

The Bane of Reforming the Socialist Economic System*

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I became attracted to economics, or political economy as it was known at the time, very early in life, while still in my teens. Two main factors seem to have contributed most to this interest: first, the wish to understand better the forces underlying the course of history which looked far from satisfactorily explained by reference to purely political actions associated with kings, heroes and anti-heroes; second, the harsh realities of the Great Depression which in the less developed countries of eastern and central Europe brought more misery and hopelessness than elsewhere. Born in Poland in 1921, I was sufficiently aware by the mid-1930s of the sufferings caused by mass unemployment, widespread homelessness in the cities, catastrophically low peasant incomes, especially in central and eastern Poland where the “redundant” rural population was estimated in millions. Although the situation of my own family was relatively good (my father – a white-collar worker for a Jewish voluntary organization – kept his job throughout the inter-war period), the incongruity of idle workshops and wasted products side by side with armies of people in desperate search for jobs and struggling for their very survival posed questions which could not be dismissed.

At first, with the unlimited optimism of youth, I tried a shortcut: to get hold of a not-too-long volume on the history of econ-

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omic thought to see what answers had been given to the puzzle over the years, and which of them looked most plausible. I do not remember now what was the book I eagerly read, but my disappointment was total. Then – under the influence of some of my peers – I reached for Marxist literature. The first source was A. Bogdanov's, *Political Economy*, a translation from Russian of a previously highly popular text-book by one of Lenin's comrades-in-arms, later branded as revisionist; this was followed by Kautsky's *Economic Teachings of Karl Marx*, *The Communist Manifesto*, and a number of minor writings of the founding fathers themselves (but not *Das Kapital*). All this made a great impression on me as a convincing interpretation of the historical process currently pointing to socialism with its planned economy as the only realistic cure for the apparently irremediable ills of capitalism; what we thought we knew then about the Soviet *pyatiletkas* succeeding in rapid industrialization and eradication of unemployment seemed to corroborate this view which gradually (by teenage standards ...) turned into something of a *Weltanschauung*.

However, despite the conviction that the general answer had been found, I was aware that a lot more remained to be learned if one aspired to master the tools to dissect the intricacies of the economic processes, and even more to influence them actively. That is why, upon graduation from a gymnasium in 1938, I decided to study economics – to the displeasure of my family and the astonishment of friends who could not see any prospects of material return at the end of it. Rejected – without any substantive reason, purely as a reflection of the growing antisemitic bias – by the Warsaw Main School of Commerce (SGH), I enrolled in the liberal private university (Wolna Wszechnica Polska – WWP) supporting myself financially by tutoring secondary school students. The atmosphere at WWP was good – serious and stimulating – but unfortunately the quality of teaching was higher, at least in my experience as a first-year undergraduate in the School of Economic and Social Sciences, in a number of background subjects (law, statistics) than in the introductory course in economics. This was descriptive and old-fashioned, more or less modelled on the voluminous textbook by the French economist Charles Gide; not even a proper presentation of general equilibrium theory, let alone a glimpse into the emerging Keynesianism could be had. Two guest lectures by Oskar Lange in the spring of 1939 (Lange

then took his habilitation-degree at the university) were practically beyond my comprehension.

Whatever prospects there had been of improvement in the second and subsequent years of study were shattered by the German invasion of Poland in September 1939. After the trauma of the siege of Warsaw came the German occupation. Although hardly anybody around me had the foresight to anticipate the full extent of the Nazi plans for the “Eastern Territories” in general, and for the Holocaust in particular, it became clear to me after a few weeks' experience in occupied Warsaw that Jews were destined to become outcasts, deprived of any rights and exposed to every whim of the German masters and their helpers. The decision to cross the still fluid border (“demarcation line” as it was initially called) into the Soviet-occupied eastern part of pre-1939 Poland was the result of this assessment; this decision, which meant leaving behind my parents and sister, came more easily because of the mistaken expectation that the separation would be only temporary, and because of my left-wing sympathies.

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In the city of Lvów (now Lviv in western Ukraine), which became my home over the next two years, I – fortunately – could continue higher education: the former Academy of Foreign Trade, soon transformed into the Institute of Soviet Trade, accepted me on the condition that I began as a first-year student again (despite the full set of examinations passed in Warsaw). With tuition fees abolished and a small maintenance grant, one could survive on a bare minimum, especially against the background of rapidly deteriorating overall living standards. Worse, however, were the intellectual benefits in the main field of my interest, *i.e.* economics, or rather political economy. In essence, my knowledge of the subject hardly progressed beyond what I taught myself as a schoolboy; there were no textbooks and no reading lists apart from relevant or irrelevant excerpts from Marx, Engels, Lenin and Stalin; lectures (and hence lecture notes) were supposed to provide the main material to prepare for examinations. I cannot remember a single interesting element in the entire course of political economy, except one curious incident, the importance of which dawned on me only later: namely, at a class devoted to

discussing the economic system of feudalism, some remark of mine concerning the operation of the market was rebutted by the lecturer who said that, if this were true, it would mean that the “law of value also operated under socialism, and this ‘as we know’ is not the case”. On this the matter rested, but a few months later, sometime in the spring of 1941, I was unexpectedly summoned to the office of the lecturer who, with embarrassment, declared: you know, the law of value operates in socialism. To my questions: why? how? – the answer was: I don’t know yet, but it operates. And as proof he translated for me (I could not read Russian at the time) a passage from an article in *Pravda* by the then head of the Propaganda Section of the Central Committee of the All-Union Communist party, Aleksandrov, who castigated social scientists for dogmatic attitudes, giving – among others – the example of economists who all maintained that law of value does not operate in a socialist planned economy “while Comrade Stalin has shown that it operates, albeit in a transformed manner”. No explanation followed, not even the slightest attempt to construct a justification for what amounted to a major U-turn in the official Marxist-Leninist line – until the end of 1943 (to this I’ll return later).

Other courses (except one on the “Fundamentals of Marxism-Leninism” which was a pure exegesis of the *Short Course of History of the All-Union Communist Party*) were better, particularly the more technical ones like mathematics and statistics (the latter was taught by my Warsaw professor!); one could also gain something from the descriptive courses on planning procedures and organization of the economy, as well on economic geography of the Soviet Union – matters almost completely unfamiliar to the Polish students. But on the whole the level was low, often surprisingly primitive, which annoyed those of us (including myself) who had brought from afar an inflated opinion of the scholarly and cultural accomplishments of the “fatherland of socialism”. We were not only ignorant of the intellectual devastation caused by the total “thought control”, but also of the extent of the earthquake which befell the Soviet population, sweeping away *inter alia* layer after layer of the *intelligentsia* during the purges of whom the widely publicized show-trials were only the tiniest tip of the iceberg. The teachers we got from the Soviet Ukraine in my Lvów period were probably the third or fourth line-up of what would anyhow hardly be a daring outfit.

Once again the war soon imposed another massive change: in June 1941, Germany invaded the Soviet Union; Lvów was abandoned

on the sixth day, and after a long, arduous and dangerous march (in a large part – literally – on foot) eastwards, at the beginning of October I found myself alone in the city of Saratov on the banks of the Volga river. As an untrustworthy “Westerner” I was not taken into the army, and as a student I became exempt – to my enormous relief – from the notorious “labour batallions”; moreover, students were entitled to a *propiska* (residence permit) in big towns – a major privilege, denied to most of the millions of refugees from the occupied territories. Saratov had a number of higher education institutions, and I could easily enrol in most of them because the still binding recruitment plans could obviously not be fulfilled, in view of almost total mobilization of young males. I chose the Institute of Economic Planning, but in order to survive I also had to get a job. This was not difficult either – shortage of labour was pervasive: the real problem was to obtain a minimum of food, shelter and clothing (the harsh Russian winter was approaching), but I shall skip this side of the story. Throughout my three-year stay in Saratov, I had to combine study with work: first, as a piece-rate setter in a factory producing metal parts for parachutes; later (upon graduation) as head of the planning office in a factory producing special two-digit gloves for the army; classes had to be attended in the evenings. The industrial experience turned out to be more valuable for my economic education than the formal schooling, which on the whole was not different in quality from that in Lvów. I learned a lot at the factories, not in the positive sense, but in the negative: how far the realities of central planning devolved to the factory floor were removed from the schemes taught in the classrooms: poor organization, the harmful role of plan-fulfilment as the main success indicator, the incentive system which stimulated waste instead of the all-important saving of resources in war conditions, quality control effective only when imposed from outside by the military procurement representatives. Thus, the microeconomics of Soviet industry as experienced by me was appalling. As for the macroeconomics, there was of course no way of assessing it directly, but what one could see with one’s own eyes was indirectly impressive, especially considering the extreme difficulties of the war effort of a country cut off by the invaders from large and often economically most important areas. The industrialization drive created a number of new factories in Saratov, among them large combine-harvester and ball-bearing works, large oil-refineries etc. They were quickly converted to arms production (the combine-

harvester factory started to produce fighter planes), and provided the basis for industrial establishments evacuated from the western part of the country. The capacity to mobilize resources in emergencies was also evident: one such instance in my experience was the laying of a gas pipe-line to Saratov from a newly discovered field in the seemingly impossible winter conditions of 1942/43, when the town's industry was threatened with complete standstill due to lack of fuel. These two kinds of observations blended in my mind into a contradictory picture: on the one hand, a very critical view on the behaviour of an industrial enterprise under the Soviet system, on the other, respect for what I perceived as a result of centrally planned development policy, without which the country would hardly be able to withstand the assault of, and later to turn the tables on, the powerful invader. This duality proved to be a lasting influence.

I graduated from the Planning Institute at the end of December 1942 (the overall duration of study was shortened due to war conditions), almost exactly to the day when the encirclement of the German armies at nearby Stalingrad was triumphantly disclosed to the Soviet public. At the same time, a stroke of luck gave me new prospects in economics: the University of Leningrad was evacuated to Saratov at the first opportunity, when a breach was effected in the ring of the deadly blockade of the city (another example – along with the treatment of students – of the high priority the Soviet authorities attached to the safeguard of the scholarly potential of the country during the war). In this case, the enrolment was by no means automatic – an elaborate obstacle-course examination had to be mastered – but at the end I was admitted for post-graduate studies in political economy. Although my four fellow-students, all graduates of Leningrad evacuated with the rest of the university, hinted more or less openly that the university was not what it used to be, and not necessarily because of the war losses, to me it was an intellectually new world which, paradoxically, could perhaps be more enjoyed in the austere war circumstances, since the teaching staff and the student body were all cramped together, coming to know each other intimately. Most of the famous names were in other disciplines (the sciences in particular, also languages and literature) but, compared with my Lvov-Saratov experience, political economy appeared as a ray of light, not only in terms of knowledge but also in the degree of openness in discussing tricky questions. It was then that I became aware of the relative intellectual liberalism that made its brief

appearance in the Soviet Union during the war – either because of the leadership's preoccupation with more serious matters or because of the consideration given to the Western allies. Unfortunately, this thaw and the expectation that it would continue after the war might have become an additional factor of the calamity that befell the Leningrad intellectuals during the infamous purge of 1949/50: all my teachers – the head of the department and Rector of the University A.A. Voznesenski (brother of the then chairman of Gosplan N.A. Voznesenski), my supervisor V.V. Reyhardt, a distinguished economic historian V.M. Stein and a number of others lost their lives, as I learned much later.

This is not to say that Marxist economics was not the unquestionably dominant school of thought in our doctoral curriculum (the so-called "candidate's minimum") and that dissertations could be based on other than Marxist methodology. But, first, Marxist economics had to be studied from the original writings (it was here that I went through the entire text of *Das Kapital*); second, on the whole objective and comprehensive discussion of non-Marxist schools was attempted, particularly the classical economics of Smith and Ricardo, but also "marginalists" of various kinds, as well as "revisionists" like Rudolf Hilferding and Rosa Luxemburg (the latter's *Accumulation of Capital*, together with Marxian "schemes of reproduction" of volume II of *Das Kapital*, later helped me substantially in studying the theory of growth); thirdly, although the most modern Western economics was absent from the curriculum, the analysis of contemporary capitalist economy presented by specialists of the subject went far beyond Lenin's "Imperialism as the Last Stage of Capitalism" discussing the possibilities (and limits, of course) of anti-cyclical government policies, particularly Roosevelt's "New Deal", the impact of competitive pressure on innovations, etc. Probably the most schematic remained the teaching of monetary theory and policy.

However, it was in the field of political economy of socialism that I felt the greatest impact of the "Leningrad period", particularly after the publication in 1943 in the paramount Soviet theoretical journal *Pod Znamenem Marksizma* (*Under the Banner of Marxism*) of an unsigned – which meant most authoritative – article "On certain problems of teaching political economy". The publication of such an article in the midst of the war, but with the prospect of post-war economic reconstruction already on the horizon after the Stalingrad

victory and its aftermath, gave a clear signal of its importance. This was principally evident in the section devoted to socialism, where I found in the most prominent place the formula which had so embarrassed my Lvóv lecturer, namely that the law of value operates under socialism, albeit in a transformed manner. Once again, no proper theoretical explanation was given, but this time the issue was linked at great length with the need to pay much more attention to “money-commodity relations”, financial accountability (the Russian term *khozraschet*), material incentives, etc. The spirit of this article would probably be described in today’s language as opening the door for wider application of market-type instruments in managing the socialist economy. As I learned later, it was received as such, perhaps even with exaggeration, in the outside world: reprinted in full in the *American Economic Review* in 1944 it was predictably refuted by some hard-line Western leftists, while welcomed by Oskar Lange who – regretting that the article failed to recognize the necessity to “incorporate into Soviet economics the methods and techniques of marginal analysis” – hailed it as a return “to Marx’s doctrine that the administration of the socialist economy should be guided by the law of value”.

To everybody’s knowledge, the cryptic formula about the law of value operating in a transformed manner under socialism belonged to Stalin himself (in his February 1941, but never published, comments on the first draft of the attempted “definitive” textbook of political economy), and that the 1943 article gave an official interpretation of the leader’s ideas. However, in the relatively liberal atmosphere of the time, the series of seminars for the staff and graduate students held on the subject by our professors became a forum for discussing much wider theoretical issues with – inevitably – further practical implications. Nobody used the term “market socialism” or anything akin to it, but the concept of combining central planning with indirect coordination of more autonomous micro-units by using “money-commodity relations” was hovering in the air, as it were, and not only in the utterances of academics but also of some local party notables (a number of seminar meetings were held in the district party headquarters, which in itself was a sign of the importance attached to the subject and of the reverence towards Leningrad university). This tallied – on both sides, that of macroplanning and that of market mechanism on the microlevel – with my views of the ills of the inter-war capitalist economy and with my experience of Soviet industry, and provided a powerful inspiration for further work in this

direction, as reflected in the choice of the topic for my doctoral (“candidate”) dissertation: Planning under the NEP (the “New Economic Policy” of the 1920s in the USSR, with strong market components in the system). I regarded the subject as relevant for post-war Poland, whose economy I expected to be mixed, combining the plan with the market.

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The intended dissertation remained unwritten. In 1944, I succeeded in joining the Polish Army formed in the USSR under Soviet auspices, and was dispatched to the town of Lublin in already liberated eastern Poland, while the university returned to Leningrad. My assignment in the army soon became the publications division of the Main Politico-Educational Administration, where I was chiefly engaged in writing and editing lecture material for political officers on socio-economic subjects, dealing both with the pre-war past (dark) and with the prospects of post-war reconstruction and future development of Poland in its new – considerably moved westwards – frontiers and under a radically reformed economic system (bright). In the 1946 electoral campaigns (first a referendum, later parliamentary elections) the army as a whole and its politico-educational administration in particular was heavily engaged on the side of the communist-led coalition against the forces of opposition. Early in 1947, I was released by the army to become a junior editor of the bi-monthly theory journal of the Polish Workers’ Party – the Polish equivalent of a communist party (I became a party member while still in the army). More or less simultaneously, I decided to complete my unfinished post-graduate studies by enrolling in a doctoral programme at the Warsaw Main School of Commerce. This proved to be an important opportunity to fill up a number of significant gaps in my education, especially in neo-classical and Keynesian economics (the latter, however, without the *General Theory* itself, which I read for the first time only in 1949 in a limited circulation ... Russian edition), but also in the budding development economics and even in Marxism – interpreted in a different way from that known to me hitherto (both the openly hostile and what may be labelled the social-democratic variety).

The party theory journal was called *Nowe Drogi (New Ways)* and aimed at heralding a shift from traditional communist ideology: “*New Ways* – because new are the ways which we take to arrive at socialism” stated the editorial in the first issue. This was reflected, among other things, in the stress laid on the substantial dissimilarities of both the political and economic systems of the Polish Republic (not called “People’s” then) from the Soviet one. Despite the early comprehensive nationalization of large-scale industry, substantiated in part by the fact that it was taken over during the war by the German invaders or was left owner-less (particularly in the newly acquired Western territories), private ownership of small- and medium-sized enterprises (employing up to 50 workers per shift) was supposed to be guaranteed and even promoted. State enterprises were run on commercial principles, and the Central Planning Office (CUP) established in 1945 operated in a manner resembling the French-type indicative planning of later years. Of particular importance was the solemn pledge to maintain the mainly private character of agriculture, dominated by peasant farms after the elimination of large private estates by agrarian reform. Although there were clashes between the communist and socialist sides of the government on matters of economic policy from the very beginning, with the former pressing for tighter administrative measures, the economy still preserved its mixed nature, with the market mechanism playing an important role in coordinating economic activities.

All this began to change, mainly under the impact of international events which were interpreted by Stalin as pointing to the urgent need to close ranks against the danger of the Western imperialist onslaught and to impose Soviet-type uniformity on the countries of eastern and central Europe. The most visible early sign of this intention was the creation in the second half of 1947 of the so-called “Information Bureau of Communist and Workers Parties” (Cominform) – an institutional device to keep these parties fully subordinated to Moscow. Then, came the Stalin-Tito break in 1948, soon leading to massive purges in all the communist parties of the region and to a radical revision of policies, with the Soviet model as the binding archetype of the socialist road which all the “people’s democracies” (as the general designation of the countries of eastern and central Europe went) were to take. By the beginning of 1949, the dramatic political shift was complete, with the outbreak of the

Korean war (1950) – presented as confirmation of the aggressive intentions of the West – providing an additional stimulant. In the economic field, the political shift found its reflection in adoption of highly ambitious development plans focusing on rapid industrialization, in the introduction of what became known as the command system of managing the economy, and in the tendency to eliminate as soon as possible the “non-socialist” (in practice, the non-state) sector.

My attitude to these changes was mixed at first. I endorsed enthusiastically the development programme of the Polish Six-Year Plan 1950-1955, seeing in it the long-awaited road to overcoming the economic and social backwardness of the country. I had also no reservations as to the realism of the plan which envisaged an impressive 70-80% increase in national income in six years as a result of massive investment, and at the same time a 40% increase in living standards; the high industrial potential of the newly acquired territories in the West seemed to me an important pillar underpinning the plan’s daring but well-founded dynamism (the later revisions drastically raising the military commitments were kept strictly secret). Not so with regard to the command system: both my war-time experience in Soviet industry and theoretical considerations made me wary of the implications of the overcentralized decision-making process, allocation of resources in physical terms, almost total elimination of the market and competition, and particularly of the pressure to collectivize agriculture. However, I allowed myself to be persuaded that the two – the development programme and the command system – were inseparable, especially at the initial stage. I did not realise then that the unqualified acceptance of this proposition opened the way for a peculiar process of suction which soon immersed me deeply in the abyss of Stalinism: command economy required absolute political control and an all-embracing ideological uniformity with the party as its undisputed guardian, arbitrator and regulator ... In the then complete subordination of the Communist parties in the “people’s democracies” to the Soviet one, this tended to make the system increasingly uniform in all the countries concerned, soon including also the adulation of Stalin – the “Leader and Teacher” – which at first had seemed unthinkable in the Polish cultural setting.

It was in this increasingly tense and intolerant atmosphere that the universities underwent a “revolution from above” to transplant teaching and research, particularly in social sciences and humanities, onto Marxist foundations; whatever this meant, in essence it was

invariably interpreted in a way conforming with the current party line. To the credit of the Polish Stalinist regime – unlike in other communist countries – the non-Marxist professors kept usually their posts and basic salaries, although they were prevented from teaching and in many cases also from publishing. Economics (political economy) belonged obviously to the “front line” disciplines, with the few available Marxist economists (I was among the leading personalities in the group) assigned to carry out a radical overhaul of the Warsaw Main School of Commerce; it happened in 1949 with the institution renamed Main School of Planning and Statistics (SGPiS). There I began teaching the most sensitive subject of “Political Economy of Socialism”, first as the so-called “deputizing professor” (*zastępca profesora* in Polish), and later – after obtaining my doctorate in 1951 still with the dissertation on the “law of value under socialism” but with reference to the Soviet debate – as an associate professor. In 1950 I was moved by the party from the journal *Nowe Drogi* to the newly established Institute for the Formation of Scholarly Cadres (IKKN, soon renamed Institute of Social Sciences – INS) whose task, as indicated by its former name, was to provide the “new blood” of faithful Marxist academics in philosophy, sociology (or rather “historical materialism” as the official designation went), political economy and history. I was put in the chair of political economy, while Oskar Lange took that of the history of economic thought. This arrangement illustrates well the circumstances of the time: despite the fact that Lange was a member of the Central Committee of the Polish United Workers’ Party (as the Polish communist party was called after absorbing the socialists in 1948) whereas I never held any position in the formal party structures, he was regarded as tainted by Western “bourgeois” economics and hence unfit to teach political economy. Even when he became Rector (Vice-chancellor) of the Main School of Planning and Statistics in 1952, the discipline he was allowed to teach was statistics, not economics; this was also the case with another distinguished scholar, Edward Lipinski, who, despite his party card and Dean of the Faculty of Political Economy at the University of Warsaw since 1954, was banned from teaching political economy until 1956. Having mentioned the Institute of Social Sciences (INS), it is worth adding that – to the utter chagrin of its initiators – most of the graduates and staff of the Institute soon found themselves in the forefront of the re-

bellion against Stalinism, providing for a long time a number of persistent and outspoken intellectual leaders of the strong current of “revisionism” and dissidence, first within and later outside the communist party in Poland; this may perhaps serve as a lesson that the genuine study of Marxism can hardly be conducive to bringing up supporters of the *status quo* ...

The significance attached by the communist party leadership to the complete “marxisation” of political economy had nothing to do with using it as an instrument of solving or even highlighting problems in the real economy. Whatever their elevated status in teaching and research institutions, Marxist academic economists were kept in the dark with regard to the issues and decisions of economic policy in basically the same way as everybody else. The mission of political economy of the time was *ideological* – to provide a scholarly-like justification or glorification of current policies, adopted by the political masters of the system – on the national or supra-national scale, as the case might be. A few years later it was aptly dubbed “courtiers’ economics”. What turned out to be especially denigrating to the courtiers was that, when they were called upon to supply the scholarly looking gloss on a particularly awkward and complex move, the actual objectives of the exercise had been often concealed from them, sometimes by outright deception. Two instances of this kind in which I was directly involved stick out singularly vividly in my recollection.

The first, in 1947-1948, was the so-called “CUP debate”. The Central Planning Board, dominated personally and conceptually by the Socialist party, came under attack by the communist-dominated Ministry of Industry and Trade in mid-1947 for purported methodological errors in planning procedures: first, of including “non-material services” in national income calculation which allegedly led to double counting and distortions in relative contributions of different sectors to national income; second, of ignoring the supposedly Marxist principle of primacy of production over consumption in planning, with the consequent implications for planning priorities; thirdly, of confusing those elements of the economy which could be effectively planned (nationalized industries) with those which could only be forecast. At the time I was basically convinced of the correctness of this criticism and took an active part in the debate, the final stage of which was rather unexpectedly lifted to the level of the leaderships of both parties involved – PPR (Polish Workers’ Party – communist) and PPS (Polish Socialist Party) in February 1948.

Whatever the merits or demerits of the methodological issues on which I, along with other academic economists, had been called to comment, the real objective of the attack was political: to prepare the merger of the two parties on the communist ideological basis, to take over the Central Planning Board, and ultimately (as happened in 1949) to reorganize the national planning agency along the lines of the Soviet-type Gosplan suitable for the command system. This concise and subjective account of the "CUP debate" is not intended to create the impression that I shared only the theoretical communist positions while objecting to the political aims at the time; I had no objections to the latter when they finally became clear to me. The point which I want to make here is that those who were drafted as experts on economic matters were never told of, let alone asked to express their views on, the real issues at stake.

The second instance comes from the period towards the end of the Stalin era in 1952-1953. In view of the growing imbalances caused by the excesses of forced industrialization, the party leadership decided on a huge deflationary operation by putting an end to rationing and simultaneously drastically increasing the level of government-controlled prices of consumer goods, especially food. Officially, however, the matter was not presented as a cut in the general level of consumption but merely as an intended change in its structure: an increase in the nominal incomes of the population (wages, salaries, pensions, payments to farmers, etc.) was to secure full overall compensation, while a shift in price ratios between food and industrial consumer goods should provide the incentives to alter the structure of consumption in favour of the latter, and hence to bring it closer to that of industrialized countries – a category to which Poland was supposedly ascending, thanks to the strides made in the course of the Six-Year Plan. The whole massive operation, including detailed price lists, wage rates, etc. was suddenly made public on January 3rd 1953, but a group of economists and other party academics believed to be useful in the subsequent propaganda campaign had been summoned to the Central Committee of the Party just before Christmas, told about the impending set of measures under the seal of complete secrecy, and drafted to prepare the explanatory arsenal. Needless to say, no substantive consultation was intended; it was obvious that everything, including the technical details, was ready beforehand. Moreover, since publication of orderly statistical infor-

mation about the economy had ceased in 1949 (except haphazard, usually percentage figures of plan-fulfilment, in speeches of the leaders and similar material) we had been given data which showed the neutral character of the exercise, specially prepared for the occasion: gains for the state on the price-side fully balanced by the increase in expenditure on incomes. Only a few years later, when the secrecy regime was lifted, it turned out that the figures were false: actually the state gained substantially. By coincidence, my own part in this infamous propaganda campaign became conspicuously prominent. This happened a few months after the publication of Stalin's last writings (*The Economic Problems of Socialism in the USSR*) in which he again revised "upwards" the place of the law of value under socialism (without a single mention that the previous – now condemned by him – formulation was his own ...) and I was scheduled to give a public lecture on the subject precisely on January 3rd. Someone in the party leadership took this as an opportunity to "deepen" the theoretical justification of the "changes in the price structure" by tracing them to the actions of the law of value as an "objective economic law". The provisions of the prices- and incomes-decree had to be incorporated into the lecture, with the effect – helped also by an overnight blizzard which prevented delivery of the daily papers – that the majority of the audience first learned about the whole matter from me. The resulting and long-lasting plight of a herald of calamity was painful to bear, but not without the recognition that it could be regarded as a kind of deserved retribution for voluntary participation in a manipulative act; the circumstance that – on top of this – the actor is himself unknowingly manipulated hardly provides sufficient ground for absolution ...

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The end of Stalinism in Poland came in a truly "big bang" fashion. By this I do not mean the sudden death of the dictator in March 1953 which was obviously a *deus ex machina* event, but the speed of the changes in the seemingly immutable edifice. Not writing here the history of Polish communism, I must be excused for leaving out the broad picture, concentrating instead on my own experience in the process. Two main factors contributed to the surprisingly quick realisation that something fundamental was coming to a close, and that an entire reevaluation of my professional posture would have to

be undertaken. The first was the cluster of major policy changes, initiated in the USSR and followed in the "people's democracies", which amounted to renunciation of several important points hitherto regarded as emanating directly from the development laws firmly established by Marxism-Leninism: the "iron law" of faster growth of "production of means of production" than that of "means of consumption" was suspended by announcing a shift in allocation of resources in favour of the latter; industry had ceased to have priority status over agriculture in all circumstances, the merits of the highest possible centralisation of economic management began to come under scrutiny, the relevance of financial incentives started to gain recognition, etc. The shifts in economic policy – some announced triumphantly as new discoveries, some creeping in quietly, or at least becoming legitimate subjects for discussion – were clearly correlated with significant modifications of policies in other areas, particularly in international relations: all of a sudden, the threat of imperialist attack proved to be less dangerous, allowing to slow down the relentless industrial rush with its "indispensable" sacrifices in welfare; even the anathema of "revisionist treason" turned out to be reversible, as the Soviet leadership's pilgrimage to Yugoslavia in 1955 so colourfully indicated. Soon the prisons and concentration camps began, first slowly and then faster and more widely, to release millions of alleged "enemies of the people", revealing the true scale and horrors of groundless persecutions. All this unmasked not only the falsehood of the mystical-absolutist claim of the universal validity of what was presented as cornerstones of Marxist-Leninist theory, but also of the rational-relativist ("necessary in its time") version; after all, nothing had changed in the real world apart from the departure of the "Leader and Teacher" and the political implications of this fact for his heirs.

The second factor was simply the result of getting an opportunity to examine at first hand at least some aspects of the economic reality hitherto out of bounds for academics. For me these new experiences began with the participation in a study of the overall tax-burden (monetary and in kind) falling on farmers. Detailed investigations conducted in two different regions of the country revealed the true extent of the extraction of resources by the state from private agriculture, and consequently the duplicity and fallacy of the official line blaming the food shortages on the inefficiency of private farming and hence justifying the push towards collectivization. The curtain was lifted further for me with the appointment to a small group in

charge of scrutinising a draft policy document for one of the forthcoming meetings of the Central Committee of the Party, which was to decide about the needs and possibilities of reallocation of resources in favour of consumption on macroscale; it was the first time that I saw figures – still very incomplete and by no means reliable, but nevertheless revealing – showing that the living conditions of the population not only differed radically from the promises of the Six-Year Plan, but were practically without any improvement over the period. This coincided in a peculiar way with the cessation of collecting data on family budgets during the Six-Year Plan period, both in the towns and in the countryside, despite the long tradition of the Polish statistical service in the field. I discovered the discontinuation of the series while working in another committee – this time to advise about the resumption of publication of statistical yearbooks, stopped in 1950. It was probably the most shocking discovery, because hitherto I had always remained convinced that even when data were not published (in order to deny the information to the enemy ...) they continued to be collected for the benefit of those who took decisions. It turned out that, in this case at least, the safest thing was not to have specific information at all ...

Looking back, I can say without exaggeration that the relatively short period of one or two years after the death of Stalin became the sharply dividing line in my academic life. As these recollections will clearly show, I later made many erroneous judgements or compromises, but since the mid-1950s they were fully on my own account, unaffected by any sort of *a priori* assumption of superior knowledge derived from an ideological syndrome or by ideologically inspired feeling of loyalty towards a political organization. In retrospect, it is only from then on that I can regard myself as an economist.

* * *

My interest soon firmly centred on the question of reforming what I came to call "the system of functioning of the socialist economy", *i.e.* the mechanism of allocation of resources and coordination of economic activity. Thus, I returned to my war- and early post-war concerns, but now reinforced by the realisation of the negative impact that the unqualified adherence to the principles of the command system exerted on the effects of central planning in Poland. Shifts in economic policy themselves, however important and ne-

cessary, cannot bring about the desired effects without elimination of the inefficiencies caused by the faulty system of functioning – this was to remain my profound conviction for many years to come as a “reform economist” of socialism.

The law of value continued to play a role as the theoretical foundation of my thinking, more convenient for the evolutionary approach which I employed in that it had its roots in Marxian political economy and that the issue of operation of the law of value under socialism had received a fresh impetus by Stalin’s new formulation previously mentioned. It was under the heading of “law of value” in one form or another that I published a number of articles in 1953-56, culminating in a paper presented to the national congress of economists in June 1956, which urged an overhaul of the economic mechanism. The ideas promoted in these papers matured gradually and by the end of the 1950s found their full reflection in a book which I shall discuss briefly later. Now let me turn to recollecting events which provided the context of my activity in the highly charged political atmosphere of the first post-Stalin years, with Poland rapidly at the forefront of change.

The most relevant, particularly in the initial period, was the progressive lifting of the veil of secrecy surrounding the true economic situation. Some of the points in this category which could be called the “*glasnost* of the 1950s” (also because they were initiated from above) have been touched upon already. They were soon intensified by spontaneous tremors from below which – interacting with the timid openings “granted” by the authorities – one by one exposed the accumulated dissatisfaction within the societies under communist rule. I have in mind here events such as the revolt of the East German workers in June 1953, a similar but less known strike in the Czech industrial town of Plzen, a hitherto unprecedented disclosure of the misdeeds of the security police extracted from the Polish leadership under organized pressure of the party activists in 1954, the virtual decollectivization of Hungarian agriculture during Imre Nagy’s first premiership (later reversed). All this intensified the feeling of urgency of economic change in Poland, and at the same time the perception that the political framework was becoming more amenable. At first, the limited specific proposals put forward – stronger financial incentives, greater managerial autonomy, etc. – had as their point of departure similar initiatives announced in the Soviet Union; however, we quickly began to go further. One of the factors

which must have contributed to this was the “rehabilitation” of Titoist Yugoslavia which opened the way not only to bolder consideration of the possible role of the market under socialism, but also to the idea of workers’ self-management which had some traditions in the Polish trades union movement and was even modestly tried in the immediate post-war years. Anyhow, by 1955 the question of the Soviet example lost much of its previous weight in Polish discussions and, as I remember from contacts established then – rather unthinkable earlier – with Hungarian and East German economists, this was increasingly the case in some of the other East European countries as well. (I have to mention in this connection the Hungarian pioneer of market-oriented economic reforms Gyorgyi Peter, with whom I exchanged substantive letters, and the remarkable East German economists, soon declared “revisionists”, Fritz Behrens – a communist of pre-war standing – and the young Arne Benary, whom I met in 1955 at a workshop of party economists from the “people’s democracies” – in itself a novel experience.)

The year 1956 brought the political turmoil in Poland to the boiling point. Khrushchev’s denunciation of Stalin in his famous “secret report” to the XX Congress of the Soviet Communist party became very soon widely known (the printed Polish translation – ostensibly for party members only – was selling freely on the black market) and opened veritable floodgates of harsh criticism of all aspects of the communist system, as well as heaps of economic grievances. In addition, the death in Moscow of the Polish communist leader Bierut while attending the Congress, put the party into even greater disarray by intensifying factional struggles. The imminent explosion materialised finally on June 28-29, when the strike at engineering works in the city of Poznan in western Poland spilled over into a virtual political uprising, brutally suppressed with the use of massive army deployment at a heavy cost in lives and wounded. Symptomatic of the new overall political situation was that the authorities failed to deal with this shock in the habitual way of putting the blame on a “bunch of provocateurs inspired by Western imperialists” who had succeeded in deceiving the workers; in a matter of weeks, the party had to admit responsibility by confessing to erroneous policies, and indictments against selected participants in the riots were dismissed by the courts. This was an outcome unprecedented in the communist world.

The Poznan revolt also lives on in my memory for a peculiar – one could say almost professional – reason. On June 23rd, a 15-person group of British economists with Richard Kahn, Joan Robinson, Brian Reddaway, Maurice Dobb and others arrived in Poland, invited by the Polish Economic Society, another sign of the difference between Poland and most other countries of the Soviet bloc where such a thing was hardly possible at the time. The programme of the visit included Poznan, where an international trade fair was to be held; the British group arrived there precisely on the day of the revolt and witnessed the events. Many years later, my friend Tadeusz Kowalik and I in a joint article¹ described one aspect of the fateful coincidence; it would not perhaps be superfluous to quote here a few passages from this article: “The meeting, in the reception hall of a Warsaw hotel, was to provide an exchange of views between the Polish hosts and their guests. The latter – a group of prominent British economists – had just returned from Poznan, where, at the newly opened Poznan Fair, they had hoped to see with their own eyes the material achievements of People’s Poland. Instead they became witnesses to what was, at that time, the largest workers’ revolt against a “workers’ state”. They saw Soviet tanks manned by Polish troops going into action. They learned the stark truth about something which the regime chose to describe as the result of an “imperialist plot”... Everybody was shattered by what had happened ... The pale and preoccupied faces of our guests testified to the shock which they had just experienced ... Academics, of course, have their own *savoir vivre*. The hosts had been accustomed not to call things by their real names for years, and the guests knew that they were in a country where silence comprised part of the *raison d’état*. One of the distinguished guests, well-nigh a world celebrity, was first to speak. In words that could just as easily have been uttered in Switzerland, Yugoslavia or Canada, he expressed his gratitude to the hosts, and spoke about the value of an exchange of views. He was answered by one of the hosts – also a celebrity. Both speeches were vacuous and unconvincing. The evening could have ended thus, with a pervasive air of falsity. The silence compounded the burden that lay heavily on everyone’s heart. Then suddenly we heard the voice of Joan Robinson: “Look”, she said, “we cannot behave as if nothing important had happened. If workers rise against the authorities who

are supposed to protect their interests, if people lose their lives, we must sound the alarm and fearlessly draw the proper conclusions. Only then will you be able to find a way out of this situation”. It may sound trivial today, but this scene persists in my memory as powerful reminder of the moral dimension of our actions; at the time it certainly spurred many of us to greater consistency and a more uncompromising stand in the struggles ahead.

The fast progressing radicalization of the great majority of Polish society, and particularly of the workforce of major new plants designated originally by the communist party to become the flag-bearers of socialist industrialization (the Warsaw car factory FSO was the prime example), exerted a profound influence on the economic profession which suddenly and unaccustomedly found itself in the centre of public interest. The quite widespread expectation was that the economists – perceived as professionals in contrast to the political appointees in charge of managing the economy – would find the remedies for the country’s grave economic ills. This mood, coupled with the economists’ inevitably excessive self-confidence after the years of neglect correlated with bad results in practice, pervaded the National Congress of the Polish Economic Society in June 1956, ten days before the Poznan revolt. The Congress, assembled in the “lion’s den” of the Planning Commission (Polish Gosplan) building, produced a comprehensive criticism of the past methods of running the economy, along with the call for what seemed at the time a far reaching decentralization and marketization of the system. Among its resolutions was the demand to create a commission of inquiry into the reasons of economic failure and of a permanent body, an independent Economic Council composed of economists and other professionals, to work out a blueprint of economic reforms as well as to advise and monitor government economic policies in the future. This was the first event of its kind throughout the Soviet bloc, and it aroused great interest also in the West (*Oxford Economic Papers* published an account of the proceedings of the Congress, including large fragments of my own paper).

The voice of the representative body of economists – perhaps the first (and maybe the last ...) time in Polish history – perceptibly spurred developments in the real world. On the crest of the Poznan revolt and the subsequent admission of errors by the Central Committee of the party, staffs of individual state enterprises – both workers and the more ambitious managers – began to issue some kinds

¹ “Socialism and development”, *Cambridge Journal of Economics*, no. 7, 1983.

of UDI (unilateral declaration of independence): a degree of autonomy from the state economic administration, especially with respect to the number of obligatory plan-indicators, new incentive schemes, election of workers' councils with wide managerial rights, etc. – in most cases in the name of true socialism, free of its Stalinist degenerations. By the end of the summer of 1956, this spontaneous movement gained momentum, threatening to deprive the economy of any kind of coordinated governance, and forcing the government to seek a common denominator applicable on a macroscale. For this purpose, a special commission was formed under the chairmanship of a vice-premier, with Michal Kalecki as one of two vice-chairmen, but in practice the actual leader of the commission's work. The brief of the commission was well reflected in its name: "Commission for providing assistance to the workforces in developing their initiatives in the field of enterprise-management".

A few words are in order here about Michal Kalecki and his role. Kalecki was invited to advise the new government immediately after the war, but he soon found the atmosphere uncongenial, and in 1946 accepted the position of deputy head in the Economic Department of the UN Secretariat in New York. He returned to Poland at the beginning of the "thaw" in February 1955, assuming the post of personal adviser to the then economic overlord of the country, vice-premier Hilary Minc, combined with a research assignment on Western economies. Until the beginning of 1956, he consistently refused to deal with problems of socialist economics because of the perceived lack of conditions for objective analysis. Only with the renewal process well under way did he let his voice to be heard, and at the II Congress of Economists presented a seminal paper "Dynamics of investment and national income in a socialist economy" which contained the framework of his theory of growth; the immediate significance of this quietly but expertly argued paper was to show that logical reasoning does not lead to any sort of general rule determining the relationship between the rates of growth of investment and national income, and hence no law of faster growth of the producer-goods sector than that of the consumer-goods sector can exist at all, contrary to the dogmatic assertions allegedly derived from Marxian schemes of reproduction, with or without Lenin's additions. Kalecki remained a firm supporter of central planning as an effective weapon against unemployment but by no means in the form it assumed under Stalinism; he also strongly believed in the potentially

positive contribution of workers' councils to economic efficiency, and gradually became more convinced of the rationale of market-oriented reforms of the economic system. From 1956 until his death in 1970, I worked closely with Michal Kalecki, and despite disagreements or divergence of research interests at some points, I came to regard him as my paramount mentor – both professionally and personally.

Kalecki organised the work of the commission in a very effective way, and it proceeded unusually fast, benefiting to some extent from the professional services of the research unit at the Planning Commission (I had headed the unit since the beginning of 1956). Drafts of the proposals were printed in the press in order to generate comments from the public – in line with the new spirit of democratic openness. In a matter of weeks, the commission had prepared three documents: (i) the Workers' Councils Bill which gave the freely elected councils a role in many respects similar to that of a Board of Directors in a Western company (voting on the annual plans, determining the long-run direction of development and organization of the enterprise, scrutiny of the results, distribution of the after-tax profits and of the incentive fund); (ii) outline of the recommended scope of state enterprises' autonomy (in the final version implemented by the government the number of obligatory indicators for an industrial enterprise was reduced from several dozens to eight, with emphasis on the financial aspects); (iii) the Enterprise-Fund Bill which established the principle of the workforce's participation in profits. All these recommendations were enacted after the political turning point of the "Polish October 1956" (of which a few words below) to the satisfaction of our commission. But those who regarded them as only the first step to a more consistent and comprehensive reform of the system were to be profoundly disappointed: these measures turned out to become not the initial but the highest point in the meanders of the Polish reform process until the 1980s.

* * *

The growing political crisis in Poland reached its climax in October 1956. Called for October 19th, the plenary meeting of the Central Committee of the ruling Polish United Workers' Party was expected not only to proclaim the final break with Stalinism and to

endorse the radical reform course but also to underpin it by appropriate personal changes in the top leadership and subsequently in the entire party- and state-apparatus. The leader-designate was obvious: the ousted in 1948 and later imprisoned first secretary of the party, Wladyslaw Gomulka, whose name was associated with pre-Stalinist policies and the national "Polish way" to socialism. The more vilified he was by past propaganda, the higher became his political standing as a symbol of renewal. The ultimate flair of this image, however, was provided by the last moment of drama preceding Gomulka's return to power.

I remember how, in the early morning of October 19th, a meeting of a small group of members of our commission was arranged to review the economic part of the speech the formal chairman of the commission, the vice-premier, was to deliver at the Plenum. Before we even assembled, someone burst into the room with the news that a top-level Soviet delegation headed by Khrushchev – uninvited and unannounced – was about to land at Warsaw airport. No one doubted that this meant the onset of the dreaded attempt by the Soviet Union to prevent political change and consequently to arrest the radical reform process. For days, the capital had been full of rumours of the impending Soviet military intervention, made easier both by the possibility of using troops stationing in force on the Polish territory and the fact that the Polish army itself was under command of a Soviet marshall, Rokossovski (ironically, the only Polish units under Polish government control were those of the Internal Security Corps). The Warsaw party committee, dominated by staunch reformers, allegedly started to distribute rifles to groups of workers; mass meetings were held almost continuously in many places – with the Warsaw Technical University and the car factory, the most prominent – in support of the "renewal line". In such an atmosphere the arrival of the Soviet leadership combined with the (true!) news that some Red Army units had started already to move out of the their barracks made the situation explosive. When, after almost 24 hours of suspense, the Soviet leadership went back to Moscow, the army units returned to their barracks, and the Central Committee session resumed to proceed with the personal changes and the denunciation of Stalinism, it was not simply a feeling of relief but that of triumph that pervaded the reformist camp.

The credit for the success of the defiant stand was overwhelmingly (but not entirely correctly) attributed to Gomulka, who further consolidated his position by releasing from confinement the Catholic

primate of Poland, cardinal Wyszynski, and by putting Polish-Soviet relations on a seemingly more equal footing. His return journey from Moscow in November 1956 – having obtained the Soviet pledge to repatriate imprisoned Poles, as well as compensation for cut-price coal deliveries over the post-war years and several other concessions – turned into a hardly ever seen triumphant procession, with throngs of people holding up the train at every station of the Polish stretch of the railway. When, in addition, the signal was given of abandonment of collectivization of agriculture resulting in instantaneous dissolution of over 90% of existing collective farms (which, even at the peak of Stalinism, anyhow never covered more than 10% of farmland in Poland), Gomulka reached a level of true popularity unimaginable for a communist leader in a country renowned for its anti-communist and anti-Russian sentiments, reinforced by recent experience. To me this was a most welcome development because it seemed to open up the prospect of full-scale democratization of the political system unhampered by the fears of the new party leadership being swamped by the hostile forces unleashed. The Soviet invasion of Hungary, coming literally on the heels of the Polish success, should have introduced a note of caution by at least suggesting a deal which might have secured for Poland a different outcome from the Hungarian one. However, the possibility of such interpretation had not occurred to me at the time. Also, several other signs that the feeling of complete victory may have been overhasty – the most significant of which being the public reassurance given by Gomulka to a mass assembly of party functionaries – went unheeded. I remained convinced, rather naively, that the political conditions for fundamental economic reform were ripe, and it was in this frame of mind that I began the relatively brief, but probably crucial, period of my professional career, namely the work in the Economic Council.

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"The Economic Council at the Council of Ministers", the official name of the body, was established on the strength of a resolution by the Sejm (the formal parliament) in December 1956, more or less in accordance with the demands of the congress of economists mentioned earlier. It was to be an independent advisory body to the government (the Council of Ministers), charged mainly with three groups of tasks: (i) to work out the proposed design of the chan-

ges in the system of planning and management of the economy ("the new economic model" as it was then universally called), (ii) to appraise current plans and economic policies of the government, (iii) to provide the public with proper information on economic matters by periodically publishing reports on the state of the economy and instigating appropriate research by other institutions. The Economic Council was initially composed of 36 members appointed for a renewable two-year period by the prime minister. Among them were academics, managers and politicians (including high-ranking functionaries of the economic administration, for instance the chairman of the Planning Commission), but all – at least theoretically – in their personal capacities and not as representative of institutions, political parties, etc. At the head of the Economic Council was put Oskar Lange as chairman, Czeslaw Bobrowski as executive ("permanently officiating", *i.e.* full-time) vice-chairman, and five vice-chairmen (Michal Kalecki, Edward Lipinski and this writer among them) – forming jointly the Presidium of the Council; a small but highly qualified staff was subordinated directly to the executive vice-chairman. The inaugural plenary session of the Economic Council was held in a glare of almost Western-style publicity and amid high popular expectations.

It soon transpired that these expectations were not well founded for a number of reasons, both internal and external to the Council, but all related in one way or another to the changing political climate. As my own work on the Council was mainly connected with the questions of the "new economic model", I shall focus on this issue.

There was a substantial extent of common ground in the Council with regard to the general framework within which we were to discuss the contours of the new model, although the motivations for this convergence could have differed. Nobody, for instance, questioned the dominant position of state ownership in the economy, but some – including myself – did so out of conviction of its merits, whereas others might have accepted it simply out of realism. The same applied to the principle of central planning. However, when the discussion moved from the general to the specific areas, divergences became gradually more pronounced than convergence; the scale of the private or genuinely cooperative sector coexisting in Poland with the dominant state sector, as well as the methods of state regulation of the non-state sector (for instance, preservation or abolition of com-

pulsory deliveries in kind from private farms) belonged to this category. Particularly controversial was obviously the interpretation of the concept of "central planning" and the minimum conditions for its effectiveness. All this meant that the capacity to compromise *within* the Council began to take precedence over consistency and coherence, as best witnessed by the leading document prepared in the Economic Council and its main claim to lasting memory, namely "The Theses of the Economic Council Concerning Certain Directions of Change in the Economic Model".

The "Theses" were formally concerned only with the principles of operation of the state industry, but its actual compass was wider. They asserted the need for a fundamental change of the system of functioning of the economy, and attempted to re-interpret the concept of national (central) planning which would be best served not by a multitude of detailed obligatory targets but by economic calculation and forecasting of a possible range of outcomes. Consequently, plans should be presented to the decision-makers with a clear delineation of alternative choices, formulated in a way accessible to popular representatives on enterprise, local and national levels who were supposed to participate actively in shaping the plans. Economic incentives uncoupled from target-fulfilment were to constitute the paramount tool of plan-implementation in a broad sense, *i.e.* both with regard to the objectives (ultimately expressed in growth of national income) and to the means (in principle, physical allocation of resources – the bullwark of the old system – ought to be replaced by commercial relations). Rentability was to become the main criterion of success of state enterprises; this in turn required activation of monetary and fiscal instruments (interest rates, taxes, tariffs, etc.), and first of all an overhaul of the system of pricing (a break with the separation of producer-goods prices from the consumer-goods ones, acceptance – as a rule – of the market-clearing function of prices, etc.).

However, it would be wrong to regard the "Theses" of the Economic Council as a kind of an early manifesto of "market socialism", not only because the term was never used, but mainly because of the compromise attitudes mentioned before. There were two kinds of compromises in the document which made the break with the command system far from decisive. The first one included matters which were not recognised as compromises at all even by the most radical members of the Council at the time, but as just about

self-evident components of the new model. For instance, I viewed as natural the exclusion of the sphere of major investment projects from the general principles of the new model, as well as the need for government control over prices or for setting an overall limit on the pay-roll ("wage fund") in state enterprises. But in a number of other points, by no means obvious, formulations were accepted, often after a protracted battle, which watered down the headline recommendations or at least opened the way to very different interpretations. Stressing the need for managing state industry by economic means, the "Theses" retained the proviso that obligatory targets could be used "wherever necessary and effective"; determination of physical structure of output as well as physical allocation of inputs was not totally excluded, but retained for "justified cases"; a vague formula of enterprises' responsibility for economic results of its activity was substituted for the concept of bankruptcy, etc. Such ambiguities reflected, on the one hand, the pressures exerted by the anti-reformist minority within the Council membership, and on the other the fact that the pro-reformist majority allowed itself to be persuaded that, by adopting a more "diplomatic" stance, the "new model" would become palatable to the country's political leadership. To me, the most embarrassing example of this was the acceptance of the term "directive planning", commonly regarded as synonymous with "command planning"; the context made it rather clear that the expression actually stands for "effective" and is compatible with what was to be essentially a non-directive planning system; the surrender was evidently tactical and not substantive, but the bitter aftertaste remained.

All this proved to be of little consequence, however. Worked out relatively swiftly in the course of three months, the "Theses" were presented to the government at the beginning of June 1957, together with a timetable of the most urgent measures requiring implementation before the end of the year. For almost two months nothing happened, until finally, on the penultimate day of July, the Presidium of the Economic Council was given a hearing at the session of the Economic Committee of the Council of Ministers (the Economic Cabinet). The discussion was hardly illuminating: a few open criticisms of the general thrust of the document, but mainly concentration on numerous specific points which the "Theses" apparently failed to address. We argued that the very nature of the submitted document prevented such detailed approach and that the attached list of issues

in the process of elaboration together with their time sequence showed that the concerns would be met – provided the main direction of reform was approved and the go-ahead for further work given. But throughout the meeting I could not rid myself of the impression that the members of the government somehow wanted to find a way to evade any sort of a commitment to reform without offending our Council and prematurely disclosing their sentiments to the still expectant public. The formal minutes of the meeting registered in most lukewarm terms the Economic Cabinet's acknowledgement of the work done and the instruction to prepare more specific recommendations (significantly, the Planning Commission was to share the task with the Economic Council) but, as the prime minister intimated to the executive vice-chairman of the Economic Council, the "Theses" were neither approved nor rejected. The radical reformers tried to keep up their spirits by making more of the formal wording than was actually meant (I wrote, for instance, a leading article in the weekly *Economic Life* which interpreted the outcome of the meeting as holding open the door for reform), but events did not let us wait long for dispersion of any remnants of optimism. No one in the government showed interest in the subsequent elaborations of various aspects of the "Theses", although a number of them – particularly on pricing, incentives and investment criteria – were of considerable importance. The practice of economic management, instead of moving forward in the direction envisaged in the "Theses", started to go backward, gradually eroding the relaxation in the command system achieved by the measures worked out before October 1956. Towards the end of the 1950s, the personal composition, the hierarchical structure of the state economic administration and the priorities of economic policies (the sharp increase in the "rate of accumulation", *i.e.* the share of investment outlays in national income) resembled in many respects the pre-1956 situation. One notable, and by no means negligible, difference concerned agriculture which was spared the return to collectivization, but even here pragmatism had to give way to ideology in the form of blocking the process of growth of private farms and hence the increase in efficiency of this vital sector of the economy. All this was accompanied by an unequivocal drive to restore the "leading role of the [communist] party", despite formal and short-lived concessions to other political or quasi-political organisations. The offensive launched by the new leadership against inner-party dissent was ritualistically

double-pronged, verbally castigating the hard-line “dogmatists” along with the “revisionists”, but the real fire was aimed at the latter who represented the reformist threat. It became increasingly clear that the attitude of the ruling elite to the economic reform was highly distrustful for political reasons; as soon as avenues seemed to open to an improvement in the overall economic situation of the country without a genuine change in the “model”, the reform was doomed. Paradoxically, Poland benefited for a period of two or three years from what Kalecki dubbed “the reserve of past mistakes”, mainly in the form of delayed effects of investment projects undertaken under the 1950-55 plan which were not completed on time but came presently on stream, supporting a relatively high current rate of growth without excessive burden and hence allowing an unprecedented increase in consumption. An additional temporary factor had been the favourable export market conditions for Polish coal post-Suez. All this helped to convince the government that what really mattered was the change in top leadership, and that no systemic reforms were needed, especially as relaxation of central control was – according to conventional wisdom – bound to increase the persisting inflationary pressures. The link between market-oriented reforms and the rise of workers’ councils was another strong cause of resentment by the supporters of the *status quo*. I remember well how, during a break in the debates at the Economic Council, a high party functionary accused me of a plot to create a “dual power structure” through the promotion of workers’ councils which would deprive the party of its “leading role”; characteristically, the argument did not concern the efficiency implications of the discussed workers’ councils regime but the political ones.

The Economic Council continued to exist formally until the beginning of 1963, when the prime minister simply failed to renew its mandate. But its influence faded away rapidly, not only in the field of the “model” but in the two other areas of its presumed activity as well. The growing feeling of helplessness with respect to influencing real developments in the economy prompted me to resign in 1958 from the head of the research unit at the Planning Commission, and to concentrate on academic work (I moved from the Main School of Planning and Statistics to the Faculty of Political Economy of the University of Warsaw in 1954). Since then I have participated in an attempt to influence directly economic policy only once. It happened at the beginning of 1964, when Kalecki organised a small team to

help him assess the draft plan for the 1966-70 period, following the highly disappointing results of its predecessor which suffered both from the unreformed system and the disappearance of the temporary factors mentioned earlier. Our work provided part of the material for an article published by Kalecki in which he postulated relatively modest but tangible corrections aiming at some improvement in consumer incomes and housing, as well as at creating more realistic foundations for all the other elements of the plan. Despite the fact that the article was a legitimate response to an official call for a national debate of the draft, Kalecki was brutally rebuked in public by Wladyslaw Gomulka, and decided to resign from his post as advisor to the chairman of the Planning Commission, thus bringing to an end his own direct contribution to shaping Polish economic reality. Ironically, as I suggested in an article written for *Rinascita* in 1971, the rejection of Kalecki’s recommendations was among the causes of the ultimate collapse of the plan, which in turn led to the bloodily suppressed workers’ revolt on the Baltic coast and consequently to sweeping Gomulka out of power ...

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Despite its disappointments in terms of effective reform, for me the work in the Economic Council undoubtedly constitutes a valuable experience both in the positive and negative senses. The positive side was the intellectual inspiration gained from often very substantial and animated debates in various smaller bodies created by the Council for the purpose of investigating particular matters, such as the organisation of industrial branches (the question of replacing purely administrative organs by associations of enterprises), operations of profit-linked incentive schemes, pricing. The latter had been especially important and challenging theoretically. I mentioned above the acceptance in the “Theses” of the market-clearing principle in pricing, but at the time this could not mean abandonment of the search for an appropriate cost-basis for prices not only as an unavoidable tribute to the Marxist value-price distinction, but mainly as the necessary yardstick of the degree of correspondence between the structure of supply and that of demand, and hence of the macroeconomic implications of the current allocation of resources and future tendencies. What we were trying to define was the “normal price” (the expression ac-

tually used was “point-of-departure-price”) – a calculable magnitude which would approximately reflect the *social* cost of production over a medium term covered by the plan. There is no possibility, and perhaps no need, to go into the specifics of the matter here. It is worth mentioning, however, that we moved decisively toward the concept of opportunity cost as the basis for our “normal price”, including the cost of capital and natural resources, as well as world market prices for tradable commodities. The break with the traditional, then still practiced, principle of deriving price from average cost plus depreciation was so great that our findings could only be published as an informal document of a working group and not of the Economic Council as a whole.

As for the negative side of the experience, most relevant was surely the realisation of the scope and strength of interests opposing meaningful economic reform: vested interests of influential strata benefiting materially and positionally from the old system, but first and foremost the political interest of the mono-party’s ruling elite who regarded preservation of its command over the economy as a paramount factor of safeguarding power in general and continuing the “march to socialism” in accordance with Marxist-Leninist orthodoxy. My illusions of “October 1956” thus passed, although some elements of naiveté remained: the political conditions for fundamental economic reform proved not to be ripe, and the new leadership was not going to provide them, but at least the post-October situation with its relative ideological freedom was still perceived by me as opening the chance to carry on *fighting* for democratisation, also or perhaps even most effectively, within the party, a chance which should be fully used.

I thought that, under the circumstances, my main duty as an economist was accordingly to present the concept of a genuinely reformed economic system and its relationship to the socialist idea in a coherent form, without futile tactical compromises. In 1958, I started work on the book published in 1967 in Polish as *General Problems of Functioning of the Socialist Economy* (the 1972 English title was *The Market in the Socialist Economy*).

The research for the book took me, amongst other things, to Moscow, as I intended to return to my “old love” of studying the NEP (“new economic policy”) of the 1920s in the Soviet Union and the plan-market debates of the time. This intention proved to be unexpectedly difficult to effect. First, the Soviet authorities were re-

luctant to accept me, and it took quite a long time to get permission to go to Moscow (permission to visit provincial economic authorities, *sovmarkhozy*, newly created by Khrushchev to change the lines of command, was never granted). Second, at Moscow University, which acted as my official host, almost everybody from the faculty of political economy fell suddenly “ill”, thus avoiding me, a rather exceptional snub by the protocol-conscious Russians *vis-à-vis* a counterpart from a “brotherly country” (I was at the time the dean of the economic faculty of the University of Warsaw and holder of one of two political economy chairs). Third, it was impossible to obtain books by the main protagonists of the 1920s debates in the libraries because the authors were, as a rule, still non-persons; in most cases, however, I was able to get round this obstacle by asking for volumes of periodicals in which I knew large excerpts of books and substantive accounts of oral debates had been published at the time (the availability of this route was in itself a sign of “laxity” by Soviet standards; previously the pre-1938 periodicals had remained inaccessible). On an individual scale, all this was a distinct remainder that – problems with our own regime notwithstanding – Poland was then an odd man out in the communist camp as far as cultural liberalism, including contact with the West, was concerned.

A telling incident in Leningrad, where I stopped for two days on my way back to Warsaw, provided another and even more memorable illustration of this distinction. One morning I went to see – unannounced – the doyen of the Soviet economic profession and one of the few survivors of the debates in the 1920s, V.V. Novozhilov, also known to me from his post-war attempts to work out criteria of investment efficiency by using a surrogate rate of interest. He had no qualms in accepting the uninvited guest in his university office (my name was known to him), even cancelling engagements to make room for a prolonged and open discussion which revealed a considerable convergence in our views on the needs and direction of systemic reforms. The same evening, during an interval at a concert of the Leningrad Philharmonic, a young man suddenly approached me asking to confirm my name. As I recoiled, thinking that this must be police, he hastened to relieve my anxiety by saying that he had seen me earlier in the day with Novozhilov, who told him about my intention to go to the concert. He had contacted me on purpose: Professor Leonid Kantorovich wanted me to take his book (which was about to be published) to Warsaw; I would find a copy in my

hotel. Indeed, a set of page proofs with some last minute author's corrections was handed to me by the receptionist on my return: it was a copy of Kantorovich's book *The Best Use of Economic Resources* which contained a comprehensive mathematical formulation of the problem of optimal planning with shadow prices ("objectively determined valuations" in the author's terms). Having spent several hours during the night going through the main points of the book, it became clear that his intention was to bring out the Polish edition as soon as possible, and in this way to make the book known in the outside world before it came under possibly devastating criticism, in view of the theoretical and practical implications of the study. It was perhaps a case of excessive insurance, bearing in mind Kantorovich's stature as one of the leading Soviet mathematicians, credited with the discovery of linear programming in 1939, as well as the highly technical form of presentation, but one could never know under the circumstances. Anyhow, I was truly impressed by the whole matter and my semi-clandestine involvement; there were no difficulties in arranging for a quick, competent translation, in Warsaw, and the Polish edition of what was soon to become the basis for his Nobel prize in economics swiftly followed the Russian original.

The manuscript of my book was completed towards the end of 1960, in time for me to begin a four-month visit to the United States as a Ford Foundation fellow in January 1961. It is not now easy to provide a self-assessment of this work, but as I am probably remembered more by this than by any other of my writings, it has to be attempted in these recollections.

Reviewing the English edition in the March 1973 issue of *The Economic Journal*, Joan Robinson wrote rather sarcastically that "what the reader most learns from this book is the difficulty of analysing the problems of a socialist economy in terms of Marxian categories". The point was well taken: indeed, I tried to develop the theory of functioning of a socialist economy on Marxist foundations, but interpreted in a way which would open the door to critical re-examination of socialist economics as previously known in the countries belonging to the Soviet bloc. So, the principal proposition of macro-rationality of a centrally planned economy based on dominance of public (state) ownership of capital was accepted, but at the same time Marxian dialectics of the historical process was extended to apply to socialism as to any other socio-economic system: socialism cannot be per-

ceived as conflict-free, it generates its own developmental contradictions (not only those inherited from capitalism) which have to be properly handled lest its assumed superiority were lost and possibly changed into the opposite. On this premise the line of argument was built, leading to the rejection of the established view that a socialist economy can operate only in accordance with a single model of functioning, namely a "command" one ("centralistic" was the term used). The book set out to demonstrate the legitimacy of the "model of a centrally planned economy with a built-in market mechanism" as a better alternative, allowing the inherent advantages of socialism to manifest themselves much more fully.

My concept of this model (to avoid repeating its clumsy full appellation, the short-hand "decentralised" was used) benefited from the inter-war discussion on economic calculation under socialism, in particular from the then broadly accepted view that Lange and his likes won the argument against Mises and Hayek. The resounding "yes" in reply to the question "can socialism work?" given by economists of Schumpeter's stature (*Capitalism, Socialism and Democracy*) as well as top "sovietologists" like Bergson ("Socialist economics" in the 1949 *Survey of Contemporary Economics*) seemed to make redundant the need for yet another substantiation of the validity of the general foundations of a socialist system. (In parenthesis, I may add that during my stay in the United States I came across opinions much less critical than even ours of the command economy in some of the most respectable centres of learning; the shock of being overtaken in space exploration – Gagarin's flight took place while I was at Harvard – concentrated many American minds on finding the secrets of Soviet success rather than on sources of economic inefficiency). The main problem was to elaborate the forms of incorporation of market mechanism into the socialist planned economy more specifically than before, taking into account practical experiences and presenting a convincing case against the orthodoxy for which the command system epitomized socialist economy as such.

The proposed marketisation of the economic system in the "decentralised model" was to embrace the whole field of *current* (i.e. non-investment) activity of state enterprises which were supposed to operate according to profitability rules, free to determine the level and structure of output and input on the basis of own calculations in terms – in principle – of market-clearing prices. Thus, money was to become active, not as previously – and to a limited extent – only in the consumer-goods and labour markets, but also – and fully – in re-

lations between state enterprises. An active role of money was to cause physical flows to follow monetary flows and hence to make the expansion or contraction (including termination) of activity dependent on the financial position; using the terminology developed by Kornai, state enterprises were to operate under "hard budget constraint". The analysis applied to the domestic state sector alone, which was a drawback because it ignored the interaction with the private economy and the international market, but it also had positive side, showing that the rationale of marketisation can be derived endogenously in the framework of state ownership without reference to external factors.

To argue the rationale of using the market mechanism was, however, the relatively easier part of the task I set myself. Much more difficult was to show that it could be made compatible with central planning – free of the bureaucratic nightmare of commanding every minutia of economic activity, but meaningful enough to secure growth with full utilisation of resources, full employment of labour in the first place, and to shape broadly defined long-term structural changes. In other words, the ingrained perception of market mechanism as synonymous with chaotic spontaneity, unpredictability, wild swings in capacity utilisation and employment opportunities, etc. had to be challenged by distinguishing between a *laissez-faire* free market associated with early capitalism, and a *regulated* market able to be established within a socialist framework as an instrument of properly understood macroeconomic planning. Faithful to my Marxist methodological tenets, I tried to tackle the problem by again discussing the law of value under socialism; a whole long chapter was devoted to this issue, regarded as rather obscure by most Western economists but probably indispensable in the circumstances, considering the role initially played by the invocation of the law of value in putting the economic reform on the agenda. Unlike in the past, when merely the general question of "to be or not to be" for the law of value under socialism dominated Marxist debates, however, this time I undertook to examine the problem in a more comprehensive and, I hoped, more rigorous way. The main point was to differentiate between the essence of the law of value – defined as a continuous tendency to bring price relations into harmony with the relations of social costs of production – and the market mechanism as a form through which it acts. The more the real market resembles the theoretical conditions

of perfect competition, the more allocation of resources through market mechanism tends to conform with the exigencies of the law of value; imperfections of competition result in deviation from this allocative rule despite the operation of the market mechanism. From this line of reasoning, I derived the conclusion that, although introduction of the market mechanism into a socialist economy would give wider scope to allocation of resources in accordance with the law of value, thereby raising the overall level of efficiency, it would not deprive the central planner of the possibility to allocate resources, when necessary, in accordance with social preferences diverging from the proportions dictated by the law of value, through deliberate "imperfectionising" (*i.e.* regulating) the market. In other words, the market mechanism must not condemn society to capitulate before blind uncontrollable forces: it can also be used as perhaps more complex but at the same time more suitable instrument for *shaping* socio-economic destiny.

This principal conclusion was followed by a detailed discussion of the safeguards available to the central planner in the proposed model. First, the central plan creates the general framework for autonomous activity of the enterprises by determining the rate and composition of growth, overall structure of incomes, and hence of demand aggregates, etc. Both the share of investment in national income and the distribution of major investment flows among sectors and even large individual projects were to be decided directly by the centre as the backbone of national development policy, with only a lesser part of investment activity left to the discretion of enterprises. Thus, the capital market was to remain banned, and with it also the freedom of entry. Second, the centre determines the "rules of behaviour" (objective function) of the lower echelons and the principles of their link with incentives. Third, the centre assures the parametric character of the economic magnitudes confronting autonomous enterprises – prices, interest rates, taxation, tariffs, etc. – in order to prevent monopolistic or oligopolistic manipulations as well as to allow the planners to steer economic activity in the direction deemed preferential from the national point of view. With regard to prices, this was not tantamount to comprehensive administrative price control – competitive conditions keeping prices independent of the enterprises were assumed for a great number of items – but the need for direct controls could obviously not be excluded.

By today's standards, the "model of central planning with regulated market mechanism" looks strangely moderate and hardly prom-

ising as an effective way of overcoming the deep-seated weaknesses of the economies of real socialism. It appeared in a different light, of course, against the background of the politico-economic conditions of the time. However, even taking into account the latter, two basic fallacies have to be pointed out. First, the static character of the model in which the relationship between the "plan" and the "market" were supposed to be determined once and for all, without predicating any dynamic possibilities, for instance in the area of the capital market. Second, the centre – endowed with such enormous authority over the economy, including the regulated market – was unquestionably assumed to be not only generally capable of exercising it, but also of exercising it to the benefit of the nation, without bringing in the issue of vested interests of the ruling elite, factional in-fighting and so on. The only explicit link between the suggested economic reform and the political system was indicated via the impact of decentralisation and marketisation on workers' self-management; otherwise the tacit presumption reigned that the process of democratisation which began with the "Polish October" would somehow still prevail.

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Notwithstanding its shortcomings, *The General Problems of Functioning of the Socialist Economy* became quite a success. The book had two Polish editions in quick succession and was translated into nine foreign languages, including all major European ones (unfortunately the English translation, which I was unable to vet at the time, came out very badly and full of misapprehensions), as well as Czech, Hungarian, Japanese and Chinese (the latter in 1984). In the West (and Japan) it may have acquired certain significance for the revisionist movement of "Euro-communism" as an indication of an alternative to the Stalinist economy. In some socialist countries it acted to a degree as a spur for economic reform because, in the circumstances, it was always easier to disseminate ideas published (*eo ipso* officially permitted) in a "brotherly" country. This was undoubtedly the case in Czechoslovakia, where the first foreign translation of my book appeared in 1964, and where it played a role in the early stages of the inception of the ideas of the "Prague Spring". It exerted the greatest influence on practical designs of a reformed

system in Hungary; I used to say jokingly to my Hungarian friends that for some time after 1968, when introducing myself to their compatriots, I was treated with great reverence as one of the inspirators of the "New Economic Mechanism" which brought tangible improvement to the economic conditions in the country, whereas later – when things turned worse – my concern became to avoid abuse. The Chinese edition appeared when reform was already well advanced, but the main ideas of the book were known in the reformist circles prior to publication. From a number of colleagues I heard that there must have been some kind of unofficial Russian translation, private or of strictly limited circulation; either in connection with this, or by sheer coincidence, I was invited in 1964 to lecture on concepts of reform in several top economic institutions (Gosplan, Gosekonomkomissya) in Moscow (a quarter of a century was to pass before my next visit to Moscow in 1989 ...).

As if to corroborate the old saying that nobody is a prophet in his own land, *General Problems* made no, or very little, impression on economic developments in Poland: the reform, despite ritual lip-service here and there, was on a descending trend since its heyday of 1956. Apparently of greater significance were the ideological implications of the conclusions regarding the inevitability of conflicts under socialism, legitimacy of alternative systemic solutions within a socialist framework, prospects of marketisation and decentralisation as the economic basis of the workers' council movement, etc. These and similar points attracted some groups of the growing intellectual opposition to the regime, particularly the part of the younger generation – *i.e.* of our students' or junior lecturers' age – who felt profoundly disillusioned with the Communist party's failure to stand up to its October 1956 promises of "renewal", but still believed in the viability of socialism freed of the partocratic degeneration. One of such groups, congregated around two junior lecturers of Warsaw University, Jacek Kuron and Karol Modzelewski, eventually produced a programmatic document which later became famous as "An Open Letter to the Party", widely known all over the world from numerous foreign publications. The line of this document was much more radical than anything spelled out at the time by revisionists like me, who still thought that pressure from within the party was the best way to effect change; nevertheless, in the economic section of the "Open Letter" the influence of *General Problems* could clearly be detected.

Kuron and Modzelewski were arrested in 1964 and charged with sedition. Their trial became one of the most portent reflections of the recurrence of repression as the regime's prime method of fighting dissidence. The public was banned from the court, into which the defendants were led handcuffed; only a single defence witness was allowed for each defendant (I was one of them) but neither the state prosecutor nor the presiding judge showed the slightest interest in the testimony; the sentence, evidently prescribed in advance "from above", was disproportionately harsh: three-and-a-half and three years', imprisonment respectively.

The chilling political climate spread fast, eroding one of the most precious prizes of 1956 – namely the freedom of expression and some scope for independent political action at the grass-roots level. This has been the basis of our revisionist strategy to use the formal rule-book of intra-party democracy for mounting pressure on the authorities and putting up barriers against the resurgence of reactionary tendencies. For a time, we were not without successes in local party organizations in universities (especially in Warsaw), research institutions, professional organizations, etc. – passing defiant political resolutions, reacting to cases of oppression, discrimination and censorship, electing members of party committees in opposition to the officially "recommended" ticket. Gradually, however, such possibilities were narrowed by both open and hidden forms of intimidation: I decided, for instance, to give up the chair of political economy at the University of Warsaw in order to avoid politically motivated discrimination in funding and in promotion chances for my staff.

This is not the place to draw the general picture of the regressive political, economic and social processes at work in Poland in the 1960s. I shall note only – and as briefly as possible – the main events which affected me personally.

Towards the end of 1966, two prominent intellectual dissidents from the university – the philosopher Leszek Kolakowski and the historian Krzysztof Pomian – were expelled from the party for presenting a paper on the 10th anniversary of the "Polish October" convincingly proving the defeat of the renewal hopes by the fundamentalist forces of the communist order. Protests had no consequence except a string of further expulsions among writers.

The year 1967 was marked by peculiar repercussions on the Polish political scene of the "Six Day War" in the Middle East. The

signal for violent attacks on "zionists" (a fully transparent fig-leaf cryptonym for Jews) was given by the leader of the party, Wladyslaw Gomulka, with apparently two objectives in mind: first, to cover-up and to stem the outburst of spontaneous anti-Soviet connotations of the Israeli victory ("Our Jews thrashed Russian Arabs" went the folk-quip of the day). And, second, to direct the anti-semitic sentiments of part of the population, always present under the surface, against the dissident intelligentsia, among which the proportion of people of Jewish descent was higher than elsewhere. The witch-hunt which followed left no doubt that the Polish Communist party would not shrink from discarding the last vestiges of professed Marxist socialist ideology for the sake of maintaining its power monopoly. I could see no reason to retain my membership any more, and I relinquished my party card.

The crusade aiming at the elimination of the revisionist threat once and for all reached its climax in March 1968. Evidently spurred by the unfolding developments in Czechoslovakia and determined to prevent any spillover into Poland, the authorities embarked on actions which inevitably provoked students' demonstrations, first in Warsaw and then throughout the country. The demonstrations were suppressed with utmost brutality, and an unprecedented barrage of anti-semitic and anti-intellectual accusations of the lowest calibre directed against the "zionist" and "imperialist" instigators of the "rebellion against the national interests of the Polish people". Students were thrown into prisons and disciplinary units of the army; mass purges were conducted in all spheres of life – culture, economy, administration; the great majority of the remaining small number of Jews or Poles, whose Jewishness could be established only by Nuremberg-type criteria, was forced to emigrate, with their nationality taken from them. At a tumultuous televised rally of frenzied party activists, I found myself among six professors of Warsaw University named by Gomulka as responsible for breeding the leaders of the student movement, and summarily dismissed from our posts. This was only the tip of the iceberg: without the publicity accorded to us, many more academics were sacked all over the country. The department of political economy (as well as that of philosophy and sociology, and of mathematics) at the University of Warsaw was "dissolved", which meant that all the students had to seek re-admission through a screening procedure aimed at weeding out the carriers of the "disobedience virus".

In this way my academic career in Poland came to an end. A brave and noble attempt by our Czech and Slovak colleagues to allow it to continue by offering me (and my "co-culprits") tenure at Prague Charles University did not have practical results for several reasons, the overriding one of which being the Soviet and Warsaw Pact invasion in August 1968 which rendered the offer void ...

Despite the highly unfavourable prospects, I decided against leaving the country and accepted the only job available to me (no institution would have dared employ me without direct instruction from the Central Committee of the party) at the Institute of Economics of Housing. I found the atmosphere there very congenial, perhaps also due to the fact that among the staff were victims of earlier (and sometimes harsher) waves of persecution. I worked there for almost four years producing *inter alia* two rather substantial studies on "The shares of public and private funds in financing housing" and "The social cost of housing". My main effort during this time, however, was devoted privately to what I regarded as an indispensable sequel to *General Problems*, namely to the discussion of the political component largely missing from the model of "centrally planned economy with regulated market mechanism". By 1971 the work was more or less complete, but it could not be discussed openly (apart from very restricted clandestine groups), let alone published: the publication ban was so total that even my housing studies had not been printed as usual in the Institute's series, but only circulated to authorized readers in mimeographed form. Eventually the typescript was smuggled out to the West, where after a while I found myself in a position to add the finishing touches to a book, *Socialist Ownership and Political Systems*, published in London in 1975.

The longer the post-1968 situation dragged on, the more unbearable it became, first of all because of the unlikelihood of change in a foreseeable future. Even the fall of Gomulka at the end of 1970 hardly amended my "internal exile": the new version of the regime showed itself to be more accommodating with respect to travel abroad (I was permitted to hold a series of seminars at the University of Rome), but no prospects were in sight for resuming any kind of open academic work in Poland. Thus, when an invitation arrived to a one-year fellowship at the University of Glasgow, corresponding with the urgent need to deal with a family health problem abroad, we chose to go for temporary relief. The not-so-rare occurrence of temporary things lasting longest repeated itself in our case: after

a fruitful year in Glasgow, the opportunity arose to continue work in my subject on a long-term basis in Oxford.

The British chapter of my life story is so different from the preceding ones that it would hardly fit into a single piece of recollection, despite the obvious intellectual continuity reflected in a painstaking process of evolution and revision of my views. I have tried to describe this process elsewhere, in "From revisionism to pragmatism: sketches to a self-portrait of a reform economist",² and especially in a book written with my friend Kazimierz Laski, *From Marx to the Market: Socialism in Search of an Economic System*.³ The manuscript of the book was completed in 1988, the year of my retirement from the chair at Oxford and only months before the "retirement" of communism began in Eastern Europe. For believers in symbols this must be a coincidence to savour ...

² The article appeared in *Reform and Transformation in Eastern Europe. Soviet-type Economies on the Threshold of Change*, J.M. Kovacs and M. Tardos eds., Routledge, London and New York, 1992.

³ The book was published by Clarendon Press, Oxford in 1989.