

# The Way to the Socialist Planned Economy

---

Marek Breit and Oskar Lange

---

---

Translated by Jan Toporowski\*

---

*Abstract:* This is the first English translation of a 1934 article by Marek Breit and Oskar Lange on the economics of socialism. Breit and Lange advocate a form of market socialism based on self-managed workers' cooperatives, with membership open to all who wish to join.

## 1 The Breakdown of the Capitalist Economy

Otto Bauer said not very long ago that 'the fall of the second workers' government in England, the events of recent years, and especially in the current year in Germany, mark the end of an epoch and the start of a new one in the history of the international workers' movement. We find ourselves at the start of a period of severe, protracted economic crises, broken only by short moments of respite; a period in which the proletariat will rather be convinced of how narrow are the boundaries with which the world capitalist economy limits the possibilities for liberation of the working class, and how these binding constraints may only be removed together with the whole capitalist system.'<sup>1</sup>

Essentially the world-wide economic crisis, the likes of which the capitalist economy has not experienced since its beginnings, shows the complete bankruptcy of the capitalist economic system. Nothing so demonstrates that complete bankruptcy, the total breakdown of the capitalist economy, as the co-existence of poverty with excess that is met at every step. When the masses of the people in the capitalist economies are oppressed by unprecedented poverty, stores are packed with goods for which there are no buyers; when millions are starving, grain and coffee are sunk at sea or burnt; when millions cannot clothe themselves, spinning and weaving plants stand idle. When the unemployed mother does not have food for her child, the farmer complains of 'over-production' of grain and livestock. This uncanny appearance right next to each other of unsatisfied human need on one side, and idle factories and many millions unemployed on the other side, is evidence that the capitalist economy has lost its capacity to function further, that it cannot cope with the fundamental task of every economic system, that it cannot satisfy human need on even the most modest scale.

The capitalist economy was never a planned economy in the sense of satisfying need by design in a conscious way. The satisfaction of needs only ever occurred in a capitalist economy when such needs were backed up by purchasing power, and when the production of goods to meet those needs brought profit to capitalists. In this way the capitalist economy never satisfied the needs of particular social groups in a systematic way, but always favoured some and injured others. But, directed by profit as the criterion of usefulness of production, it achieved in an *automatic* way a certain consistency between production and consumption. Competition between producers in pursuit of profit increased the production of

goods for which demand was rising, and reduced production of goods for which demand was falling.

In this way, production adapted itself to need (or rather demand) automatically. Competition worked in place of a conscious purposeful socio-economic plan and maintained a balance between production and market demand in an automatic way. However, in today's capitalist economy this automatic way of maintaining a balance between production and demand no longer operates because of limitations on free competition and even its elimination. The enormous advance of technology has made the capitalist economy rigid and inelastic. Once built, expensive and complicated technical plant and machinery cannot be used to produce different goods if the market for which their production was intended becomes unprofitable as a result of change in the market. Because of this, adapting production to a continually changing market situation becomes very difficult. In addition, as Karl Marx had predicted, technological progress caused an enormous concentration of production in relatively few, but very large, establishments. This process of concentration caused the elimination of free competition and its replacement with production regulated by monopolistic alliances of big capitalists (cartels, trusts, syndicates) or by the capitalist state in the service of these alliances<sup>2</sup>. Producers who formerly numbered a few million or a few hundred thousand and who competed with each other, now combine and monopolise the market. In this way, capitalism has transformed itself from freely competing capitalism into *monopoly capitalism* in which production is regulated by cartels, trusts and syndicates, by large banks, and by the state.

Limiting and excluding free competition, capitalism removed with it the basis on which the automatic functioning of the present system operated. Not being a planned economy, monopoly capitalism removed the competition which, to some extent, acted as a substitute for planning in a capitalist economy, automatically adjusting production to the potential market. In this way, monopoly capitalism created economic chaos, which manifests itself in the increasing intensity and length of crises.

In fact, even freely competing capitalism experienced crises, because the adjustment of production to consumption occurred through the mediation of profit. This criterion intermediating between consumption and production occasionally failed and led to crises. However, in freely competitive capitalism crises were transitory because the automatic operation of free competition brought back equilibrium between production and potential demand. At present, however, when free competition is increasingly pushed out by monopolistic organisations and by the intervention of capitalist governments under pressure from these organisations, it is more and more difficult for the economy to return to equilibrium. Capitalist crises are becoming more severe and protracted, and the way out of the crisis is increasingly difficult using the means appropriate to the capitalist economy. In this way, in monopoly capitalism, capitalist crises are turning into a crisis of capitalism, an inability of the capitalist economy to function any more. The economic collapse of the capitalist system proceeds. This economic breakdown has transformed itself into a world economic crisis that has lasted since 1929. It has revealed the complete inability of monopoly capitalism to function any further. Essentially the way out of the crisis is unusually difficult, nearly impossible. Hitherto capitalism emerged out of crises automatically, since free competition restored the equilibrium of the capitalist economy after every disturbance. Thus capitalism could get out of its current crisis only if it could return to the old free competition method. This is the way recommended by all sensible bourgeois economists. But this path is closed for

contemporary capitalism since it would be inconsistent with the governing principle of the capitalist system: the search for profit. The return to the free competitive method would only be possible if the oligarchy of big capitalists, the large banking concerns, the trusts and the cartels, were voluntarily to renounce their monopolistic position and the profits derived from them. It is clear that this is impossible in the context of a capitalist economy, whose leading principle is aiming at the highest possible profit by the entrepreneur. The big capitalists' oligarchy will not relinquish their monopolistic positions under pressure from the state, which is after all a capitalist state, dependent in every way upon big capital and continuing under its influence. Thus the principle of private profit which, in the past, was the basis of the automatic functioning of the capitalist economy, now becomes the source of its disorder and disintegration. In these conditions, the chances of emerging out of the crisis by capitalist methods are getting smaller since big business, exerting a decisive influence in economic and political life, pronounces most strongly against such methods. And here the wise advice and entreaties of bourgeois economists do not help, because capitalism has its own unyielding inexorable logic of aiming for private profit, a logic which it cannot repudiate even if it leads capitalism to ruin. Thus we can see how particular groups of capitalists save themselves by raising tariffs, import quotas, and finally devaluation of their currency in the foreign exchanges, thereby increasing still further the chaos in the capitalist economy.

Since the beginnings of its existence, the capitalist economy has not witnessed such great and far-reaching state intervention in economic affairs. These interventions are utterly destroying the automatic mechanism of the capitalist economy. The direct consequence of state intervention is the complete breakdown of international trade and the international movement of capital – the two most important foundations of world capitalism. State intervention within particular countries, especially in the area of credit policy, has led to the total abolition of freedom of capital investment. On an increasing scale, capital investments are undertaken not with a view to their profitability, but under pressure from governments directed by completely different motives. In this way state intervention destroys what remains of the automatic mechanism of the capitalist economy (yet without creating in its place a planned economy, since this is only possible in a socialist economy) and makes it impossible for the capitalist economy to function properly. State intervention is an act of despair in which particular capitalist groups and states seek to transfer the burden of crisis to their neighbours. Hence intervention aggravates the antagonism between particular capitalist groups and states, and creates between them successively greater and more acute conflicts. These conflicts then force capitalist states to resort to further intervention, if only for political reasons. Inflamed international relations oblige states to seek military self-sufficiency. As a result, new customs duties and import prohibitions, new bounties and subsidies, new interventions in capital flows are implemented. A vicious circle arises.

The greater and more desperate the crisis becomes, the more vigorously the capitalists demand that their state undertakes interventions which intensify the crisis even further. In this way capitalism finds itself in an intractable situation. To get out of it, capitalism would have to take radical measures to liquidate the whole system of state intervention and return, at least to a certain extent, to the automatic economic mechanism as the one factor that can make the capitalist economy function properly. But this would require the abandonment of so many special interests by particular capitalist groups and states that it would be fraught with complex difficulties and virtually impossible.

Capitalism can obviously still achieve short moments of respite, but its general line of development is inexorable decline. After each respite a new breakdown must occur that is even more intense and menacing than the previous one. Such a moment of respite can be obtained first of all by inflation. In fact the more sensible of the bourgeois economists and politicians, knowing the dangers that this road hides, recoil from this, but in vain. Like a drowning man clutches at a straw, so capitalism as it perishes grasps at the apparent last resort of inflation. Inflation can possibly create a weak recovery in declining capitalism. But this recovery can only be very short-term. It is sufficient to recall that the last boom, which caused a superficial short-term stabilisation of the capitalist economy, was based on an inflation of the credit system and lasted only four years from 1925 (in Poland, 1926) to 1929. The conditions for a credit inflation to develop do not exist at present, since in view of a lack of profitable opportunities to apply the inflationary credits, no one wants to take them. Capitalism therefore resorts to such desperate measures as the devaluation of the exchange rate [against gold], whose stimulating effects are much shorter-term. In this situation, capitalism will undoubtedly be forced to resort to ordinary expansion of the money supply [by the central bank]. Furthermore, the exceptional constraints on foreign trade, which have every appearance of being long-term, and the widespread restraints on international capital flows as a result of manifest default, not only on public but also on private international obligations, will make any future recovery even more short-term. After such a recovery an even deeper world economic crisis must ensue, when a last resort in the form of a devaluation of the currency and inflation will fall away and the way out of the crisis will turn out to be even more problematic and impossible. The capitalist economy will lapse into total incoherence.

A socialist planned economy is therefore the only release from economic chaos. It alone offers the systematic co-ordination that is essential for the proper functioning of the economy, and whose surrogate under capitalism was formerly the automatic market mechanism. This mechanism has been destroyed, but capitalism cannot replace it with conscious and methodical planning. The ruling classes and governments of today cannot go down the path of socialist planning since this would mean their voluntary abdication. Hence the way out of the economic chaos into which the world has been plunged by capitalism is only possible by the working class taking power, through a social revolution.

## **2 The Bankruptcy of Reformism**

The economic breakdown of the capitalist system was forecast long ago by the revolutionary wing of the workers' movement. However, it is also the basis for the bankruptcy of the reformist wing of the socialist movement. The whole reformist policy was based on the delusion that the transition from capitalism to socialism will be accomplished gradually and peacefully thanks to the increasing professional and political strength of the workers' movement in a parliamentary democracy, amid general and rising economic welfare. The breakdown of capitalism, manifesting itself in a world crisis, has dispelled this illusion. Instead of rising welfare, capitalism brings increasing poverty to the masses of the workers, the petit-bourgeois, and the intelligentsia; instead of alleviating class antagonisms by increasing wealth and welfare, the capitalist crisis has aggravated them as never before, creating in many countries (for example, Germany in recent years) unremitting social tensions and tacit, even open, civil war. The reformist policy has

collapsed. The two foundations on which it rested, the peaceful establishment of socialism and the easing of class antagonisms, have turned out to be delusions.

The first delusion of reformism depended upon the conviction that that the internal contradictions of capitalism would, over time, be reduced. While Karl Marx and Friedrich Engels, and subsequently the whole revolutionary wing of the prewar workers' movement (Karl Kautsky, Rudolf Hilferding, Rosa Luxemburg) maintained that capitalist crises would continue to get worse and would eventually lead to the collapse of the capitalist economy, reformism fell into the delusion that crises would become less severe.

Already at the end of the nineteenth century, Eduard Bernstein came out with this thesis, attacking the Marxist theory of the economic collapse of the capitalist system. After the War this thesis was accepted by the whole of the reformist majority of the European working class movement. Karl Kautsky and Rudolf Hilferding adhered to this thesis of diminishing crisis and became the chief theorists of postwar reformism. Reformism identified the source of the weakening of capitalism's internal contradictions precisely in the factor that was to cause its destruction, that is, in the restraint of free competition by the big capitalists' monopolistic alliances. The beginning of so-called organised capitalism, which was to be the embryonic socialist planned economy, was discerned in the transition from freely competing capitalism to monopoly capitalism. The growing influence of the working class movement on the democratic state, and the control of that state over the big capitalists' monopolistic alliances, was gradually and peacefully to transform this 'organised capitalism' into a socialist planned economy.

Meanwhile, the course of history showed that it was precisely the restraints on free competition by the monopolistic alliances of the big capitalists that deprived the capitalist economy of the automatic regulator that free competition provides, and became the source of its complete collapse. In reality, the old Marxist thesis turned out to be correct, namely that cartels and trusts, the big banking concerns, and the growing economic intervention of the capitalist state, would not alleviate but would drastically aggravate the internal contradictions of the capitalist economy. The intensification of these internal contradictions must eventually push the capitalist economy into the abyss of total chaos and incapacity.

The second delusion on which the reformist policy was based was derived, like the first, from an inadequate understanding of the automatic mechanism of the capitalist economy. Reformism, which treated the rise of monopolistic alliances as foreshadowing the alleviation of the internal economic contradictions of capitalism, regarded social reforms as a factor mitigating class antagonisms. The eight-hour day, social insurance and social legislation, collective agreements brought in by the capitalist states, especially after the War under pressure from the rising political and economic power of the working-class movement, were to moderate class contradictions. The further development of social reforms was to be the main pivot in the gradual transformation of the capitalist economy into a socialist economy. But in the same way that cartels and trusts frustrate the automatic equilibrium of the capitalist economy in the domain of production, social reforms thwart that equilibrium in the labour market.

The reformist wing of the working class movement always prided itself that, thanks to the political power of the socialist parties in democratic countries and the organisational power of the trades unions, the working class had managed to break the centuries-old capitalist law of supply and demand in the labour market and dictate to capitalists higher wage rates than would have emerged on the free

market through the operation of those laws. Rudolf Hilferding invented a theory of so-called political wages, arguing that, using its political strength in the democratic state, the working-class movement imposes on capitalism higher wages than those resulting from the capitalist laws of supply and demand.<sup>3</sup> It turns out that this took no account of the nature of capitalist ownership. It is not possible to impose in a capitalist economy a distribution of income that is different from that determined by the automatic operation of the laws governing the capitalist economy, the laws of supply and demand and competition.

The social reforms won at the cost of such effort, devotion and sacrifices were not a permanent achievement of the working-class movement. The achievements won at such cost when the working-class movement in the capitalist countries was at the peak of its power in the capitalist countries in general did not outlive the favourable conjuncture of capitalism after its postwar stabilisation. The level of wages and the development of social reforms turned out to be strictly dependent upon the course of the business cycle in capitalist countries.

When the economic situation is good, when the profits of capitalist entrepreneurs are rising, there exists the possibility of raising wages and increasing the share of the working class in national income by social legislation. If the working class has at its disposal the appropriate means of exerting economic pressure (trades unions) and political pressure (a strong socialist party in a democratic capitalist state) it can significantly increase its share of national income. The higher wages and social benefits of course diminish the profits of entrepreneurs but, because they do not strike at the very existence of the capitalist system, the ruling classes agree to these sacrifices, as the price for securing the 'social peace' that is so necessary for the boom to continue. In these circumstances, capitalism tolerates far-reaching interference by the trades unions and state legislation in the labour market and the distribution of income, departing from the distribution of income that would emerge from the operation of the laws of the market.

But from the moment when the boom in the capitalist economy falters, the ingenious system of political wages must also falter. When production falls and profits are reduced, political wages become an insupportable burden for capitalists. Neither the desperate efforts of the trades unions, nor the political power of the socialist parties in the democratic state, can help. Although it is possible to force capitalists to pay high wages, high taxes, and high social benefits as in the economic boom, it is not possible to force them, within a capitalist economy, to run their businesses when they give no profit, or to prevent them from closing their factories. The law of supply and demand has defeated political wages, creating a multi-million strong army of the unemployed.<sup>4</sup> In these circumstances maintaining the achievements of the working class has turned out to be impossible. Where the working-class movement is sufficiently strong politically to resist successfully the elimination of political wages and social reforms, failing capitalism (for which the economic and social gains of the proletariat become an insupportable burden) mobilises against the workers' movement a mass petit-bourgeois fascist movement, as for example in Germany.<sup>5</sup> Exploiting the hatred of the petit-bourgeois and the unemployed for the social and economic achievements of the working class (but really of that part of it which is not unemployed), the bourgeoisie wants to destroy the political and economic power of the working-class movement and in this way free capitalism from commitments which it finds unsupportable. This is also why fascism not only strikes at the revolutionary section of the workers' movement but also, with undiminished fury, attacks its reformist wing, which is of course the

main harbinger of political wages and the social gains, within the constraints of the capitalist system, of the working class.

The error of reformism was not that it tried, within the limits of the capitalist system, to better the living conditions of the working class. The organised working class cannot, under any circumstances and at any time, abandon the struggle to improve its material and cultural condition. The error of the supporters of reformism was based on their failure to see the increasing contradictions of the capitalist economy. Mistakenly thinking that these contradictions would decrease, that a period of stable economic growth was imminent, they did not perceive the fragile basis of working-class gains, obtained when economic conditions were favourable. They did not understand that maintaining these gains was only possible insofar as the working class was able, in the decisive moment, to secure full state power and to break up the framework of the capitalist economy by an immediate and revolutionary change in the social system.

The struggle for high wages and social reforms in the capitalist system can only achieve permanent success where it incubates the militancy of the working class, where it is matched by a readiness to destroy the framework of the capitalist economy by means of a social revolution. However, the reformist majority of the European working class lacks this revolutionary will, because it believed in the sustainability of capitalist *prosperity* and constructed on that *prosperity* its policy of political wages and social reforms. It was therefore inevitable that these achievements of the working class, obtained with such effort and toil, should be lost. The present deep crisis of capitalism had to become, at the same time, a crisis of the working class.

The economic collapse of the capitalist system and the bankruptcy of reformist policies deprive the working class of those achievements that it had obtained in toil and struggle, and the working masses will be increasingly convinced of the extremely narrow limitations which the capitalist system places upon them. They will increasingly understand that only a complete change of the social system, by overthrowing capitalism and creating a socialist planned economy, offers a way out of the current chaos. An awareness of this must become the starting-point of the renewal of revolutionary socialism. The struggle for partial reforms in the framework of the capitalist economy must be replaced by a revolutionary battle for a new socialist social order. The revolutionary struggle for socialism becomes a direct necessity for the workers' movement.

### **3 The Impossibility of a Gradual Achievement of Socialism**

Fighting for a socialist planned economy, the workers' movement must be clearly aware that it is not possible to achieve socialism by slowly and gradually reconstructing the capitalist system into a socialist one. Socialism can only come as the outcome of a political as well as an economic revolution. The political revolution is necessary because capitalism will not view with equanimity the strengthening of the workers' movement and its influence in the democratic state. As experience shows, from the moment when the power of the workers' movement threatens the very existence of the capitalist system, the bourgeoisie does not shrink from suppressing political democracy and destroying the workers' movement by fascism. If only because of this, the gradual and peaceful 'maturing' into socialism imagined by reformism is a fantasy. Even in the economy, the transition from capitalism to socialism cannot take place by gradual evolution, but must happen abruptly by means of a powerful, revolutionary upheaval.

When the working class grasps full power in a victorious social revolution, the revolutionary government of workers and peasants cannot spread out the reconstruction of the social system over a long period of time. The functioning of the capitalist economy requires certain political pre-conditions which, by its nature, no revolutionary socialist government can promise. First and foremost, the right to property and the consequent income from that property is just such a condition. No capitalist will invest capital if he fears that the revolutionary socialist government will confiscate this capital or the income derived from it; no capitalist will manage and develop his enterprise under the threat of its expropriation, or if the policy of the socialist government undermines the profitability of the enterprise.

Thereby hangs the tragedy of all reformist socialist governments which wanted to transform the capitalist economy into a socialist one in an evolutionary way. Every bolder step taken by such a government, threatening more seriously the security of capitalist ownership, caused the brakes to be applied to the normal functioning of the economy, that in a capitalist economy requires the right to property and the profits from that property. Hence every such attempt has ended either in the fall of the socialist government, or in its abandonment of any attempts at infringing capitalist property, and similarly relinquishing any other socialist measures.

This is why a revolutionary workers' and peasants' government that is determined to achieve socialism must act quickly and boldly. Every infringement of capitalist property, every limitation of capitalists' freedom of profit, must check the operation of a capitalist economy. If today the revolutionary government expropriates the coal mines, then it cannot set a deadline to socialise the textile industry in, say, five years' time. No power on earth can force the factory-owners whose property rights are threatened to work as before, to invest capital, to improve technology, and so on, if they are inevitably going to be expropriated after five years (assuming of course that the revolutionary government survives). If the revolutionary workers' and peasants' government limits the freedom of capitalists to dispose of their property, if it raises wages so that capitalists cannot make a profit, it cannot force them to operate their enterprises at a loss. In a word, the coming to power of a revolutionary socialist government immediately renders impossible the functioning of the capitalist economy. Hence, already in its first days, the revolutionary workers' and peasants' government faces a dilemma: either to guarantee capitalist property and profits, and thereby abandon all socialist intentions and succumb to the fate of all reformist socialist governments; or else to socialise the most important economic establishments and in this way to allow the economy to operate in the new conditions of a socialist planned economy. This is why the transition from capitalism to socialism heralds an abrupt economic revolution. Every hesitation, every delay will cause economic chaos because a capitalist functioning of the economy will be prevented by the very coming to power of a revolutionary government, while the basis of the socialist functioning of the economy will not yet have been created. We outline in the points below how a revolutionary workers' and peasants' government may transform a capitalist economy into a socialist one.

#### **4 The First Steps of a Revolutionary Workers' and Peasants' Government**

Because socialism cannot be achieved gradually, the first step of a revolutionary workers' and peasants' government must be the immediate expropriation of big capital and the larger landed estates, and the establishment within a couple of



weeks of the basic outline and institutions of a socialist planned economy. Such prompt action is necessary for economic, as well as for social and political reasons.

Economic considerations require that the period when the capitalist economy cannot function any longer, and the socialist economy is not yet functioning, should be as short as possible, otherwise the economy will fall into total confusion. Under no circumstances can the revolutionary government spread the transition from capitalism to socialism over a longer period of time, during which the capitalist economy will exist, in principle gradually being transformed into a socialist economy by the growing intervention of the proletarian state. (This was at first attempted after the October Revolution in Russia, but it caused total economic chaos.) It would mean the destruction of the remaining automatic equilibrium of the capitalist economy, based on competition and free enterprise, without creating a new economic equilibrium based on socialist planning. As a result, economic chaos of an unprecedented kind would arise.

From the social point of view, prompt action is necessary because the revolutionary workers' and peasants' government will come to power in a period of economic crisis and collapse of the capitalist system. It will immediately, and in a very short time, have to improve the living conditions of workers and their families, oppressed by unemployment and poverty, and rural small-holders faced with agricultural crisis. Politically, it is also necessary because leaving the wealth of the large bourgeoisie and landowners under their control, even if only for a short period of time, would create centres from which the counter-revolution would obtain financial support. (This was demonstrated by the experience of the German revolution.)

For these reasons, the revolutionary workers' and peasants' government, immediately upon coming to power, must expropriate without any compensation the following economic establishments:

1. *All banks without exception.* The banks nationalised by the revolutionary workers' and peasants' government will be combined into one Universal Bank, which will be devoted to financing the socialist planned economy. This bank should incorporate the existing state banks, and the *Bank Polski* [the Polish central bank] and the PKO [the State Savings Bank]. Bank deposits in excess of, say, *złoty* 10,000 would be confiscated, to become the property of the Universal Bank. [*Złoty* 10,000 was worth US\$1,900 at the exchange rate following the revaluation of the Polish *złoty* at the end of January 1934: at the previous gold standard parity rate between the Polish *złoty* and the US dollar, which held until 1933, *zł.*10,000 would have been equivalent to \$1,123.] Smaller deposits will remain at the disposal of their owners. Foreign policy considerations would probably require the exemption of the deposits of foreign governments, although these exemptions would not be as great as may appear. Hence the revolutionary workers' and peasants' government will respect the property rights of foreign citizens only where this will be necessary from the point of view of foreign economic and political relations.

The Universal Bank created by the socialisation of the banks will by its nature control the whole economy, since it will be the sole credit institution. This is why the socialisation of the banks is the basis of the socialisation of the whole economy.

2. *All industrial enterprises employing more than twenty workers, and all public utilities irrespective of the number of their employees*<sup>6</sup>. In this way the

workers' and peasants' government will bring into the socialist planned economy the most important sectors of industrial production.

According to data for 1927<sup>7</sup>, a boom year, the number of large and medium-sized enterprises employing more than twenty workers in Poland amounted to 5,600. This does not exceed the immediate organisational possibilities of the victorious social revolution. These enterprises employ 88 per cent of all workers employed in all enterprises with more than four workers. These workers are therefore the vast majority of the proletariat working in more or less concentrated industries<sup>8</sup>. If we add the workers employed by the railways, the postal and telegraph services, and those in the public utilities, nearly half of all wage-earners will find themselves employed in the socialised sector of the economy<sup>9</sup>. The rest would have to remain outside the socialised economy, because they work in the handicraft sector or in enterprises employing less than 20 workers. Such small firms are unsuitable for immediate socialisation.

The mass and importance of the socialised enterprises will be sufficient to create a socialist planned economy. Including the whole credit system and large and medium-sized industries (all the factories employing more than 20 workers), the socialised sector of the economy can without difficulty draw into the scope of the planned economy all the smaller enterprises, however many there may be of them (the more so since, by its competition, the socialised sector will gradually eliminate them).

However, it should be pointed out that, in view of the vital importance of foreign capital in Polish heavy industry, its socialisation in Poland may encounter obstacles arising out of foreign policy considerations. It may be that the workers' and peasants' government may be obliged to give special treatment to certain categories of foreign capitalists. The possibilities of doing so are, however, very limited since, in view of the large share of foreign capital, especially in Polish heavy industry, making exceptions for them would be tantamount to abandoning socialisation altogether. But even here, as in many other instances, the workers' and peasants' government will be assisted by the under-performance of the capitalist economy due to the crisis. Even capitalist governments (for example in Germany) are expropriating foreign citizens openly or covertly without exposing themselves to consequences of a political nature. Similarly, the Polish military government [*rzqd sanacyjny*] did not hesitate before removing (and arresting) directors of steelworks nominated by foreign capital. The workers' and peasants' government will, thanks to the socialisation of banking, be in a much stronger position, before which foreign capital will have to give way. Obviously all these difficulties would not arise at all if, as seems very likely, the social revolution in Poland occurred alongside a social revolution in the whole of Central Europe, or even throughout Western Europe.

The expropriated factories would be joined together into Public National Trusts, according to the industry (i.e., mining, steel, minerals, metallurgy and machinery, chemicals, textiles, paper, leather, food, clothing, construction, electricity supply, gas and water). The Trusts should also incorporate all the industrial enterprises currently owned by the central or local government. First and foremost, the trades unions must be called upon to organise the Public National Trusts, followed by workers' co-operatives, where these exist. The workers employed in the factories must also be assured of a deciding role in the management of the factories and the Trusts, with the help of an appropriate system of workers' councils. The Trusts must be subordinated to far-reaching supervision

by the Universal Bank, as the institution co-ordinating their activities, giving the economy its character of a planned economy. To this end, all the capital of the Trusts must be the property of the Universal Bank which, thanks to this, can withdraw capital from one Trust and transfer it to another, an indispensable condition of a planned economy. In this way, the Universal Bank, as the sole credit institution, and the unique owner of all socialised capital, will be the centre which will direct the socialist planned economy.

3 *All farms larger than ten hectares*<sup>10</sup>. From these farms will be excluded all forests, except for very small ones), and these would be combined into a Public Forest Trust, organised on the same principles as the other Public Trusts. With a small number of exceptions, discussed below, arable land would be divided up among smallholders and landless peasants, including agricultural workers currently employed.

According to the 1921 census, farms in excess of 20 hectares occupy, in Poland, 37.5 per cent of arable land (plus orchards, pastures and such-like<sup>11</sup>). But agricultural smallholdings, i.e., farms below 5 hectares, occupy 25 per cent of arable land. Bearing in mind that existing agricultural workers also need to be endowed with land, it should in any case be possible to more than double the total area of small farms. A small number of exemplarily managed farms should not be divided up among the peasants, but should be maintained as state farms for experimental and scientific purposes.

An agricultural revolution carried out in this way would secure for the workers' and peasants' government the support of the vast majority of the rural population. Considering that the number of landless or smallholding (below 5 hectares) peasants in Poland, together with their families, totals around 12 million people<sup>12</sup>, the workers' and peasants' government would obtain, through such a radical land reform, the support of 46 per cent, or nearly half, of the Polish population. Adding to this over 3 million workers<sup>13</sup>, the revolutionary workers' and peasants' government would have a social base in around 58 per cent of the Polish population, without taking into account the many white-collar workers and farmers with medium-sized holdings who have an interest in ending the agricultural crisis. This wide base would ensure the survival of the workers' and peasants' government and its introduction of a socialist system.

While the foundations of the socialist economy are being laid, the normal functioning of the productive apparatus must also be secured. The capitalist economy, disturbed by its expropriation by the revolutionary workers' and peasants' government, will not be able to function, but the socialist planned economy will only be in the process of being organised. During this time, society will have to obtain its means of support from the reserve stocks of consumption goods accumulated in the workshops and warehouses of the capitalists. These reserves are significant, especially in the kind of crisis in which the workers' and peasants' government will come to power, but they will be quickly exhausted. Therefore the period when the main institutions of the socialist planned economy are being established can last only as long as the existing reserves of consumption goods are sufficient. Haste is a condition of success in the socialisation of industry and the agricultural revolution.

## 5 How Will the Socialist Economy Operate?

What will be the guiding principles of the socialist economy? We will try to give as precise an answer as possible, although space allows only an outline of the main features of its operation<sup>14</sup>.

First of all, it should be noted that the socialist economy will not be at all the state economy with which the opponents of socialism frighten us, at the mercy of arbitrary bureaucracy as, for example, a war economy. The socialist economy will not be a nationalised (state-controlled) economy, but a collective (socialised) economy. Particular branches of production will be directed by autonomous Public Trusts in whose management the workers employed by the Trust will have a deciding share. The direction of the economy as a whole will rest with the Universal Bank which, as the sole owner of all the capital invested in the particular Trusts and the only credit institution, will be able to give the socialist economy its planned character. This direction will also ensure that the socialised factories and trusts are run economically.

What will be those economic principles in the socialist system? The socialised factories must first of all conduct a strict account of costs and the prices obtained for their production. In other words they must account strictly for their profits which, obviously, in a socialist economy, have a completely different social significance from the one they have in a capitalist economy<sup>15</sup>. The running of loss-making factories must be *ruled out* from the very beginning since it would require society to contribute capital which could be productively used in other enterprises. The exceptions are obviously public services, such as schools, health centres, scientific establishments, communications, and so on, which in capitalist economies too are not carried out according to strict profit and loss accounting. In the socialist economy, the scope of public utilities, that is, the sector in which narrow income and cost accounting (or profitability) would not apply, would clearly be extended. (For example, it would include all housing construction activity.)

It is not, however, sufficient that the socialised enterprises should avoid financial deficits. They must also secure a surplus over costs. This surplus will be a source of accumulation, amassing new capital which will serve to expand the social productive apparatus by the extension of existing factories and the construction of new ones. With a growing population this is indispensable. If the socialised enterprises were only to return their costs of production, society would not be putting any resources aside for expanding the productive capacity of the economy. This would preclude the improvement of living standards and, in the case of a growing population, would even lead to impoverishment, since the same productive apparatus would have to satisfy the needs of a greater number of people. Hence the Universal Bank would have to indicate a certain rate of financial accumulation (for example 5 per cent, or 10 per cent) by which the income of enterprises would have to exceed their costs of production<sup>16</sup>, and would have to withhold completely credits from enterprises which cannot manage their resources in such a way as to obtain such a rate of financial accumulation (unless their lack of profitability was only temporary)<sup>17</sup>. Withholding credits would of course condemn such enterprises to closure.

Nevertheless, the closure of unprofitable enterprises would not happen at once, but by a gradual 'atrophy' through ceasing to maintain the capital invested in them. In this way investments in productive plant and equipment would continue to be used as long as their production was capable of returning even just the cost of raw materials and labour.

Every enterprise ought to secure the rate of accumulation laid down by the Universal Bank. But individual Trusts should not obtain profits exceeding the indicated rate of financial accumulation. The socialised Trusts might try to operate a monopolistic policy, imitating capitalist trusts and cartels by raising production

and limiting production. The temptation to pursue such a policy would be very strong, since the socialised Trust has an absolute monopoly, and this policy would allow the excess profit obtained in this way to be used to pay higher wages in the given industry. For this reason, such monopolistic practices would be extremely popular among the workers in the industry.

In this way there could appear, among the socialised Trusts, craft tendencies which would improve the standard of living of the workers in a particular branch of industry at the expense of other workers (for example, in the Soviet Union the socialised Trusts displayed far-reaching monopolistic tendencies)<sup>18</sup>.

With the aim of excluding such craft inclinations, particular Trusts would be obliged to employ any workers who applied to them for work. Accordingly, if some Trust tried to pursue a monopolising policy, i.e., raising prices and reducing production in order to obtain profits in excess of the rate of financial accumulation laid down, it would have to use those profits for pay increases, since diverting them for the private use of the managers of the Trust would be impossible in a socialist economy. The pay increase would attract workers employed in other industries where pay would be lower, and this would force the Trust to reduce pay because the initial pay increase would have to be shared with the workers coming into the Trust. In this way the incentive to operate a monopolistic and craft policy would disappear. The socialist planned economy will be able to exploit all the benefits and advantages of the concentration of production, achieved under capitalism, without exposing itself to the economic and social disadvantages which such concentration entails in a capitalist economy through the monopolisation of markets and the limiting of production, reducing the rate of utilisation of the productive forces of society.

The inflow of workers into particular branches of industry will also be a crucial indicator for the Universal Bank in its investment policy. The task of the Universal Bank will be to invest capital in the production of those goods, orders for which are rising most strongly. The indicator of the increase in orders for a particular good will be the inflow of workers into the industry producing this good. Rising orders cause a running down of stocks and increasing prices for the given good, with the result that the factories producing this good will achieve an excess over their target rate of financial accumulation. That excess must necessarily be spent on raising the wages of their workers. (There is no other use for the surplus in a socialist economy, in view of the absence of entrepreneurs who would appropriate the surplus as their private profit.) The rise in wages will attract workers from other branches of industry. In this way the inflow of workers into a given branch of production will be an indicator of the intensity with which orders for particular goods are rising. Guided by this indicator, the Universal Bank will invest capital where workers are moving from other branches of production, and the size of that inflow will be an indicator of the amount of investment needed. In this way, the investment policy of the Universal Bank will avoid discretion and be based on certain *automatic* indicators of the intensity of orders for particular goods. The Universal Bank will not be allowed to deviate from these principles of investment policy, since the Trusts or factories attracting workers from other branches will energetically clamour for credits to enable them to employ their incoming workers. The investment policy based on these principles offers a guarantee that, in the socialist economy, goods will be produced strictly in accordance with the intensity of the need for them.

## 6 The Non-socialised Sector of the Economy

Alongside the socialised sector of the economy there will still exist an extensive non-socialised sector, consisting of individual producers, primarily in agriculture, artisans, and factories employing less than 20 workers. However, the existence of this non-socialised sector will not constitute a breach in the socialist planned economy, from the economic or social point of view. It will not be outside the socialist economy because, with the socialisation of the credit system (banking) and all large and medium-sized industry, the socialised part of the economy will include all the 'commanding heights' of the economy. These would enable the socialised sector to draw the rest of the economy into the scope of the planned economy. The non-socialised sector would have to adjust automatically to the new economic structure, since, being subject to free competition, the non-socialised sector will have to adapt itself to the market conditions created by the socialised sector, under threat of bankruptcy. The socialised sector of the economy, thanks to its technical superiority, will in any case gradually eliminate small industry and crafts by means of competition. Where this turns out to be impossible, because in the given field of production concentration does not create technological advantages (for example in artistic activities, horticulture, animal husbandry), there will remain small individual work-places simply because this is economically more rational. This applies especially to a significant part of agricultural production, in particular animal husbandry, horticulture and orchards. Where, however, agricultural production is more productive on large farms (for example in grain production) the workers' and peasants' government will try to concentrate it in co-operatives, but only as, through the expansion of rural education, the agricultural population feels itself convinced of the superiority of collective enterprise.

From the social point of view, the existence of individual small producers will not constitute a gap in the socialist economy, but will be a vanishing survival from the past. The aim of socialism is the abolition of the private ownership of the means of production, insofar as that property is the basis of the exploitation of one class by another, and especially to the degree to which the monopolies that it creates operate to the disadvantage of the rest of the economy. Socialism does not oppose the private ownership (based on work) of the artisan and the peasant. That is why the private ownership of the means of production by those who themselves work with those means does not contradict the principles of socialism. The existence of independent artisans and peasants is not a breach in the socialist system. As for small private factories employing wage labourers, the Universal Bank will tax them in proportion to their capital at a rate equal to the rate of financial accumulation paid by the socialised factories. This will be equivalent to confiscating the profits derived from the ownership of their factories, and will limit the income of their owners to the remuneration that they receive for their work as managers. The relatively large number of these firms and the competition between them would preclude any monopoly profits.

Retail trade would also formally belong to the non-socialised sector of the economy. The socialisation of this trade would also be impossible (in view of the large petit-bourgeois mass occupied in the retail trades, whose expropriation would be simply utopian, especially in Western Europe, for instance France, and in Central Europe) and economically unnecessary as well. Already today, faced with the concentrated production of big capitalists, the retail trader has lost whatever independence he may have had. A considerable part of the goods that he sells is

supplied by big companies at prices laid down in advance by them. His independence as a merchant is completely illusory. In reality he is just an agent selling articles produced by large factories for a commission set in advance just as, for example, the owner of a kiosk selling the products of the state tobacco monopoly is simply a hired hand on piece-work. After the socialisation of the major part of industry, the retail trader will to an even greater extent have the character of an agent selling the products of socialised industry at prices fixed in advance by the socialised Trusts. That is why the socialisation of industry entails the effective socialisation of retail trade, and the shop-keeper becomes a salesman paid by the Trusts for the sale of their products. That is why we have stated that the retail trade will only formally belong to the non-socialised sector of the economy.

In discussing the non-socialised sector, mention should be made of relations with capitalist countries. The individual Trusts would have to form joint foreign trade agencies, which would also handle the foreign trade of the non-socialised economy. Matters concerning the import and eventual export of capital would be controlled by the Universal Bank, as the sole credit institution and owner of all socialised capital. Unfortunately space does not allow for an explanation of the principles which will govern the policy of the socialist planned economy in relation to foreign trade and international capital flows<sup>19</sup>.

## **7 Can Socialism Increase the Welfare of the Masses?**

Can these measures taken by the workers' and peasants' government raise the living standards of the broad masses of the working people, and by how much? On this, of course, depends the whole purpose and success of the socialist system. The working masses fight for socialism not for the satisfaction of creating a new system, but because they expect that the new social system will secure them a higher standard of living than the capitalist system. Every economic system exists for people, rather than people existing for it. The socialist economy therefore only has meaning insofar as it can satisfy the needs of the broad masses better than the capitalist economy. If the socialist economy were to disappoint the hopes placed in it, then it really would not be worth the efforts and the sacrifices which the working masses suffer in the struggle for it.

We do not want to be suspected of a failure to appreciate the moral and cultural values of the socialist system. Regardless of whether the capitalist system secures for the working masses the improvement in their economic circumstances which they have so longed for, the very fact of removing class differences, the creation of a truly democratic and universally accessible culture is something so great that by itself it would be worth fighting for and making sacrifices to achieve it. Indeed, we follow with great and warm sympathy the heroic efforts of the Russian proletariat who, amidst poverty and shortages, are hewing out the contours of a socialist system. We see how the very awareness that there is no class fattening itself on the poverty of the broad masses inspires the peoples of the Soviet Union to titanic efforts. We stand in extraordinary admiration before the cultural and moral greatness of the Russian proletarian and peasants' revolution. Undoubtedly the social revolution will give the broad masses a sense of authority, a sense that at last the working masses are in control of their work, that everything that happens, happens through and for the masses, and not for a privileged few. The workers' and peasants' government will have to appeal on more than one occasion to these moral values of the revolution, especially during the transition period, and therefore will

draw from the masses enthusiasm, devotion, and even sacrifices. But we must remember that, in the long run, socialism will only be able to establish itself to the extent to which, apart from its moral achievements, it can show that it is economically superior to capitalism.

Can socialism therefore increase the economic welfare of the masses? Yes, it can. Above all, it can raise significantly the standard of living of the masses by an even distribution of income. A certain distinguished British statistician showed that an equal distribution of national income in Britain, after deducting income from the colonies and the current rate of capital accumulation, would secure for a workers' family an annual income of 270 pounds sterling. This would raise the existing annual income of the worker by 59 per cent<sup>20</sup>. In Poland it is calculated that the equalisation of incomes, after deducting capital accumulation, would raise the income of workers by 40 per cent, and the income of peasant smallholders, currently much poorer than workers, by 60 per cent. These figures are conservative estimates since, in any case, the distribution of income is not more equal in Poland than in Britain.

Socialism cannot only distribute the existing national income more equally. Much more importantly, it can increase it considerably. The capitalist economy in its monopoly phase does not exploit existing productive capacity to the full. It is not fully used because the capitalist monopolies limit production and raise prices on purpose. The crisis caused by the limitation of free competition by monopolies and by the capitalist state leads to a further reduction in production. And so we see how capitalist enterprises, especially in the monopolised branches of production, use only a part of their productive capability. In Germany, for example, in 1931, the rate of capacity utilisation in the steel industry was 31 per cent; in the cement industry it was 25 per cent; in the nitrates industry it was 40 per cent; in the shipyards it was 25 per cent, and so on. Furthermore, even at the height of the economic boom, these factories do not fully utilise their productive capacity<sup>21</sup>.

In Poland in 1926, during an economic recovery, only 56 per cent of productive capacity in the mines was used, and 65 per cent of capacity in oil refineries; in the metallurgical industries barely 40 per cent of pig iron capacity was used, and only 22 per cent of electrolytic steel; in the cement industry, 41 per cent of capacity was fully utilised; in the sugar industry around 50 per cent; in textiles around 50 per cent<sup>22</sup>. Undoubtedly much of this was the fault of a wrong investment policy, resulting in excessive investment 'to allow for future growth'. The socialist economy too will not be able to find immediately the working capital (especially raw materials) to bring factories, built to accommodate future growth, to full capacity utilisation. But it will remove the obstacles created by the monopolies and the crisis, thereby increasing production and the national income that goes with it.

The socialist economy can secure for the people the rise in incomes mentioned earlier from the moment when the economy will be working normally. But the revolutionary workers' and peasants' government will come to power in a time of severe crisis, total bankruptcy and collapse of the capitalist economy, and hence complete economic inactivity. The socialist government will then have, in the first place, two tasks to accomplish. Its performance in relation to these tasks will determine the whole future of the social revolution. The first task is the immediate abolition of unemployment. The second is the raising of the standard of living of the impoverished peasants.



## **8 Can Socialism Find Work for the Unemployed?**

The abolition of unemployment must be carried out in a very short time, and its success will determine the fate of the workers' and peasants' government. The working masses desire nothing more than getting rid of the continuous threat of unemployment, and they are willing to make great sacrifices for the certainty of permanent employment.

It must be strongly emphasised that the elimination of unemployment must not lead to inflation. A temporary revival of inflation would be very costly. It would result in higher prices, which would reduce the real wages of employed workers and, what is worse, diminish still further the standard of living and the purchasing power of the peasant population. It would lead to the breakdown of the whole economy, which would succumb to complete paralysis. The workers' and peasants' government which sought to abolish unemployment by means of inflation would be miserably mimicking the quack remedies of defaulting capitalism<sup>23</sup>.

The socialist way of eliminating unemployment derives directly from the socialisation of the economy, whose operation was earlier described.

The socialisation of the banks and big industry removes the direct obstacle to the expansion of production that is formed by monopolies in contemporary capitalism. By limiting production, monopolies become one of the main sources of permanent unemployment in the capitalist economy. Abandoning the production limits used to obtain monopoly profits, the socialised Trusts of those branches of industry which were monopolised in the capitalist system will lower their prices and expand production up to the limit required by the rate of financial accumulation. This alone will absorb in production an appreciable number of unemployed. Supposing that Polish industrial production could be expanded by only 30 per cent as a result of the elimination of cartel constraints, this would raise employment by around 25 per cent. With industrial employment on the 31 December 1933 standing at 479,000<sup>24</sup>, the increase in employment would be 120,000.

But it would not end there. The socialised Trusts would close all the factories operating at a loss or unable to obtain the rate of financial accumulation required by the Universal Bank, and would concentrate production in the more profitable factories. This would reduce enormously the costs of production, with the result that prices would fall and production would expand, which again would absorb a certain number of the unemployed. At the same time, the factories that are to be shut down would not be closed immediately, but would be able to continue operating for the time being, without maintaining their depreciating capital equipment, as long as they could cover their raw materials and labour costs, while that equipment is capable of working. In this way a further number of the unemployed would find work.

Because the main output of means of production (coal, iron, machinery and so on) is monopolised in a capitalist economy, the fall in the prices of these goods through the elimination of monopolistic practices in these industries will reduce the cost of producing consumption goods as well. A fall in their prices, and the expansion of their production, will follow. This will absorb a further number of the unemployed. The unemployed workers brought into production will raise the purchasing power of the population, which will allow for a further expansion of production.

Finally, a number of the unemployed will find work in the public utilities, which will be greatly expanded in the socialist system. One of the first aims of the socialist revolution will be to reduce considerably military and police expenditure which, in Poland, amounts to nearly half of all state expenditure<sup>25</sup>. Even if the workers' and peasants' government will want armed forces for its defence against counter-revolution, the workers' and peasants' militias will be much cheaper than a capitalist army and an imperialist state. [Polish military expenditures during the interwar period were inflated by the need to secure territories in Eastern Poland inhabited by large non-Polish populations.] The funds released by these means could be spent on building houses, schools, and health, scientific and cultural facilities, which will employ another large number of the unemployed.

The establishment of the socialist planned economy, therefore, itself eliminates unemployment.

## 9 Can Socialism Abolish Rural Poverty?

Together with the agrarian revolution, the establishment of a socialist planned economy will also get rid of the agricultural crisis that oppresses the peasant population. First of all, by re-distributing large estates, the landholdings of smallholders will, as indicated above, be doubled. This will allow the poorer peasants to support themselves from their own land and raise their standard of living.

But the agricultural crisis is really a 'scissors' crisis of the relative prices of agricultural and industrial goods. The low agricultural prices, and high industrial prices, are, next to the unequal distribution of land, the main causes of rural poverty. The agrarian revolution will raise agricultural prices, because the peasants will now feed themselves better and will consume a greater amount than hitherto of agricultural products. At the same time, the socialisation of large and medium-scale industry will reduce the prices of industrial products. The 'scissors' between agricultural and industrial prices is caused by the monopolisation of the most important goods used in production. This raises considerably the prices of all industrial goods. Since the socialisation of large and medium-scale industry will put an end to monopolistic practices, the price of goods used in production will fall. Peasants will have to pay less for ploughs, nails and all agricultural tools. As a result of the reduced price of production goods, costs of production will also fall, and thereby also the prices of all industrially-produced consumption goods, especially textiles, which are the most expensive items of peasant consumption. The socialisation of large and medium-scale industry will close the 'scissors' between agricultural and industrial prices and will raise substantially the standard of living of the rural population.

Socialism therefore also eliminates the agricultural crisis. There is no other way, since the abolition of private capitalist monopolies under a capitalist system is a utopia. That is why *the one way to liberate the peasantry from the bondage of the agricultural crisis that is strangling it is an alliance with the working class to overthrow the capitalist system and create a socialist planned economy.*

---

\* South Bank University Business School, 103 Borough Road, London SE1 0AA, UK. Email: toporoj@sbu.ac.uk.

## Notes

1 O. Bauer, *Partie socjalistyczne a jednolity front proletariatu* [‘The Socialist Parties and the United Front of the Proletariat’] Warszawa, 1933, pp. 20-21.

2 See R. Irski, ‘Rola państwa w kapitalizmie monopolistycznym’ [‘The Role of the State in Monopoly Capitalism’], *Kwartalnik Socjalistyczny* [Socialist Quarterly], May-June 1931.

3 Compare the programmatic speech of Rudolf Hilferding on the Tasks of Social Democracy in the Republic, at the Party Congress in Kiel in 1927. For an extensive exposition of this theory see A. Braunthal, *Die Wirtschaft der Gegenwart und ihre Gesetze* [‘The Contemporary Economy and Its Laws’], Berlin 1930. This book gives a good picture of the reformist views of the majority of German social democracy.

4 See in this regard the interesting book by T. Szturm de Sztrem, *Bezrobocie w Europie dzisiejszej* [‘Unemployment in Europe Today’], Warszawa, 1932.

5 The exception is England where, in spite of a deep crisis and a huge army of unemployed, the workers’ movement, thanks to its economic and political power, managed to maintain the achievements of the working class without (up to now) evoking a fascist reaction. This is facilitated by the metropolitan country’s exploitation of the extensive colonies of the British empire.

6 The number of twenty employees should not be treated as an absolute threshold, since it will be necessary to take into account also the size of the enterprise’s capital, which may require this principle to be varied. With current technology it is possible to have automated factories of immense importance for the economy, with large capital but employing only a minimal number of workers.

7 See *Mały Rocznik Statystyczny 1930* [‘Small Statistical Year Book for 1930’], p. 38.

8 *Ibid.*, p. 40.

9 The overall number of workers in industry, trade, communications and public institutions in 1921 came to over 3.2 million. In 1927, they totalled around 4.3 million. (These estimates are based on data in L. Landau, *Skład zawodowy ludności Polski jako podstawa badania struktury gospodarczej* [‘The Occupational Composition of the Population of Poland as the Basis for Investigating the Structure of the Economy’], Warszawa, 1931.) The number of industrial workers and unemployed in 1929 (i.e., when employment reached its peak) came to 1.1 million. (These estimates are based on *Mały Rocznik Statystyczny 1933* [‘Small Statistical Year Book for 1933’].)

10 These figures should not be treated as absolutes. The maximum holding will obviously vary according to the type of farm, the fertility of the land, the kind of farming carried out in particular districts, and so on. In the Polesie Vovoyevod [an Eastern Polish province characterised by swampy forests, incorporated into Byelorussia in 1939] the ceiling on holdings would have to be much greater than, for example, in [the more fertile and intensively cultivated] province of Poznan. Similarly, it should be greater for grain-producing land than for horticultural land, and so on.

11 See *Mały Rocznik Statystyczny 1933*, p. 16.

12 Estimate for 1921 by Ludwik Landau, *op. cit.* The figures do not include Upper Silesia and the Wilno [Vilnius] district.

13 *Ibid.* Estimates for 1921.

14 For details we direct the reader to the extensive literature on this subject. See first of all E. Heimann, *Sozialistische Wirtschafts- und Arbeitsordnung* [‘Socialist Economic and Labour Regulation’], Berlin 1932, and H.D. Dickinson, ‘Price formation in a socialist community’, *Economic Journal*, June 1933; also C. Landauer, *Planwirtschaft und Verkehrswirtschaft* [‘Economic Planning and Trade’], Munich, 1931, and E. Lederer, *Planwirtschaft* [‘Economic Planning’], Tübingen, 1932.

15 In a capitalist economy, the use of profit to determine whether production is worthwhile means that goods are not produced according to the purchasing power of particular classes of people [*sic.* The context suggests that the ‘not’ in this sentence was

inserted in error]. This results in the production of luxury goods for some people, while others cannot clothe themselves or die of hunger. In the socialist economy the equalisation of incomes will make income differentials relatively small. Applying the criterion of profitability of production will not result in an undue concentration on the production of luxury goods, but will simply enhance the production of goods which people desire more and on which they wish to spend a greater proportion of their income. In the socialist economy those goods whose production is more profitable will be the same goods which satisfy the more intensive needs, because the purchasing power of every person will be (approximately) the same.

16 This rate of financial accumulation would be very similar to the profit rate in capitalist enterprises and would, in accounting terms, be treated as such. However, its social significance would be different, because capitalist profit only partly serves accumulation, the rest being consumed by the capital-owning classes. The rate of financial accumulation in the socialist economy would be devoted to the accumulation of new capital and partly to cover the deficits of public utilities.

17 The deficits of public utilities would have to be covered from the financial accumulation of other enterprises.

18 The danger that such craft tendencies will appear is obvious to everyone who has the opportunity to observe the activities of trades unions in practice. Even the most class-conscious trades unions take on the character of craft organisation if only the right conditions exist. Much the same occurs in professional associations such as the medical or legal professions.

19 H.D. Dickinson gives an excellent exposition of these principles, *op. cit.*, pp. 248-50.

20 See C.G. Clark, *The National Income 1924-1931*, London, 1932, pp. 77-78.

21 See K. Mendelsohn, *Kapitalistisches Wirtschaftschaos oder Sozialistisches Planwirtschaft* ['Capitalist Economic Chaos or Socialist Economic Planning'], Berlin, 1932, p. 15.

22 Data from the Survey Commission in S. Rychliński, *Marnotrawstwo sił i środków w przemyśle Polskim* ['Waste of Power and Resources in Polish Industry'], Warszawa, 1933, pp. 86 and ff.

23 This passage was aimed at the theory, fashionable among right-wing circles in the Polish Socialist Party, that unemployment could be reduced by monetary/credit means. Such measures were to be a substitute for the socialisation of the basic means of production. [According to the editors of the 1990 edition of this paper, this footnote was added by Lange to the shortened, 1961, edition.]

24 See *Mały Rocznik Statystyczny 1933*, p. 100.

25 In the 1932/33 budget, military and police expenditures were as follows:

|  |       |      |       |
|--|-------|------|-------|
| Ministry of Military Affairs               | 833   | mln. | złoty |
| Police                                     | 114   | "    | "     |
| Border Police                              | 67    | "    | "     |
| Military Training and Physical Instruction | 6     | "    | "     |
| Military Enterprises                       | 13    | "    | "     |
|  | <hr/> |      |       |
| Total                                      | 1,033 | "    | "     |

This sum constitutes around 46 per cent of total budget expenditure. But it does not include the quotas earmarked for military purposes in the budgets of particular ministries. Taking these into account, it can be confidently stated that military and police expenditure add up to half of government spending. To get a full picture of military spending, it would be necessary to take into account the funds with which state banks, especially the *Bank Gospodarstwa Krajowego* [The National Economy Bank], finance military enterprises. These figures are not available, but in any case they are very significant.