

These two books should be required reading for anyone interested in the transition of the post-socialist countries from bureaucratically managed economies with manufacturing sectors consisting of large state-supported companies to mixed-market economies with production and distribution based mainly on private property. While neither book addresses issues of the transition directly, both provide valuable insights into the legacies of the past. Without a proper understanding of the pre-history social thinkers and planners cannot begin to conceptualize the required organizational and institutional changes needed to provide the foundations for a successful transition to a mixed market economy.

Robert Campbell’s book is a sample of more than twenty years of work by a leading Sovietologist who used Western microeconomic principles to understand, rationalize, and critique the Soviet system. This collection of nine previously published essays with an introduction and postmortem by the author is vintage Campbell. Many of these essays were published in anthologies; to have them together under one cover is extremely useful. Pekka Sutela’s book is no less fascinating as it records the struggle of Soviet economists, both academicians and policymakers, to understand and improve their own system from an entirely different perspective. The clash between Marxist-Leninist ideology and modern mathematical economists is exquisitely crafted by Sutela. Both books come to a similar conclusion, that is, perfecting the economic mechanism in a socialist economy is a hopeless task.

Sutela’s book begins with an overview of the conflict between the political economy of socialism (PES) school that claims to be “quasi-science” and the mathematical school of thought that stresses “perfect computopia” (exemplified best throughout the period by the work done at TsEMI). The next two chapters record the quest by economists for a consistent and comprehensive mathematical model to “perfect” the economic mechanism beginning with the work of L. V. Kantorovich and V. V. Katsenelegenboigen and Abel Aganbegian. This search is contrasted with the piecemeal and fragmentary nature of the actual reforms undertaken in the Soviet Union through the mid-1960s. Sutela identifies the early intellectual seeds of *perestroika* by focusing on the post-1965 reaction to both schools of thought. Developed by the mathematical economists, the notion of “orchestration from above,” that is, setting up the rules of the game so that the players act as you wish them to behave, was criticized by some as an imperfect substitute for real devolution of authority to the enterprises. The PES school was taken to task by S. S. Shatalin who argued that real markets cannot be planned. Rather his work suggests that the lack of consideration of ownership reform and property rights was a serious omission in the reform debate through the mid-
1980s. Even Janos Kornai, the Hungarian reform economist whose work Sutela claims had a significant impact on Soviet thought, had yet to question in print the principles of socialist ownership. Meanwhile, the mathematical school had become enamored with general equilibrium analysis, touting it as the intellectual underpinning of their proposals to perfect the economic mechanism using both simulated markets and improved forecasting methods. Consequently, at the conception of perestroika, social ownership remained a shared axiom of the two dominant schools of thought.

Sutela provides fascinating glimpses of the early writings of some of the most influential thinkers of the perestroika era. In 1981, L. I. Abalkin poses the following dilemma for reformers: the severe economic disequilibrium existing in the Soviet Union makes markets both impossible and necessary. By stating this problem, Abalkin anticipated the issue of stabilization in the presence of monetary overhang that became a crucial part of the debate about how to begin the transition. The necessity of ownership reform (what would later be called privatization in the transition literature) appears in Gavrili Popov’s work around 1984. Referring to ideas of F. A. Hayek, Popov proposes pervasive leaseholding and concocts a tie-in scheme for the purchase of automobiles that resembles closely private ownership claims on companies.

In the final chapter, Sutela focuses on the impact that foreign-country specialists (e.g., O. T. Bogomolov) and those working in institutes with an international profile had on the development of perestroika. Many of these thinkers turned to a combination of worker self-management and extensive leaseholding as a means of cutting the umbilical cord between the enterprise and the ministry. However, the possibility of a “third way” between capitalism and socialism, i.e., market socialism, was forcefully criticized by Larisa Piasheva (pen name: L. Pokova) in 1987. She and Nikolai Shmelev stressed the necessity of developing “real” markets for the factors of production based on private property (a theme that the Hungarian economist Marton Tardos was also promoting). As Hayek noted long ago in his response to Oskar Lange in the great debate over the economic feasibility of socialism, without private ownership of the means of production, real markets cannot exist and thus real valuations (prices) are not forthcoming. The chapter and the book end with a synopsis of the Abalkin reform program of 1989. Although far less radical than reforms proposed in Poland and Hungary, this program embraces worker ownership as a method for divesting the state of its assets and thus takes a stand on the issue of ownership reform. As a telltale precursor of future events, upon presenting the program to the Congress of People’s Deputies, Nikolai Ryzhkov ruled out any genuine large-scale privatization. By the beginning of 1990, the ownership issue remained unresolved in both theory and practice in the Soviet Union. This legacy still hangs like an albatross around Boris El’tsin’s neck.

A perusal of the table of contents of Campbell’s book might leave one with the impression that only a couple of his essays deal with the history of Soviet economic thought. The final chapter, entitled “Marx, Kantorovich, and Novozhilov: Stoimost vs. Reality,” is a long time favorite of mine that certainly follows in that