

CZECHOSLOVAKIA'S ROAD TO UNDERDEVELOPMENT

A reformist Marxist looks at his country's crippled economy and concludes that quashing the market led to economic disaster — and Stalinist tyranny as well.

By **RADOSLAV SELUCKÝ**

ON MAY 29, 1979, A study on Czechoslovak standards of living appeared in the West that pointed out that an insufficient supply of goods and services had led to widespread corruption and a black market; that there was a real lack of meat, vegetables, fruit, household goods, building materials, shoes, and clothing; and that to earn the money to buy a car, a Czech has to work 4334 hours compared to a Frenchman's 1434. On that date several persons were arrested in Prague who were members of the human rights group that had released the report. Though such facts about living standards can be found easily in the official Czech press and government statistics, to publish them abroad is, in the view of Czechoslovak authorities, the criminal offense of "spreading material which undermines

confidence in state institutions."

This incident is nowadays rather typical of a country that only eleven years ago attempted to make its Soviet-type system both economically efficient and democratic. Once again, Czechoslovak socialism is neither efficient nor democratic. Ten years of counterreformation carried out by Dubček's conservative successor Gustáv Husák has turned Czechoslovakia back to the dark 1950s. Marx once noted, when quoting Hegel's observation that all facts and personages of great importance in world history occur twice, that "Hegel forgot to add: the first time as a tragedy, the second as a farce." Marx's remark fully applies to the present Czechoslovak situation. Though the Czechoslovakia of 1979 reminds one very much of the Czechoslovakia of 1952, its current plight is farcical indeed. First of all, it is being played in the world of détente rather than in that of the Cold War. Second, the present Czechoslovak farce is directed by cynical and corrupted clowns while the Czechoslovak tragedy of the early 1950s was directed by believ-

ing criminals. The contemporary Czechoslovak rulers pursue one principal goal: to eradicate the 1968 reform from the memory of the Czechoslovak people and to make its repetition impossible anywhere in Eastern Europe. Absurd though this goal may be, they nonetheless try very hard. In a sense, theirs is the task eternal.

What was the substance of Czechoslovakia's 1968 reform? Though it focused on politics, it started with economics. In the early 1960s, a small group of open-minded Czech economists realized that a Soviet-type command economic system did not suit a highly industrialized country with democratic traditions and European sentiments. In 1963, Czechoslovakia experienced an unprecedented socialist recession: Its GNP fell by 2.5 percent and its labor productivity by 4 percent in one year. The country's economic efficiency had been steadily declining. In 1950, to increase the national income by one crown had cost Czechoslovakia 1.33 crowns; in 1963 it cost 18.22 crowns. The more the country invested and pro-

*RADOSLAV SELUCKÝ left Czechoslovakia in 1969 and teaches political science at Carleton University in Ottawa. He is the author of *Marxism, Socialism, Freedom*, published by St. Martin's Press.*

duced, the less it obtained in net returns. This paradox was reflected by the then popular joke: The government introduced a new vending machine. You inserted one crown and got two crowns in return. Though the machine perfectly fulfilled the prescribed plan, the government eventually decided to remove it. Why? Well, even the leaders finally comprehended that the machine had been unprofitable.

It was easy to remove the imaginary inefficient vending machine, but it was not easy to get Czechoslovakia ready to reform its inefficient economic system. After having applied the Soviet model of economic development for fifteen years, the formerly advanced country was gradually sinking to the level of the developing nations. This puzzle forced the Czech economists to look critically not only at the system's performance but at its very essence. What was wrong with it? After a series of thorough theoretical and empirical analyses, they concluded that although a Soviet-type economic model was capable of expanding the supply of capital and the labor force, it was unable to utilize production factors effectively.

Though this helped explain the vicious cycle of production for production's sake, yet another puzzle had to be clarified: Why can't a command economic system use factors of production efficiently? The answer was unequivocal: The Soviet-type system relies on the suppression of the market, but an economically efficient socialism ought to be based on a planned exploitation of the market economy. Instead of relying on an all-embracing plan, a synthesis of plan and market would better serve the economic needs of the country.

By all traditional Soviet and Eastern European standards, this was heresy. Did not Marx believe that the market causes such miseries as exploitation of wage labor, alienation of man, cyclical recessions, permanent unemployment, economic instability, and polarization of the rich and the poor? Did not Lenin, in the strict antimarket Marxist tradition, call for the creation of an economic system organized, planned, and managed as one single nationwide factory? Whatever the older Marxist tradition may suggest, the elimination of the market is nonetheless a formidable task. To abolish the market, one must first eliminate at least one of its three causes: social division of labor, scarcity, and the autonomous position of economic units.

As abolition of the social division of labor and of scarcity is out of the ques-

tion, the only way to undermine the market is to end the autonomy of enterprises. Instead of behaving as independent entities, economic units would become mere workshops of a nationwide factory subject to a single economic plan. To accomplish this a centrally planned and directed system was created, with the self-regulating mechanism of the market kept to a minimum, replaced by administrative orders, prohibitions, and regulations, and with a command plan imposed on its recipients as the aim, method, and touchstone of all economic activity.

CAN SUCH A SYSTEM ever work? No doubt—provided that the general interest of society coincides with the thousands of particular interests of various social groups, work collectives, and individuals. However, this kind of coincidence is rather exceptional. As the late Professor Oskar Lange aptly pointed out, the command economic system is a kind of war economy. It is suited to periods of emergency in which the very existence of the national community is at stake and when, therefore, all partial interests must be temporarily—perhaps even forcibly—subordinated to a single aim. In any war economy, the role of the market is limited, and the role of bureaucratic bodies that enforce national priorities by means of power politics expands. What in war economies is a transitory and extraordinary method, however, is elevated to a lasting princi-

ple in the Soviet-type economic system. Although the Czech Communist party leader before 1968, Antonín Novotný, badly needed a more efficient economic system, he was not ready to pay the political price for it. When the economists drafted a radical economic reform in the mid-1960s, they pursued a two-fold objective. On the one hand, they aimed at improving the country's economic performance. On the other hand, they assumed that a reform based on marketization would inevitably bring about three sociopolitical changes: 1. Relaxed party control over the economy would be reflected in politics; 2. Renewed freedom of choice for persons as consumers and producers would be eventually extended to persons as citizens; and 3. Renewal of contractual relations in the economic sphere would ultimately undermine hierarchical relations in the political sphere. In short, the reform economists believed that the pluralistic restructuring of the economy would gradually democratize the political system.

The reason for the reformers' hope was the reason for Novotný's apprehension: He rightly feared that if he yielded

The present Czechoslovakian farce
is orchestrated by cynical and corrupted
clowns in a world of détente.

the required autonomy to the economic sector, the other sectors—culture, education, art, ideology, and politics—would demand the same. His was a fair appreciation of the intrinsic dilemma of a Soviet-type system: To be open to new impulses of science, technology, and culture, the system has to change, but to survive, the system cannot change. Since Novotný wanted to preserve the system, he flatly rejected the comprehensive reform proposal. He agreed to an experiment, however: A small group of selected firms would work under a new set of conditions while the rest of the economy proceeded under the rules of the old system. A joke told at the time

ple in the Soviet-type economic system. In the Soviet Union the system meets the needs of the military, but it cannot simultaneously satisfy the diverse needs of the consumer. Under peaceful circumstances, the command economy is not conducive to innovation, technological progress, dynamic structural changes, modernization, or overall economic efficiency. Nor can it work without binding directives, coercion, and bureaucratic control. It presupposes a passive role for both the producer and consumer, deprives them of initiative, and fails to add new options to the economic life of the population. Since command planning provides the economic

ridiculed this experiment and correctly pointed out its absurdity: A delegation of traffic experts was sent to Great Britain to find out why the rate of traffic accidents was lower in England than in Czechoslovakia. The experts concluded that the British had a lower rate of accidents because they drove on the left. The Czech Politburo carefully studied the report and decided that the British pattern should be tested in Czechoslovakia. Since the members of the highest party

of Eurocommunism in the West. Its basis was as simple as this:

As long as scarcity and the division of labor persist, we cannot do without the market. Because of scarcity, people cannot be rewarded according to their needs, although socialist principle demands that people not be rewarded according to their capital. Distribution according to work assumes that rewards are related to the performance of individuals and firms; this in turn requires

formulated their concepts so explicitly, this was exactly what they had in mind. Had they more time in 1968, they could have elaborated their views theoretically and tested them in practice. Had they not been purged from research institutes, universities, and government and party positions by the present Kremlin-backed regime, they could have developed the concept of democratic socialism even further.

One should not forget the merciless purges that preceded the postinvasion counterreformation: 44 cabinet ministers of the federal and the two republican governments lost their positions; 270 members of the federal and the two republican parliaments were dismissed; about 900 leading elected officials of trade unions were recalled; 64 members of the Dubček Communist party Central Committee were expelled; some 12,700 elected members of regional, district, and municipal governments were purged; some 14,000 senior party, trade union, and governmental officials were fired; approximately 150,000 civil servants, managers, economists, technicians, lawyers, professors, teachers, diplomats, journalists, actors, writers, judges, and scientists were deprived of their jobs. As the pro-Soviet director of the Institute of Physics of the Czechoslovak Academy of Sciences, one Dr. R. Procházka, put it, "I would purge even Einstein if he were a reformer." If one adds to the victims of the purges another 100,000 people who emigrated to the West, one may conclude that the country lost most of its intellectual elite. For a nation of 15 million people, such a sudden loss was what the French Communist author Louis Aragon called a "Biafra of the spirit" and the Nobel Prize winner Heinrich Böll, the creation of "a perfect cultural cemetery."

As a consequence of its return to the prereform economic system, Czechoslovakia is again suffering from the well-known diseases of command planning. Productivity of capital went down by 3.1 percent between 1970 and 1975. The technological obsolescence of the economy continues: 31.7 percent of Czechoslovak machinery and equipment was more than fifteen years old in 1976. No wonder Czechoslovak exports to the West scarcely meet world quality standards. On average, Czechoslovak machines are twice as heavy as their Western counterparts and about 20 percent less productive. Though machinery and machine tools are the leading Czechoslovak export industry, the country's share in world machinery exports de-

As long as scarcity and the division
of labor persist, we cannot do without the
market nor reward according to need.

body were prudent men who wished to avoid any radical traffic reform, they introduced a gradual one: In the first year, only the taxicabs would drive on the left on an experimental basis. If the experiment were successful, it would be later extended to all cars.

Novotný also believed firmly in the illusion that the command system could ultimately be perfected. The reformers quoted prominent Soviet scholars like V. V. Novozhilov and V. M. Glushkov who said that to perfect the central plan the entire population of the country would have to be engaged in planning—an impossible condition. Furthermore, according to the calculations of Soviet mathematicians, to draft an accurate and fully integrated plan for material and technical supplies alone, for a country of the size of Czechoslovakia, would require the labor of the entire world's population for a million years. However, Novotný could not believe that someone else might know better than he what the country really needed, and in January 1968 his belief in his infallibility cost him his job.

DURING THE SHORT Prague Spring that followed, the new party leadership headed by Alexander Dubček launched a parallel economic and political reform, which, had it not been interrupted by the Soviet invasion, might eventually have given birth to a unique brand of democratic yet Marxist socialism. Though the Russians were able to kill the Czech reform, they were unable to kill the idea of Marxist socialism with a human face. The Czech idea gave new ammunition to dissidents and revisionists in the East and facilitated the birth

material incentives to stimulate innovation and productivity. The division of labor in society makes it imperative that producers mutually trade their products and services, which according to the labor theory of value, will be an exchange of equivalents. Although the most efficient instrument of economic allocation of scarce resources is the market, the most efficient device for harmonizing market allocation with welfare priorities is social planning. Hence, a synthesis of plan and market is indispensable. Since command planning and the market are mutually exclusive, another type of planning has to be found. Of all known types, only indicative social planning is compatible with the market.

Contrary to Marx's dogma that the market is incompatible with a humanely organized society, a restricted market is a *sine qua non* of democratic socialism. To be freed from manipulation and domination by the central planners, the producers have to attain control over their labor and products, which is impossible unless they have autonomy. Once the economic units are autonomous, and only then, can they be run by a management freely chosen, controlled, and removable by the employees. Only under this condition can the working people regain control over the economic aspects of their lives and, organized together as producers, secure their independence from the political representatives of society.

Though this system does not bring about political democracy automatically, it makes it possible. And, once political democracy is restored, social planning, carried out by politicians and civil servants, can be kept under public control. Though the Czech reformers never

clined from 3 percent in 1960 to 1.86 percent in 1974. Since 1973, Czechoslovakia's overall foreign trade balance has been negative. What is worse, Czechoslovakia has had a deficit with Comecon since 1974 and with the Soviet Union since 1975, and its trade deficit with the West almost tripled between 1974 and 1977.

Since command planning cannot produce domestic innovations, Czechoslovakia is forced to import them from the West. To pay for them, the country has to increase its exports to hard currency markets. Hence, Czechoslovakia needs to sell its best machinery in the West. Because of détente and growing East-West trade, Czechoslovak machinery has been facing, since 1973, increasing Western competition in the Soviet and East European market. The Soviet Union, which supplies Czechoslovakia with oil, gas, and other vital raw materials, insists that Czechoslovakia sell its best machinery to Russia in exchange. Finally, to improve the standards of the Czechoslovak machinery industry, the best equipment ought to be used at home for badly needed improvements.

Since it is impossible to meet all three priorities, Czechoslovakia is caught in a vicious circle to which the command economy offers no solution. Economic reform is now out of the question (the very word "reform" disappeared from the Czech official vocabulary except in a derogatory sense), and only an old cure is available, an increase of investments in production factors, which is notably ineffective. The Czechoslovak rate of accumulation, however, is already too high: around 30 percent of the GNP.

pressures. In the 1970s, the money supply has grown twice as much as the national income, and 300 billion crowns (circa \$30 billion) worth of products cannot be sold because of their low quality.

But this is only a part of the story. There is a huge parallel economy or black market in Czechoslovakia. Consumers have to pay black market prices for goods and services in short supply. What is even more unsettling, once the official market was curtailed, people came to use the black market not merely for private consumption but also to keep productive enterprises supplied. And finally, after the reintroduction of the old command system, the black market now includes bribes for practically everything provided by public services, government offices, local authorities, and socialist enterprises.

WITH THE PREVAILING cynicism and loss of socialist ideals in the 1970s, corruption has reached gigantic proportions. A cartoon in an official satirical journal featured Archimedes saying, "Give me just a hint whom to bribe and I will move the earth." A story suggests that the scale for bribes has now stabilized. A young Czech medical doctor who married a young East German medical doctor applied for an emigration visa to East Germany. He knew that he would have to bribe the passport official but he did not know how much. A friend offered him good advice: "Put 5,000 crowns into one envelope, and

than to go to the West for good.

More seriously, the system of parallel economies has one definite disadvantage: Whereas an officially sanctioned market structure may serve as the economic basis for political democracy, the unofficial black market can serve at best as the economic basis for corruption and bribery.

Although there is scarcely a chance for the kind of reform proposed in 1968 in Czechoslovakia to be put in practice anywhere in Eastern Europe in the near future, such a program has had a deep impact on several Western European Communist parties, especially those of Italy and Spain. Most of the Western European Communist parties strongly condemned the Soviet invasion of Czechoslovakia and have reiterated this condemnation several times since 1968, most recently on the tenth anniversary, in August of 1978. They do not hide the fact that their sympathies are with the purged Czech reformers rather than with the pro-Soviet Husák regime. Like the Czech reformers, Eurocommunists believe that socialism can be economically efficient and can be combined with political democracy and individual freedom. That is why they have deleted such discredited concepts as the dictatorship of the proletariat, the one-party system, the leading role of the Communist party, and command economic planning from their programs and vocabularies.

While all this is laudable, Eurocommunism is still much more a tendency than a crystallized democratic movement. After all, even its most prominent representatives have not yet fully broken with Leninism. In this respect, they are far behind the radical wing of the Czech reform communists. At present, the great themes of the Prague Spring—market socialism, economic and political pluralism, self-management, and individual freedom—are widely and heatedly discussed by French, Italian, and Spanish Communists. Unlike the Czechs, Western European Communists know the Soviet-type system mainly from hearsay, and few of them have experienced its monstrosities first hand. While this lack of personal experience makes their criticism of bureaucratic socialism less emotional, it also slows down their full conversion to socialism with a human face.

Yet if one looks at 1968 Czechoslovak reform from the perspective of today, its message seems to be even more clear and relevant than it was eleven years ago. □

Czechoslovakia, today, is caught in a vicious circle to which the command economy offers no real solution.

Domestic pressures for higher private consumption are strong. Though the regime wants to satisfy domestic consumer needs, it must invest more and more in its machinery industries if it is to improve its balance of payments. According to its prospective plans, Czechoslovakia intends to increase its machinery production by 175.6 percent in the next ten years. This reminds one of the situation preceding the recession of 1963: Overinvestment on a low technological level creates disproportions, leads to diminishing returns, undermines living standards, and creates inflationary

give it to the official. If it is not enough, give him yet another envelope with 10,000 crowns. And if even this is not enough, give him yet another envelope with 15,000 crowns—30,000 crowns should do it." The doctor proceeded as advised, and when he came a few days later to pick up his passport, he found out that he got an emigration permit to West Germany. "Hey," he told the official, "this must be a mistake. I applied for a visa to East Germany." The official apologized, corrected the visa, and gave the doctor back 20,000 crowns—to emigrate to East Germany is cheaper

HARVARD GUIDE TO CONTEMPORARY AMERICAN WRITING,
edited by Daniel Hoffman. Harvard University Press, 606 pp., \$18.50.

Transatlantic perspectives

ANTHONY BURGESS

READERS WILL NOT, I THINK, regard as an act of presumption the appraisal of this important American book by an Englishman. A British writer who has attempted to survey, in a book for Italy, a book for Japan, and a book for Britain, the contemporary scene in British literature is perhaps qualified to appreciate the American literary achievement since 1945, finding in it a richness that the literary output of his own country cannot, in that same period, even begin to approach. And perhaps only a foreigner whose language is closely akin to, if not identical with, the medium we may call Ameringlish (which includes major dialects like Yidglish, Southglish, and Blackglish, as well as such important idiolects as Mailerian, Nabokovian, Rothian, and Bellovian), can interpret to Americans the essential American quality of American writing.

In the survey of the intellectual background with which Alan Trachtenberg begins this huge panorama, an Englishman sees how revolutionary have been the upheavals of thought and feeling that have animated America since the end of the Second World War. America emerged from that war fresher and richer than ever, its manpower virtually intact in comparison with the rest of the belligerents. With Nazi Germany crushed, Soviet Russia assumed the status of chief exemplar of evil, and a simplistic image of America as Jerusalem the Golden, utopia and cornucopia, flaunting the torch of free speech and free enterprise, sustained the middle-class bulk of the nation. Communism was the great enemy, and the

American Way of Life had to be protected from it, even at the expense of the limitation of the very freedom that was so brashly lauded.

Gloom and self-questioning followed the damnable McCarthy era. The blacks, who had no part in the general prosperity, became militant, and so did the young, who detested the new metaphysic of consumerism. America invaded Vietnam in the name of democ-

**There is
nowhere else
such creative
vitality and
excellence as
in America.**

racy, and soon became consumed with doubt and guilt. New pressure groups, forces of female and homosexual liberation, inflamed the guilt, as did the Kennedy assassination and the Watergate scandal (which, incidentally, would hardly have quickened a pulse in a sophisticated country like Italy). America, in 1979, is breast-beating, worried, above all suffused with a conviction of guilt which, to a European, must seem pathologically excessive. Out of this mental and spiritual turmoil a remarkable literature has emerged.

Permit me to compare briefly the American situation with the British. Britain ended the war tired, bankrupt, but prepared to try the experiment of socialism. Socialism has not worked as well as the socialists had expected, but despite the occasional Tory interim, Britain is committed to it. The welfare state remains with us, and it has been

responsible for a kind of literary quietism. There has been little to fight for except the right of the provincial voice to be heard in the capital (hence the Angry Young Men and the Beatles).

England has known bitter race conflict, but this has produced no apocalyptic pronouncements like James Baldwin's *The Fire Next Time*. The women and the gays (an old jail term for homosexuals) have echoed the vociferations of their American sisters and brothers, but without memorializing their grievances in immortal words—unless we except Germaine Greer's *The Female Eunuch* and Doris Lessing's *The Golden Notebook* (both, incidentally, as much "colonial" works as anything that comes out of America). The British empire was dismantled, foreign travel allowances were reduced to the minimum, and British writers were forced to stay at home. At home there was not much to write about except for adultery in Hampstead, the ambitions of Oxonians in the new media, and the grumbles of everyone about high taxation. Writers were rarely sheltered on campuses or temporarily enriched with state subventions. Novels and volumes of verse have, perforce, been very thin. There is a sense that there is less blood to flow than in America.

This American survey divides its large subject into categories some of which would be inapposite in a British equivalent. Leo Braudy deals with the fictional "main stream," Mark Shechner with Jewish writers, Josephine Hendin with experimental fiction, Nathan A. Scott, Jr. with black literature, Elizabeth Janeway with women's literature, Daniel Hoffman devotes three long chapters to poetry, Lewis P. Simpson writes on Southern fiction, and Gerald Weales summarizes the American theater. Britain has no regional equivalent to the literature of the South, though Wales, Ireland, and Scotland produce fiction, poetry, and drama with a pronounced Anglo-Celtic flavor. Women write, and so do immigrants from India, Africa, and the West Indies, but there is no tendency in British surveys of contemporary literature to force sexual or ethnic compartmentalizations. We have our Jewish writers, like Gerda Charles and Bernard Kops, but they are not

Among ANTHONY BURGESS's recent books is 1985,
 published by Little, Brown.