LEGAL RESTRAINTS ON INNOVATION IN THE USSR

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1. Introduction

Since the economic reforms of 1965, which placed greater emphasis on the profitability of Soviet socialist enterprises, material incentives as a stimulus to productivity and accurate economic accounting of the costs of production, members of the business and legal communities in the USSR have become increasingly concerned about dysfunctional aspects of their system of dissemination of innovation among enterprises. The sources of their dissatisfaction with this system are current regulations requiring enterprises which pioneer innovation to pay virtually all costs of research and development, irrespective of the utility of the innovation to the national economy or the extensiveness of eventual implementation of the discovery, laws requiring the pioneer to assist other enterprises in implementation of the innovation and an inadequate apparatus for disseminating information about innovations to enterprises which might adopt them.

According to Soviet scholars, the system's failure to disseminate innovation adequately results in national research and development costs, forty to seventy percent of which spring from duplication of effort. As Klebaner observes, the chief reason for the lagging dissemination of technology "is the weak economic interest of enterprises and organizations which innovate in overcoming a difficult group of obstacles in arranging secondary implementation of scientific-technical innovation."

The purpose of this essay is to explore the extent of these problems and possible means for their solution. As a result of this examination I hope to draw some conclusions on the possibility of developing an effective system for disseminating innovation which is consistent with the Soviet theory of value and national economic planning. The analysis which follows proceeds within the framework of the labor theory of value, not because I am convinced of its explanatory power, but because I believe the Soviets are unlikely to adopt any system of compensation which cannot be justified under that theory.
2. Innovation and Soviet Economic Theory

Soviet economic theory analyzes the problem of remuneration for innovation by combining two concepts, the Marxist labor theory of value and the notion that material incentives are acceptable during the present period of transition from socialism to communism. Under these combined concepts the price which an enterprise pays for access to innovation depends both upon the amount of labor which the inventor contributed to the new process or know-how and upon governmental schedules of financial incentives. As this system presently operates, the enterprise at which the inventor is employed pays the full costs of the contribution of labor to the innovation while all enterprises which adopt the know-how, including the factory which employs the inventor, pay the innovator a full financial incentive fee. This approach to compensation for labor is not required by the labor theory of value nor is the system of financial incentive necessarily the most effective.

The three components of innovation are the labor of the inventor, his scientific knowledge or inspiration and the contribution of machines used to make or test the new process. Within the labor theory of value the innovators' inspiration makes no contribution to value and is not compensable. The foundation for this understanding of scientific inspiration is Marxism's tenet that insight into the processes studied by natural science occurs in the inventor only because he lives in a society and history which have trained his senses. "The cultivation of the five senses", wrote Marx "is the work of all previous history." A person has scientific imagination, according to this theory, only because he stands on the shoulders of those who preceded him. The learning of the past is history's contribution to inventive genius.

The knowledge of natural processes alone, however, cannot lead to innovation, for that involves the solution of practical problems. An awareness of practical problems such as those encountered in the process of production is also a prerequisite to innovation. If society did not provide the context in which practical problems arise, the person possessing scientific knowledge would have no medium in which to apply his learning. Thus, according to the Soviet theory of innovation, the history of mankind, embodied in the learning of the scientist, and the social process of production are in dialectical interaction. The solution of simple problems leads to the creation of more complex processes, simultaneously adding to the store of knowledge and creating a more sophisticated arena in which the next generation of innovators will work.

The Soviet theory of innovation does not denigrate the usefulness of the inventor's contribution to society, it merely maintains that his contribution is the labor which he bestows rather than his scientific insight. That labor investment is fully recompensed by the wages which the innovator receives from his factory. During socialism, however, material incentives continue to be appropriate to encourage innovation. Thus in addition to compensation for labor, the inventor is also entitled to a reward. The inventor who works at a state enterprise qualifies for this reward by registering his invention with the state