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ARTICLES

# Value, Price, and Economic Reform in the Polish People's Republic

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## Abstract

Marxists have long argued about the viability of "market socialism." That model was dominant among professional economists in the Polish People's Republic after the fall of Stalinism in 1956, even though they were never able to fully implement its principles. This article explores the debates over this concept in communist Poland, identifying the central issue as an attempt to combine socialist goals with neoclassical methodological principles and theoretical assumptions, particularly regarding price formation. Advocates of central planning always claimed that this mixture was unsustainable, destined to slide towards a restoration of capitalism. They were probably right.

Most accounts of the economic history of the Polish People's Republic [*Polska Rzeczpospolita Ludowa*, or PRL] juxtapose "rational" economists against "dogmatic" or "ideological" party apparatchiks.[1] The former, we are told, attempted to correct the errors and absurdities of the latter, but no one listened. This story erases some important debates, because it only grants one side any intellectual legitimacy. Political authority and raw power are placed at the center of the Bolshevik project, with "genuine" socialism either relocated to western social democratic parties or dismissed as utopian. Historians end up echoing the terminology of the post-Stalinist reformers themselves by casting the economic management of the Stalinist era—and often the entire PRL—as a "voluntaristic" denial of objective constraints, based on the quixotic belief that a determined revolutionary leadership could bend economic laws to the will of the planner.

A closer look, however, reveals not a Manichean struggle between "reason" and "dogma," or between "economics" and "politics," but a clash over value and values (not only in the economic sense), over the meaning of socialism, and over the significance of history. Perhaps surprisingly, the people often dismissed as "Stalinist hardliners" objected to the reduction of humans to their commodified market value, while the "reformers" came to doubt that

[1] For examples of this framing of the PRL's economic history, see Krystyna Bolesta-Kukułka, *Gra o władzę a gospodarka. Polska 1944–1991* (Warsaw, 1992); Jędrzej Chumiński, ed., *Modernizacja czy pozorna modernizacja. Społeczno-ekonomiczny bilans PRL 1944–1989* (Wrocław, 2010); Bogusław Czarny, *Szkice o ekonomii w Polsce w latach 1949–1989* (Warsaw, 2016); Dariusz Grala, *Reformy gospodarcza w PRL (1982–1989): Próba uratowania socjalizmu* (Warsaw, 2005); Zbigniew Landau and Wojciech Roszkowski, *Polityka Gospodarcza IIRP i PRL* (Warsaw, 1995); Adam Leszczyński, *Skok w nowoczesność. Polityka wzrostu w krajach peryferyjnych 1943–1980* (Warsaw, 2013); Edward Łukawer, *Z historii polskiej myśli ekonomicznej, 1945–1995* (Warsaw, 1996); Paweł Tanewski, *Polska myśl ekonomiczna w latach 1956–1989 wobec zagadnienia przemian systemowych w gospodarce PRL* (Warsaw, 2014); Hans-Jürgen Wagener, ed., *Economic Thought in Communist and Post-Communist Europe* (Abingdon, UK, 1998).

any commodity, including human labor, had an intrinsic economic value apart from the price that would facilitate market equilibrium. Even our labels present a distorted mirror onto the past, because the "hardliners" or "orthodox Marxists" were attempting to introduce a radical alternative to mainstream economics, whereas their "reformist" opponents were enmeshed in a globally hegemonic neoclassicism. Stalinist economics inverted some of the core methodological and theoretical assumptions that had dominated the discipline since the so-called "marginalist revolution" of the late nineteenth century, particularly those involving the implications of historical change and the relationship between value and price. After 1956, most Polish economists renounced this radical project by returning to the professional principles that had reigned domestically before WWII, and continuously in the west. Those principles enabled the positioning of economics as a technocratic field in which procedures of accounting and modeling could grow increasingly sophisticated and arcane, operating (its practitioners believed) independently from the abstractions of philosophy, the specificity of history, and the subjective goals of policymakers.

The ramifications of this retrenchment would ripple forward far beyond the scope of this article, culminating in the policy debates of the 1980s and the subsequent "shock therapy" that closed the door on Poland's socialist experiment. The oft-noted phenomenon of "capitalism without capitalists" in the early 1990s was not merely an external imposition on behalf a triumphant west; in fact, the foreign advisors who parachuted into Warsaw at the time were mostly superfluous, because Polish reformers were already several steps ahead of them.[2] This was not because they had taken a crash course in capitalist economic theory; instead, they had been part of that intellectual world for at least three decades. As Cornel Ban demonstrated, even though neoliberalism became a truly global system by the end of the twentieth century, it took different forms depending on the local intellectual infrastructure.[3] In the twenty-five years since Mark Blyth described an "ideational turn" in the social sciences, few topics have demonstrated the value of this approach more convincingly than the study of the long road from socialism to capitalism in eastern Europe.[4] Poland may have had the largest and most "Westernized" cadre of economic experts, and they were well positioned by the 1980s to lead their country away from socialism. The complete origin story of this capitalist vanguard would require more than just one article, but I hope to pinpoint here its crucial first chapter: the repudiation in 1956 of an essential set of Marxist methodological principles.

In her seminal 2011 study, *Markets in the Name of Socialism*, Johanna Bockman argued that "we should not conflate neoliberalism and neoclassical economics, we should not assume that neoclassical economics is a capitalist science or ideology, and, most importantly, we should go beyond the state–market axis." Focusing on reformists in Hungary and Yugoslavia, she came to the conclusion that "if one viewed east European economic debates through the binary of market versus planning, then one would easily conflate neoliberalism with the new

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[2] See Gil Eyal, Iván Szelényi, and Eleanor Townsley, *Making Capitalism without Capitalists*: *Class Formation and Elite Struggles in Post-Communist Central Europe* (New York, 1998). A good first-hand account of the interplay between foreign advisors and local professionals in Poland is Tadeusz Kowalik, *From Solidarity to Sellout: The Restoration of Capitalism in Poland*, trans. Eliza Lewandowska (New York, 2011).

[3] Cornel Ban, *Ruling Ideas: How Global Neoliberalism Goes Local* (New York, 2016).

[4] Mark Blyth, "Any More Bright Ideas? The Ideational Turn of Comparative Political Economy," *Comparative Politics* 29, no. 2 (January 1997): 229–50. For more on the ideational turn, see Aron Buzogány, "The Ideational Foundations of the Illiberal Backlash in Central and Eastern Europe," *Review of International Political Economy* 25, no. 6 (November 2018): 811–28; Andreas Gofas and Colin Hay, eds., *The Role of Ideas in Political Analysis* (London, 2009); Kurt Jacobsen, "Much Ado about Ideas: The Cognitive Factor in Economic Policy," *World Politics* 47 (January 1995): 283–310; Peter Hall, ed., *The Political Power of Economic Ideas: Keynesianism across Nations* (Princeton, 1989); Judith Goldstein and Robert Keohane, eds., *Ideas and Foreign Policy: Beliefs, Institutions, and Political Change* (Ithaca, 1993); Marij Swinkels, "How Ideas Matter in Public Policy: A Review of Concepts, Mechanisms, and Methods," *International Review of Public Policy* 2, no. 3 (2020): 281–316.

forms of socialism."[5] Bockman persuasively shows that since economists in eastern Europe did, in fact, blend socialist goals with a neoclassical methodology, it was self-evidently possible to do so. Many Marxists, however, have insisted that those "new forms of socialism" should indeed be conflated with neoliberalism, because they ignored one of Marx's most vital insights. For example, Ellan Meiksins Wood wrote that "wherever market imperatives regulate the economy and govern social reproduction, there will be no escape from exploitation. There can, in other words, be no such thing as a truly 'social' or democratic market, let alone a 'market socialism.'" This was so, she believed, because the introduction of capitalism was itself predicated upon the emergence of a new type of social relationship, in which market imperatives (the need to create goods for exchange and profit) came to subsume and define all aspects of life. As long as that foundation remained, Wood argued, the edifice of capitalism would stand.[6] David McNalley has identified the crux of the matter: a market economy will inevitably commodify human labor, and once that happens, all the other dynamics of capitalism fall into place.

> Market socialism thus means "socialism" with wage-labor and exploitation—i.e. a non-socialism. All talk of market socialism is for this reason illogical and incoherent. This is why Marx insists that socialism requires the abolition of wage-labor—which can only mean the decommodification of labor-power. The elimination of exploitation and class inequality is impossible without the abolition of the labor market. And this can only mean the de-marketization of economic life. A consistent socialism can only be unrelentingly hostile to the market as regulator of economic relations.[7]

Very few economists in the Polish People's Republic after 1956 would have agreed with Wood or McNally: much like the Hungarian and Yugoslav economists studied by Bockman, they embraced market pricing even as they continued to self-identify as socialists. They accomplished this, however, by evading concerns (expressed by a minority within their own ranks) that it was impossible to introduce market prices without also commodifying labor, and that doing so would erase all the gains of socialism. Sure enough, with time most Polish economists did indeed acknowledge that labor also needed to be priced according to supply and demand. As two of the most prominent reformists, Włodzimierz Brus and Kazimierz Łaski, wrote in 1989, "the distinction between capitalist and socialist economic systems, as hitherto perceived, become under market socialism thoroughly blurred."[8] The title of their book, *From Marx to Market*, reflected their grudging conclusion that they could not have their commodified cake and eat it too.

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[5] Johanna Bockman, *Markets in the Name of Socialism: The Left-Wing Origins of Neo-Liberalism* (Stanford, 2011), 4, 12.

[6] Ellen Meiksins Wood, *The Origin of Capitalism: A Longer View* (New York, 2002), 195. Here she was echoing the argument first put forward by Karl Polányi, *The Great Transformation* (New York, 1944). These claims have been hotly debated by Marxists. See Trevor Aston and C. H. E. Philpin, eds., *The Brenner Debate: Agrarian Class Structure and Economic Development in Pre-industrial Europe* (Cambridge, Eng., 1985); Robert Brenner, "Agrarian Class Structure and Economic Development in Pre-Industrial Europe," *Past and Present* 70 (February 1976): 30–75; Maurice Dobb, *Studies in the Development of Capitalism* (New York, 1946); Georges Lefebvre and Rodney Hilton, eds., *The Transition from Feudalism to Capitalism* (New York, 1985); Paul Sweezy, "The Transition from Feudalism to Capitalism," *Science and Society* 14, no. 2 (Spring 1950): 134–57.

[7] David McNally, *Against the Market: Political Economy, Market Socialism, and the Marxist Critique* (New York, 1993), 169. McNally was polemicizing with authors such as Pat Devine, *Democracy and Economic Planning: The Political Economy of a Self-Governing Society* (New York, 1988); Branko Horvat, *The Political Economy of Socialism* (Abingdon, UK, 1982); Alec Nove, *The Economics of Feasible Socialism Revisited* (Abingdon, UK, 1992). For an excellent overview of the arguments on both sides of this issue, see David Schweickart, James Lawler, Hillel Ticktin, and Bertell Ollman, *Market Socialism: The Debate among Socialists* (Abingdon, UK, 1998).

[8] Włodzimierz Brus and Kazimierz Łaski, *From Marx to the Market: Socialism in Search of an Economic System* (Oxford, 1989), 151.

## Value, History, and Marxist Macroeconomics

Adam Smith famously preached that free exchange reliably pushes "market price" down to the level of "natural price," which he understood to be the true value of any commodity. That value, in turn, was based on the costs needed to produce the item in question. For a moral philosopher like Smith, natural price was the just price, but it was acceptable for market price to diverge from it (via what Smith called "accidents") precisely because the "invisible hand" of free market competition would reign it back in.[9] David Ricardo pushed Smith's argument further by noting that labor, too, had "natural" and "market" prices, with the former defined as nothing higher than "that price which is necessary to enable the laborers, one with another, to subsist and to perpetuate their race, without either increase or diminution."[10] Marx, in turn, was a *post*-Ricardian (according to Paul Samuelson's dismissive appellation[11]) because he only accepted that *capitalism* tended to suppress market wages, while predicting that someday incomes would be based on a valuation other than supply-and-demand. Marx's signature concept of "surplus value" arose from the observation that workers under capitalism created more value than was reflected by their market wages (systematically, not just "accidentally"). The confiscation of that excess by capitalists was what Marx called "exploitation," and eliminating this phenomenon became the prerequisite for—perhaps even the definition of—socialism.[12]

As the mathematical sophistication of economics developed, it became obvious that Smith's (and Ricardo's, and Marx's) "natural price" could not be calculated by measuring the value of production inputs—at least, not at the microeconomic level that would be needed to derive the price of any particular commodity. The so-called "neoclassical" economists (Alfred Marshall, William Stanley Jevons, Carl Menger, etc.) of the late nineteenth century solved this problem by decreeing that the cost of an item under conditions of free market exchange was by definition the same as its value. Whereas socialists continued to affirm that humans (and thus their labor power) had an intrinsic value, neoclassical economists held that value did not exist outside of market relations. Things were worth whatever the market said they were worth, and that which was not exchanged had no value at all (in the economic sense).[13] Only in this way could economics ever become mathematical, because quantification required a consistent means of determining price, and had no place for a definition of value distinct from price. By the middle of the twentieth century this had progressed to the point where an American scholar could complain, in an otherwise sympathetic review of a Soviet contemporary's work, that the latter's books were undermined by the fact that "there are no mathematical formulas, and even his vocabulary—terms like welfare, wants, and useful results—becomes fuzzy."[14]

Soviet economists during the Stalinist era were indeed reluctant to reduce the concept of value to a market-determined microeconomic price. The early work of the Soviet scholar Leonid Kantorovich, who won the Nobel Memorial Prize in Economics in 1975, was initially viewed with suspicion by his peers for precisely this reason. His models of resource

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[9] Adam Smith, *An Inquiry into the Nature and Causes of the Wealth of Nations* (London, 1776), 1:70.

[10] David Ricardo, *On the Principles of Political Economy and Taxation* (London, 1817), 68.

[11] Paul Samuelson, "Economists and the History of Ideas," *American Economic Review* 51, no. 1 (1962): 12.

[12] The clearest exposition of this idea is in Karl Marx, *Theorien über den Mehrwert* (written 1862–63, published as part of the *Grundrisse der Kritik der Politischen Ökonomie* in 1939 by the Marx-Engels Institute in Moscow).

[13] Thus the oft-noted limitation of Gross Domestic Product as a comprehensive metric. Since GDP measures only that which is assigned an exchange value, it ignores all labor performed without remuneration. Among many other problems, this erases many of the productive tasks typically performed by women. See Daniel DeRock, "Hidden in Plain Sight: Unpaid Household Services and the Politics of GDP Measurement," *New Political Economy* 26, no. 1 (2021): 20–35; Ruth Hagengruber, "Measuring the Value of Women: A Feminist Analysis of Economic Categories and Thought," in Maria Cristina Amoretti and Nicla Vassallo, eds., *Meta-Philosophical Reflection on Feminist Philosophies of Science* (Cham, 2016): 171–83; Marilyn Waring, *If Women Counted: A New Feminist Economics* (London, 1989).

[14] Robert Campbell, "Marx, Kantorovich, and Novozhilov: *Stoimost′* versus Reality," *Slavic Review* 20, no. 3 (October 1961): 412.

allocation appeared to use metrics that focused on output rather than input, on the "optimal" utilization of produced goods rather than on production itself. Though Kantorovich used the phrase "objectively determined valuations" to describe his primary statistical tool, it was easy enough to see these as shadow prices, and that was sufficient to keep him on the margins until after Iosif Stalin's death.[15] Significantly, Kantorovich would later scoff at his opponents for using a historical, interpretive method rather than a mathematical one. "The computer cannot digest some of our economists' scholarly products," he said. ". . . After pouring out all the water there was either nothing left, or just one big question mark, the formulation of an unsolved problem."[16]

These debates over math were, in a sense, a distraction from an even more fundamental disagreement about history. In 1943, a group of ten prominent Soviet economists led by Lev Leontiev, the author of that country's standard textbook on political economy, published a much-discussed article that Stalin would later use as the inspiration for his own book on economics.[17] Using what was then becoming a popular invective, Leontiev and his co-authors declared that "to deny the existence of economic laws under socialism is to slip into the most vulgar voluntarism, which may be summarized as follows: in place of an orderly process of development, there is arbitrariness, accident and chaos." There were definitely economic laws, they argued, but like any social laws, these were specific to each historical era.[18] This was an old debate, dating at least to the so called "historical school" of economics, popular in Germany in the second half of the nineteenth century, which posited that the complex and ever-changing processes of production and distribution could only be understood within their historical contexts. Max Weber and Joseph Schumpeter are usually included in this tradition, and in the United States one of its most eloquent advocates was Thorstein Veblen. The latter even coined the term "neoclassical economics" in 1900 to describe those who had rejected dynamic historical time in favor of "an inquiry directed to the determination of the conditions of an equilibrium of activities and a quiescent normal situation. . . . It is the movement of a consummately conceived and self-balanced mechanism, not that of a cumulatively unfolding process or an institutional adaptation to cumulatively unfolding exigencies."[19] All the other sciences, Veblen continued, were being transformed in the late nineteenth century by evolutionary theories in ways that restored change and time to the center of attention. He

[15] His most important works were Leonid V. Kantorovich, *Matematicheskie modeli i metody optimal′nogo planirovaniia* (Leningrad, 1939), published in English as Leonid Kantorovich, "Mathematical Methods of Organizing and Planning Production," *Management Science* 6, no. 4 (July 1960): 366–422; and *Ekonomicheskii raschet nailuchshego ispol′zovaniia resursov* (Moscow, 1959), published in English as Leonid Kantorovich, *The Best Use of Economic Resources* (Oxford, 1965); A good sampling of his work was edited by Leon Smolinski and translated by Arlo Schultz as *Essays in Optimal Planning* (New York, 1976).

[16] As quoted by Ivan Boldyrev and Till Düppe, "Programming the USSR: Leonid V. Kantorovich in Context," *The British Journal for the History of Science* 53, no. 2 (December 2020): 17.

[17] This article initially appeared unsigned as "nekotorye voprosy prepodavaniia politicheskoi ekonomii," *Pod znamenem marksizma* 7–8 (1943): 56–78. *The American Economic Review* published a translation and hosted a vigorous debate on this seminal article: L. A. Leontiev, M. B. Mitin, P. N. Fedoseiev, V. C. Kruzhkov, L. A. Orbeli, V. P. Potemkin, P. F. Iudin, S. I. Vavilov, M. P. Tolchenov, M. N. Korneiev, "Some Questions of Teaching Political Economy," trans. Raya Dunayevskaya, *The American Economic Review* 34, no. 3 (September 1944): 501–30; Raya Dunayevskaya, "A New Revision of Marxian Economics," *The American Economic Review* 34, no. 3 (September 1944): 531–37; Paul A. Baran, "New Trends in Russian Economic Thinking?," *The American Economic Review* 34, no. 4 (December 1944): 862–71; Oskar Lange, "Marxian Economics in the Soviet Union," *The American Economic Review* 35, no. 1 (March 1945): 127–33; Leo Rogin, "Marx and Engels on Distribution in a Socialist Society," *The American Economic Review* 35, no. 1 (March 1945): 137–43; and Raya Dunayevskaya, "Revision or Reaffirmation of Marxism? A Rejoinder," *The American Economic Review* 35, no. 4 (September 1945): 660–64. Leontiev's textbook was Lev Abramovich Leont′ev, *Nachal′nyi kurs politicheskoi ekonomii* (Moscow, 1935), which appeared in English as Lev Abramovich Leontiev, *Political Economy: A Beginner's Course* (Moscow, 1935).

[18] Leontiev et al., "Some Questions of Teaching Political Economy," 514.

[19] Thorstein Veblen, "The Preconceptions of Economic Science III," *The Quarterly Journal of Economics* 14, no. 2 (February 1900): 263–64.

suggested that those categories had been repudiated during the Enlightenment because of their association with religious teleologies, leaving science to concentrate on static systems that could be analogized to mechanical constructs. By the end of the nineteenth century, however, evolutionary theory provided a secularized way to reintroduce dynamic, meaningful change, and the hard sciences were being transformed in tandem. As Phillip Mirowski has argued, even physics—the aspirational science for so many economists—was being upended in the nineteenth century by the recognition that time matters, because each state creates new conditions from which subsequent states emerge. Neoclassical economists were developing theories based on the first law of thermodynamics (energy can neither be created nor destroyed) even as physicists were exploring the second law of thermodynamics (as energy is transferred or transformed, it becomes more and more disordered through a process of entropy). The isomorphism of Newtonian physics was being transcended, and instead of the closed systems of circulation described by economists, actual scientists came to accept that the flow of time is meaningful.[20]

Stalin argued that the "law of value" was one example of a principle that changed over time.[21] Under capitalism, the phrase "everything has its price" is more than a mere aphorism. Everything is, in theory, subjected to the forces of supply and demand—everything, in other words, is commodified. Socialism was supposed to change that. That was the message conveyed to Polish economics students during the Stalinist years, which we know thanks to a preserved set of lecture transcripts from the prestigious Main School for Planning and Statistics (*Szkoła Główna Planowania i Statystyki*, or SGPiS). This Warsaw institution traces its origins back to a private business school founded in 1906, and during the interwar years it became Poland's premier center of higher education in economics. In 1949 it was nationalized and assigned the task of training those who would lead the country's rapidly expanding planning and accounting apparatus. In their first systematic introduction to Marxist economic analysis, students at SGPiS were taught that "liquidating the private ownership of the means of production, and the exploitation of people by people, on the basis of socialized means of production, means first and foremost that *labor power ceased to be a commodity*. It is unnecessary to emphasize that this is the initial moment that determines the character of commodity production in socialism."[22]

[20] Philip Mirowski, *More Heat than Light: Economics as Social Physics: Physics as Nature's Economics* (Cambridge, Eng., 1989). For more on the abandonment of diachronic analysis among economists, see Tony Lawson, "What is this 'School' Called Neoclassical Economics?," in Jamie Morgan, ed., *What is Neoclassical Economics? Debating the Origins, Meaning, and Significance* (Abingdon, UK, 2016), 30–80; Roberto Marchionatti, *Economic Theory in the Twentieth Century, An Intellectual History: Volume 1: 1890–1918. Economics in the Golden Age of Capitalism* (London, 2020); Dimitris Milonakis and Ben Fine, *From Political Economy to Economics: Method, the Social, and the Historical in the Evolution of Economic Theory* (Abingdon, UK, 2009).

[21] Iosif Stalin, *Ekonomicheskie problemy sotsializma v SSSR* (Moscow, 1951), published in English as Joseph Stalin, *Economic Problems of Socialism in the USSR* (Moscow, 1952). This book would be obsequiously quoted in Poland until 1956, but even afterwards many of its central arguments continued to re-appear (though usually without attribution). On the "law of value" debate, and the related "socialist calculation" debate, see M. M. Bober, "Marx and Economic Calculation," *The American Economic Review* 36, no. 3 (June 1946): 344–57; Béla Csikós-Nagy, "The Role of the Law of Values in Socialist Economy," *Eastern European Economics* 22 (1984): 102–121; Maurice Dobb, "Economic Theory and the Problems of a Socialist Economy," *The Economic Journal* 43, no. 172 (December 1933): 588–98; Katarzyna Gruber, ed., *Ekonomiści dyskutują o prawie wartości* (Warsaw, 1956); Michael Charles Howard and John Edward King, *A History of Marxian Economics: Volume 2, 1929–1990* (Princeton, 1992), 227–310; Michael Kaser, "The Debate on the Law of Value in the USSR, 1941–1953," in Vincent Barnett and Joachim Zweynert, eds., *Economics in Russia: Studies in Intellectual History* (Abingdon, UK, 2008), 141–56; Murray Smith, "Beyond the Law of Value: Class Struggle and Socialist Transformation," in *Invisible Leviathan: Marx's Law of Value in the Twilight of Capitalism* (Leiden, 2018), 307–39; Satish Raichur, "Economic 'Laws,' the Law of Value, and Chinese Socialism," *Australian Economic Papers* 20,no. 37 (December 1981): 205–18; Tomas Riha, "The Role of the Law of Value in the Rise and Fall of Socialism in the USSR," *International Journal of Social Economics* 21, no. 2–4 (March 1994): 117–40.

[22] Szkoła Główna Planowania i Statystyki w Warszawie, Studium Zaoczne, Katedra Ekonomii Politycznej, "Ekonomia Polityczna Socjalizmu," II rok studiów, część II, zeszyt 6 (Biblioteka Narodowa sygn. III 1.029.611), 12.

Some took this to imply that the very idea of economic laws ceased to have any meaning. In 1951, Maksymilian Pohorille and Włodzimierz Brus published a textbook on the political economy of socialism in which they suggested that it was possible for the proletariat to remake the very rules by which the economy operated.[23] Within a year, students at SGPiS were instructed to ignore those passages (though they continued to be assigned the remainder of the book). The retraction acknowledged that "Stalin teaches that one may not equate the objectivity of economic laws with their spontaneity, with the powerlessness of society against those laws. Marxism-Leninism has nothing in common with fatalism, with proclamations of passivity, with subordinating humanity to laws of development." On the other hand, this correction continued, "economic laws have a historical character. The majority of them function only during a certain historical period, within the framework of a particular formation, after which they are superseded by new laws."[24]

This shift had broad implications, particularly when paired with another distinctive feature of Marxism: its focus on macroeconomic analysis and its dismissal of methodological individualism. The economist Bronisław Minc (not to be confused with his infamous older brother, Hilary) repeated the aphorism that the main difference between "bourgeois" and socialist economists was that the former studied how people related to things, and the latter studied how people related to each other.[25] With such a methodology, he continued, capitalists could only understand value in the narrowest of terms, while socialists could see the bigger picture:

> In a capitalist society, the economic aspect of the production process is carried out on the foundation of the law of value, operating spontaneously and to a certain degree automatically. . . . The goal of capitalist production is not the satisfaction of the needs of society, nor the creation of use value in service of that objective. Consumption is necessary for capitalism only insofar as it enables the attainment of profit. . . . The economic laws of socialism do not operate spontaneously; the realization of its requirements depends on conscious, planned social activity, and on the engagement of the working masses.[26]

The goal of the socialist planner, Minc said, was to assess what people needed and wanted, and in doing so, market prices could sometimes be a useful tool. However, "it is of course necessary to differentiate between the categories of value and price. Price, resulting from its very nature, is not the same as value and it must diverge from it."[27] Price in a socialist society was a discernable but purely administrative statistical figure, whereas value worked at a higher level of abstraction. Contrary to a common misperception, the famous "labor theory of value" was never meant to offer a prediction about the price of any specific commodity.

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[23] Włodzimierz Brus and Maksymilian Pohorille, *Zarys ekonomii politycznej socjalizmu: Skrypt wykładów* (Warsaw, 1951).

[24] "Charakter praw ekonomicznych socjalizmu," in Szkoła Główna Planowania i Statystyki w Warszawie, Studium Zaoczne, Katedra Ekonomii Politycznej, "Ekonomia Polityczna Socjalizmu," rok akademicki 1952/53, semestr IV, zeszyt 3 (Biblioteka Narodowa sygn. III 1.585.213), 39–41. Although no name was attached to that document, another lecture attributed to Maksymilian Pohorille himself the following year contained almost identical language: Pohorille, "Charakter praw ekonomicznych socjalizmu," in Szkoła Główna Planowania i Statystyki w Warszawie, Studium Zaoczne, Katedra Ekonomii Politycznej, "Ekonomia Polityczna Socjalizmu," rok akademicki 1954/55, semestr IV, zeszyt 5–6 (Biblioteka Narodowa sygn. III 1.585.208), 33–43.

[25] Bronisław Minc, *Aktualne zagadnienia ekonomii politycznej socjalizmu* (Warsaw, 1956), 1–9. Both Hilary Minc and Bronsiław Minc were trained as economists. Hilary was a leading member of both the PPR and the PZPR, and served as Minister of Industry and Trade (1944–49), and Deputy Prime Minister (1949–56). From 1949–54 he was also head of the State Commission for Economic Planning. He was expelled from the PZPR in the post-Stalinist purges because of his membership in the Security Commission of the KC PZPR, which was responsible for most of the violence of the Stalinist years. Bronisław was also active in the PPR and PZPR, but he remained safely in the academy until his retirement in 1984.

[26] Minc, *Aktualne zagadnienia*, 15–17.

[27] Minc, *Aktualne zagadnienia*, 48.

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Instead, it is a conceptual framework for understanding the dynamic relationship between labor, profit, and production on the aggregate level. As the author and Marxist activist Fredy Perlman put it, "Marx's principal aim was not to study scarcity, or to explain price, or to allocate resources, but to analyze how the working activity of people is regulated in a capitalist economy."[28] To be more precise, Marx was in fact very interested in the structural dynamics of pricing, but was not interested in explaining why a specific good in a specific shop was traded for a specific amount of money on a specific day. For our purposes, what matters most is that he placed the relationship between value and price at the center of his *historical* story, and when that was abandoned (as it was in the Polish People's Republic), socialism itself was gravely weakened.

Marx's understanding of the relationship between value and price was dynamic, expressing itself differently in the past, the present, and the future. In the distant past, he wrote, the fact that value came from labor was immediately transparent, but "in the course of time . . . some portion at least of the products of labor must be produced with a special view to exchange. From that moment the distinction becomes firmly established between the utility of an object for the purposes of consumption, and its utility for the purposes of exchange."[29] There then followed a protracted period of what he called "simple commodity production," with societies that produced some commodities without all aspects of life being commodified. During that period, the exchange of goods was highly localized, playing a relatively small role in the larger processes of production and distribution. Insofar as commodity exchange was carried out, it broadly adhered to an understanding of labor equivalencies. As Engels put it in his postscript to volume 3 of *Capital*,

> In a word: the Marxian law of value holds generally, as far as economic laws are valid at all, for the whole period of simple commodity production—that is, *up to the time* when the latter suffers a modification through the appearance of the capitalist form of production. *Up to that time*, prices gravitate towards the values fixed according to the Marxian law and oscillate around those values, so that the more fully simple commodity production develops, the more the average prices over long periods uninterrupted by external violent disturbances coincide with values within a negligible margin.[30]

Value and price were thus reliably correlated *up to the time* when capitalism cast its veil of complexity and obfuscation over the social hierarchies that governed production. Marx claimed that the *total* of all commodity prices continued to reflect the *total* of all labor inputs, but the competitive logic of market exchange determined how all that value got distributed among different people who were situated differently in society. The key point here is that Marx started with a historiosophical scheme of epochal transformation, then described how the broad forces of production and circulation functioned during each successive period, and only then moved down to the detailed workings of the system. As the economist Fred

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[28] Fredy Perlman, "Introduction," in Isaak Illich Rubin, ed., *Essays on Marx's Theory of Value*, trans. Miloš Samardžija and Fredy Perlman (Montreal, 1973), xi. A number of scholars have argued that the labor theory of value does, in fact, correlate with commodity pricing, as long as we remain on the aggregate level. See W. Paul Cockshott and Allin Cottrell, "Labour Time versus Alternative Value Bases: A Research Note," *Cambridge Journal of Economics* 21, no. 4 (July 1997): 545–49; Nils Fröhlich, "Labour Values, Prices of Production and the Missing Equalisation Tendency of Profit Rates: Evidence from the German Economy," *Cambridge Journal of Economics* 37, no. 5 (September 2013): 1107–26; Anwar Shaikh, "The Empirical Strengths of the Labour Theory of Value," in Riccardo Bellofiori, ed., *Marxian Economics: A Reappraisal,* vol. 2 (London, 1998), 225–51; Lefteris Tsoulfidis and Dimitris Paitaridis, "Monetary Expressions of Labour Time and Market Prices: Theory and Evidence from China, Japan, and Korea," *Review of Political Economy* 28, no. 1 (2017): 111–32.

[29] Karl Marx, *Capital*, vol.1, chapter 2, at www.marxists.org/archive/marx/works/1867-c1/ch02.htm (accessed April 10, 2024).

[30] Frederick Engels, supplement to *Capital*, vol. 3 (1895) at www.marxists.org/archive/marx/works/1894-c3/supp.htm#law (accessed April 10, 2024). Emphasis mine.

Mosely has written, "Modern macroeconomics in recent decades has been obsessed with the 'micro foundations of macroeconomics.' Marx's logical method is the opposite—the macro foundations (the prior determination of the total surplus-value) of microeconomics (the individual parts of surplus-value)."[31]

Moseley's observation is crucial, because it allows us to understand why socialist economists like Bronisław Minc considered superficial mathematical precision to be dangerous. Obviously one must utilize math, wrote Minc,

> but one must decisively avoid the use, in economic research, of the so-called *mathematical method*, as conceived by many contemporary bourgeois economists, which is in reality an attempt to replace research into the essence of phenomena with the erection of formal constructions that have nothing in common with reality. . . . Applying mathematics in political economy has more than once led bourgeois economists to concepts that are entirely artificial, unreal.[32]

For the same reason, Minc rejected the neoclassical concept of "equilibrium." Minc proclaimed that "in a socialist economy, the regularity distinctive to a capitalist economy—that the sum of the prices of all products . . . equals the sum of their value—no longer applies." This claim was based on a differentiation between two economic spheres: one in which consumers purchased things from state firms, and another in which state firms exchanged goods among themselves. In the first sphere there had to be an equilibrium between the nominal value of the earnings of the population and the nominal value of the items they purchased. Such a balance, however, was just the tautological confirmation that the number of banknotes in circulation placed a limit on how many of them could be spent. When it came to the administration of production, however, prices were nothing more (nor less) than a "means of evidence and control"—a phrase that would appear repeatedly in the PRL's economic documents prior to 1956.[33] In a course on accounting, students at SGPiS were taught the following:

> In state firms a huge role is played by such factors as economic accounting, profitability, costs, prices, etc. The influence of the law of value on production has positive implications, because, insofar as it requires the utilization of monetary forms of evidence and control for the application of social labor, it creates, under socialist conditions, the very best sort of struggle for rational and thrifty management; it requires strict calculation and the mobilization of internal reserves, and the improvement of production methods. This is why *the socialist state broadly utilizes the influence of the law of value* on the sphere of production . . . *However, the law of value does not regulate socialist production, and it does not decide how to distribute labor power or the means of production between various branches of industry.*[34]

The purchase of an appliance by a Polish consumer from a state-owned shop involved a genuine transfer of ownership, so such things were commodities by any definition. But the interactions between two factories in a socialist country involved two parts of one entity (let's think of it as "Poland Incorporated") with one collective owner (the Polish people). Therefore, no exchange of value actually took place, because a transfer between a Polish supplier and a Polish manufacturer involved a mere relocation within a single corporate structure. In capitalist societies, when a firm sends materials from one section of the factory to another along

[31] Fred Moseley, *Money and Totality: A Macro-Monetary Interpretation of Marx's Logic in Capital and the End of the "Transformation Problem."* (Chicago, 2017), 6n6.

[32] Minc, *Aktualne zagadnienia*, 57.

[33] Minc, *Aktualne zagadnienia*, 90–92.

[34] Szkoła Główna Planowania i Statystyki w Warszawie, Studium Zaoczne, Katedra Ekonomii Politycznej, "Ekonomia Polityczna Socjalizmu," II rok studiów, część II, zeszyt 6 (Biblioteka Narodowa sygn. III 1.029.611), 17–18. Emphasis in the original. This particular lecture was undated, but internal references show that it was written prior to 1954.

a chain of production, no market exchange takes place, and the same was true for Poland Incorporated. SGPiS students were taught that in such circumstances "the state does not lose property rights, because both the firm producing a given item and the firm receiving that item are owned by the whole nation."[35] If there was no exchange of property, then there was no exchange of (commodified) value. This meant that prices were not—and logically *could not be*—determined by negotiations based on supply-and-demand equilibrium. There was no reason in principle that all the branches of Poland Incorporated could not just eliminate pricing altogether. There were, of course, countless practical, administrative obstacles. The informational, accounting, and bureaucratic complexities of a massive national economy were so intricate that a single allocation system would have been a herculean challenge (given the limited computer power available at the time). Nonetheless, this was an administrative and technological dilemma, not a theoretical weakness. One way to manage such a process was to use prices to convey information throughout the system, requiring each office and factory to maintain balanced books—thus the utilization of "monetary forms of evidence and control." But *utilizing* pricing was not the same as allowing prices to dictate production decisions. Individual factories did not need to maximize profits any more than each individual division in a capitalist corporation had to make a profit in order for the firm as a whole to thrive. In a draft planning document from 1946 we read about a distinction between "capitalist profitability" and "socialist profitability." Even if a particular firm failed to attain profitability in the conventional sense of the word, this text noted, losses were acceptable as long as the firm contributed something essential to society.[36]

An excellent example of how value calculations worked in practice during the Stalinist era would be the so-called "settlement price" (*cena rozliczeniowa*). The term exists in capitalist accounting as well, but it had a more specific connotation in the PRL. The settlement price of business-to-business goods was calculated by averaging the cost of production for a particular item across an entire sector of the economy. We can see the significance of this technical concept in a presentation delivered to coal mine managers in Katowice in 1947 by the Director of the Central Administration of the Coal Industry (*Centralny Zarząd Przemysłu Węglowego*), Fryderyk Topolski. He explained that ordinary miners had long been flummoxed by the mysterious logic governing which mines succeeded and which failed in the bad old days under capitalism. The employees of a particular mine might work hard and their firm might be well managed, yet they might nonetheless go bankrupt because they were not sufficiently profitable. That rate of profit, in turn, was determined largely by the market price of coal, which would fall if some other mine in some other region managed to dig up the coal more cheaply. But this problem did not arise under socialism, he continued, thanks to the settlement price system. Utilizing a sectoral average was the key, Topolski said:

> It was necessary to find some sort of solution which, without violating the existing price tables for coal, would guarantee all the individual economic units of the coal industry an equivalent profit. Such a solution was, precisely, the concept of the settlement price. Thanks to this method, a firm that up until now had high costs despite effective organization could count on growth and income, since the settlement price that the mines received for their products was based on planned returns with a determined profit margin.[37]

[35] Edward Wiszniewski, "Handel Socjalistyczny," in Szkoła Główna Planowania i Statystyki w Warszawie, Studium Zaoczne, Katedra Ekonomii Politycznej, "Ekonomia Polityczna Socjalizmu," rok akademicki 1953/54, semestr III-IV, część II, zeszyt 6a (Biblioteka Narodowa sygn. I 585.213), 4.

[36] "1946, kwiecień 10, Warszawa—Schemat planu długoterminowego na lata 1950–1955 opracowany w CUP (pierwsza redakcja)," in Hanna Jędruszczak, ed., *Wizje gospodarki socjalistycznej w Polsce 1945–1949: początki planowania* (Warsaw, 1983), 137.

[37] "1947, nie wcześniej niż 21 sierpnia, Katowice—Referat naczelnego dyrektora administracyjnego Centralnego Zarządu Przemysłu Węglowego o nowym systemie finansowym w przemyśle węglowym," in Jędruszczak, 378. This document does not identify the speaker, but the director of the CZPW is named as Topolski in Adrian

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It is hard to imagine a passage that more starkly illustrates the difference between the logic of capitalism and the logic of socialism. Topolski was saying that the profitability of a particular firm could be lost under one system of accounting but restored under another, because both systems rested on political choices about what to count, and how. A system based entirely on exchange value at the level of the individual firm would reveal that one mine required more labor than another to produce the same amount of coal. This would create incentives for technological or organizational innovations to improve the productivity of the underperforming mine, or it would lead to that mine's closure. If, on the other hand, the entire society was viewed as an interconnected whole, other considerations were made visible. Perhaps the costs of retraining and relocating the displaced workers exceeded the reduced productivity of laboring under suboptimal conditions. Perhaps the benefits of encouraging economic development in a particular region were greater than the losses accrued by a single firm. Neoclassical economists would find this whole line of reasoning nonsensical, because their approach is based on calculating profits by measuring the exchangeable commodities produced by individual firms. The Marxists were looking at different numbers. To be sure, their assessments could be wrong (and often were) but it cannot be *a priori* assumed that what is optimal for a specific firm will always be optimal for society as a whole. If a series of coal mines all have the same owner (the state), then their fate becomes a question of administration, and thus a question in which ethics, social impact, political power, and efficiency must all be considered. In other words, they had to consider *all* aspects of production and distribution from the point of view of Poland Incorporated, externalizing nothing. The whole point of neoclassical economics had been to banish considerations of morality, society, and politics from economic calculation. Socialism in the 1940s and 1950s brought these concerns back in.

## The Resurrection of Neoclassical Economics

The worldview described so far enjoyed only a brief moment of supremacy during the Stalinist era. Perhaps the enforced intellectual conformity of those years was only superficially obscuring the ongoing strength of neoclassical economics—a plausible interpretation given the continued presence of highly respected pre-war scholars like Oskar Lange, Michał Kalecki, Edward Lipiński, or Czesław Bobrowski. Lange in particular had been an outspoken proponent of market socialism in the interwar years, and his 1936 polemic with Ludwik Von Mises is often cited as one of the foundational texts of this approach.[38] During the Stalinist era, however, these scholars had either withdrawn from the public eye or reversed their earlier positions.[39] The first manifestation of dissent from the Stalinist path came not from any of the old dignitaries, but from a group of younger economists who wrote directly to First Secretary Edward Ochab in May, 1956: Włodzimierz Brus, Henryk Fiszel, Bohdan Gliński, Kazimierz Łaski, Zofia Morecka, and Józef Pajestka. These authors raised a long list of concerns, ending with a proposal: "we are deeply convinced that a fundamental change in the style of economic activity, an '*uekonomicznienie*' of that activity (not at all limited to investment, but to the entirety of this problem) ought to bring huge effects. It ought to reveal the

Krzemień, "Górnictwo węgla kamiennego w Zagłebiu Dąbrowskim w latach 1945–1949" (PhD diss., Uniwersytet Śląski, 2007), 33.

[38] Oskar Lange, "On the Economic Theory of Socialism, Part One," *The Review of Economic Studies* 4, no. 1 (1936): 53–71; and "On the Economic Theory of Socialism, Party Two," *The Review of Economic Studies* 4, no. 2 (February 1937) 123–42. On Lange, see Tadeusz Kowalik, "Biography of Oskar Lange," in *On Political Economy and Econometrics: Essays in Honor of Oskar Lange* (Oxford, 1965), 1–13; Janusz Zaręba, *Reforma w testamencie: Rzecz o Oskarze Langem* (Warsaw, 1985).

[39] Lange was the best example of the latter strategy. See, for example, his obsequious homage to Stalin, delivered when he became rector of SGPiS in 1950: Oskar Lange, *Dwie drogi rozwojowe w gospodarce światowej* (Warsaw, 1950).

virtually incalculable reserves which are right under our feet."[40] The neologism "*uekonomicznienie*," is hard to translate. Although literally it would be rendered as "economize," it meant more than just cost-cutting. Rather, it referred to a comprehensive approach to policymaking built around "objective" economic metrics, which in turn were understood in surprisingly neoclassical terms. Writing in 1957, Czesław Bobrowski exemplified the rhetorical strategies of the reformers. He summarized the "attack" mounted by his fellow economists:

> The objects of the attack were two things simultaneously: 1) the development of plans without regard to economic criteria and economic accounting, but instead with a clear tendency towards arbitrary, voluntaristic administrative decisions; 2) the transmission of the plan assignments via administrative means when it would have been possible to effectively use the method whereby the plan had an economic influence on those firms that implemented it. The logical consequence of this attack on two fronts was the "rehabilitation" of the law of value on the one hand, and a strong acceptance of the principle of firm autonomy on the other.[41]

The movement for economic reform exploded into public view during a dramatic academic conference (if that's not a contradiction in terms): the Second Convention of Polish Economists, held in Warsaw on June 7–9, 1956. This gathering brought together about 600 academics and policy advisors from across the country, and their debates set the tone for the reform efforts to come.[42] The timing revealed that changes were happening on many different levels: later that same month (June 28), a strike in Poznań led to demonstrations that were suppressed by a deadly military crackdown. While some leaders of the PZPR (*Polska Zjednoczona Partia Robotnicza*, or Polish United Workers Party) responded with familiar Cold War rhetoric about "enemy agitators" and "foreign influence," others were grappling with the cognitive dissonance of a communist state violently crushing a worker's revolt. An ad hoc commission was immediately formed to investigate the causes of the workers' discontent, nominally under the leadership of Vice-Premier Piotr Jaroszewicz, but in fact led by Michał Kalecki, an economist of international renown.[43] Kalecki's work was barely started, however, when yet another political earthquake shook the country: the famous "Polish October," when the VIII Plenum of the PZPR Central Committee elevated Władysław Gomułka to power. For reform-minded economists, Gomułka's triumph seemed to signify boundless opportunities. The Jaroszewicz/Kalecki commission was replaced by a more formalized "Economic Council" (*Rada Ekonomiczna*), called into being by a parliamentary resolution on December 1.[44] This

[40] This letter is reprinted in Zenobiusz Kozik and Eugeniusz Grzędziński, eds., *Polska w latach 1945–1956: Wybór tekstów źródłowych do nauczania historii* (Warsaw, 1987), 174.

[41] Czesław Bobrowski, "Przed zmianą modelu gospodarczego," in *Dyskusja o polskim modelu gospodarczym* (Warsaw, 1957), 208.

[42] The Convention was so memorable that the surviving participants got together in 2005 for the 50th anniversary of the event and published both the original papers from 1956 and a set of reminiscences: Zdzisław Sadowski, ed., *Przełomowy rok 1956 a współczesność* (Warsaw, 2007). For more on this gathering, see Aleksandra Witczak-Haugstad, "A Discipline Divided: Polish Economists and the Communist Regime, 1945–1960" (PhD diss., Norwegian University of Science and Technology, 2008), 145–98; Tomasz Zarycki, "Nauki ekonomiczne na kongresach nauki polskiej" (paper, Europejski Instytut Rozwoju Regionalnego i Lokalnego Uniwersytetu Warszawskiego, Warsaw, 1996).

[43] On Kalecki, see Mark Blaug, ed., *Michał Kalecki (1899–1970)* (Northampton, MA, 1992); Julio López and Michaël Assous, *Michał Kalecki* (London, 2010); Jerzy Osiatyński, *Michał Kalecki on a Socialist Economy*, trans. Jan Toporowski (London, 1988); Mario Sebastiani, ed., *Kalecki's Relevance Today* (London, 1989); Malcolm Sawyer, *The Economics of Michał Kalecki* (New York, 1985); Jan Toporowski and Łukasz Mamica, eds., *Michał Kalecki in the 21st Century* (London, 2015); Jan Toporowski, *Michał Kalecki: An Intellectual Biography* (London, 2013); Zdzisław Sadowski and Adam Szeworski, *Kalecki's Economics Today* (Abingdon, UK, 2004).

[44] On the formation of the Economic Council, see Witold Gadomski, "Działalność Rady Ekonomicznej przy Radzie Ministrów w latach 1957–1962," *Gospodarka Narodowa* 7–8 (2002): 30–54; Tomasz Sobczak, *Ekonomiści czytani, ale nie słuchani: Działalność organów doradczych przy Radzie Ministrów w Polsce w latach 1957–2006* (Warsaw, 2013), 19–46; Witczak-Haugstad, *A Discipline Divided,* 245–91.

body included thirty-six prominent experts, including all the leading economists of the day. Oskar Lange was now the chair, and Czesław Bobrowski was vice-chair. Five others joined Lange and Bobrowski to constitute a presidium: Michał Kalecki, Edward Lipiński, Włodzimierz Brus, Kazimierz Secomski, and Edmund Pszczółkowski. The Council first met on February 9, 1957, and their preliminary declaration, outlining their broad goals, was published one year after the Poznań strikes, in June of 1957.[45]

In his concluding remarks to that 1956 Convention, Oskar Lange announced the emergence of a new professional consensus: "finally, there exists an entirely united view among us . . . namely, that our national economy needs full and effective economic accounting."[46] That was a polemical exaggeration, obscuring the fact that competing views were expressed at the Convention, and would persist from the margins for years. Nonetheless, it is true that the center of gravity (or at least, the center of institutional power) among economists had profoundly shifted. It is telling that the most excitement at the Conference was generated by Kalecki's presentation, which was by far the most technical. Filled with subtle and precise argumentation, and abundant mathematical equations, it is the only paper that would have been inaccessible to outsiders—which might have been precisely why the insiders found it so appealing. Apparently the attendees, particularly the younger ones, were inspired by how Kalecki made economics seem intellectually sophisticated and mathematically rigorous, devoid of the philosophical and moral fluff of the more orthodox Marxists. This was by far the most oft-mentioned message of the conference attendees: they wanted to move from "ideology" to "science." One of the subsequent speakers from the floor (no one even bothered with the pretense of a Q&A format) summed up the mood well:

> it is necessary to introduce a precise differentiation between the science and the politics of economics, which might be tightly connected, but are nonetheless entirely different. . . . The tasks placed before us by science are testable, subject to logical and empirical verification. . . . On the other hand, the tasks that make up a political program, despite being based on scientific premises, have a normative character and relate to a certain system of goals. A system of goals can of course be justified, but the goals themselves cannot be subjected in a sufficient manner to scientific verification.[47]

The 68-year-old Edward Lipiński, perhaps the most senior scholar at the Convention, summed up the implications of this "scientific" approach by outlining a (re)new(ed) understanding of value and prices:

> Capital is a social relationship, and as such it does not contain within itself anything material. But capital is expressed in money, it is a measurable quantity, it is touchable, it is a quantity that is based, like everything else, on a material quantity. Construction workers, assessing the durability of materials, are dealing with the same material, quantifiable objects as are economists. . . . The law of value governs prices—market value constitutes the gravitational point of prices—but the level of prices themselves or changes in prices generate automatically a change in supply and demand, they generate a reaction that must be analyzed.[48]

Lipiński rejected Minc's claim (quoted above) that capitalist economists studied relations between people and things, whereas socialist economists studied the relations among people. Every economist, he said, belonged to one academic discipline, with one set of methods

[45] "Tezy Rady Ekonomicznej w sprawie niektórych kierunków zmian modelu gospodarczego," *Życie Gospodarcze* 22 (June 2, 1957).

[46] "Końcowe przemówienie prof. Oskara Langego na II Zjeździe Ekonomistów Polskich w Warszawie," in Sadowski, *Przełomowy rok 1956*, 223.

[47] "Dyskusja na II Zjeździe Ekonomistów Polskich," in Sadowski, *Przełomowy rok 1956*, 185. The speaker was Andrzej Brzeski, from Warsaw.

[48] Edward Lipiński, "O przedmiocie ekonomii i prawach ekonomicznych," in Sadowski, *Przełomowy rok 1956*, 86–87.

and one (deductive, mathematical) evidentiary standard. The forms of property ownership may change, but economics remains the same: the scientific study of the allocation of scarce goods (a definition that came from "bourgeois" economists like Lionel Robbins and Paul Samuelson, but would also characterize their Polish peers after 1956).[49]

By defining economics in this way, it became possible to sever ties with "soft" fields like philosophy, politics, and history, and line up alongside biology, chemistry, and (above all) physics. As one of the commentators from the floor at the 1956 Convention put it, the way they had been teaching economics up until then

> contradicts the elementary demands of logic, because when we say that economics uncovers the laws governing relations among people in the productive sphere, we define economics according to economic relations, relations of production. We describe the unknown with reference to the unknown. The flaw of that definition of the subject of economics is also that instead of drawing attention to typical, purely economic elements like price, cost, income, money, etc., we accentuate the "social relations" within them, thus losing that which is economic about the subject of the social sciences in their entirety.

In particular, this speaker continued, economists undermined the scientific nature of their discipline by imagining that the essence of human relations might change over time, thus introducing mutations in economic laws. People who advocated a historical approach were, in this speaker's opinion, a danger to the profession: "cultivating a distinctive 'theory of stages,' which justifies everything, does serious harm to the science of economics and forces people to doubt the representatives of that science."[50] In fact this speaker got things exactly backwards. The Stalinist-era cost-of-production assessments, contrary to their reputation, had actually been an attempt (admittedly, a failed attempt) to calculate the hard facts of material output. The reformists, on the other hand, wanted to base everything on the irreducibly *social* phenomenon of competitive pricing. Before 1956, planners tried to figure out how many X were needed to make Y; afterwards they were trying to balance the price of X with the price of Y. By mystifying the irreducibly social and cultural nature of pricing, the reformers got to pose as scientists while turning the fluidity of social life into a set of quantifiable variables.

From this supposedly scientific foundation, Lipiński inserted commodity valuation into socialism through the back door. The labor theory of value had been based on the amount of "socially necessary" labor contributed to a product. Lipiński relocated this calculation to the realm of consumption: "only by selling a good to a producer or consumer can I measure whether the amount of labor used in creating the product was socially necessary, whether it corresponded to the needs of society. If I contributed too much labor to the production of a machine that manufactures a consumer good, the demand for that good will show whether the amount of labor was or was not in accordance with social need." He went so far as to claim that "essentially, socialism implies the satisfaction of needs, and thus the mobilization of the sort of production that society demands." With demand established as the measure of value, it followed that "if, therefore, a product appears as a value, it has a monetary price, which functions according to the law of value, which makes price equal to value."[51]

[49] Compare, on the one hand, Włodzimierz Brus, "Niektóre problemy teorii cen w gospodarce socjalistycznej," in Oskar Lange, ed., *Zagadnienia ekonomii politycznej socjalizmu* (Warsaw, 1958), 172; and Edward Lipiński, "O przedmiocie ekonomii i prawach ekonomicznych," in Sadowski, *Przełomowy rok 1956*, 90; with Lionel Robbins, *An Essay on the Nature and Significance of Economic Science* (London, 1932), 15; Paul Samuelson, *Economics*, 10th ed. (New York, 1976), 3. For an analysis of these and other definitions of economics, see Roger Blackhouse and Steven Medema, "Retrospectives: On the Definition of Economics," *The Journal of Economic Perspectives* 23, no. 1 (Winter 2009): 221–34.

[50] "Dyskusja na II Zjeździe Ekonomistów Polskich," in Sadowski, *Przełomowy rok 1956,* 211–12. The speaker was Professor Zbigniew Zakrzewski, from Poznań.

[51] Edward Lipiński, "O przedmiocie ekonomii i prawach ekonomicznych," in Sadowski, *Przełomowy rok 1956*, 92–93.

As we have seen, during the Stalinist era firms needed to account for items or services they transferred to or received from other firms with measures of "evidence and control," but they did not buy or sell those goods. They could not, because there was no change of ownership involved. Yet the Economic Council argued in a report from December 29, 1957 that state firms should relate to each other *as if* they were independently owned, precisely so that they could adopt accounting methods based on commodity pricing. This would enable a shift in accounting methodology, based on the microeconomic act of exchange instead of macroeconomic assessments of social needs. The Council declared that "price is the foundational element of economic calculation, and thus it is a factor codetermining the foundation of economic choice on all levels of economic activity."[52] Brus, in his speech to the Economists Convention in 1956, had referred to this as a "quasi-market," acknowledging that the novel property relationship prevented it from being a true market exchange. But he proceeded to argue that the valuations emerging from such exchanges were subject to "objective laws" that applied equally and identically in capitalism and socialism.[53]

Once value and price were collapsed together, "equilibrium" became much more than an accounting mechanism—it became, as Lipiński put it, an "immanent law" (*prawo immanentne*) mandating that whenever a price diverged from its ideal equilibrium price, some sort of disorder or disturbance (*zaburzenia*) must follow. Pricing under socialism, he wrote, should regulate production in exactly the same way as it did under capitalism.[54] Brus went so far as to argue that "a price that does not balance supply and demand is not, fundamentally, an economically justified price. If the price is lower than the equilibrium price, it can only be sustained with the help of administrative means (a rationing system) or at the cost of such phenomena as hoarding commodities and lines outside of stores." [55]In this case, the manner of framing the issue made all the difference. Instead of entertaining the possibility that under specific circumstances different paths to equilibrium might be justified, he simply announced (again, by definition) that any method other than pricing was illegitimate. All alternatives were "administrative methods" rather than the proper "economic means," or as he put it more sharply, the "command principle" instead of the "economic principle."[56] Within this reasoning, allocation of goods by rationing was inherently problematic—perhaps acceptable as an emergency measure, but always to be viewed as a temporary deviation from proper, market based pricing.

In that very same speech from 1956, however, Brus ran up against the limits of his faith in the market, reassuring the audience that "sustaining some temporarily unprofitable or less profitable firms and branches for the sake of the entire national economy and for a properly understood long-term benefit constitutes on of the basic elements of the superiority of socialism over capitalism, one of the factors enabling considerably more rational management on the basis of the social ownership of the means of production, rather than on the basis of private ownership." [57]Socialism, he believed (though he would renounce this view later), was superior because it permitted a wide variety of factors to be discussed when making economic decisions, even though he insisted that the "economic" aspect of each question should always be at the forefront.[58] The tensions within Brus's worldview were typical of those years. One Economic Council report re-affirmed that "when it comes to pricing

[52] "Projekt Tez Rady Ekonomicznej w sprawie zasad kształtowania cen," *Życie Gospodarcze* 51/52 (23–29/XII/1957): 6.

[53] Włodzimierz Brus, "O roli prawa wartości w gospodarce socjalistycznej," in Sadowski, *Przełomowy rok 1956*, 132.

[54] Edward Lipiński, "O przedmiocie ekonomii i prawach ekonomicznych," in Sadowski, *Przełomowy rok 1956*, 93, 97, 98.

[55] Brus, "O roli prawa wartości," in Sadowski, *Przełomowy rok 1956*, 134.

[56] Ibid., 136, 138. He made an almost identical argument a couple years later in "Niektóre problemy teorii cen w gospodarce socjalistycznej," in Lange, *Zagadnienia*, 170–239.

[57] Ibid., 147.

[58] Ibid., 48.

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policies, the principle of market equilibrium must be respected both in the means of consumption and in the means of production," yet in that same document we learn that "equilibrium is not and cannot be, however, treated as the goal of state pricing policies, since the state of equilibrium can be attained with various combinations of the three factors that constitute it: supply, demand, and price."[59] The risk of positing price equilibrium as a goal, this document explained, was that it would create a temptation to respond to every imbalance by raising prices in order to suppress demand. Instead, the authors wanted state policies to focus on increasing production, or altering production to better meet the needs of the citizens. "Only after exhausting all possibilities of attaining a state of equilibrium in the aforementioned ways," they concluded, "can one consider either a price change or the introduction of rationing."[60]

Bronisław Minc was an outspoken opponent of this new direction. He repeated his observation that a firm could not compete with itself, so supply-and-demand pricing was nonsensical when everything had one owner. For purposes of management, he said, it was not price that mattered, but value. "Price, as a rule, must deviate from value," he wrote later, "so for this reason it cannot be a perfect tool for economic accounting. . . . Unavoidable changes in the system of prices must necessarily emerge from a socialist economy and take into account objective conditions, and it is neither possible nor desirable to apply artificial constructs borrowed from bourgeois political economy."[61] The cost to the firm that produced a particular part or raw material had to be reimbursed when the finished product was allocated somewhere else. Otherwise serious imbalances would ensue, and the first enterprise would be unable to cover its costs in the future. All of this was an accounting problem: a way of ensuring that every firm would continue to be allocated the resources it needed to do its job. Sales based on supply and demand could not determine how to cover those needs—that had been the fundamental theoretical error of neoclassical economists, whom he called (with a nod to Marx) "vulgar capitalists."[62]

This argument was echoed by Maksymilian Pohorille, who was not invited to give a presentation at the 1956 Convention, but who managed to speak from the floor at such length that his remarks became a chapter in a book titled *Economists Discuss the Law of Value*. "There are two paths for adapting production to consumer need," Pohorille said. "First, the spontaneous method of a capitalist economy; second, the conscious adaptation of a planned, socialist economy."[63] It really was an either/or decision, because in a socialist system the whole premise of supply-and-demand pricing collapsed. As Pohorille put it, the reformers were proposing a system that would be at most "pseudo-competitive." But there was an even deeper problem, he continued: "we must not fetishize prices or price equilibrium, because we must carry out a specific social policy. If we continued to treat price equilibrium as a fetish, then the only means of resolving difficulties in meat supply would be to raise its price. Lines are unfortunate, but in some situations they are the only option, if there is not enough meat. Raising the price of meat is not a solution for those who cannot buy the meat at a higher price."[64] A world in which prices were based on supply and demand, he said, would be a world in which commodification returned, and in its wake would come the whole logic of

[59] "Projekt Tez Rady Ekonomicznej w sprawie zasad kształtowania cen," *Życie Gospodarcze* 51/52 (23–29/XII/1957): 6.

[60] Ibid., 6.

[61] Bronisław Minc, "Zagadnienia wybory ekonomicznego w planowaniu oraz problem cen," in Lange, *Zagadnienia*, 320.

[62] Bronisław Minc, "Problemy teorii reprodukcji socjalistycznej," in Sadowski, *Przełomowy rok 1956*, 156. Marx used the invective "vulgar economists" to describe liberals throughout volume one of *Capital*.

[63] Maksymilian Pohorille, "Na marginesie dyskusji o roli prawa wartości w ustroju socjalistycznym," in Katarzyna Gruber, ed., *Ekonomiści dyskutują o prawie wartości* (Warsaw, 1956), 53. His only somewhat shorter remarks from the floor were summarized by a reporter as part of "Dyskusja na II Zjeździe Ekonomistów Polskich," in Sadowski, *Przełomowy rok 1956*, 200–203.

[64] Maksymilian Pohorille, "Na marginesie dyskusji o roli prawa wartości w ustroju socjalistycznym," in Gruber, *Ekonomiści dyskutują*, 54–56; "Dyskusja na II Zjeździe Ekonomistów Polskich," in Sadowski, 200–201.

capitalism. If profit was the goal and if price was treated as an "objective" reality, then incentives would be aimed at lowering costs and maximizing prices.

Even Brus had set labor apart as an area where supply-and-demand pricing should not be applied: he said that they must never allow firms to compete for profits by lowering pay, even as he told firms that their fundamental goal should be the maximization of profit.[65] Similarly, he wanted firms to set their own prices, yet he also wanted to believe that "there exists in general a concept of the economic interest of the nation as a whole, which is not entirely covered by the interests of specific firms or directly by the interests of citizens, as consumers."[66] Lipiński also agreed that scale mattered: "in a socialist economy, the decisive factor is social profit, that is, the socio-economic effects of a particular investment, an effect that is not at all limited to a particular factory of even one branch of production." Once we understand the concept of "social profit," he continued, we can also see that "the superiority of socialism depends on the fact that it creates the possibility of suspending or limiting the functioning of the law of value."[67] Writing a couple years later, Zofia Morecka argued that despite the importance of the law of value, it must never be allowed to extend to labor. Yes, the accounting within firms would have to determine a "cost of labor" denominated in money, yet "'socialist' pay is not constituted by the price of labor power, because the latter ceases to be a commodity."[68]

It is certainly understandable that these economists, as socialists, wanted to draw lines around worker compensation, but on what grounds could they do so? One certainly could make ad hoc determinations that market pricing should apply here, but not there. Yet if the goal was to turn economics into a science and avoid subjective political judgments, the whole project was undermined by the inescapable politics involved in determining how far commodification would go. Moreover, if commodity pricing did not apply everywhere, then what use was it? If labor costs were not priced according to the same valuation system as everything else, then the largest single expense on most firms' ledgers was excluded. What sort of equilibrium would result from that? This is the dilemma that the PRL's economists faced, and none of them solved it.

In 1958 the co-chair of the Economic Council, Czesław Bobrowski, cautioned that commodity pricing was just "a certain tendency, and not a misleading hope of solving the broad problems of planning and management through the direct application of the law of value."[69] And yet, by that time nearly all of his peers agreed that it was necessary to introduce "economic accounting" and "rational calculations." In later years, the reformists would complain that their calls for a more rational type of socialism—market socialism—were ignored by policymakers.[70] Whether or not that was indeed the case would be the topic for another article, but even before we could consider those policy debates, we would have to grapple with an even more fundamental problem: their proposals were built on an irresolvable inconsistency. They wanted to employ the microeconomic methodologies of neoclassical economics, in which the forces of supply and demand set prices, and in which those prices both established production incentives and measured the efficiency of each firm. Yet as socialists they realized that they could not allow labor to be commodified in this way, nor could they

[65] Włodzimierz Brus, "O roli prawa wartości w gospodarce socjalistycznej," in Sadowski, *Przełomowy rok 1956*, 144, 147.

[66] Włodzimierz Brus, "Spór o rolę planu centralnego," in Gruber, *Ekonomiści dyskutują*, 140–41.

[67] Edward Lipiński, "Prawo wartości i planowanie centralne," in Gruber, *Ekonomiści dyskutują*, 158.

[68] Zofia Morecka, "Płace w gospodarce socjalistycznej," in Lange, *Zagadnienia*, 353.

[69] Czesław Bobrowski, "Modele gospodarki socjalistycznej," in Lange, *Zagadnienia*, 127.

[70] See, for example, Jan Drewnowski, "Autobiografia," *Kwartalnik Historii Nauki i Techniki* 4 (1990): 451–89. Some have gone even further, suggesting that the very idea of forming the Economic Council was misguided, because the PZPR was too "ideological" to ever listen to expert advice. See Witold Gadomski, "Działalność Rady Ekonomicznej przy Radzie Ministrów w latach 1957–1962," *Gospodarka Narodowa* 7–8 (2002): 30–54. The title of one book on this topic summarizes this view perfectly: Tomasz Sobczak, *Ekonomiści czytani, ale nie słuchani: Działalność organów doradczych przy Radzie Ministrów w Polsce w latach 1957–2006* (Warsaw, 2013).

ignore the social or political implications of microeconomic decisions. They wanted to be recognized as mainstream economic scientists standing above ideological disputes, yet they pushed for an accounting system that could only conceptualize exchange value, thus rendering invisible almost everything else that socialists were supposed to want. If we took this story forward we would encounter plenty of intransigent Party apparatchiks and bungling policymakers, but we do not even need to introduce those characters to see where this tale is headed.

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