

Michael Ellman, **Socialist Planning**. 3rd edition. Cambridge: Cambridge University Press, 2014, 440 pages. ISBN 978-1-107-42732-7.

After the fall of communism, a widespread belief reigned that the planned economy was not worth studying. This is particularly the case if one applies the live-and-let-die principle, a principle that gained absolute dominance after the fall of communism in 1989/1991. Nevertheless, as faith in the unregulated market vanished, most prominently so with the world financial crisis of 2008, interest in other economic systems has returned to the fore.

Michael Ellman is Professor Emeritus of Economy and Business at the University of Amsterdam. He is a well-known expert in the field with a long record of publications on the problems of socialist economies and their subsequent transition to the market system, including *Planning Problems in the USSR* (1973) or *The Destruction of the Soviet Economic System* (ed. with Vladimir Kontorovich, 1998), to mention just a few. *Socialist Planning* is the third, largely updated and expanded edition of his book that was first published in 1979. As such, it represents a sort of coronation of his research activities. The book's core argument – that socialism was wrong in its efforts to replace market with state – is based on an enormously rich number of examples and empirical evidence.

Ellman's book is an excellent example of a comprehensive analysis of the socialist planning system and its consequences. It discusses diverse aspects of socialist planning, its weaknesses and motivations. The author explores different features of planning, from defense industry, agriculture, employment to consumption. Nonetheless, the author does not limit himself only to various planning theories. Rather, he confronts the plans with real developments in real economies. In most cases, the developments proved to be going in different directions than the authors of the plan had expected.

Ellman challenges the very idea of a scientific nature of planned economy. Initially, the plan was only kind of a goal and early-Bolshevik leaders had only vague ideas, to say the least, as to how to organize the economy in a truly Marxist manner. Later, their ideas were predominantly built on theoretical assumptions that were unable to cope with real life conditions. As a result, the system had to accommodate itself to such conditions and, moreover, it heavily relied on improvisation. In addition, dubious sources for economic decisions were likewise sometimes used. To illustrate the point in mind, one could mention that Stalin derived his "knowledge" of agriculture from Soviet films (p. 43). Also Mao Zedong's campaigns, such as the Great Leap Forward or the famous anti-sparrow campaign, were conducted without any regard to reality. No surprise, then, that they eventually turned into complete disasters. Indeed, as there was no opposition, there was no break for such harmful ideas in all of the socialist countries under scrutiny.

Socialist planning, in Ellman's view, is burdened by the contrast between the plan, which was supposed to modify the reality in the desired manner, and the actual reality itself. Although the term "planned economy" is widely used, Ellman shows its impreciseness. Plans are designed on a yearly basis and they have to be constantly altered. Instead of a plan as an indicator, the system in its classical form was based on commands stemming from the

center to the lower parts of the hierarchy. However, factories created their own strategies in order to ignore such commands from above and followed their own interests.

The author goes on and examines the problem of evaluating socialist planning through the *sine ira et studio* approach. Despite generally negative conclusions about the planning system in different socialist countries, Ellman aims at understanding its features, not at judging it in one way or another. In some cases, be it war economy or the effects of consumption, he even gives some credit to planning. In the latter case, as he stated, socialist economies represented a major shift in societies. Socialist economies often gave a stronger voice to groups that had been previously suppressed, and provided them with greater equality. Yet, as Ellman further points out, the very logic that a socialist system automatically means more equality does not work in practice. Take the example of Sweden, for instance, a non-communist country that is far more equalist than any of the socialist countries.

Ellman proceeds systematically through all of the aspects of planning during the socialist period. Each chapter contains an in-depth explanation of the theoretical debate about the topic and its main problems. Yet, Ellman's chapters are not comprehensive studies of each topic. They are introductions that are paired with suggested readings. This is particularly helpful for further studies in the comparative economic systems.

In the first chapter, Ellman outlines the development of the planning system in Russia and the Soviet Union. He analyzes the first steps taken towards the classical system of planned economy with a particular emphasis on the discussion about the advantages and disadvantages of planning, with well-known accounts of Ludwig von Mises and others. As Ellman points out, the roots of the planning system cannot be found in developed capitalist countries, as Marx's theory argued, but in the least developed states. Indeed, according to Ellman, planning itself was well suited for catch-up economies, as it was able to allocate resources to the necessary fields. Moreover, any country, be it socialist or capitalist, switches to planning when at war. Indeed, some countries, such as the Netherlands for instance, even made use of a certain planning system after the Second World War. However, as Ellman put it, the quality of their planning was fundamentally different from the one that prevailed in socialist countries (p. 18).

In his account of what he entitled the "classical system," Ellman underlines Oscar Lange's argument that planned economy emerged as a result of war economy. Early Bolsheviks faced foreign intervention, and Stalin was driven predominantly by the need to overcome Russian/Soviet backwardness in the military sphere. Consequently, the planning system with its rationing, forced labor and neglect of consumption worked well for Stalin's purposes. Yet, paradoxically, much of the processes of planned economy were taken from capitalist firms. Ellman provides the example of a Stalingrad tractor factory, built completely on the western model. However, the socialist version was full of wasting, inefficiencies and, moreover, based on false information. As a result, the need for reform was strongly felt not only in the Soviet Union, but later also throughout the entire Soviet Bloc. The coercive model no longer worked and the shift towards a consumerist approach proved to be a necessity.

Ellman also explains reform processes in the Soviet Bloc, covering the period from the early post-Stalin reforms to Gorbachev's reforms adopted in the 1980s. What is particularly valuable is the account of the theoretical debate surrounding these with an emphasis put on Polish authors such as Oskar Lange or Włodzimierz Brus. Nevertheless, neither of the reforms in any of the countries under scrutiny helped to revive the economies in full. The initial design, combining advantages of the plan (effectiveness in allocating capital, overcoming of the fluctuations of market, etc.) and advantages of the market (consumer goods supplies, motivation, etc.) did not materialize. On the contrary, instead of this, disadvantages of the combination emerged (pp. 51–53).

The following chapters deal with the problem of sectoral planning. Ellman begins, in accordance with the war structure of the socialist economies, with planning in the arms industry. In this sphere, the Soviet Union was able to compete with other powers. Indeed, during the war, its experience with planning helped to target all resources to the so needed arms production. After the war, possessing atomic bomb became a priority for the Soviets. Beria, the most effective manager of the system, took control, making it easier for the Soviet Union to create the bomb after the end of the war. Beria made use of espionage, forced labor and other extraordinary means, but he managed to reach the goal he was devoted to. Yet, such successes were dearly paid. The Soviet Union spent enormous sums of money on its military, be it the army, navy or air force. As Ellman rightly points out, the expenditures are only hard to evaluate, as part of the products, such as tractors, were built in accordance with the possibility to transform them into military vehicles; heavier and bigger than their Western counterparts, they were, in fact, only of limited use for Soviet agriculture.

Naturally, absolute priority put on Soviet defense industry deeply influenced investment in other fields. Even the strategic decision to place emphasis on heavy industry was partly caused by defense needs. For instance, Magnitogorsk plants were built far in the East in order to be out of reach of any potential enemy. Nevertheless, this caused problems with transport costs or how to attract employees to these places. However, the stress put on heavy industry had also a theoretical reasoning in the works of the Soviet economist Grigory Feldman. Contrary to the industrialization experience from other countries, he stated that investment into the production goods is far more effective than into consumer goods. As Ellman states, such conclusions proved to be wrong as they could function only in an environment of an economy fully separated from the other world.

Ellman continues with analyzing problems connected to agriculture. Based on Marxist ideas, socialist countries in their classical model decided to employ the so-called economy of scale concept. However, the results, as Ellman demonstrates, were less than mediocre in all of the countries under scrutiny. Instead of the economy of scale, enormous wasting and ineffectiveness further arose. As a result, the system of large kolkhozes was replaced by the propagation of smaller units. After collectivization, agricultural produce in countries from China to Hungary increased. Nevertheless, this does not mean that the problems of socialist agriculture were solved once and for all, as the rationing system in the USSR showed in the 1980s.

The Soviet system was excellent in reaching and sustaining full employment, but weak in work incentives. Workers knew they could not lose their jobs, salaries were low and there was nothing to buy in the shops. However, this does not mean that full or complete equality existed. In fact, the contrary proves to be the case. As Ellman highlights, the difference between a capitalist and a socialist country does not lie in the non-existence of differences in wealth, but in the absence of the ultra-rich in the latter. He provides examples of other weaknesses of the classical model of planned economy in the social sphere, from the quality of healthcare and education, working conditions and many others. Indeed, he even questions the profitability of the existing labor camps, pointing out its enormous inefficiencies.

Consumption represented a great weakness from the very beginning of the existence of the classical model. Socialist economies were called shortage economies due to the notorious lack of consumer goods. Nevertheless, this actually came to the surface only once the classical model was abandoned and the countries in question turned towards consumerism. With this in mind, one can likewise put forward that one of the main problems of socialist economies lie in the very pricing of consumer goods. Interestingly enough, prices did not reflect the scarcity of goods and, moreover, their change, in one way or another, represented socially and politically sensitive issues. As a result, such imbalances led to the creation of the shadow market. Solutions, such as increasing production, introducing rationing, allowing the existence of private enterprises or importing goods from abroad, bore serious problems. Furthermore, political constraints still worked against them.

International trade was relatively unimportant under the classical socialist economy model. Its war characteristics put stress on relative self-sufficiency. Only after Stalin's death, the socialist/communist states actually proceeded to more active cooperation. Bearing this in mind, Ellman enumerates five types of approaches of socialist economies, from full autarky to integration. However, in each case, Ellman shows weaknesses of the respective approach, be it "selfishness" of the states or simple impossibility to combine their countries' plans. In general, socialist cooperation never materialized in full.

The final chapter evaluates socialist planning in an international perspective. As Ellman states, the main mistake of the planners was not the role of the state in the economy, but their effort to completely remove the market from the economy as a whole. Socialists aimed at modernization, but in reality their approach caused the opposite. Despite the early successes in industrialization of previously poor countries, the countries remained captured in the heavy industry trap in the very same time period when capitalist countries started making use of modern technologies. Moreover, they were not able to cope with questions such as ecology.

A possible weakness of the book lies in that it does not cover all of the socialist countries equally. Particular attention is devoted to two countries, the Soviet Union and China, whereas others are dealt with less systematically. So, for instance, in the third chapter, Ellman analyzes examples of reforms in chosen countries. However, the choice of the countries (the Soviet Union, China, Hungary, Yugoslavia, the GDR) and the exclusion of some others (most notably, Czechoslovakia) does not seem justified, especially bearing in mind

the myth of the successfulness of Czechoslovak reforms interrupted by the Soviet invasion of 1968 or their role as inspiration for Gorbachev's perestroika. This is not to say that Ellman's conclusions are unconvincing or that the book itself lacks a sufficient research basis. Yet, brief descriptions of the economies of the missing states would definitely help to fill the unnecessary gap.

To conclude, *Socialist Planning* is an extremely readable and enriching book for anybody who is interested in the problem of planning in its widest perspective. Indeed, it is an excellent insight into planned economies under socialism. Clarity of the explanations of even the most complex theoretical frameworks of socialist planning makes it accessible not only for economists, but even for an unexperienced reader. In addition, Ellman's book should be understood as a kind of a warning against "grand" concepts and campaigns. They, as Ellman convincingly proved, may lead to disasters.

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Bill Press, **The Obama Hate Machine: The Lies, Distortions, and Personal Attacks on the President – And Who Is Behind Them.** New York: Thomas Dunne Books and St. Martin's Press, 2012. 320 pages. ISBN 978-1250031020

The election of Barack Hussein Obama in the November of 2008 was a watershed moment in American history. Many who watched this enigmatic man ascend to the highest office of the land anticipated a new era, both politically and culturally, looking towards a post-racial America and the return of civility to the culture of poisoned politics in Washington D.C. Despite these well-intentioned and naively idealist expectations, the American people and their newly elected President – the first African-American to achieve that distinction – found themselves in the all-too-familiar milieu of culture wars, political dysfunction and latent racism. His ascendancy to the world's most powerful office should have signaled a sea-change in American political discourse. And in the eyes of author and liberal political commentator, Bill Press, it did, however, not as most of us anticipated. In his most recent effort, *The Obama Hate Machine: The Lies, Distortions, and Personal Attacks on the President – And Who Is Behind Them*, Press maintains that the election of Barack Hussein Obama as the Forty-Fourth President of the United States of America heralded a new and unprecedented moment in American Presidential history where we witnessed relentless assault of "personal attacks and a litany of hate uglier than those directed against any other president in modern times."<sup>1</sup> More importantly, Press argues that this so-called "hate machine" was funded, orchestrated and maintained through the directive of the now infamous Koch Brothers in collusion with Republican Congressional members and

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<sup>1</sup> Bill Press. *The Obama Hate Machine: The Lies, Distortions, and Personal Attacks on the President – And Who Is Behind Them* (New York: Thomas Dunne Books and St. Martin's Press, 2012), 2.