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SOVIET WAGE THEORY AND DISTRIBUTION DEBATES

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Of five possible criteria for legitimizing unequal wages--remuneration according to labor, incentive effects, compensation for disutility, *quid pro quo* in the political process, and functional necessities--Soviet wage theory is mainly concerned with remuneration and incentive effects, postulating their compatibility and referring to Marx and Lenin. Recent debate exposing the detrimental effects of wage levelling and advocating price increases, unemployment, and increased scope for individual enterprise and high individual earnings is at variance with widespread public opinion and part of official policy. The debate is also becoming more explicit in the analysis of attitudes of various interest groups.

Wage Theory

Societies differ widely in the degree to which official doctrine legitimizes states of affairs and determines the rigor of adherence required of citizens. Unlike many contemporary Western societies, the Soviet Union officially sanctions an elaborate ideology of wages and income distribution, and the room allowed for dissent is relatively narrow, albeit expanding in the era of *glasnost*'. Even at the level of the Constitution, the fundamentals of working life are laid down, including the right and duty of working and principles for the remuneration of labor:

Citizens of the USSR have the right to work (that is, to guaranteed employment and pay in accordance with the quantity and quality of their work, and not below the state-established minimum), including the right to choose their trade or profession, type of job and work in accordance with their inclinations, abilities, training, and education, with due account of the needs of society.

This right is ensured by the socialist economic system, steady growth of the productive forces, free vocational and professional training, improvement of skills, training in new trades or professions, and development of the systems of vocational guidance and job placement.¹

It is the duty of, and a matter of honor for, every able-bodied citizen of the USSR to work conscientiously in his chosen, socially useful occupation, and strictly to observe labor discipline. Evasion of socially useful work is incompatible with the principles of socialist society.²

Corresponding principles were embodied in the 1936 Constitution, Articles 12 and 118. In comparison, official Danish doctrine is less explicit and, except for a provision for free and equal access to trade (Article 74), the Constitution only mentions working life in vague terms:

In order to advance the public interest, efforts shall be made to guarantee work for every able-bodied citizens on terms that will secure his existence.³

Of course, this lack of official doctrine does not preclude limitations due to other dogmas--that is, tradition, bad habits, or established economic theory.

Various ideologies and theories differ with respect to the importance attached to the following five possibilities for legitimizing unequal wages.

1. remuneration according to productive contributions
2. incentive for labor allocation and supply of effort
3. compensation for disutility of labor
4. *quid pro quo*--that is, remuneration for services in a broader sense, including political support and compliance
5. function--that is, the precondition for social acceptance of the necessary exercise of authority assigned to certain positions.

Although they are not mutually exclusive, these five criteria are distinguishable.

Traditional Western ideology is influenced by simple versions of neo-classical labor market theory, considering unequal wages as a necessary means

of efficient allocation (criterion no. 2 above). Demand and supply on every partial labor market are decreasing and increasing functions, respectively, of real wages, and suitable wage changes will clear the market. The demand price is determined as marginal productivity. Furthermore it holds good that if there are constant returns to scale--that is, the production function is homogeneous to the first degree (which is the case in an equilibrium where production can be expanded by means of entry of individual firms producing without profit), then factor payments equal to marginal product exactly exhaust total production according to Euler's theorem. Of course, this extremely short, ideological version does not do justice to positive theory, which offers a very rich assortment of theories and models of wage differentials, including preferences, ability, human capital, comparative advantage, job requirements, job assignment, complementary (capital) inputs, number of subordinates, responsibility, discrimination, efficiency wages, market imperfections, trade unions, luck, stochastic mechanisms, personality, social background, macro-economic restrictions, revenue sharing, etc.⁴

Functional, sociological theory in the West also maintains that the fulfillment of important and difficult jobs presupposes unequal rewards, where rewards encompass more than wages--namely, power and prestige. However, the economic reward is the most important, because power gains its value partly as a means of obtaining economic reward, together with prestige, as a concomitant thereof.⁵ The critique of this theory has emphasized the dysfunctions of inequality, invoking the second criterion. Not only is inequality an incentive for well-off persons, but it also impedes display of talent by persons with low status, and it causes conflict. Inequality is perceived, not as a functional necessity, but as a result of the ability, inherent in the execu-

tion of important and difficult jobs, simultaneously to usurp material advantage.⁶

Some of the socialist developing countries, particularly China until 1976 and Cuba in the 1960s, formerly adhered to a markedly different theory of wages. In China and Cuba, it was attempted to use moral and social incentives combined with a higher degree of economic equality. The reasons were in the first place political, as material incentives and the calculating ethics which they promote were feared to endanger the revolution. Therefore, it was imperative to create socialist ethics before the objective material conditions--that is, an abundance of most goods--were realized. Such a policy, from the Soviet point of view, can only be characterized as "petit bourgeois." In the second place, there were purely economic reasons--moral and social incentives simply were considered the most effective because a vast amount of mental energy was thought to be released when workers cooperate instead of scraping together material goods at the expense of one another. In the third place, it has mattered that these countries were poor and were therefore prevented from motivating labor efforts by holding out prospects of speedy increases in material wealth.⁷

In Soviet wage theory, all four criteria for legitimation can be found, explicitly or implicitly, but paramount importance is attached to legitimation of unequal wages as remuneration.

Remuneration

The principle of remuneration for productive contributions and distribution according to the amount and complexity of work (*raspredelenie po trudu*⁸) is derived from exegetic analysis of sources beyond dispute--that is, the works

of Marx as amended by Lenin, particularly Marx's statements about the first phase of communism (the "socialist phase," in Soviet parlance) in *Kritik des Gothaer Programms*:

What we have to deal with here is a communist society, not as it has developed on its own foundations, but, on the contrary, as it emerges from capitalist society; which is thus in every respect, economically, morally and intellectually, still stamped with the birthmarks of the old society from whose womb it emerges. Accordingly the individual producer receives back from society--after the deductions have been made--exactly what he gives to it. What he has given to it is his individual amount of labor.... This equal right is an unequal right for unequal labor. It recognizes no class differences, because everyone is only a worker like everyone else; but it tacitly recognizes unequal individual endowment and thus productive capacity as natural privileges. It is therefore a right of inequality in its content, like every right.⁹

The principle of payment according to work does not create equality, as workers differ with respect to their productive capacity and duties of providing for dependents. It aims at quite another purpose--the elimination of exploitation. Labor ceases being a commodity. Workers are not paid the labor value of labor (the costs of its reproduction), but according to the labor they contribute, including surplus value (after deductions for investment and other social costs). Indeed, according to modern Soviet theory, inequality might be greater in the transition period, when productivity determines wages, than under capitalism, where the costs of reproducing labor determine wages, because the former shows greater variation than the latter.¹⁰ Even exploitation might occur in the beginning of the socialist phase--exploitation of the peasants in the form of original socialist accumulation, and of the workers who pay "tribute" to indispensable bourgeois experts and buy foreign goods in unequal exchanges.¹¹

Payment according to work is not subject to political choice, but it is a necessity. Soviet theory considers "the law of value" to be inescapable, just

as some Western economists consider wage differentiation to be the inescapable "central, equilibrating variable in the labor market."¹² Although more importance has been attached to distributional considerations since Stalin condemned wage levelling (*uravnilovka*) in 1931, wage equalization is nevertheless still considered a "petit bourgeois tendency,"¹³ often with reference to the following quotation from a decree "signed by Lenin" in 1921:

In determining the wage rates of workers with various skills, office staff, technical and higher administrative personnel, all thought of egalitarianism should be rejected.¹⁴

And this is firmly rooted in Marx:

Vulgar socialism (and from it in turn a section of democracy) has taken over from the bourgeois economists the consideration and treatment of distribution as independent of the mode of production and hence the presentation of socialism as turning principally on distribution. After the real position has long been made clear, why go back again?¹⁵

Some finer details of interpretation might, however, be open to discussion. "According to work" could mean "according to contributed labor"--that is, the quantity and quality (skill grade) of labor--or according to final results of labor. Often it is implied that these are equivalent, but in recent years there has been a marked change towards emphasizing the final results of labor, and collective rather than individual results. Thus the 1986 wage reform provides for 20-25 percent average wage increases, which will, *nota bene*, only become effective if they are financed by improved enterprise performance in terms of productivity gains and savings.¹⁶

According to traditional theory, in the socialist phase wages should cover the material requirements of productive workers, whereas the social consumption fund, by which the wage fund is reduced, covers their nonmaterial requirements, together with the requirements of non-productive citizens. But the evaluation of the proper amounts of transfers and distribution of free

goods and their role in constructing full communism has changed, with their importance having recently diminished compared to the Khrushchev period.¹⁷

When determining the wage structure, allocation and production should be considered first and foremost. Macroeconomic equilibrium should be considered in the plan for the wage level, and distributional considerations should not in principle interfere with wage determination.¹⁸

The principle of wages according to work forms the basis for detailed deductions concerning the distribution of wages. Thus, Rabkina and Rimashevskiaia¹⁹ explain the (far from perfect²⁰) lognormal shape of the wage distribution as the outcome of (1) a normal distribution of workers over skill grades (as skill allegedly is determined additively of many independent variables); (2) a multiplicative effect of these skill factors upon productivity; and (3) payment according to productive contribution. Obviously, an alternative argument for uniform percentage wage increases between skill grades would be that relative wage differences could determine incentive effects.

Another deduction, of very palpable consequence for Soviet citizens, is the wage differential between productive and non-productive labor. At present the total labor force amounts to 130.3 million, comprising the two classes of state employees (81.7 million workers and 36.1 million white-collar employees) and *kolkhozniki* (12.5 million). Of the state employees, 82.7 million are employed in the productive sphere (including 11.1 million *sovkhhozniki*) and 35.1 million in the non-productive sphere--that is, health care, education, research, housing and other social services, culture, and state and local administration.²¹

As in ancient society, *kolkhozniki* are outside the working class, and theoretically their income is not wages, but residual earnings from collective

agriculture. At present the real difference is only a minor one. Workers and other state employees, including the specific "stratum" (*slot*) of the "intelligentsia," generally earn higher wages and salaries if they are employed in the productive sectors rather than the non-productive sectors. This distinction refers to the Marxian concept of productive, or surplus-value creating, labor, in its heavy-handed interpretation as material production.

This type of argument, which is also widespread in the debate in other countries, can serve many purposes--for example, justification for low wages of soldiers.²² However, in the Soviet Union there are also candid opposing voices:

Thus, although pay in nonmaterial production has been raised systematically, average pay in this sphere actually declined from 1961-1980 in relation to pay in material production... This negative trend ... to some extent originates from the unwarranted and outmoded notion that nonmaterial production not only does not contribute to economic growth (allegedly because it does not create any national income), but actually impedes this growth, by diverting resources to its own development. Actually, nonmaterial production has an extremely positive impact on the efficiency with which resources are used in material production... A revision of this obsolete position is overdue.²³

Is it right to go on "programming" this gap between wages in the production sphere and those in the nonproduction sphere?²⁴

Incentives

Determining wages not only by the amount of labor, but also by its complexity and final results, gives some room for interpretation, including a view to incentives, which figure prominently in the debate on wages and economic theory.²⁵ The ongoing wage reform purports to strengthen the incentive effects of all wage elements, not only bonuses,²⁶ and often quotations from Lenin are invoked to demonstrate his awareness of incentive problems.²⁷

He who does not work shall not eat.²⁸

Not directly relying on enthusiasm, but aided by the enthusiasm engendered by the great revolution, and on the basis of personal interest, personal incentives, and business principles, we must first set to work in this small-peasant country to build solid gangways to socialism by way of state capitalism.... Personal incentive will step up production; we must increase production first and foremost and at all cost.²⁹

Priority is preference, but it is nothing without preference in consumption. If all the preference I get is a couple of ounces of bread a day I am not likely to be very happy. The preference part of priority implies preference in consumption as well. Otherwise, priority is a pipe dream, a fleeting cloud, and we are, after all, materialists.³⁰

Lenin even intimates possible inconsistencies between fair remuneration and incentive effects:

It is wrong to think that food distribution is only a matter of fairness. We must bear in mind that it is a method, an instrument, and a means of increasing output.³¹

But normally great efforts are made to disguise considerations for incentives as remuneration for productivity, thereby implying their equivalence:

Under socialism, greater rewards are given to those workers who create more value, whose contribution to the fulfillment of plans and the development of production is larger. This is achieved by paying higher wages to skilled workers, to those requiring longer training. Work undertaken in dangerous or harmful conditions is also better paid. If this were not so, there would be no incentive to acquire education, to raise skills, to undertake more complex and responsible work.³²

The principle of earning remuneration that is directly dependent upon final results (*zarabatyvanie*) is considered to be an apt incentive, or "driving belt," for such types of efforts as producing high quality output, acquiring additional skills, introducing new technology, and everyday work effort.³³

Other types of labor market behavior, such as mobility among geographic regions and firms, or choice of education, are not mentioned. Rutgaizer and Sheviakov maintain that regional differentials are justified as a means of

compensating for cost-of-living differences, but not as a means of stimulating mobility,³⁴ and the fact that "sometimes wages serve as a means of luring people from one enterprise to another"³⁵ is often disapproved. However, Tatiana Zaslavskaia argues that remuneration according to the quantity and quality of labor also allows for differentiation of wages according to "the acuteness of labor shortage."³⁶ It is not specified whether the "shortage" relates to sectors, enterprises, etc., but it is implied that wage differentiation should act as a mechanism to reallocate labor..

Compensation

Compensation is an independent reason, besides incentive effects, for various percentage additions to tariff wages for hard or dangerous working conditions and for working in remote northern areas. Also, social considerations enter wages policy--for example, special regulations for women and for *kolkhoznik* earnings and increases in minimum wages.³⁷ Most authors argue that wages should compensate for regional cost-of-living differences, and that consumption possibilities should be equalized among regions.³⁸ But generally, contamination from social policy is rejected:

The minimum wage theoretically reflects the contribution that an unskilled worker makes to the results of social production.... Consequently, any deviation ... amounts to a social-welfare payment ... in the disguise of an economic labor remuneration.³⁹

Incentive effects also influence social policy. A new Soviet pension system is being prepared with a view to pensioners' propensity to continue working.⁴⁰ It has also been pointed out that higher old-age pensions will increase the incentive effect of wages by reducing the burden of dependent members of the family.⁴¹ Some authors argue that fairness and incentive ef-

fects require that incomes vary according to family size and number of dependents, which could be achieved by means of suitable policies of taxation.⁴²

Quid pro quo

The role of earnings policy as a political instrument for mobilizing political support from various constituencies was explicit in the debate on the *smychka* between workers and peasants in the 1920s. Although alien to official ideology, this idea has reappeared in the description of interest groups in the 1983 Novosibirsk Report,⁴³ and it is apparently an important motive for increasing the relative earnings of white-collar and highly educated groups in the ongoing Gorbachev wage round. According to Western analyses, the concept of *quid pro quo* is paramount for understanding Soviet political trends.⁴⁴

Function

The argument for increasing the salaries of certain groups, such as engineers, very often is that increased salaries entail higher prestige, which in turn is supposed to affect recruitment.⁴⁵ But another idea also crops up: that a high salary is a precondition for social acceptance of the necessary exercise of authority assigned to certain positions. This justification of unequal wages and salaries, which is well known, not only from Soviet, but also from Western sources,⁴⁶ is not concerned with responses of individual wage and salary receivers, but with responses of other members of society. Therefore, it is distinct from their other types of legitimization as a more functional and social type of argument.

Wage Equalization

The future equalization of earnings is only possible if productive capacity-- that is, education--becomes more uniform, and equal opportunities become open to all:

Consequently the basis for reducing income differentials must be reductions in the qualitative heterogeneity of labor caused by fundamental changes in production.⁴⁷

Lenin as well as Marx wrote of "equality of labor and pay,"⁴⁸ in a future society, "...gradually equalizing all wage and salaries in all occupations and categories."⁴⁹

The transformation, through the division of labor, of personal powers (relations) into material powers, cannot be dispelled by dismissing the general idea of it from one's mind, but can only be abolished by the individuals again subjecting these material powers to themselves and abolishing the division of labor. This is not possible without the community. Only within the community has each individual the means of cultivating his gifts in all directions; hence personal freedom becomes possible only within the community.⁵⁰

In a higher phase of communist society, after the enslaving subordination of individuals under division of labor, and therewith also the antithesis between mental and physical labor, has vanished; after labor, from a mere means of life, has itself become the prime necessity of life; after the productive forces have also increased with the all-round development of the individual, and all the springs of cooperative wealth flow more abundantly--only then can the narrow horizon of bourgeois right be fully left behind and society inscribe on its banners: from each according to his ability, to each according to his needs!⁵¹

But at present, equalization is proceeding at a rate exceeding the rate of reduction of labor heterogeneity,⁵² and prevailing wage distribution decile ratios of 3.3-3.4 (3.0 in industry) are far too low for efficient incentives.⁵³ It is also repeatedly pointed out that "socialist and even communist ideals of equality cannot be considered stationary,⁵⁴ and that the presence of social consumption does not imply that "decreasing income and consumption

inequality is an end in itself."⁵⁵

"Bez uravnilovki"

"Bez uravnilovki" (No wage levelling), the subtitle from a recent Soviet article,⁵⁶ is an apt heading for many contributions to the present debate on income and wages. Economists and others demand increasing differentials and restricting *sotsial'nata spravedlivost'* (social justice--another of Gorbachev's keywords) to a problem of creating equal opportunities, providing correspondence between wages and labor contribution, eliminating unearned income, supporting persons who are unable to work or are temporarily unemployed, and equalizing the distribution of social benefits and the availability of consumption goods, particularly among regions.⁵⁷

It is gratifying to notice the recent change in the views on wage equalization and suitable future trends. A number of economists have already abandoned the position, once considered virtually axiomatic, that the earnings differential should steadily decline.... But we do not share the opinion that this process (braking equalization) is already going on, or that a mere slight increase in the earnings differential is sufficient. Moreover, we would like to stress that it is easier to accelerate the decrease of the differential by administrative measures than it is to slow the process or reverse it to an earlier level, even if possible in principle.⁵⁸

The tendency towards unanimity among economists demanding more differentiation has accelerated,⁵⁹ and proposals for very large differentials, such as the 1:10 of the Stakhanov period, have been voiced.⁶⁰

However, it is still difficult to reverse the trend of increasing equalization, and according to Rimashevskaja, the recent increase in equality is largely a result of differences among branches and regions and of different timetables for introducing wage reforms. Wage levelling between skilled and less skilled groups of workers is still going on.⁶¹

Many economists agree that "today wage levelling has become one of the chief braking mechanisms in our economy."⁶² One contributing factor is the so-called *vyvodilovka* (deductiveness)⁶³--the distribution of wages independently of labor contribution as unearned bonuses or guaranteed wages. Often managers distribute bonuses that amount to 45-50 percent of total income without regard to labor results, in some cases to indemnify workers for mistakes committed by management itself, in others for "humanitarian"⁶⁴ reasons or to prevent workers from leaving the enterprise.⁶⁵ Gorbachev has repeatedly stressed that wage-levelling is "petit-bourgeois" and must be eliminated.⁶⁶

The traditional abhorrence to very big incomes is now under attack, and S. Shatalin mentions the need to overcome "fear of so-called excessive incomes."⁶⁷ Others argue that there should be no upper limits to personal incomes:

We must not be afraid that some people may earn too much. What is important is this: that every ruble is genuinely earned, and then it will have a direct effect on increasing our national wealth and raising people's living standards.⁶⁸

Still another example of an outdated way of thinking is to consider high earnings for certain categories of workers as something immoral. Quite unwarranted. Yet high earnings are the obverse of effective labor.⁶⁹

These views have the political support of Gorbachev:

Under socialism the question can only be posed like this: not "much" or "little," but "earned" or "unearned."⁷⁰

In the academic community very few would dispute this. But an outstanding exception is the sociologist V.Z. Rogovin, who actually proposes a maximum limit to permissible income and requires that there should be no "Soviet millionaires."⁷¹ He may have a large following among the general population, as evidenced by many letters from readers printed and commented upon in the press.⁷²

But high incomes should be "earned," and elite privileges which seemed to proliferate in the later years of the Brezhnev period are increasingly attacked.⁷³

An authoritative conclusion of the debate is Gorbachev's statement that:

To create a powerful system of motives and stimuli encouraging all workers to fully reveal their capability, work fruitfully, use production resources most effectively--such is the requirement of the times.

This is a difficult task, as "the tendency towards wage levelling has stubbornly continued to gain ground."⁷⁴

The basic features of the wage reform approved on September 17, 1986,⁷⁵ are general wage increases that, *nota bene*, are to be financed by the enterprises themselves, higher shares of tariff wages in total wages, increasing wage differentiation, and an improved relative position for selected groups, including managers and foremen, white-collar workers, highly educated groups, and employees in the non-productive sphere. Wage and salary increases are envisaged to become 20-25 percent on average--30-35 percent for engineering-technical staff, and up to 40-45 percent for management staff. The below average groups will apparently be the blue-collar workers. Bonus ceilings apply to brigades, but not to individual workers.⁷⁶ Downward flexibility of wages is made possible, and enterprise management will have more discretion in determining individual wages and salaries. The reform thus reverses the main trends of the Khrushchev and Brezhnev wage rounds.

As the debate on wages and income distribution is a debate on real income and on social justice generally, many elements other than wage determination are considered. These elements are prices, public consumption and transfer payments, unemployment, and individual activity and unearned income.

Prices

Increasing inequality and wage differentiation is supposed to improve the incentive function of income, which presupposes that "[t]here must be a realistic possibility of converting the income into goods and services one wants and needs."⁷⁷ At the 27th Party Congress, Gorbachev declared that:

Prices must be given greater flexibility, and their level must be linked not only to outlays but also to the consumer properties of goods, the effectiveness of manufactured articles, and the degree to which the product in question meets the requirements of society and public demand. It is planned to make wider use of ceiling (*limitnyye*) and contract prices.⁷⁸

More recently, he said that "[w]ithout reform of prices the economic reform will not progress."⁷⁹ An increasing number of economists are presenting proposals for eliminating the heavy burden of subsidies for food and other goods, differentiating prices according to quality, introducing more payments for housing, health services, and even for education, and closing the special shops in enterprises.⁸⁰ This does not necessarily imply decentralized price fixing which would devolve autonomy to individual producers to set their prices.⁸¹ Nor does it imply anything like a perfect market where many producers compete so that nobody has decisive influence upon prices and everybody is punished by bankruptcy if prices or costs are out of line with market conditions. It is perfectly possible to reform prices to mitigate the most flagrant imbalances between prices and costs, and between demand and supply, without reforming the existing centralized price fixing system.

Various arguments are being advanced.

Socially Necessary Labor

According to orthodox theory, socially necessary labor should determine prices. Even if the labor theory of value does not generate optimal prices,

except in the special case of linear production functions without substitution and labor as the only scarce input, it does nevertheless imply some correspondence between prices and costs. Some authors mention this as an argument in its own right for eliminating subsidies, but, more often, it is argued that a socially necessary labor standard would contribute to reducing shortage.⁸²

Reducing Shortage

Reducing shortage (*defitsit*) of consumer goods is considered a necessity by most authors,⁸³ but it is also warned that price increases might not be the best way to achieve this because of adverse side effects.⁸⁴ In particular, less well-off groups of the population might suffer severely unless otherwise compensated, and the general public might take offense, probably to a degree provoking social unrest. It is even argued that higher prices may increase wages:

Consequently, unfounded increases of wholesale prices entail imbalances in the economy and increase demand beyond supply.⁸⁵

The necessity of reducing shortages is, in turn, due to desirable effects upon inequality and the incentive effects of income differentials.

Incentives

Incentive effects of income differentials are a decisive element of the radical economic reform and a badly needed improvement according to the dominant opinion.⁸⁶ Elimination of subsidies might stimulate the efforts of enterprise managers concerning production decisions,⁸⁷ but they would especially stimulate the efforts of wage earners, because subsidies

...artificially limit the assortment of goods that can be bought by earned income--that is, it reduces the motivation for strenuous and effective labor. It is difficult to ex-

plain, for example, why a qualified and well paid worker has the option of buying furniture, a refrigerator, a television set, but has to wait years for being granted an apartment.⁸⁸

Reducing Time Wastage

Reducing time wastage and consumer inconvenience due to the unavailability of goods at prevailing prices is mentioned as a further argument,⁸⁹ but it does not figure prominently in the debate, despite the substantial amounts of time involved in shopping and queuing, partly during working hours. In 1981, the total time spent shopping and queuing was estimated at 37 million hours a year or roughly 190 hours per adult person, which is close to the amount of working time lost per year per capita due to unemployment in a country like Denmark.⁹⁰

Irrational Use of Goods

Irrational use of goods is mentioned more often than wasted consumer time as a consequence of subsidized prices. Bread is widely used for feed or wasted; meat can be used profitably to raise fur animals; and the housing stock is not distributed efficiently.⁹¹ This is also an argument for more differentiated prices--that is, for different qualities of meat.

The most important argument against price increases is that they will increase inequality.

Inequality

The problem of price increases and inequality seems to be real dilemma, as inequality is exactly what constitutes incentives. Equal distribution, or distribution according to queuing time, necessarily equalizes real incomes and inhibits wage incentives.⁹²

We should not provide an abundance of various types of food, if the majority population cannot afford them. But exactly this is inherent in the proposal of eliminating food shortages by sharply reducing the group of people consuming them.... We think that this method of overcoming shortages is unacceptable in our society.⁹³

Surprisingly, this kind of argument has been opposed by claims that removing subsidies would not increase inequality, but rather have the opposite effect. Of course, this is only possible if subsidized goods are not distributed equally, which is apparently the case, as indicated in two different ways from rather unclear expositions. First, certain subsidized goods, like holidays, educations, theater performances and other cultural services, and housing allegedly are disproportionately consumed by well-off people.⁹⁴ Secondly, other goods like meat, which is a recurrent example, are consumed by everybody, but they are available in very differing amounts in various regions. Thus, relatively large amounts of meat are consumed in big cities like Moscow, which are therefore further favored by meat subsidies. It is reported that:

...the average price paid of one kilogram of beef is approximately 50 percent higher for groups of the population receiving low total per capital income than for groups with higher per capita income.⁹⁵

It is widely recommended that the full price should be paid for any consumption beyond a certain minimum level, especially with respect to housing. But it is also pointed out that these measures should not reduce the real income of any group.⁹⁶ It is evident that price increases for necessities (although not for many other articles) would create severe difficulties for poor groups of the population unless they were accompanied by social transfers. Many letters from readers in the press indicate that this is a major concern of the public.⁹⁷

Consumption Priorities

It has been argued that subsidies are necessary in order to stimulate the consumption of priority items like food and children's articles.⁹⁸ Others reject many types of subsidies and public consumption as misplaced tutelage.⁹⁹

Social Good

It is a widespread view that, particularly with respect to food, "...relatively low prices constitute a major social good,"¹⁰⁰ especially when it is taken into account that "...unfortunately, increasing retail prices and removing subsidies does not in itself provide more meat or milk."¹⁰¹ This kind of ultimate argument against market-clearing retail prices appeals to large groups of the population, as described in sections 7 and 8 below.

Public Consumption and Transfers

The debate on subsidized prices applies largely to goods distributed by the government to the population without charge. The public consumption fund also includes transfer payments to non-productive citizens. The general view of social consumption has changed. Gradually increasing the social consumption fund is no longer considered a method of implementing full communism as in the Khrushchev period, and the trend of public consumption growing faster than wages should be reversed.¹⁰²

Transfer payments, however, are not likely to decrease, as provision for non-productive citizens and the creation of equal opportunities for all are an important part of social justice. Old-age pensions have been falling relative to wages, and they are currently being increased. Student stipends and child allowances, especially to low income families and single parents, are also

planned to be improved.¹⁰³

But free goods and services provided from the public consumption fund with the purpose of stimulating high priority consumption should be limited to a certain minimum level, according to the prevailing view. This implies more payment for a number of goods and services like housing, holidays, medical service, and even education, according to some authors.¹⁰⁴

Some of these goods and services--like housing and "holiday passports"--are actually distributed as income in kind by enterprises or associations, and this makes a difference because they become a form of collectively earned income. Ensuing potential incentive effects are due to inequalities that may appear unjust:

Quite often the outcome is this: the enterprise has fulfilled the plan, but the association has not. The outcome seems unfair--the results for which the worker is personally responsible are good, but he is not entitled to a bonus.¹⁰⁵

But generally this kind of inequality is accepted:

According to our view it is not at all indispensable that identical work, for example, by two lathe operators in two neighboring factories, is identically remunerated. This should depend upon actual outcome.¹⁰⁶

Given the current emphasis on incentives, particularly collective incentives, and on enterprise discretion with respect to the use of profits, it seems likely that this kind of inequality will be tolerated and encouraged, provided the distributed income is "earned" and serves incentives purposes.¹⁰⁷

Unemployment

Since 1930, unemployment has been officially absent in the Soviet Union. There has been no system of unemployment relief; full employment is a constitutional guarantee; and labor laws provide a high degree of job sec-

urity.¹⁰⁸ Recently, the evaluation of this major achievement of Soviet socialism has been subject to revision, and the possibility of unemployment has been outspokenly considered, even recommended, for two main reasons: productivity and incentive effects.

Full Employment vs. Productive Employment

Structural and technological changes in the period 1986-2000 are likely to reduce employment in material production by 13-20 percent (or 13-19 million workers), according to Kostakov.¹⁰⁹ This might well cause temporary unemployment, but it is necessary if socialism is to create:

...not simply full employment of the population (a superseded stage of extensive development), but socially and economically effective, rational full employment.¹¹⁰

The current labor shortage is partly due to ineffective employment, such as many managers' secretaries, and there is overemployment for some groups, particularly women, students, and pensioners.¹¹¹ This was presumably what Gorbachev was referring to when he said in his 1986 report to the Party Congress that "[i]f you look into the matter more deeply, you may find that there is no manpower shortage."¹¹² According to Derjabin, closing down the least productive parts of enterprises, accounting for 1-3 percent of production, would increase productivity by at least 3-4 percent "without reducing output and in many cases with the effect of increasing output."¹¹³ Surprisingly, this means that marginal productivity is negative. Zaslavskaja reports that if enterprises could use the given wage funds at their discretion regarding the composition, workload, and payment of the labor force, 42 percent of enterprises estimated that part of the labor force (15-20 percent on average) would be superfluous.¹¹⁴ For research institutes, a regular certification of the

qualifications of research workers allegedly could increase monthly salaries by 50-100 rubles.¹¹⁵

Incentives

Still more controversially, it is widely argued that some unemployment not only contributes to structural changes, but also improves workers' everyday effort on the job, as

...the necessity of transferring to branches of production where labor is scarce, and of moving to other areas and cities, will be faced primarily by workers who are the least valuable from the point of view of the work collective, who are indifferent to work and output quality, and who take an inactive part in social life, to say nothing of idlers, drunkards, rolling stones, and so on. Such a situation will lead to ... stronger labor discipline and an increase in the quality of work.¹¹⁶

More layoffs would increase efficiency and remedy slovenliness,¹¹⁷ as it would become the workers' own responsibility to find a job.¹¹⁸ Society should provide the right to work, but not to a particular job,¹¹⁹ and a worker should have "...to wage a daily economic struggle to hold onto a job that suits his abilities."¹²⁰

There is some diversity of opinion as to how compulsory labor placement should be for laid-off workers and others. A system of unemployment relief with an obligation to take up unskilled work was suggested in 1980, but it did not receive wide attention except for a protest from a lawyer that it would violate labor legislation as well as the Constitution.¹²¹ Kostakov warns against administrative replacement of workers among regions.¹²² But most authors point to the need for a planned, centralized system of labor placement ("planned reallocation")¹²³ and a principle of "being obliged to work where you are sent."¹²⁴ Existing Soviet anti-parasite laws could be used to ensure

that everybody takes up socially useful work and the militia could be informed of refusals, as in El'tsin's campaign in Moscow in 1986.¹²⁵

The measures adopted so far include the right of enterprises to lay off workers at two months notice in case of reorganization or liquidation. Workers are given a severance pay corresponding to their average wage for no more than three months.¹²⁶ A recent decree entitles enterprises to transfer workers to another job at the same skill level without consent and to lay off workers when they reach normal pension age.¹²⁷

The question of unemployment is extremely sensitive and great political caution is exerted. Gorbachev very quickly responded to Shmelev's suggestion of deliberately increasing unemployment: "He apparently proposes, for example, that there be unemployment. That's not for us."¹²⁸

Individual Activity and Unearned Income

The ongoing encouragement of individual and cooperative activity bears upon the central elements of the distribution debate: incentives for stimulating activity, income differentials, prices, and social justice in the distinction between earned and unearned income.

A November 1986 law¹²⁹ broadened the scope for individual enterprise and large incomes, with the aim of increasing output, particularly of services, for consumption. According to Zaslavskaja, income in the private sector should be higher than in social production because of the economic risks involved, but readers took exception to this in commenting letters.¹³⁰

But the purpose of the law is also to enforce stricter controls--and taxation--of existing activities, by means of the requirement of certificates of registration. Thus it may well be in line with the ongoing campaign

against unearned incomes, including corruption, bonuses due to the manipulation of reports, speculation, and excessive rents for private hiring. These are the targets of two resolutions and one decree of May 1985, which apparently enjoy widespread public support.¹³¹ Gorbachev retains a clear distinction:

But, in curbing unearned income, we must not allow a shadow to fall on those who receive additional earnings through honest labor.¹³²

Perhaps even more important for consumer welfare is the developing cooperative sector, which was actively encouraged by Gorbachev at the 1986 Party Congress. A far-reaching draft law published in March 1988 envisages no limits to the size, income, and type of legal activity of cooperatives, and allows for the issuing of shares.¹³³

An additional purpose--maybe even the main purpose--of expanding individual and cooperative activity might be to create a ram for price policy that could overcome massive popular resistance against increased retail prices by introducing them through the back door. In any case, this was successfully achieved, as cooperative restaurants and food distributors regularly seem to charge prices that are 50-100 percent above state shop prices for identical, but largely unavailable, goods. This practice has evoked severe public criticism, and the alleged greed of cooperatives, such as cooperatives of medical doctors, might discredit the whole cooperative movement.¹³⁴ Gorbachev has conceded to this criticism:

Clearly we need honest work initiative, but not of the sort displayed by some cooperatives which exploit shortage to the degree of outright greed. I can tell that to this end, they will be subject to progressive taxation. I think that would be fair.¹³⁵

Until now, cooperative income has been taxed as state enterprise income, with a maximum marginal tax rate of 13 percent. Private income below 3,000 rubles

a year is taxed as state income, but marginal tax rates increase for higher incomes, up to 65 percent for income above 6,000 rubles.¹³⁶ Several authors have suggested higher taxes,¹³⁷ but it is not at all clear whether this will dampen public resentment, the target of which is not merely excessive cooperative income, but also the excessive prices themselves.

Popular Conceptions

It has proved very difficult to obtain popular acceptance of the basic ideas of *perestroika*. In analyses of the causes of this, an attempt is made to distinguish among causes stemming from popular conceptions of reality and those stemming from genuine political evaluations and attitudes. Both refer basically to the population at large, but they are also reflected in the debate among economists, who often address the general public for educational purposes, particularly in newspaper articles.

Prices

Prices are subject to much confusion in the Soviet Union. First, it is still considered an argument that prices should reflect "socially necessary labor."¹³⁸ Second, the basic idea that demand is relative--a function of prices--is not accepted, nor is the distinction between shortages due to excess demand at low prices and scarcity--shortfalls from some absolute standard of need.¹³⁹

Third, low prices are often considered to be evidence of consumer prosperity, as "prices are low, so that everybody can afford to buy the goods." Western tourists might be tempted to draw the opposite conclusion, because "there are no goods on the shelves." Both fail to recognize that consumer

prosperity is a question of the amount and quality of goods and services available for consumption, regardless of the size of stocks and speed of turnover in the shops.¹⁴⁰ Fourth, the pricing issue is inextricably intertwined with the tricky problem of distribution effects of subsidies.¹⁴¹

Very few mention the decisive beneficial effects of market-clearing prices: reduction of the enormous time wastage of consumers chasing goods, and expansion of opportunities of choice.¹⁴² There has been an experiment with limited flexibility of prices for theater tickets,¹⁴³ and prices paid by foreigners have been increased. But truly market-clearing prices--say, 50 rubles for an opera ticket to the Bolshoi Theater--would surely offend the Soviet public, despite evident welfare improvements for opera lovers who might increase their opera attendance frequency from zero to once every two, five, or ten years (depending on preferences and income) and attend performances of their own choice. This would surely outweigh possible capital losses suffered by members of the public who are presently using their good connections to profit from the erratic distribution of tickets.

Wages

It is still generally accepted that remuneration according to the quantity and complexity of labor is (1) possible, and (2) justifiable, despite the bizarre results derived from this principle--e.g., that engine drivers and truck drivers should receive higher wages if they drive modern, fast locomotives or new truck models.¹⁴⁴ Another widespread conclusion is the following:

Yes, I understand that our society cannot afford it yet for everyone to dress well and fashionably. But that's not the point. The point is that those who deserve them should receive the most benefits, and by that I mean the workers, who deserve more than other people.¹⁴⁵

No possible contradiction between fairness and incentives effects is recognized, and it is consistently argued that wages according to labor is the best incentive.¹⁴⁶ Thus, it is normally overlooked that a tiny possibility of a big jackpot, earned not by hard labor but just by being smart or by sheer luck, might be a very powerful incentive, especially for entrepreneurial initiative, which is so important for the Gorbachev administration to encourage.¹⁴⁷

The tremendous difficulty of finding tenable legitimizations for existing income differentials is ignored. Concerning arguments of equity, this difficulty amounts almost to impossibility, except maybe for one argument which is rejected so vehemently that it leaves the impression that there may eventually be something to it:

Justice makes people equal, but it doesn't arbitrarily put them on the same level. By no means can it be reduced either to people's natural generic oneness ("natural" equality) or to an abstract humanistic principle of the commonality of every one.¹⁴⁸

Merchant Activities

Equally exegetic arguments imply that many activities, including merchant activities--providing goods at the relevant place and time at whatever price the market will bear--are not considered productive, although they are evidently badly needed.¹⁴⁹

Marx himself is not quite guiltless for this misinterpretation of the concept of productive, or surplus value creating, labor,¹⁵⁰ although he could not be blamed for the use of this concept from a positive theory of capitalism in a normative theory of socialism. This distinction has also perplexed Soviet national accounting for decades--quite understandable in view of sub-

tleties such as these:

A philosopher produces ideas, a poet poems, a clergyman sermons, a professor compendia and so on. A criminal produces crimes.... The criminal produces not only crimes but also criminal law, and with this also the professor who gives lectures on criminal law and in addition to this the inevitable compendium.... This brings with it augmentation of national wealth, quite apart from the personal enjoyment which ... the manuscript of the compendium brings to its originator himself.¹⁵¹

Of course, it is interesting, and even entertaining, to hear what Marx said in the 1860s and Lenin in the 1920s, but as argumentation *per se*, it is "pseudoscience,"¹⁵² and it may not be compatible with the spirit of *glasnost*'.

The State

Another popular conception that seems to create difficulties for the *perestroika* of "the human factor" is the rather independent role ascribed to the socialist state by workers, who feel themselves entitled to certain guarantees from the state without considering themselves part of it.¹⁵³ At least this "alienation" is the target of the following complaint:

...in labor collectives is nourished a consumerist attitude towards the state, which allegedly is "obliged" to provide a certain level of wages independently of the amount and quality of the labor contribution."¹⁵⁴

Popular Attitudes and Dilemmas

Apart from conceptions like these, there are a number of political attitudes that are adverse to *perestroika* and constitute real dilemmas.

Equity and Justice

Equity and justice concerning wage and income differentials might well be valued more than efficiency, and this could be contrary to incentive mecha-

nisms. Remuneration according to labor contribution might be preferred to remuneration according to final result, especially remuneration according to collective final results, which seems to be contrary to widespread conceptions of fairness.¹⁵⁵

Security

Security concerning full employment and job rights is a deeply cherished social achievement, and any attempt to modify it is bound to create serious distrust.¹⁵⁶

Equality

Although wage differentials are considered equitable, egalitarian cultural values are strong. The question, "is it shameful to earn much money?"¹⁵⁷ is often raised by economists and it is always confidently answered in the negative, which testifies to the fact that the answer is actually positive as far as the general public is concerned.¹⁵⁸ Lisichkin admits that "...we still have to learn earning money."¹⁵⁹ This might also be the rational explanation of the popular resentment towards market-clearing retail prices:

Provided that people are not starving, half-empty shelves in the shops are less annoying than flourishing stalls in what happens to be called *kolkhoz* markets, where apparent abundance is due to unduly higher prices. And, apart from this, it should not be ignored that people here for decades have been educated with the ideals of socialist justice.¹⁶⁰

Attitudes like these do not make it a promising task to combat the "apathy" of the population¹⁶¹ by means of material incentives.

Morality

An instrumental attitude towards wages and prices is basically alien to the Soviet mentality. Morality is always involved, and more so than in other cultural settings. Wage differentials could not be considered purely as an incentive without regard to fairness, and a price offer is not neutral but subject to a moral standard, even if everybody is free to take it or leave it. A high price at the *kolkhoz* market is not a welfare-augmenting increase in the range of options, but an insult. The distinct concepts of "unearned income," "illegal income" and "*spekulatsia*," and "market-clearing" derive their existence from these cultural values. Confusing problems may arise. Is individual enterprise appropriate for a communist, let alone a party official? The answer is yes, if he does not "become overly involved in individual enterprise."¹⁶²

Informality

The element of morality is of course related to the presence of political power relations in economic activity. There is no tradition for founding economic activity on enforceable formal contracts. There is always the potential for political discretion. This is reflected in the laws governing economic activity, which have so far been anything but precise:

Management of the enterprise is carried out primarily by economic methods....

Charges for production assets are paid, as a rule, on the basis of a norm that is the same for all enterprises.

The credit is provided, it is directed to a specific purpose, it is granted for a specific time, it is to be repaid, and it is in fact repaid.¹⁶³

The fact that the institution of private property is a precondition for an

economy based on reliable contracts is often considered to be its ultimate justification.

Interest Groups

Although it is possible to identify prevailing popular attitudes, it is evident that opinions differ among groups. The main constituencies for reform are the most skilled workers and highly educated professionals, who are likely to improve their position, whereas older, less skilled workers and privileged officials would be threatened by *perestroika*.¹⁶⁴

An outspoken analysis of attitudes of various interest groups appeared in the "Novosibirsk Report," presumably by Tatiana Zaslavskaia:

Logically the group most interested in a transition to economic methods of management would be the leading officials of "head" enterprises [associations] whose authority is to be much expanded, as well as the rank and file workers, engineers and technicians who would be able to realize their talents more fully under the new conditions, work more efficiently, and earn higher wages.... In contrast, the more inert and less skilled group of older workers are afraid that they would have to pay a high price for somewhat broader rights and higher incomes in terms of more intensive labor and enhanced responsibility for the results of their work. This is not to the liking of many of them, especially as the productive relations that have been in effect for a number of decades have tended to foster the kind of passive worker who sticks to the maxim, "Why should I care," "It's no concern of mine".¹⁶⁵

The common qualities of the worker whose personality was shaped under the recent five year plans are a low labor participation and production discipline, an indifferent attitude to work, a poor quality of work and a poor appreciation of it as a means of self-realization, social inertia, a well-pronounced consumer mentality and a low code of morality. One could also mention such widespread activities as pilfering, various shady dealings at state expense, the development of illicit business, "backhander" payments and official remuneration irrespective of the results of work.¹⁶⁶

This analysis was elaborated in considerable detail by Zaslavskaia in her contribution to the June 1988 volume, *Inogo ne dano*, edited by Iurii N. Afana-

s'ev.¹⁶⁷ She mentions some important brakes on the process of *perestroika*, such as the enormous size and heterogeneity of the country, the public memory of previous failures in attempts at economic reform, and the lack of economic resources. Then she adds that:

The main difficulty, however, is presented by the fact that restructuring of social relations takes place in a tangle of vital interests of different people.... The final result of the interaction of groups with different positions and different, even opposed, interests, is also bound to determine the course of *perestroika*.¹⁶⁸

The attitudes of ten distinct social groups towards *perestroika*, ranging from "initiators" to "reactionaries" over eight different categories, are discussed in detail and summarized in a cross-tabulation.¹⁶⁹

1. Progressive workers and *kolkhozniki*, especially the highly skilled workers, are the driving force of *perestroika*, as initiators, supporters, or allies (because of their personal rather than political interests).
2. Among the main group of workers and *kolkhozniki*, however, are also found some observers, neutrals, and conservatives.
3. The group of workers with undeserved privileges is among the groups most adverse to *perestroika*, including observers, conservatives, and reactionaries.
4. This also applies to managers in trade and service who will have their illegal income from corruption removed. They, therefore, endeavour to compromise *perestroika* in the eyes of the working groups of the population:

It is no coincidence that in many places, as witnessed by the press, shop counters are continually empty despite the availability of foodstuffs in wholesale warehouses.... This sphere ... is among the most important strongholds for conservatism and reaction in our country.¹⁷⁰

5. Only groups engaged in organized crime are more opposed to *perestroika* than corrupt managers.
6. The group of high-ranking officials in administration contains supporters as well as conservatives.
7. The scientific-technical "intelligentsia," including enterprise managers, also includes supporters and conservatives.

8. The intelligentsia educated in fields like the humanities and health care is generally among the strongest initiators and supporters of *glasnost*, although there are also conservatives and reactionaries for ideological reasons.
9. Small individual and cooperative entrepreneurs have an interest in supporting *perestroika*, but "[r]apacious attitudes of some entrepreneurs discredit the progressive process of revival and growth of the cooperatives."¹⁷¹
10. With some exceptions, political and economic leaders are initiating and supporting *perestroika*, but personal interests are frankly assessed, in "...an endeavour to preserve and consolidate their official position and power."¹⁷²

Conclusions

Among five possible rationales for legitimizing wage differentials--remuneration according to labor, incentive effects, compensation for disutility, *quid pro quo* in the political process, and functional necessities--the first is still the unquestioned basis of Soviet wage theory. It is largely postulated with reference to Marx and Lenin that this principle of remuneration according to labor is compatible with necessary incentives for labor allocation and supply of effort.

However, the recent debate on wages and income distribution is evidence of an ongoing change in established official doctrine and of a deliberate attempt to change public opinion correspondingly. This is part of the general economic reform, which purports to revitalize the economy by transferring more economic responsibility to lower level decision-making bodies.

The principle of payment according to labor is increasingly interpreted as payment according to final results of labor, rather than according to contributed quantity and quality of labor. This is further justified with reference to beneficial incentive effects. Even the *quid pro quo* rationale appears implicitly in recent descriptions of interest groups.

This leads to increasing wage and income inequality. Indeed, the detrimental effects of wage-levelling are continually exposed, with a few opposing voices acting as targets for massive argument. Public subsidies and public consumption are also under attack, and higher, market-clearing consumer prices are considered to be a necessary prerequisite for improving incentives, despite ensuing social problems and increasing inequality. Some would even argue that higher prices tend to decrease inequality because low priced rations are distributed very unequally among regions. Unemployment is being cautiously recommended as a means of improving incentives, and the traditional abhorrence of very large incomes is partly disregarded in recent laws on individual and cooperative economic activity.

These are major stumbling-blocks for public opinion, as stable prices, full employment, and equality are highly cherished social goods. This presents a real dilemma between equity and efficiency, even if part of the public aversion can be traced back to some popular misconceptions concerning the functions of prices and wages, and the roles of trade, the state, and the market.

Any observer of economic debates in any country will invariably encounter what Lenin called "an incredible lot of nonsense."¹⁷³ The Soviet Union is no exception, despite its differences from democratic Western societies regarding mechanisms and criteria of selecting contributions to the debate. The Gorbachev leadership is currently trying actively to change popular attitudes, which is difficult because of the dimensions of the intended change and because ideological hens are likely to come back to roost after seventy years. It is difficult to obtain popular acceptance of view like this: "According to Leninism, profit is a basic principle of economic accountability."¹⁷⁴

Economists taking part in the debate are disputing, not only with each other, but also with public opinion, and it is planned to subject the entire population to a nationwide basic course in economics.¹⁷⁵ But not everybody is pleased by the economists:

The main problem is that doctors of economic science have multiplied, while the country's economy has reached an impasse.

As for all those psychologists and economists--they are quite unnecessary. I think that the state would manage perfectly well without them.¹⁷⁶

The debate is becoming more explicit and therefore more informative and interesting. But ideological clouds are still so low that the interesting feature of the debate is not really what is said, but rather the fact that it is said at all.

Endnotes

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2. Ibid, Article 60.
3. The Constitutional Act of the Kingdom of Denmark, 5 June 1849 (Amendments 1866, 1915, 1920, 1953), Article 75.
4. Atkinson, 1983, pp. 104, 122, 137-139; Phelps Brown, 1977, pp. 134-135, 165, 179, 285-321; Simon, 1957; Lydall, 1968; Sattinger, 1980.
5. Lenski, 1966, pp. 35-48, 430.
6. Tumin, 1967; Wiles, 1977, p. 446; Aage, 1972a, 1974.
7. Clecak, 1969; pp. 103, 106, 112; cf. also note 13 below.
8. Sukharevskii, 1974, pp. 201, 214; Shatalin, 1968b, p. 65.
9. Marx, *Kritik des Gothaer Programms* (1875). MEW 19, pp. 20-21.
10. McAuley, 1979, p. 180; Rabkina and Rimshevskaia, 1972, pp. 26-30; Shatalin, 1982, p. 11.
11. Lebech, 1976, pp. 226-231.
12. Kaergaard, 1980, p. 263; cf. Aage, 1983b.
13. Manevich, 1974, p. 237; Sukharevskii, 1974, p. 202; Wiles, 1977, pp. 438, 443-446; Chilosi, 1978, 1980, 1985.
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16. Shatalin, 1982, p. 9; Shatalin, 1986b, p. 63; Chapman, 1987, p. 1; *Sotsialisticheskii trud* (January 1987, no. 1), pp. 74-81.
17. Cf. section 4 below.
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22. Vladimir Voinovich, "Parasites," *Radio Liberty Research* 440/84.
23. Shatalin, 1982, p. 12; cf. Shatalin, 1986b, pp. 61, 63; Tret'iakov, 1987; Rutkevich, 1986b, p. 19.
24. *Pravda* (4 February 1981), p. 3. Translation from *Current Digest of the Soviet Press* 33 (3 March 1981, no. 5), p. 23.
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26. Shcherbakov, 1987a, pp. 20, 23.
27. Lane, 1987; Riskin, 1973, 1975, p. 203; Sukharevskii, 1974, p. 204; Kunel'ski, 1981, pp. 7, 91.
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29. V. I. Lenin, *Fourth Anniversary of the October Revolution* (1921). Lenin, 1958-65, vol. 44, pp. 151-52. (Translation: Lenin, 1960-70, vol. 33, pp. 58-59.)
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33. Shcherbakov, 1987a, pp. 21, 24-26, 29.
34. Rutgaizer and Sheviakov, 1987, p. 13.
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36. Zaslavskaiia, 1986a.
37. Kapustin, 1974, p. 257; Kunel'skii, 1981, pp. 17, 48, 53, 67, 155-156; Chapman, 1977, p. 267; Rutkevich, 1986a, pp. 43-47.
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42. Rutkevich, 1986a, p. 47; Zaslavskaiia, 1986a.
43. Zaslavskaiia, 1983.
44. Hauslohner, 1987; Norgaard, 1985, Teague, 1987, pp. 232, 238; Evans, 1987, pp. 21-23.
45. Shcherbakov, 1987b; Gladkii, 1987a, p. 10.
46. Rutkevich, 1986a, p. 45; Manevich, 1974, p. 252; Chapman, 1977, p. 273; McAuley, 1979, pp. 221, 236-238; Atkinson, 1983, p. 145; Phelps Brown, 1977, pp. 118, 129-139.
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75. Shcherbakov, 1987a, 1987b; Rakoti, 1987; Kostin, 1987; Romaniuk, 1987.
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78. Gorbachev, 1986, p. 8.
79. Gorbachev, 1988, p. 2.
80. Rutgaizer, 1981; Rogovin, 1982; Shatalin, 1982; Kazakevich, 1986; Khasutalov, 1986; Petrov, 1986; Bogomolov, 1987; Zaslavskaiia, 1986b; pp. 69-71; Rutkevich, 1986a, p. 51, 1986b, p. 19; Shmelev, 1987, pp. 152-54; Lopatnikov, 1988.
81. Chubakov, 1987, pp. 73-75; Derjabin, 1987, p. 58; cf. Nove, 1987, pp. 453-56.
82. Ivanova, 1987; Derjabin, 1987, pp. 60, 63; Grinberg and Rubinshtetn, 1987; Figurnov, 1986, pp. 6-7, 10.
83. e.g. Borozdin, 1986, p. 35; Shmelev, 1987, pp. 152-54.
84. Bogomolov, 1987; Lopatnikov, 1988.
85. Derjabin, 1987, p. 58.
86. Shatalin, 1982, p. 19, 1986b, p. 68; Rimashevskaiia and Iasin, 1981; Lopatnikov, 1988.
87. Borozdin, 1986, pp. 36, 37.
88. Zaslavskaiia, 1986b, p. 72.
89. Tret'iakov, 1987; Shmelev, 1987, pp. 152-154.
90. Rutgaizer, 1981. Cf. Aage, 1988, pp. 54, 60.
91. Ivanova, 1987; Lopatnikov, 1988; Shatalin, 1982, p. 19; cf. Aage, 1987a, pp. 10-11.
92. Bergson, 1966, p. 185.
93. Grinberg and Rubinshtein, 1987. Cf. Bim and Shokin, 1986, p. 71; Shmelev, 1987; S. Voronitsyn, *Radio Liberty Research Bulletin*, RL 389/87.
94. Rutgaizer and Sheviakov, 1987, pp. 8-10; Shatalin, 1986b, p. 67.
95. Borozdin, 1986, p. 36. Cf. Rutgaizer and Sheviakov, 1987, p. 11; Rutgaizer in *Ekonomika i matematicheskie metody* 22 (July-August 1986, no. 4), pp. 753-754.
96. Shatalin, 1982, pp. 16-18, 21, 1986b, p. 69; Rogovin, 1986; pp. 9-10; Rutkevich, 1986a, p. 71, 1986b, p. 11; Zaslavskaiia, 1986b, p. 73; Chapman, 1987, pp. 26-31; Evans, 1987, pp. 11-13.
97. *Kommunist* (November 1986, no. 17), pp. 62, 64; *Kommunist* (February 1987, no. 3), pp. 104-107; Lopatnikov, 1988.
98. Chubakov, 1987, p. 71; Shatalin, 1987, p. 7.
99. Rutgaizer and Sheviakov, 1987, p. 7.

100. Chubakov, 1987, p. 71.
101. Grinberg and Rubinshtein, 1987. Cf. Rubinov, 1987a; Lopatnikov, 1988; Zaslavskaiia, 1986b as commented upon in *Kommunist* (November 1986, no. 17), p. 64.
102. Evans, 1987, pp. 10-11; Chapman, 1987, pp. 20-24.
103. Rutkevich, 1986a, pp. 47-49.
104. Shatalin, 1982, p. 13; Rutkevich, 1986a, p. 51; Rimashevskaiia, 1986; cf. also notes 80 and 96 above.
105. Rakoti, 1987, p. 58.
106. Rutgaizer and Sheviakov, 1987, p. 21.
107. Shatalin, 1982, p. 15, 1986b, p. 65; Rutkevich, 1986a, pp. 51-52; Rimashevskaiia, 1986; Chapman, 1987, pp. 24-25.
108. *Narodnoe khoziaistvo*, 1986, p. 86; Aage, 1986d; cf. notes 1 and 2 above.
109. Kostakov, 1987, pp. 80, 81-82, 85; cf. also *Pravda* (21 January 1988).
110. Shatalin, 1986b, p. 63.
111. Kostakov, 1987, pp. 78, 80, 87.
112. Gorbachev, 1986.
113. Derjabin, 1987, p. 64.
114. Zaslavskaiia, 1987b, p. 64. Cf. one of the central theses of Granick, 1987, pp. 67, 106.
115. Kostin, 1987.
116. Zaslavskaiia, 1986b, p. 70. Quoted from Teague, 1987, p. 235.
117. Shmelev, 1987, p. 149; Kostakov, 1987, pp. 81-82, 85.
118. Kostakov, 1986a, 1986b.
119. Kunel'skii, 1987.
120. Shatalin, 1986b, p. 63.
121. Popov, 1980; Malakhin et. al., 1981. Cf. Granick, 1987, pp. 98-99; Aage, 1986d.
122. Kostakov, 1987, p. 89.
123. Zaslavskaiia, 1986b, p. 70. Cf. Egiazarian, 1986, pp. 35, 38.
124. Shmelev, 1987, p. 149.
125. Teague, 1987, p. 230. Cf. El'tsin, 1986.
126. *Enterprise Law*, 1987, Article 23. Cf. *Ekonomicheskaiia gazeta* (1986, no. 44); Chapman, 1987, pp. 23-27; Teague, 1987, pp. 230, 235; Hauslohner, 1987, pp. 60, 70, 73; Aa. Trehub, *Radio Liberty Research Bulletin*, RL 361/87, 84/86, 382/86.
127. *Izvestiia* (19 February 1988).
128. Gorbachev, *Pravda* (22 June 1987), p. 1. Cf. note 124 above.
129. *Pravda* (21 November 1986), pp. 1, 3.
130. Zaslavskaiia, 1986b, p. 67; *Kommunist* (November 1986, no. 17); pp. 64, 66, 67.
131. *Ekonomicheskaiia gazeta* (June 1986, no. 23), pp. 4-5; cf. *Ekonomicheskaiia gazeta* (September 1986, no. 34), pp. 6-7; Shokhin, 1986.
132. Gorbachev, 1986.
133. Gorbachev, 1986, p. 9. Cf. the model statute in *Ekonomicheskaiia gazeta* (February 1987, no. 9), pp. 11-14; *Izvestiia* (6 March 1988), pp. 2-5.
134. Rubinov, 1987b; Filippova, 1987; cf. also *Pravda* (25 November 1987, 1 December 1987).
135. Gorbachev, 1988b, p. 2.
136. Chapman, 1987, pp. 19-20.
137. Rogovin, 1986, p. 16; Shatalin and Grebennikov, 1986.
138. Cf. section 3, note 82 above.

139. Cf. Aage, 1986d, pp. 106-107; 1988.
140. Cf. note 101 above, and Borozdin, 1986, p. 35 for a clear formulation.
141. Cf. notes 92-97 above.
142. Cf. notes 89-90 above. Cf. Tret'iakov, 1987; Shmelev, 1987, p. 154.
143. *Izvestiia* (11 June 1986), p. 6.
144. Shcherbakov, 1987a, p. 27. Cf. section 2 and notes 19-24 above.
145. Letter in *Komsomol'skaia Pravda* (29 September 1984). Quoted from E. Teague in *Radio Liberty Research Bulletin*, RL 386/84, p. 3.
146. With few exceptions, e.g. Rutgaizer and Sheviakov, 1987, p. 4; Zaslavskaia, 1987b, p. 67, cf. note 130 above; Shmelev, 1987, p. 147.
147. Shatalin, 1986b, p. 62; Kulikov, 1986; Rimashevskaiia and Iasin, 1981; Kunel'skii, 1981, pp. 142, 145; Aage, 1983b, p. 76.
148. Davidovich, 1986. Translation from *Current Digest of the Soviet Press* 37 (1 January 1987, no. 49), p. 27; Cf. Rutkevich, 1986a, pp. 38-39.
149. Cf. section 2, notes 19-24 above.
150. Marx, *Theorien über den Mehrewert*. 1. Teil. (1862-1863). MEW 26.1, pp. 363-381. Cf. also *Capital*, Book 1, Chap. 13-14 (1867). MEW 23.
151. *Ibid.*, p. 363. Cf. also O'Conner, 1975.
152. As described by Sutela, 1984.
153. Rubinov, 1987b; Ivanova, 1987; Lopatnikov, 1988; *Kommunist* (November 1986, no. 17), p. 61.
154. Rutgaizer and Sheviakov, 1987, p. 19.
155. Cf. Section 4, notes 105-107 above.
156. Cf. Section 5 above.
157. Lisichkin, 1986.
158. Abalkin, 1986, p. 9; Rimashevskaiia, 1984, 1986; Shmelev, 1987, p. 145; Gorbachev, 1988a. Cf. section 2, notes 67-72 above. The notable exception is Rogovin, 1986, p. 15.
159. Lisichkin, 1986.
160. Aleksandrova, 1987.
161. Gorbachev, 1988a.
162. According to a letter in *Pravda* (6 July 1987), p. 2. For other examples, see Tret'iakov, 1987; Shokhin, 1986.
163. Enterprise Law, 1987, Articles 9, 17, 18.
164. Evans, 1987, pp. 21-23; Hauslohner, 1987.
165. Zaslavskaia, 1983, p. A16.
166. *Ibid.*, p. A23.
167. Zaslavskaia, 1988.
168. *Ibid.*, p. 11.
169. *Ibid.*, p. 39.
170. *Ibid.*, p. 26.
171. *Ibid.*, p. 28.
172. *Ibid.*, p. 32.
173. Lenin, *Fourth Anniversary of the October Revolution* (1921). Lenin, 1958-65, vol. 44, p. 144. (Translation: Lenin, 1960-70, vol. 33, p. 51.)
174. Smelev, 1987, p. 152.
175. According to A. Aganbegian, lecture at the Kennan Institute for Advanced Russian Studies, Washington, D.C., 25 February, 1988.
176. Letters from readers quoted by Khasbulatov, *Pravda* (27 June 1987), p. 2. Cf. Rubinov, 1987b.

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