and its personnel is inexperienced - which might also imply further limitations on the expansion of the the TS's potential effective planning base - e.g. taxation inexperience may lead to less revenues and more expenditures in the budget. (2, 7, 20, 41, 122-3, 143, 151, 170), and; (c) The almost unavoidable and even sharply accentuated time-lags in policy decision-making and implementation (55, 72).
9. Except perhaps for the suggestion she seems to make with regard to the need for clarity in the chosen political strategy (see p. 128).
10. Thus, contrary to Wuyts, for Griffith-Jones financial disequilibria need not always be avoided. In fact her argument is much more complex than what it has been taken to be by Wuyts: For financial disequilibria should not be justified ideologically as correct per se, as

such an attitude might risk delaying the introduction of different policies more functional if new circumstances and a new political strategy arose. (186; our. emp.)

Hence Griffith-Jones is not arguing that financial stability should check the rate of transformation, but that (large) financial instability should not be allowed to jeopardize transformation all together when it could potentially do so. Thus there actually is much similarity between the SEPFP and Wuyts' own perspective on this particular issue. A different criticizable point is, of course, Griffith-Jones' over-emphasis on income distribution as an element of the transformation process.

11. For Griffith-Jones a 'tax in kind' is a previously fixed volume of produce which is levied on the peasantry, whereas 'requisitioning' is arbitrarily fixed on the spot (46).



NKP

1. All references in this section are to FitzGerald's works as chronologically listed in our bibliography, unless otherwise explicitly stated.
2. FitzGerald's definition of the PSE, which was first put forward in 85a by following Prebisch's 'center-periphery' model albeit a la ECLA structuralism (more specifically, a la Braun), has in fact constituted the core of our SPTE-definition. Our SPTE definition, nonetheless, gives greater emphasis to monetary/financial aspects given the topic of our paper.
3. Whereas in 85g: 96 FitzGerald points out the varied nature of PSEs' policy responses, which would lead us towards not interpreting the 'common logic' as a common, regular policy response but as a sort of policy framework proposal, in precisely the same work (p. 95) he clearly base this 'logic' on 'common characteristics' of PSEs, which could validly be interpreted as saying that such 'common logic' is an actually existing regular phenomenon.
4. Kalecki does not reject the observable money and price value forms. However, although he has been interpreted as emphasizing the MOC function at the expense of a 'limited' SOV one (Sawyer: 88-91), it is probably more accurate to argue (against Sawyer: 170) that it was because of his rejection of Marx's labour theory of value that Kalecki also rejected the MOV function and, by implication, disregarded the GE's MOV-MOC contradiction. Hence, despite Kalecki's dealings with the CS's co-ordination and accumulation/income-distribution functions (see Sawyer: 5-6), he nevertheless neglected a broader notion of the SOV function as well as the role of 'Fictitious Capital'. This may also help explain why he did not treat the underlying causes of hyperinflation in his relevant works (see Kalecki 1941a and b, 1962, as well as Sawyer's exposition of this issue in pp. 118-23).

Moreover, here again the importance of method is demonstrated: In any attempt at explaining Kalecki's rejection of Marx's value theory the former's method seems to be an obligatory factor:

Whereas Marx worked at, in his terminology, various levels of abstraction, Kalecki generally operated at the more concrete, less abstract level of analysis. (Sawyer: 146)

5. FitzGerald points out that the 'socially acceptable' quality and contents of the wage goods basket are extended by political change and the spread of urban standards to the countryside thereby affecting the inter-sectoral flow of commodities between the latter and the urban areas, and that as it is easy to know which are the SPE's basic needs it is then easier to plan centrally their production-consumption articulation (86a: 37, 44).
6. For example, the Sandinista agrarian reform eliminated the traditional, private exploitative commercial channels through which inputs, consumer goods, and even credit and transport services (to the market) were exchanged for peasant produce (85c: 219).

7. This type of social organization of production is regarded as being widely spreaded in the PSE and having a low development of its 'FFPP' (85b: 12); and its economic rationale is characterized as family income maximization (with no permanent wage labour or profits as such and with just a basic minimum of reproducible capital), and assumed as inevitably affecting the enterprise sector in general through stock-piling prices, personnel leak, service costs e.g. maintenance, etc. (85d: 3; 85g: 98).
8. From our R-R-A perspective it would seem instead that FitzGerald should have better argued that it is only through (i.e. precisely because of) the use of the 'value categories' that it is possible to socialize distribution relations.
9. FitzGerald has also qualified Kalecki's 'government decision curve' (or 'accumulation curve') given that the latter assumed no problems in its effectiveness in a open economy context. He did so by introducing a positively related, 'achievable' labour productivity-real wage growth curve, which is meant to represent the 'productivity response' of workers and peasants (see 85a: 10-12), and which will therefore help to determine the 'actual' labour productivity level (see 85f: 104-5). This 'FitzGerald's Twist' in the PSE (as it is known at the ISS), should in fact be seen as a recognition that LP is still a commodity (i.e. independent decision-making power of workers).
10. FitzGerald made this point in response to our comments to his 85c. This point, of course, does not contradict the postulation he made in the same latter work, of the possibility that the 'Kulacks' would not be absorbed and would them impede the accumulation strategy (85c: 224).
11. This oversight was probably a reflection of Kalecki's own lack of adequate treatment of this issue with regard to the 'financing' of economic development (see footnote no. 4 above, and Kalecki 1972 and 1976). In general terms Kalecki seems to neglect the importance of the CS in itself, particularly of banking operations and/or financial intermediation (and interest rates), with the resulting overemphasis on taxation as the kernel of 'purely' financial problems. In fact FitzGerald (83b; 84: 18) himself seems to have recognized these issues as an 'unresolved problem' in Kalecki's views and has therefore been concerned with the need of developing the 'financial modules' of Kalecki's model. See his 86b for a formal attempt at developing them.
12. Fortin argues that FitzGerald has sided with the 'capital-logic' type of explanations of accumulation crises. It would also seem possible to argue that FitzGerald has adhered himself to De Brunhoff's (esp. 1978) 'form-derivation' approach whereby the limits to the State's functions (in capital accumulation) are located in the nature of capital in general as a valorization process rather than in the form of the State itself (see Jessop: 118) i.e. he seems to neglect the political-class struggle plane of analysis and therefore the question as to whether a democratic, a liberal, or an authoritarian form of political representation would, by themselves, seriously jeopardize those functions. FitzGerald has mentioned the possibility of a "domestic class 'vacuum'" and defined the 'relative autonomy of the State' as "the necessary freedom of action of the state from the interests of any one fraction or group of capitalists in order to promote accumulation". (85e: 464ff); however, he still did not explicitly problematize the capitalist State's

functions and 'relative autonomy' in terms of political representation forms. And this seems to be so despite his argument that the "relative autonomy [of the State] is affected by the degree of hegemony of different groups in 'civil society', and the internal cohesion of the State", which implicitly and indirectly implies political (class) limitations on peripheral capitalist accumulation.

13. For the NKP 'normal' profits are those resulting from moderate charges on the use of equipment (e.g. interests paid by export enterprises on funds advanced by the 'central accumulation fund'); 'excess' profits arise when wages are paid at a rate below the normal (i.e. overexploitation); and 'differential' rent in the PSE arises out of the latter's greater efficiency in terms of lower export production costs vis-a-vis other competitors' and the internationally determined market price. (85a; 85f: 101)
14. FitzGerald defined the 'modern sector' as "wage-paying [and] capital using" (85g: 96).
15. 'Real' wages and incomes not only in the sense of their enabling the purchase of goods and services at given prices, but also in terms of the real availability of these goods and services.
16. See 83b for FitzGerald's economic modelling of this assumption's implications.
17. According to the NKP import restrictions as a stabilization instrument will have to limit themselves to Dpt. IIb in order to avoid reductions in exports or in basic living standards (86a: 46). At a more general level, and in other words, the overall foreign-exchange allocation strategy seems to boil down to a planned differential reproduction of the GE at the international level as between Dpts (rather than between economic units as such) and in accordance with the plan. For example, exchange rates should be realistically favourable to export producers and a part of their export revenues should be made in 'hard' currency (for their imported inputs and consumer goods) so as to stimulate their production activities (see 85b: 6).
18. For the NKP there seems to be, therefore, a mutual influence between inflation and the price matrix, though each are also separately affected by other factors.
19. The following exposition of this 'fiscal-financial balance' is based on MIPLAN (80; 81). These national plans for these two years of the Sandinista Revolution were elaborated with the advice of FitzGerald and he has also referred to them as expressing by and large his notion of a consolidated 'fiscal-financial balance'. See FitzGerald 82, 83c, and 84.
20. The author of this paper worked as the credit-kardex Keeper of a private enterprise selling electrical and furniture consumer durables during 1981 in Managua. At least more than 50% of this enterprise's sales were done on a 9-to-12 months credit basis, mostly for State employees. Much of the same credit policies seem to have been followed by similar enterprises in Managua, as indicated to the author by the enterprise's credit-repayment agent, who had also worked in this profession in other enterprises. It is also relevant to notice here the fact that, at least

for the enterprise in which the author worked, this credit policy was greatly enhanced after a major working-capital credit was granted to the enterprise by a local branch of the Banking System. In sum, the possibility of there being this sort of potential credit-multiplier effect, as a result of the credit policies entailed by the NKP, should perhaps be explicitly incorporated into its analytics as it seems to be missing in FitzGerald's formal models (see 83b, 86b). Moreover, this neglect of private-enterprise consumer credit would seem to have been equally done by FitzGerald when dealing with peripheral capitalist economies (in 78, 83a, 85e). And this is probably so despite his seemingly recognition of the role of bank consumer credit (in 85e: 454) in the management of capitalist accumulation in Latin America.

### STP

1. All references in this section are to these works unless otherwise indicated.
2. These groups were popularly elected and consisted of 8-10 people organized both at the community and the workplace levels e.g. in villages, productive enterprises, banking, schools, hospitals and other public institutions, etc.; these groups were also "the principal vehicles through which class forces expressed themselves." (86: 68).
3. Wuyts criticized this view as expressed in the 3rd. Congress document of the Mozambican revolutionary movement, FRELIMO (see 86: 167).

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