

Money, Markets, Forms of Socialism

Papers presented at the conference titled
“Non-Capitalist Mixed Economies”,
held in Budapest, 25–27 November 2022

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Introduction

This special edition of *Eszmélet* journal is the second volume on non-capitalist mixed economies after the pioneering first one published last year. The “Non-Capitalist Mixed Economies” conference series and the subsequent publications aim at developing new perspectives on the history of forms of socialism as transitory, mixed economies, presenting new experiences with currently existing mixed and hybrid systems, and elaborating future possibilities beyond capitalism and, hopefully, capital itself.**

It seems we have reached a turning point in these discussions. To be able to fulfill our original goals, it was necessary to revisit some basic theoretical problems and debates. These issues cannot be addressed without a common conceptual framework and methodological ground concerning historical change and various key actors and sectors that can serve as elements in a “mixed” construct. Moreover, it remains uncertain what basic conditions have to be guaranteed structurally in order to stop certain processes in which any of the key social forms of the “mixture” dominates over the others.

We all know too well that market socialism tempted state bureaucracies to privatize state-owned assets and to promote capitalist market fundamentalism (behaving as an “auctioneer state”, as József Böröcz once put it, see Böröcz 1999), which is a key lesson we learned in the late twentieth century. We also know how workers’ self-governance could and can be completely marginalized or even become targets of negative political campaigns and severe suppression in so-called socialist states (Krausz 2015, 311–354). We are also aware of how small-scale households, family economies, and coopera-

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** The list of presentations at the 2021 and 2022 conferences, as well as the table of contents of the previous publication, can be found at the end of the present volume.

tives were forcefully subordinated to planning and state usurpation of their resources in the 1930s or 1950s in Eastern European socialisms – or in the 1980s in Ethiopia, as discussed by Fikadu T. Ayanie in his paper on the Derg system, published in this volume. This type of suppression and uneasy coexistence was in sharp contrast with the NEP model in the mid-1920s, for instance (Krausz 2021), and it also differed substantially from the Hungarian “second economy” system in the 1960s and 1970s (see Nove 1991, 128; Hann 2021). In the latter regime, as discussed by Attila Antal and Attila Melegh in their relevant talks during the conference, there was a balance between householding (based on fixed contracts with cooperatives), market-oriented cooperatives (with well-regulated prices and without marketizing land itself), and the integrated light industry (offering stable jobs to women in the agrarian sector). Even more specifically, in Eastern European socialisms there were innovations such as the mixed housing regime in Romania in the 1960s or 1970s, where creative links existed between the state and the private systems (see the complex analysis by Enikő Vincze in the present volume). Moreover, as Salvatore Engel-di Mauro explained at the conference, these specific, “mixed constellation” socialisms proved to be less polluting than capitalist or neoliberal economies.

It seems that the most important aim of politically committed and transformative developmentalist/socialist states should go beyond the development of productive forces (which is often the excuse for socially oppressive production systems) and include the liberation and protection of a wide variety of social forms and social energies in order to unlock inherent historical potentials. This priority is often debated, but as our heated discussions showed, it can hardly be avoided. During the conference, Raquel Varela’s case study of the Portuguese revolutionary periods and liberation served as a key testimony in this respect. Another example is the amazing and creative public debates on a “new way of life” in the 1920s in the Soviet Union, as interpreted eloquently by Roberto della Santa at our conference. Indeed, intellectual exercises were given more room when a new set of social forms were established that had been liberated from the yoke of capitalism and the dominance of a single form of ownership and logic of social reproduction – until the Stalinist turn.

Indirectly, repressive means are also key elements in the socialist and systemic critique of the Chinese hybrid model. This was voiced during the conference in general, but also specifically in connec-

tion with agriculture (use and ownership of land), finance (links between private and public sectors), and the developmental policies in Eastern Europe, as exemplified by the outstanding talks of David Lane, Zhun Xu, Bruno de Conti, as well as Tamás Gerőcs and Linda Szabó. These papers discussed developments that cast a long shadow over the possibilities of a less tense and more viable non-capitalist hybridity. These negative tendencies can be understood historically both from a local and a global point of view, but this does not reduce responsibility and the question of historical options. In the current hybrid models, the fate of the socialist mixed economy depends on various, historically evolving dynamics within the model itself (the fate of redistributive land systems, internal migration from rural to capitalist urban sectors), as well as on the growing tensions within the state apparatus. However, this interpretation does not necessarily mean that the fate of the ongoing experiment in China is predetermined, or that it lacks huge and unprecedented potentials to liberate social energies.

This is one of the reasons why conferences like this are needed. We must see the options in order to help possible organizations and movements to better orient themselves in going beyond neoliberal fundamentalism. We need to explore and examine meticulously the structural and historical conditions for the upcoming great transformation, as Karl Polanyi would have put it. This positive attitude was also emphasized by her 99 year-old daughter Kari Polanyi Levitt in her greetings sent to the conference participants.

This political consideration leads us back to the need of a detailed analysis of actors that can potentially play a role in facilitating a balanced interaction between the different social forms. What have learnt in this respect?

The first question one needs to address is related to the dominance and development of the state, which still plays a key role in serving capitalist institutions. The state can become a counterbalance to neoliberal and socially repressive mechanisms, or can serve as a basis of socialist experimentation. We need to focus on the definition and the varieties of state capitalism and state non-capitalism, and their relationship to the regime of capital as a social metabolic system, as eloquently put by István Mészáros (Mészáros 2000). In his present paper, Pietro Basso also draws on this concept in his analysis of Bordiga's ideas concerning the corporations as the ultimate locus of capitalist reproduction.

Almost as a continuation of his excellent talk given at the 2021 conference, this year David Lane presented a detailed and essential typology of state capitalism and distinguished between capitalism's various forms in his classification. He defines state capitalism as "a hybrid economic system, in which the state coordinates the economy, owns productive assets, employs a significant number of people and distributes surplus value; concurrently, corporate non-state capitals, competing through market mechanisms, are driven by the profit motive". Thus he revises the earlier concepts of state capitalism suggested, for instance, by Lenin, and strives to find a more effective typology without refuting these earlier ideas. According to Lane, state-capitalism (with a hyphen) is a somewhat different system based on large-scale state ownership in which through the extraction of surplus values the ruling class benefits and controls directly societal renewal and economic development for the benefit and purposes of a state ruling class. He considers the NEP and Lenin's definitions to be more about state-controlled capitalism, a different form of capitalism, which is "a dual political and economic system in which privately owned enterprises produce for profit and receive 'rewards for enterprise' subject to moral, political, economic and coercive controls exercised by dominant state mechanisms and institutions". In his view, China is operating a viable "developmentalist" alternative to neoliberal capitalist systems as it "is a form of state-controlled capitalism retaining some socialist characteristics". This is not only a question of classification – we need to examine the dynamics in order to see the role the state is playing in such hybrid systems. Control over the state, coupled with the growing contradiction between the private and state sectors, are key factors that will decide whether these regimes will drift toward liberal capitalism or some form of socialism. Analyzing these developments and exploring the actual social processes can provide us with guiding principles while watching this dramatic historical experiment unfold, which will have a major impact on the options of non-capitalist transitory systems in the twenty-first century. Both the role of the state and the options of planning will play a historical role in this. The potentials of the latter have not yet been properly assessed, as Alan Freeman argues. He emphasized at both conferences that state-level planning was abandoned in many countries exactly in a period when digital technology would have allowed a better assessments of needs, and in fact there are more available options in this respect than we usually assume. An in-depth

and systematic analysis of this theme will have a major impact on our debates concerning the state (and its gradual withering away) and the democratic communities in case the logic of capital declines. At the conference, Johanna Bockmann also contributed to this topic with her talk on ideas Polanyi's ideas of "socialist accounting", a crucial element in debating socialist options.

Money is another major theme. The analysis presented by Radhika Desai at both conferences, as well as the humanist anthropological approach by Keith Hart, contributed to the formulation of a new set of questions. Both argue that linking money directly to capitalism is incorrect (as Marx and Polanyi also demonstrated). Money has never been a commodity and can take various forms and functions in societal development. Its current neoliberal format is anything but eternal or even a longer term phenomenon. There is a dramatic attempt to (fictitiously) commodify money today, and as Hart powerfully argues, the plutocratic, rent-seeking and publicly bailed-out financial groups syphon enormous fortunes out of the relevant sectors; however, money can and, indeed, must exist in non-capitalist societies as well. Desai explains that in socialist formations, money serves mainly accounting and payment functions. Hart argues that money can be socialized, even personalized, and it serves as a key link between individuals and society if the structural conditions are set: "Money in capitalist societies stands for alienation, detachment, impersonal society, the outside; it lies beyond our control (market). Relations without money privilege what we take to be familiar, the inside (home). This divides us every day; it asks too much of us. People want to integrate division, to connect their subjectivity and society as an object. It helps that money connects public and domestic life." These issues are also directly linked to the various forms of markets and price control, as well as the types and roles of states. Thus, they are also intertwined with the first major theme of the conference: the state.

The questions of land ownership and rural mixed economies can serve as excellent case studies, as evidenced by the conference papers given by the speakers from China. Peng Zhaochang provided a thorough and thought-provoking interpretation of the evolution of pre-capitalist agrarian forms, thus raising questions about wide and long-term historical perspectives, as related to the temporal existence of capitalism, while Zhun Xu presented how much capitalism has prevailed in China and how the so-called "household responsibility

system” has given way to rising capitalist systems with all their major implications.

No doubt, major questions were addressed at this year’s conference, and interesting points were raised that have the potential to pave the way for future research. The new set of research questions formulated in the wake of the discussions can facilitate a better understanding of the past and potentials of non-capitalist mixed economies, these fragile and immensely complex systems. Seeing this complexity, hasty and ahistorical judgements of these regimes would mislead any critical Marxist analysis and hamper the search for feasible practical-political goals.

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Opening Remarks

Dear comrades,

It is a great pleasure to open this conference. I would like to express my gratitude to the Karl Polanyi Research Center and to all the colleagues who prepared this event, especially to our dear friend Attila Melegh.

Speaking about the alternatives to capitalism seems to be an extravagance. But still, something started to change even in the mainstream. For example, a new attitude to the capitalist work, called “silent quitting”, appeared in some countries. The young generation refuses to copy the lifestyle of glorified work in the current system. Silent quitting means to reject the slavery condition, under which the so-called “good work” is more important than the quality of one’s live.

Greta Thunberg, the icon of the young generation, promoted recently her new “Climate Book” in London that appeals to “overthrow the entire capitalist system”. This system leads us to the climate crisis as a regime of “colonialism, imperialism, oppression, genocide”, of “racist, oppressive extractions”.

In this conference, let’s call for a change. We need to increase democracy in workplaces and create spaces that work differently than capitalism, which will not be pushed aside by anyone in power. The Rosa Luxemburg Stiftung in Prague is honored to be part of such important actions and debates.

I wish us a fruitful and inspiring conference.

Joanna Gwiazdecka
Rosa-Luxemburg-Stiftung

A Note of Greetings

Please accept my compliments to the Karl Polanyi Research Center and all the other sponsors of this important conference. I respectfully ask you to dedicate the proceedings to the memory of my parents Karl Polányi and Ilona Duczynska Polányi. My parents Karl and Ilona, who have given me life and a happy childhood, growing up in Red Vienna, where they encouraged me to belong to the *Kinder Freundschaft*. I remember the wonderful meal at the restaurant in the summer gardens. When I was on my way to school I noticed that the clock at the Praterstern had come to a stop; I turned around and went back home because I thought this was the beginning of a general strike of the working class of Vienna. At home, my mother told me I would be in charge of the family because she had other work to do. She gave me some paper money and I went to the local grocery and bought bread and 2 kilos of potatoes. At home, I instructed Erzsi to fill up everything with water because if the electricity was cut off, water might be cut off as well. Our living room had a bay window and I could see soldiers bringing a cannon down the street. In the background we heard the shelling of the Goethehof. When the lights came back on, my grandmother was very happy but I was not because this signaled the end of the general strike and the defeat of the workers.

When I returned to school on the following day, the director of the school was not present. Nor were several teachers, they had all been arrested because they were members of the social democratic party. We were summoned to an assembly in the gym and told that we were now members of a new organization called *Mittelschuler*. We were given a pin with white and red stripes that demonstrated the flag of Austria. I later went back to the classroom and my best friend and I both asked to be excused. We went to the coat room and took all the pins off the coats and flushed them down the toilet and went back satisfied that we had taken some action against the attack on the working class of Vienna. The experiences of February 1934 made a lifetime impression on me.

My mother was an activist, who played a major role in the Hungarian Republic of Councils in 1919; my friend András Göllner has written a fine description of this important event.* My father was a journalist and social philosopher who greatly influenced my intellectual development. My father considered the social institutions created in Red Vienna to be a major achievement of Western civilization and he found that workers in post-war Vienna had a better life than workers in England, then the richest country in the world.

The socialist municipal authority of the state or province of Vienna introduced unemployment insurance and compensation for industrial accidents and replaced the tenement slums with social housing by an eminent Austrian architect. These now-famous projects were owned by the municipality and financed by taxes paid by owners of private apartment housing and tenants according to the number of servants employed by them. The objective of these policies was to create a socialist society with the encouragement of people to engage in a variety of activities. There were clubs for chess players and a club for folks who enjoyed fishing in the Danube.

I like the fact that you are considering possibilities for a universe of diverse ownership of economic activity including cooperatives; this corresponds to the reality of the diversity of major cities of Europe and the Americas. I hope your conference will not be dominated by the discussion of problems affecting cooperatives. It is precisely the diversity of forms of engagement in economic activity which should challenge our imagination. I wish you a very successful conference.

With my warmest greetings to good friends, including the important participation of Attila.

Yours sincerely,
Kari Polanyi Levitt

* Göllner, András B. (ed.) 2022: *The Forgotten Revolution: The 1919 Hungarian Republic of Councils*. Montréal: Black Rose Books.

Money and Markets after Capitalism. A Humanism for World Society²

Abstract

I start from the premise that, in the modern era, money and power have passed from the conflict of the bourgeois revolution through the compromise of national capitalism to their contemporary despotic union. The latest version of market fundamentalism has reached its end, leaving us all in the grip of an unfathomable crisis. My impulse under these circumstances is to draw inspiration from great predecessors in the struggle for a better world. My focus here is on how to imagine money and markets after capitalism and my mentors are Karl Polanyi and Marcel Mauss. I move on to summarize their place in a program I have developed with colleagues, "human economy". Later on, I address the question of humanism in our world and as anthropology. Market fundamentalism didn't come from nowhere; it was a counter-revolution against post-war social democracy. I identify the main points of thinking about the social context of economic action from Locke to Keynes. Only another world revolution will get humanity out of the present mess. I finally wonder what part a humanist anthropology could play in that.

¹ Email: johnkeithhart@gmail.com. Website: <https://goldsmiths.academia.edu/KeithHart/Drafts>

² This text was a half-hour presentation read out at the Conference on Non-capitalist Mixed Economies: Theory, History and Future, Budapest, November 25–27, 2022. The original conference paper was 12,000 words with the same title and is now going through several iterations.

Modern money and power: conflict, compromise, unification

I set out here to bring together my work since the world turned in 1989-1991: the Soviet collapse, one-world capitalism, money's escape from government and law, China and India emerge as capitalist powers, the internet goes public. The main turning points after that were: September 11 and the Iraq War (2001–2003); the financial crisis (from 2008); neoliberalism's authoritarian turn (2015–2017) and the current world crisis (2020–2022). Our dominant institutions are still those of Bronze Age agrarian civilization. These are grossly unequal societies, territorial states, embattled cities, landed property, warfare, racism, bureaucracy, limited literacy, impersonal money, long-distance trade, work as a virtue, world religion and the nuclear family.

Reagan and Thatcher aimed to remove state controls from capitalism. This rested on the spurious claim that free markets enhanced the public good. A credit boom from the 1980s was fueled by financialization and digitalization. Since the crash, western governments have rescued insiders by “quantitative easing”, while squeezing taxpayers by “austerity” (Hart 2018). The democratic deficit has mushroomed: the EU's bankers' club, an ineffective US Congress, Tory misrule in Britain, dictatorship in Russia, China and India.

“National capitalism” has collapsed from emasculating governments, privatizing public assets, freeing capital flows, corruption and crime (Hart 2020b). Politicians needed money and money men political cover, but neither had both. A clandestine deal based on compromise was launched as “national capitalism” with national monopoly currencies from the 1860s. Industrial capitalism has by now been replaced by rent-seeking. The world has become plutocratic under the American Empire.

The bourgeoisie's rebellion against the traditional enforcers culminated in the industrial revolution. The capitalists soon realized that they needed political power to manage an urban economy featuring the factory proletariat and criminal gangs. Capital wanted its contracts enforced, but now also needed police, prisons and armies for crowd control. The traditional powers could write their own script and revived the reactionary idea of “nations”. Central bureaucracies would control markets, capital accumulation and unequal wealth for citizens' benefit. New legal conditions for business corporations and a bureaucratic revolution followed, enabling mass production and consumption.

The plutocrats now own the politicians, judiciary and media as well as finance. Reagan and Thatcher replaced the post-war engines of economic democracy with government by and for the rich. This unleashed an unsustainable credit boom (1980–2021) whose benefits accrued overwhelmingly to the richest few. Capitalism has reverted to extracting rents – transfers sanctioned by bought political power (Hart 2017). Politics today is about the brute power of these would-be masters of the universe (dictators, corporations, billionaires) to make humanity bow down before them. Their main problem is to figure out what stops the guards killing the masters when they hide in their underground bunkers. These rent-seekers are not punished for stealing from the public, but are bailed out by our taxes as examples of super-rich consumption. Equal citizenship has been exchanged for identity politics and reality TV (Hart 2021). Our main chance is to mobilize global networks to develop a democratic world society.

In the wake of market fundamentalism

Adam Smith claimed that the “wealth of nations” resulted from a deep-seated propensity in human nature, “to truck, barter and exchange”. Polanyi in *The Great Transformation* inverts the liberal myth of money’s origin in barter:

Orthodox teaching started from the individual’s propensity to barter; deduced from it the necessity of local markets; and then inferred the necessity of trade, including foreign trade. We should reverse this sequence: the true starting point is long-distance trade owing to geographical location and division of labor. This often engenders markets that can involve barter and buying and selling, offering an occasion for some individuals to indulge in their alleged propensity for bargaining. (Polanyi 2001 [1944], 58).

Money and markets have their origin in extending society beyond its local limits. Polanyi believed that money, like sovereign states, was often introduced from outside. The attempt to naturalize the market *internal* to society was subversive and could lead to disorganization of business and trade (Polanyi 2001 [1944], 193–194). Money is not a decisive invention; it need not make a difference to the type

of economy. Like markets, it is usually an external phenomenon. Polanyi was wrong: under capitalism money is an essential part of society at all levels.

He approached money as a semantic system, like language and writing. Only national monopoly currencies combine payment, standard, store and exchange. This allowed them to sustain “all-purpose” symbols. Archaic forms attached the separate functions to “special-purpose” monies. Since 1980, “all-purpose money” has been breaking up into specialized monetary instruments issued by a global distributed network of corporations, plus complementary and community currencies (Blanc 2010; Hart 2006).

Marcel Mauss reached out for a more inclusive humanism

Durkheim’s nephew Marcel Mauss has been my main guide for a new “humanism” and “human economy”. Fieldwork-based ethnography today reinforces anthropology’s fragmented and narrow localism. Could ethnography be part of an anthropology supporting the aim to make a better world society, as Mauss did? His greatest hope was for a consumer democracy driven by co-operative socialism.

Being trapped in unequal societies for 5,000 years has left us with an impoverished version of what human beings are and could become. Renaissance humanism pioneered the chance for individual persons to become actors in their own right, choosing their own partners and exchanging coercive medieval societies for something more universal. In the late 16th century, Montaigne and Shakespeare invented the modern self, uncertain of who s/he is (Bakewell 2010). Humanism 1.0 often descends into a self-regarding individualism. Albert Camus’ *The Plague* is the best critique I know of reducing history to personal experience. Humanism 2.0 would show us how to build meaningful connection across social division, allowing us to place ourselves in humanity, the world and history. We would make the world in part our own and our persons part of the world.

In the last century’s second half, humanity formed a world society – a single interactive social network. This world is massively unequal and voices for human unity are drowned. A global civil society for the 21st century is urgently needed. I would not bet on there being a 22nd without one. Money should be recognized as mediating between persons and society. Perhaps we will all eventually find our way to

humanity; but for now, we are only part-human. Personal connection to world society is unthinkable.

Mauss's global reputation has grown inexorably since his death in 1950. It rests on one essay, *The Gift* (Mauss 1997; 2016; Caillé – Hart – Chaniel 2010; Fournier 2006; Hart – James 2014; Hart 2007; 2014; 2020a; in press). He held that human institutions are everywhere founded on the unity of individual and society, freedom and obligation, self-interest and concern for others. The pure types of selfish and generous economic action obscure the complex interplay between individuality and belonging to others.

Mauss' "economic movement from below" was a secular version of what he found in archaic and exotic societies. Gift-exchange and cooperative socialism bring society and all its institutions – legal, economic, religious, and aesthetic – into play. These are "total social facts". The foundations of human exchange are universal; capitalism hides other economic mechanisms from view and marginalizes them. We must expose these elements and find a new ethical emphasis for economic life and law.

Mauss takes Malinowski's *Argonauts* to task for reproducing the Victorian bourgeois opposition between commercial self-interest and the free gift, a dichotomy that many Anglophones and several French *groupuscules* in the 1960s, have attributed to Mauss himself! Trying to create a free market for private contracts is utopian and just as unrealizable as a collective based on altruism. It will take a revolution to restore a humane balance. This vision should help us understand our own times better. He thought that "the great economic revolutions are monetary in nature". (Fournier 2006, 212; Hart 2009). They push into unknown reaches of society and require new money forms and practices to fill the gap. The rapid expansion of money, markets and telecommunications recently has extended society beyond its national form, making society and life more unequal and unstable.

Mauss thought that the possibilities for a human economy already co-exist in our world (as did Polanyi). We must build new combinations with a different emphasis and direction, rather than abandon markets for a radical alternative. He wanted to integrate economic forms that have been variously dominant in history, not to represent them as mutually exclusive historical stages.

Mauss maintained a firewall between his academic and political writings. After the war, he brought his academic and political interests together. He now saw the promise of their interaction: academic

writing stimulated reflection in individual readers, political writing aimed to spur collective action. The concrete exotic descriptions of *The Gift* were food for personal thought, not prescriptions for action. Like Paulo Freire, he wanted readers and students to find their own beliefs and act on them. This was more likely than when political parties and professors told them what to think. After 1925, he channeled his efforts into teaching students of ethnology.

In the 1930s he gave well-attended public lectures. A trio of Surrealist philosophers liked them but didn't agree on their meaning, which they found irritating. They asked Mauss if he cared about getting his message across to "the audience". He replied, "It was never my intention to impose my thoughts on you, gentlemen. I hoped to help you discover your own." Mauss was a "concrete dialectician".³

Once, when asked why his doctoral thesis was on prayer (Mauss 2003), he replied that "Speech is the unity of thought and action".

Mauss' instinct was for informal collaboration. Boas' and Malinowski's discovery of the "potlatch" set him reflecting deeply about his own approach to socialism, work and life. These societies were personal from top to bottom. The big challenge in an impersonal capitalist society was to persuade people they could make an active difference. Maybe reading ethnography would help. Moreover, ethnography doesn't tell you what to think. The concrete holism of its "total social facts" (Hart 2007) leaves readers free to internalize what is personally meaningful, merging human sociality with their own individuality, as when reading novels or watching movies. Finally, historians recommended replacing analytical reductionism with concrete descriptions. The only method remotely up to that is ethnography, as an end not a means – through reading, writing *and/or* fieldwork.

Money and markets in a human economy

A "human economy" puts people's thoughts, actions and lives first (Hart – Laville – Cattani 2010; Hart 2008; 2022, chapters 15 and 19). We have to prioritize the personal realm of experience; but we shouldn't leave it there. Human economies are also driven by the new

³ I owe this phrase to Nicolas Adell (personal communication).

human universal that is world society. People everywhere personalize money, bending it to their own purposes through a variety of social instruments. But the economy is much more than the person, the family or local groups. Economists remain largely unchallenged for the impersonality of money and markets. Money, like religion, bridges the gap between everyday life and an impersonal world. This two-sided relationship is universal but its incidence varies.

Money in capitalist societies stands for alienation, detachment, impersonal society, the outside; its lies beyond our control (*market*). Relations without money privilege what we take to be familiar, the inside (*home*). This divides us every day; it asks too much of us. People want to integrate division, to connect their subjectivity and society as an object. It helps that money connects public and domestic life.

If personal credit today promotes greater humanism in economy, this makes us depend also on impersonal governments and corporations, impersonal computing operations and impersonal standards for contractual exchange (Hart 2000; 2021). Persons will make a comeback on a face-to-face basis in the post-capitalist economy largely as bits on a screen that sometimes materialize as living people. Money's many forms support compatibility with personal agency and human interdependence at every level of society.

The reality of money and markets is not just universal abstraction, but this mutual determination of the abstract and the concrete. Its social power comes from fluent mediation between infinite potential and finite determination. The two great means of communication are language and money. The first divides us more than it brings us together; but money's potential for universal communication transcends differences between us.

The social context of economic action

John Locke (1988 [1690]) sought a protected zone for private property free of interference by public agents. It led him to advocate a separation of public and private interests that was never actually achieved. This confusion was resolved in two ways: by utilitarian economics and Kant's cosmopolitan moral politics. Neither worked then or now. Territorial boundaries and geography generate endless cultural variations. Cultures define the good differently, but the desire to be good makes exchange across them possible.

Hegel (1967 [1821]) identified three sources of social action: “abstract right” (from the family to formal hierarchy), bourgeois morality (in civil society) and “the system of needs” (driving modern states). In the last, citizens internalize the laws as their own: you stop at a red light because it is right, safer and a habit.

Max Weber (1978 [1922a]; 2012 [1922b]) wanted to retain Kantian subjectivity, but he also aspired to a Hegelian historical science of society. Rationalization drives modern history at the expense of moral relations, hence the legitimation crisis of the modern state. He was pessimistic about our future and relied on social science as an objective basis for world society. Weber would not have understood how the Soviet Union collapsed from the inside with almost no loss of life.

Talcott Parsons wanted to build a more hopeful American sociology (Parsons 1967 [1937]). Herbert Spencer, who coined “Social Darwinism” in the late 19th century, had been killed off by a quartet: Émile Durkheim, Max Weber, Alfred Marshall and Vilfredo Pareto. Parsons wanted people to believe in their doctor, professor, lawyer or banker for their social responsibility and not just their authority or expertise. This was a mild form of post-war social democracy. A world revolution then employed developmental states in the West, the Soviet bloc and the newly independent colonies. Governments committed to raising workers’ purchasing power, expanding public services and equalizing income distribution. Capital flows were restricted and exchange rates fixed. The ensuing world economic boom surpassed anything seen before or since.

I value Maynard Keynes, not for inventing macroeconomics to aid states in managing national economies, but as a writer, social thinker and radical critic of his profession. He is recognized as the father of the post-war welfare state. Mainstream economists adopted the old market liberalism under the revivalist label of “monetarism”. Keynes wrote

The mix of logic and intuition and a wide knowledge of facts (mostly imprecise) required for the highest economic interpretation is too difficult for people who can only imagine the implications of simple facts known with a high degree of precision. (Keynes 2019 [1932])

Sorting between rival theories in economics is better conducted through argument (rhetoric) than deduction. There is no ideal universal language beyond our common ability to figure out our

circumstances using everyday language. He is our best modern guide to the social context of economic action.

What is to be done?

Neoliberalism has failed humanity, making our world easy prey for fascists of all colors. The American and Russian systems developed a common model of accumulation in the Cold War. The difference between public and private ownership was more important in ideology than practice. Both sides organized workers in factories to produce surpluses that were ultimately managed by the state. Russian “oligarchs” came from the “Brezhnev moment”; they now flourished in “free markets” imposed by the US. Elsewhere the Pentagon, the largest collective in world history, fights under the flag of the free market, but its economic practices have always been anti-market. Is it surprising that most people, when faced with this hall of mirrors, prefer just to get on with their lives in ignorance or to cover it up?

After four decades we now face the consequences of neoliberal globalization. It will all end in tears. The Caribbean writer and revolutionary C.L.R. James taught me most of what I know about revolutions. He told me that radical activists live for turning the world upside down; but the rest just want to keep what they have. This is good. Society would be impossible if everyone wanted to tear it up. Then things change and, because of natural catastrophe, economic collapse, war or revolution, these people realize that they have already lost everything or are about to lose it. They now embrace the revolution and fight for a different future or to save what they can. They may accept some professional radicals as leaders. Don’t ever imagine that conservative people will inevitably stay out of the revolution.

Bourgeois morality can’t inspire the historical transformation required. Intellectuals must find sharp, original questions that help clarify today’s mess and return us somehow to democratic politics. We need historical appreciation of how we got here.

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Socialism and Transition to Socialism in Western Developed Countries in Amadeo Bordiga's Works

Abstract

In Bordiga's works the concept of socialism is strictly connected to his specific concept of capitalism, which is not centered on the notion of private ownership of the means of production but rather on the categories of commodity, market, money, profit, wage, and firm. According to Bordiga, where these "categories" are alive and kicking, there cannot be socialism. From this conception of capitalism, and from the firm reference to the international character of the proletarian revolution, derives in his works the complete sharing of Lenin's strategy regarding the transition to socialism in Russia in the 1920s: great audacity in the political domain combined with an "extreme, realistic moderation in the economic domain". On the other hand, the measures to be taken in the event of a process of transition to socialism in the mature capitalist countries (Western countries) could be otherwise daring in the socio-economic field – a theme with which Bordiga repeatedly confronted himself during the 1950s, beginning on focusing on the authentic revolutionary program of communism, as a "life plan for the species", and sketching out on this basis a series of immediate measures of great interest. In doing so he demonstrated a strong capacity to look forward, tapping on extremely topical keys: a plan of under-production, disinvestment of capital, raising costs of production, drastic reduction of working day, rapid breaking of the limits of enterprise, an "authoritarian control of consumption", resolute struggle against professional specialization and so on.

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Amadeo Bordiga was one of the greatest figures of the Third International. Yet his theoretical and political battles remain virtually unknown, particularly outside Italy. Bordiga's name rarely appears in histories of the international workers' movement, usually to be rebuked by Lenin in the dispute at the Second Congress of the Communist International over participation in elections and bourgeois parliaments, or, much less often, to be lauded with reference to the "powerful, though solitary, assault" (as E.H. Carr put it) that he dared to launch in 1926 against the victorious Stalinist leadership of the Russian Communist Party and the Comintern.

Completely ignored, in particular, is his rich theoretical production and political analysis of the years 1945–1966, which I, however, consider to be of great interest. It involved, among other things, a comprehensive, original *reconstruction of the Marxian analysis of the capitalist mode of production*, which is the key to understanding what socialism is.

According to Bordiga, what characterizes the capitalist mode of production it is *not* the private ownership of the means of production. On the contrary, capital had *abolished* on a large scale private ownership rights over the instruments of production, by separating *en masse* the direct producers (peasantry, artisans) from the conditions and the means of social production. And recent developments, Bordiga noted *in the 1950s*, are involving also a *divorce between ownership and capital*. More and more capital is being freed up, with the result that some capitalist firms no longer "own any real estate, in some cases not even a fixed headquarters or an appreciable quantity of machinery". Conversely, property is being "diluted and dissimulated", or presented as the property of collective entities. The space for concessions and subcontractors is growing, as is the importance of management relations in comparison with the holding of rights and capital assets. And this process clearly demonstrates that capital is more and more a *social force*, an *impersonal social power*, to which corresponds *social property*: absolute possession-ownership of the *social product*, but not necessarily (individual) rights over the means of production.

From this analysis Bordiga concluded that capitalists, too, would increasingly have impersonal, abstract, mobile features, associated more with a *generic activity of producing profits* (if only future profits) than with a specific entrepreneurial activity. He also added – with a lynx-like gaze – that *the center of gravity of capitalist activity was shifting from productive techniques to speculative maneuvers*. For him, insur-

ance companies were a perfect example, a prototype, of the ultimate figure of the capitalist: “the capitalist without his own capital – so as modern capital is capital without a boss, headless”.

Consequently, state ownership of the means of production *cannot* be considered the *hallmark of socialism*. The main discriminant between capitalism and socialism is *not* in the sphere of law, but in the mode of organizing social production. Capitalist production is *organized by enterprises* as a production of mountains on mountains of commodities. In it, the activity of each enterprise is aimed, in competition with other enterprises, at *profit* through direct or indirect exploitation of the wage labor force. The unlimited, paroxysmal *hunger for surplus labor* extracted both from living labor and through the destruction of dead labor: here is another fundamental characteristic of capitalism that makes it a “demented economy” that to satisfy this hunger for profit, needs to *continually rise unproductive consumption*, pushing also the proletariat to buy commodities that answer “artificially created, useless and harmful needs, placed under the *dictatorship of standardized consumption*”. This process reflects capital’s need to increase itself relentlessly in quantity, the dictatorship of exchange value over use value. And it inevitably leads to what Bordiga calls the *disaster economy* – capable of producing catastrophic damages to the natural environment.

Through a detailed and insightful analysis of Yankee super-capitalism, Bordiga arrives at this conclusion on capitalism: *capitalism* – also when it claims to be welfarist, popular, social or social-democratic, self-managing, human or even socialist – is always governed by unchangeable laws that make it a system of exploitation and oppression of labor by capital and the capitalist state.

Contrary to what many believed in the golden age of sharply rising output and labor productivity, the historical trajectory of capitalist development did not tend to alleviate the crushing of labor, or to produce greater social equality and a broadening of democracy. Indeed, it pointed in the *opposite* direction: toward the maximum concentration and centralization of capital, the most intense and “rational” exploitation of labor, the sharpest social polarization, and the growing despotism of the state in so far as it was ever more subject to capital.

The driving force of capitalism is the company, and its insatiable greed for profit. To truly advance towards socialism, *the beast that must be overthrown is, therefore, the firm* and – with it – the despotic regulatory criterion of *profit*. For consequence, in order to ascertain

whether or not in Russia, with Stalin and Stalinism, there was a move towards socialism, one must ask whether or not the typical categories of capitalist society – *firm, profit, wage, market, money, commodity* – remained in force during that period. Where these are alive and kicking, there cannot be socialism. And it is precisely with regard to these categories, *particularly the firm or enterprise*, that Bordiga's reconstruction is illuminating. As he sees it, the key aspect is not the juridical one of state or private *ownership* of the enterprise and the means of production, but the fact that, also in self-styled socialist Russia, all the activity of producing goods and services took place through a multiplicity of enterprises, that is, *distinct economic units with "proper accounting" geared to profitability*. Crucially, there is extraction of surplus-value, and this appropriation takes place with the aim of (capital) accumulation. State ownership or planning changes nothing in the capitalist framework of this economy: first of all, because the economically active state has been around for a long time in capitalist economies, so that statized economy = socialist economy is a false equation. Moreover, there is rather less of a really statized, fully nationalized economy in Russia than its rulers flaunt. Much of the activity of large-scale state industry is contracted out to small and medium-sized firms that have not been expropriated ("that would be a crime", Stalin said). And the picture in the countryside, which Bordiga subjects to a highly accurate investigation, points even more in the same direction. There the state-run economy (*sovkhozy*) is definitely a minority phenomenon, overshadowed by cooperative management (*kolkhozy*) and small family plots (of which there are tens of millions); and none of these three forms of organizing food production is socialist.

Similarly, "socialist planning" – the other great "anti-capitalist" boast of Stalinist propaganda – is certainly not planning of production *ex ante*, based on physical data and geared to "enlargement of the producers' lives" and reduction of effort. The reality of the so-called "socialist planning" is simply *ex post registration* of what has already occurred through the "spontaneous" initiative of *separate individual economic actors* (enterprises), plus a mere forecasting instrument for the future based on that registration process and oriented to higher production for the sake of production. In Stalin's Russia, then, there is no trace of a socialist economy that has replaced production based on value with "*anti-commodity, anti-wage and anti-enterprise*" production, or is at least heading in that direction. Nor does it make

any sense to speak of a “socialist market”, which is a contradiction in terms. Unfortunately, it is impossible for me to go into the details of the meticulous analytical research that Bordiga and his companions carried out on an enormous documentation to arrive at the conclusion that in the Russia of the 1950s and 1960s, capital – as the *social force that commands and exploits labor and appropriates labor products for the purpose of its own valorization* – was present and dominant although in relatively new forms.

Indeed, I would like to explain that Bordiga carefully and comprehensively reconstructed Lenin’s internationalist strategy to achieve socialism. According to Bordiga, Lenin was fully aware that the revolution in Russia had a *dual character*, “socialist in politics, capitalist in economics”. At the level of economics, all it could realistically aim to achieve was the modernization of the Russian economy, by moving it forward from parcellized petty-commodity production in the countryside (with patriarchal residues) towards state capitalism. Despite the existence of the Soviet regime, the development of state industry should not be misleadingly dressed up as socialist. To be sure, it was *a step towards socialism*, in the sense that the economy might be transformed in the future in a socialist direction, but nothing more.

In his writings Bordiga presented, and shared, Lenin’s strategy as *centered on the promotion of socialist revolution elsewhere in the world* and states that he felicitously combined “great audacity in the political domain” with an “extreme, realistic moderation in the economic domain”. In contrast to other exponents of so-called “Western” Marxism (Karl Korsch, for instance) who criticized it harshly, Bordiga defended NEP as the necessary Russian step in a policy of “waiting” for the social revolution to mature in Europe, being convinced of the necessary gradualness of economic-social transformations – especially in such a context of provisional isolation.

For Bordiga the construction of “socialism in one country” (even more so if it is backward) is a theoretical nonsense covering up a political defeat, and then a political crime – as the revolutionary path to socialism *can only be international*, given the international character of capital. State Marxism has completely mystified and distorted this basic truth of revolutionary Marxism. Even if, evidently, the unity of the revolutionary process on the international scale cannot mean homogeneity of immediate tasks, since the development of capitalism, which is the basis of the antagonistic development of the proletarian revolution, is very unequal between the “West” and the

“East”, between the industrially advanced and democratic countries and the countries that are still backward and endowed with political structures that are to varying degrees autocratic.

In the course of his tireless work on late-stage capitalism and the lie of building socialism in a single country, Bordiga arrives at his specific presentation of *the integral program of communism according to Marx and Engels*. Communism – he states – is a “*plan of life for the species*”, insofar as it affirms the primacy of the species over the individual generations, denying at root “every form of ownership of the soil, production facilities and the products of labour”, as well as every form of private appropriation of science and technology. The supreme program of communism, Bordiga points out, envisages with the death of property in all its forms, individual, cooperative, state and even social (by the whole society), the death of capital. And, with it, the end of the firm/enterprise, the end of proprietary individualism and also collective individualism. The communist society of the future will thus be the form of society that, for the first time in the history of human evolution, will be able to formulate *a plan of social needs, a plan of production responding exclusively to social needs* – the first of all, *reducing working time to the minimum necessary*. A plan, indeed, for the species – which will finally allow use-value to overthrow the primacy of exchange-value. It will make available to the whole of mankind the enormous mass of scientific, technological and social knowledge accumulated by universal human labor over vast arcs of time and space.

In the true theory of communism society should become the simple *usufructuary* of the land and the whole social wealth, thoughtfully *administering* it so as to improve it and pass it on future generation. Bordiga takes over Marx’s category of the “social brain” to clinch a rivet that is dear to him: technology, science, knowledge and know-how are products of social man, of the social individual (understood as a “social body”), and are the results of the life and activity of the human species. After the long historical cycle of their private, exclusivist, class appropriation, which has never been as monopolistic as under the rule of capital, these powers of the social hand and brain operating on the forces of nature must return to the “Immortal Social Body”, that is, to the species. Their roaring development, materialized in automation, has made obsolete and absurdly parsimonious the measuring of immediate labor time, since immediate labor is no longer the principal agent of production. For capital, however – and

this is the contradiction – such measurement remains a matter of its own life and death. Carried to an extreme, this contradiction cannot but explode. And the explosion will blow up the law of value and, in drastically reducing the working day, generate an unlimited expansion of “time available for the species – for its material and mental development, and its harmony of delights”.

Needless to say, once again, even in this theoretical reconstruction of the final program of communism, Bordiga's internationalism shines through, since the communism of which he speaks is by its very nature *worldwide*. And international is also the target of his polemic, which is constituted by the many theoretical and political variants of “crude socialism” characterized by the idealization of small property, cooperatives, self-management of enterprises, state ownership – we are talking about Stalinist and post-Stalinist Russia, Maoist China, the “Yugoslav model” of socialism and so on. For Bordiga the transition to communism will of necessity cover a *long historical period*. So his criticism does not focus on the pace of the economic-social transformations of the aforementioned “socialisms”, but on *their direction of travel*, *their programs*, *their claim to build national socialisms* (the national ways to... anti-socialism), and *their leaders' usurpation of the title of Marxists and communists*.

The fixation of the integral program of communism also served to Bordiga to delineate the program of immediate revolutionary changes in the postwar countries of mature capitalism, with a view to a new attack on the capitalist order driven by a great crisis that, according to his forecast, was sure to come “by 1975”. Bordiga described himself as merely hammering home old formulas, while he renewed and updated the program of the Manifesto of 1848 as follows:

“Here is a list of such [revolutionary] demands:

- a) ‘Disinvestment of capital’, namely, destination of a far smaller part of the product to instrumental rather than consumer goods.
- b) ‘Raising the costs of production’ to be able to give higher pay for less labour-time, as long as wage-market-money continues to exist.
- c) ‘Drastic reduction of the working day’, at least to half the current hours, absorbing unemployment and antisocial activities.
- d) Once the volume of production has been reduced with a plan of ‘underproduction’ that concentrates production in the most necessary areas, ‘authoritarian control of consumption’, com-

bating the fashionable advertising of useless-damaging-luxury goods, and forcefully abolishing activities devoted to reactionary psychological propaganda.

- e) Rapid 'breaking of the limits of enterprise', with the transferral of authority not of the personnel but of the materials of labour, moving towards a new plan of consumption.
- f) 'Rapid abolition of social security of a mercantile type', to replace it with the social alimentation of non-workers, up to an initial minimum.
- g) 'Stopping the construction' of houses and workplaces around the large, and also the small, cities, as a first step towards the population's uniform distribution in the countryside. Prohibition of useless traffic to reduce traffic jams, speed and volume.
- h) 'Resolute struggle against professional specialisation' and the social division of labour, with the abolition of careers and titles.
- i) Obvious immediate measures, closer to the political ones, to make schools, the press, all the means of the diffusion of information, and the network of shows and entertainment subject to the communist state."

You can judge how much this program (drafted in May 1953) was *in advance* of the times, and how it aimed to untie knots that would become ever more tangled in later decades and would have to be cut all the more decisively as the years went by (some of the themes dear to Bordiga we will find them again, forty years later, in the opus magnum of István Mészáros; see Mészáros 1995). I cannot examine these transformations one by one here, but in my opinion the weakest point of this grand vision is the one concerning *the active participation of the working masses in the development of socialism* – which, I think, is absolutely decisive.

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The Ambiguities of State Capitalism and the Rise of Hybrid State-Controlled Capitalism²

Abstract

The paper outlines and criticizes different interpretations of the concept of state capitalism in the context of societies moving from capitalism to socialism. Distinctions are made between the state as owner of the means of production, as a form of economic coordination, as a dominant institution of political power, and as an instrument to extract and allocate surplus value. The failure of the post-socialist European countries to move to a sustainable market capitalist system, and the rise of a hybrid state-led market economy in China, have led to such economies becoming lasting, rather than a transitional, economic formations. The paper distinguishes between state capitalism, state-capitalism, state-controlled capitalism and state-socialism. The author contends that the extraction and allocation of economic surplus by the state have to be measured by its end uses and evaluated in the context of the dominant political values. Hybrid economies with an interdependent market capitalist sector coexisting with a politically-led and dominant state sector are proposed as an alternative to neoliberal forms of coordination.

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² This article is a shortened version of a chapter in *Global Neoliberalism and the Alternatives: From Social Democracy to State Capitalism*, to be published by Bristol University Press in 2022.

Introduction

Capitalism, in its modern form, we might define as an economic system with production for profit driven by a social class promoting the continuous accumulation of capital. Since the beginning of capitalism, all states, to varying degrees, have regulated economies, and many writers have come to distinguish the rise of a “state capitalist” formation. It has come to present the most frequently posed alternative to liberal capitalism. The concept, however, is not only complex, but ambiguous. In this article, I clarify and refine its different meanings. Furthermore, I suggest that state-controlled capitalism is an ascendant economic formation which may replace neoliberalism.

Historically, the state has organized policing necessary to maintain laws and public order. It has regulated the economy to sustain the value of money and to determine the terms of trade and relations with other states. In the twentieth century, with the development of capitalism, the state has taken comprehensive control of law-making and secured a monopoly of legitimate coercion. In its neoliberal form, free enterprise capitalism relies on the state not only to make and enforce a legal and political framework but also to extend its geographical reach. Other current practices of states include investment in sovereign wealth funds, raising money through taxes and support of private corporations through selective state ownership.³ However, the exercise of these kinds of supervisory roles over a capitalist economy is not usually considered to constitute “state capitalism”.

The term “state capitalism” is used in a generic sense to describe economies having a modern capitalist system of production in which the state plays a coordinating role over the economy with an active economic presence, usually (but not necessarily) based on significant ownership of productive assets. Joshua Kurlantzick includes economies where the government has an ownership stake of “more than one-third [in] the five hundred largest companies, by revenue, in that country” (Kurlantzick 2016, 9). Such a definition includes a very wide range of economies and types of contemporary market

³ For an overview of this literature see Alami – Dixon 2019; Kurlantzick 2016. For current Western economists’ views see Kolodko 2020, 78, 112–113.

regimes, including not only Russia, but also Thailand, Brazil, Turkey, Egypt, Singapore, Venezuela and Norway. *State capitalism* (without a hyphen) is a generic term applied to a hybrid economic system, in which the state coordinates the economy, owns productive assets, employs a significant number of people and distributes surplus value; concurrently, corporate non-state capitals, competing through market mechanisms, are driven by the profit motive. "State capitalism" in this generic sense should be distinguished from other types of economy in which the state predominates over market forms of exchange, over the rights of private property, and exerts power superior to law. Such power may be exercised in a market competitive economy or under a system of state planning and state ownership.

I distinguish between three types of political economy in which the state has a predominant role: state-socialism, state-capitalism (with a hyphen), and state-controlled capitalism. These are statist forms of political economy which present theoretical, and sometimes practical, alternatives to liberal capitalism.

State-Socialism in Theory

Twentieth century Soviet Marxists defined the mode of production by the nature of ownership relations (which defined classes) and the level of productive forces, composed of the capital used in production, and the labor process. In the state socialist model, the state combines ownership, Party-led administrative coordination of the economy guided by a plan, and allocation of economic surplus to provide for societal renewal, economic growth and public welfare. The state owns economic assets and has direct control over the allocation of economic surplus. Theorists of state-socialism contend that under socialist state ownership there is no place for a class or elite to benefit from the "profits of enterprise" (Marx 1863, 261; on the profit of enterprise, Capital Vol 3, Chapter 23). Socialism would be ensured by the replacement of the capitalist class by the working class – in practice, the ownership and control of productive forces by the Party-state, on the one side, and the advanced level of productive forces, on the other. The Party-controlled planning process prevented economic exploitation in a Marxist sense. This approach legitimated the construction of socialism consequent on the destruction of the capitalist class. Sociologists such as Wlodek Wesolowski contended

that these conditions entailed the elimination of “economic domination” by the capitalist class and its appropriation of surplus value (Wesolowski 1979, 120).

I have called this formation “state-socialist” because the state, in the Soviet Union and later in other socialist countries, played a dominant role not only in terms of owning but also in creating post-feudal productive forces. It was a state, led by the Communist Party, which defined its goals and organized its processes. *State-socialism is defined as an economic system in which the state is the principal owner of the means of production subordinate to a dominant socialist political party which regulates the economy and extracts surplus value for continuous investment and the renewal of society.*

State-Capitalism

The Marxist “state-capitalist” critique rejects this reasoning. What distinguishes state-socialism from other forms of capitalism is ownership by the state of productive economic assets and control of the economic surplus by state officials who can direct it to different purposes, notably, public welfare and capital investment. State-capitalist theorists, however, add another purpose for which surplus value may be used: surplus product is utilized by officials for their own economic and/or political benefit. There is a process of exploitation, conducted by the state, that defines the class structure and the capitalist nature of the regime. Critical Marxist scholars contend that the Soviet Union and contemporary China are state-capitalist in this sense.

State-capitalist forms have arisen as political formations under specific historical circumstances. The uneven world development of capitalism contained economies with agrarian pre-capitalist productive forces and the absence of a bourgeois class. Such societies, in order to transit to capitalism, are subject to autocratic state development. Under such conditions, Marxists (principally the Mensheviks in Russia) claimed that socialism could not be built on the foundations of a crumbling feudal society. Quite simply, it lacked a mature working class and the infrastructure of developed capitalism. The capitalist mode of production, they claimed, has to be built first – socialism would follow. In regimes moving from feudalism, socialists, if they gained power, would have to utilize the

state to build the economic foundations of the capitalist mode of production in the sense of raising the level of productive forces to that of an industrial capital-intensive economy. State-capitalism, it is contended, not state-socialism, is what results. The economy remains “capitalist” because the exploitation of labor benefits those controlling the state apparatus who extract surplus as “profit of enterprise” and constitute a capitalist class. In this way of thinking, state-capitalism is defined not in terms of the level of productive forces and forms of ownership and economic coordination under socialist planning, but by the ways political *control* over the labor process leads to the illegitimate appropriation of surplus value (Marx 1863, 261).

Crucial to the theory is the role of a new ruling class. The state bureaucracy acts as an exploiting class in expropriating the profits of enterprise for its own benefit. Writers such as Stephen Resnich and Richard Wolff (Resnich – Wolff 2002, chapters 3 and 4), for example, contend that state capitalism is formed by the “capitalist processes of producing, appropriating and distributing surplus which coexist and interact with processes that place state officials (rather than private individuals) in the class position of appropriators and distributors of the surplus” (Resnich – Wolff 2002, 86). Robert Brenner takes a similar position defining modes of production simply as “modes of labour control” (Brenner 1977). Western Marxist writers like Tom Rockmore, consider that the Soviet state is faulted because it adopted the dictatorship of the Party over the working class (Rockmore 2018, 204–205) and thus was able to extract surplus value. The relations of production were those of “self-expanding alienated labour” which were “the productive relations of capital” (Aufheben Collective 2020, 242–243).

These arguments are used by non-Marxist critics to label the state socialist societies as totalitarian (Gouldner 1980, 382). The state is exposed as extracting surplus value in the same way as in market liberal capitalism – one public, the other private. For these writers the essence of capitalism is the subordination of the labor process to the control exercised by exploiting classes. Capitalism exists when labor remains a commodity and communist management, which drives investment, exploits labor (Postone 1993) for its own class benefit. State capitalism is defined by critical Marxists by the ways political *control* over the labor process leads to the illegitimate appropriation of surplus value (Marx 1863, 261). The underlying assumptions

of these writers rests on Weberian approaches to bureaucracy and political control over the extraction of surplus value, rather than on historical materialism adopted by Soviet Marxists.

The critical Marxist conception of state-capitalism might be defined as *a modern economic system in which the state is the principal owner of the means of production and in which the extraction of surplus value takes place for societal renewal, economic development and for the benefit and purposes of a state ruling class which has effective control over the means of production.* The crucial difference between state-capitalism and state-socialism is whether extraction of surplus takes place for the benefit of a bureaucratic class.

My own view is that this approach gives too much credence to the role of a political stratum or ruling elites, it ignores other constitutive features of a mode of production: the constitution of ownership, the dominant values of the society, and the way the state allocates surplus. In the Soviet context, state ownership, and state coordination under an economic plan, took a different form from liberal capitalism, which in turn affected the use of economic surplus. In all social formations, part of what is produced has to be used for the reproduction of society and for the renewal and enlargement of the productive forces. Hence the labor process will entail the extraction of surplus product. The capitalist system is driven by a capitalist class to turn surplus product into private profit, and investment is driven by market forces. State-socialism, however, turns surplus product into social welfare and productive investment. The state bureaucracy, under a socialist regime, cannot “own assets”, or transmit property through generations; it cannot form a bourgeois social “class” in a Marxist sense. It is a political class as understood by Gaetano Mosca, not an economic class as defined by Marx. The bureaucracy “is recruited, supplemented and renewed in the manner of an administrative hierarchy, independently of any special property relation of their own” (Trotsky 1936).

Members of the bureaucracy may receive excessive incomes and other benefits of office (foreign travel, superior accommodation and health benefits) but these are privileges over consumption. There are also bureaucratic forms of power giving rights of command over people (including decisions over life and death). Hierarchical control in non-profit enterprises and the public sector in capitalist countries gives management repressive and arbitrary power over employees. Under state-socialism, these features did not specify

class position in a Marxist sense. The privileged groups are dependent for their livelihood on an employment status supported by professional credentials or political position. Unlike shareholders, whose wealth is derived from ownership of assets, state officials have no legal rights over property or the produce of economic enterprises. Such administrative forms of power are real enough and cannot be denied, they have been used to oppress, even eliminate, real or supposed adversaries and subservient people. Such unjustifiable authoritarianism and repression should be strongly condemned. But they are forms of bureaucratic domination, not capitalist exploitation. They present, moreover, serious problems for all forms of administered economies (whether they be socialist or capitalist) and remain a challenge for humane democratic control.

Lenin and Controlled Capitalism

It is sometimes claimed that Lenin justified “state capitalism”, how can this be explained in a “socialist” state? The short answer is that what Lenin referred to was not state-capitalist as I have described it.

What Lenin had in mind was not state-capitalism, as defined above, but state control over capitalism. In the period immediately following the October Revolution, in April 1918, the Bolsheviks recognized that there was “a role for state capitalism in building socialism in a peasant country” (Lenin 1921a, 60–79). This transitional form of economy involved state control of privately owned enterprises which were allowed to enjoy profit-making market operations. In Soviet Russia’s New Economic Policy (1921 to 1928) private ownership (allowing production units employing up to 20 people) was adopted as a measure intended to restore the economy from the ravages of war to maintain the Bolsheviks in power. It was justified by the socialist leadership because it enabled the market and private enterprise to operate to fulfil public needs under conditions controlled by the state. As Lenin put it in 1921: “a free market and capitalism, both subject to state control, are now being permitted and are developing ... The state enterprises are being put on what is called a profit basis, i.e., they are in effect being largely reorganized on commercial and capitalist lines”; “every state enterprise will pay its way and show a profit” (Lenin 1921b). Lenin

justified this development as the Communist Party was taking “the first steps in the transition from capitalism to socialism” (Lenin 1921b) in which the market and private enterprise are subject to state regulation. However, unlike the development of capitalism under the Tsars, the state under the control of the communist party did not build capitalism, but regulated existing capitalist enterprises in line with socialist objectives. For Lenin, the capitalist element was the renewal of private ownership and trade for individual profit. Crucially, “the state”, the apparatuses of power, were controlled by the Communist Party, which exercised power over islands of private capitalist initiative.

Lenin’s use of “state capitalism” is misleading and confusing. What the New Economic Policy introduced was a form of political regulation of capitalist economic forms: state-controlled capitalism. This position marked a revision of Marxism: the political is not dependent on the economic but, when a revolutionary socialist government assumes power, it can be the other way around (Arrighi 2007). Under state-controlled capitalism there is an economic surplus in the private sector which is used not only for renewal and accumulation but also for what Marx called the “profits of capitalist enterprise”. This is clearly a form of capitalist profit originating in the private, not the state, sector.

State-controlled capitalism also fulfils one other pillar in Marx and Engels’s understanding of capitalism – the conscious regulation of production. For Engels, the essence of capitalism is “the contradiction between the organization of production ... and the anarchy of production in society generally” (Engels 1954, 378). As the organization of production grows in a more planned and rational way, an end is put to the “anarchy of production” and the “masses of the proletariat again will finally put an end to anarchy in production” (Engels 1954, 379). The state presided over a transitional social formation; a mixed economy regulated by a socialist political leadership. State capitalism, as described by Lenin, is a dual economy, and should be defined as state-controlled capitalism.

State-controlled capitalism might be defined as a dual political and economic system in which privately owned enterprises produce for profit and receive “rewards for enterprise” subject to moral, political, economic and coercive controls exercised by dominant state mechanisms and institutions. The duality in Russia during the New Economic Policy, however, was unstable and constituted a temporary formation preceding socialism.

A revolutionary socialist government possesses political power which is superior to economic power.⁴

State-Controlled Capitalism

Since the dismantling of the Soviet Union and the socialist states of Eastern Europe, China (a self-defined social formation of “Socialism with Chinese characteristics”) has become the center of the state capitalist debate. At the Chinese Communist Party’s 14th National Congress in 1992, Deng Xiaoping pointed out that it might take 100 years to advance to full socialism from the initial stage. In this process capitalist forms of organization had to be utilized by the communist state – though he did not envisage or refer to his proposals as “state capitalism”. The alternative to the liberal form of development is replaced, not by a socialist system, but by a developmental state predicated on the extraction of economic surplus for state development exercised by a ruling socialist Party. But that was not all. The reforms led first, to the installation of different forms of state enterprises and second, to the introduction of diverse kinds of ownership. Before the reforms, state ownership was direct and enterprises were administratively controlled. In the Soviet form of central planning, the assets of enterprises were owned by the state, and management was responsible ultimately to government ministers (who in turn were responsible to the Council of Ministers and the Soviet government). Finance, wage differentials, product prices and the product mix were determined by the state plan. Following the reforms, collective enterprises were set up where capital was owned by “collectives” (mainly lower levels of government). Limited liability state corporations were also authorized. These were state owned corporations whose liability to debts are limited to the total assets of the firm; they traded goods or services on the market, their

⁴ For a more detailed development of the state-economy-market nexus, see: Arrighi 2007. The political formation of state-controlled capitalism need not be socialist, it could be populist or national capitalist, in which case state it would not be predicated on any ideology leading to socialism. “National-socialist” regimes as in Germany and Italy between the two world wars are such economies. This line of enquiry will not be considered here.

assets, however, were state owned. Foreign subjects (individuals and companies) were also able to invest in state corporations and those with over 25 per cent of the assets (limited to 49 per cent) are listed as “state corporations with foreign investment”. There were also cooperative, joint ownership and private enterprises.⁵ All these enterprises were able to receive profits.

Is China “State Capitalist”?

The critical state-capitalist interpretation of the Soviet Union was predicated on the bureaucratic political class extracting surplus from the labor process through control of the state-owned economy. In China, there is also a separate business class with private ownership rights legitimating profits. Nevertheless, Simon Gilbert labels this dual form of ownership as “state capitalism”. He equates the state bureaucracy to the property owning class with which it is “intertwined”.⁶ In this interpretation, there is a shift from Lenin’s outlook. For Lenin, the socialist state retained control over the privatized economic sector: politics was in command. For writers like Gilbert, there is a fusion of two class factions (the state political class and the private capitalist class) to constitute the bureaucratic ruling class. Such theorists define the major cleavages in China between class groups: on the one side,

⁵ State-owned enterprises are non-corporation economic units where the assets are owned by the state. Collective owned enterprises are units with the assets are owned collectively. Cooperative enterprises are forms of collective economic units where capital is come mainly from employees, some from the outside, production is an independent operation, with democratic management. Joint ownership enterprises are established by two or more corporate enterprises or corporate institutions of the same or different forms of ownership. Shareholding corporations are economic units with capital raised through issuing stocks. Private enterprises are profit-making economic units established by persons, or controlled by persons employing labour. Limited Liability Corporations are economic units with investment from 2-50 investors, each investor bearing limited liability to the corporation depending on its share of investments. Definitions taken from explanatory notes in China Statistical Yearbook 2019.

⁶ Referring to China, he writes: “The higher echelons of the state bureaucracy, wealthy private capitalists and the murky mixture of the two that lies between are best understood as constituting a single ruling class” (Gilbert 2017, no page in internet edition).

Party officials, state officials, private corporate business and on the other, the working class. The former, they contend, all receive, or benefit from, surplus value. They form an economic class grounded on control, as well as ownership, of the means of production.

Other Western commentators bring out this distinction without the Marxist theorizing. Sino-capitalism, Christopher McNally claims, is a hybrid system based on interpersonal relationships utilizing Chinese cultural norms in which the state fosters and guides capitalist accumulation. Its major characteristic is the “juxtaposition of state-led developmental institutions top-down, and private entrepreneurial networks bottom-up, often resulting in contradictory incentives and friction” (McNally 2012, 747). As Chinese industrial development occurred under conditions of neoliberal globalization, foreign capital is more accessible and so are global markets. Established flexible labor markets and WTO agreements made China more “globalized” in terms of trade which gave the advantages of mobile capital movements (McNally 2012, 756). Thus, the economy is part of a globalized system in which dominant Anglo-American values and institutions are accepted: China presents a “market-liberal form of state capitalism” (McNally 2012, 750). Private capitalism, from this point of view, is embedded in the Chinese party-state; a duality of state control and private capital accumulation (Dickson 2008). But the dominance of state politics, led by the Communist Party of China, interpersonal connections, and the absence of a Western-type of law-based economic system, put China outside the “rules-based international order” (McNally 2012, 765).

Following this line of argument, Branco Milanovic considers the bureaucracy to be “clearly the primary beneficiary of the system” (Milanovic 2019, 91) and legitimates itself by realizing a high rate of economic growth. For Milanovic, the dynamism of the economic system is to consolidate a form of political capitalism in which the political elite (of which some members are drawn from the economic class) maintains control, unlike the Russian Federation (under President Yeltsin) which adopted liberal capitalism. In China, the socialist party-state remains in formal control over an economy in which the business classes operate to maximize profit on the market. Any analogy with Lenin’s state capitalism must be faulted, as Lenin did not admit the bourgeois classes to the Party, and the New Economic Policy was intended, and only lasted, for a short transitional period.

Samir Amin and David Harvey, writers taking a positive attitude to China, also concede that the relations to the means of production have similarities with modern capitalism. For Amin, there is "... submissive and alienated labor, extraction of surplus labor" (Amin 2014, 71). While China is following the socialist path, it cannot "skip" the capitalist level of productive forces (Amin 2014, 77). "... The establishment of a state capitalist regime is unavoidable, and will remain so everywhere. The developed capitalist countries themselves will not be able to enter a socialist path (which is not on the visible agenda today) without passing through this first stage." These views seriously contradict the Marxist-Leninist view that societies can move from feudalism to socialism without going through the capitalist mode of production. Whether China will transit to a fully socialist society is contentious. Samir Amin acknowledges that there are contradictions, notably, that the rising business and political classes could lead to a form of liberal capitalism. He believes, however, that China will take a socialist not a capitalist path.⁷

This contrasts with the evaluation of Milanovic, who considers that it already has moved along the route to capitalism. A strengthening of the marketized and privately owned economy invites the formation of a capitalist class consciousness which would destabilize the socialist state. Already, as noted above, capitalists in the private sector can, and do, amass wealth – they own financial and physical assets. Economic surplus is increasingly channeled to a capitalist class, which can use income to purchase assets at home and abroad, and their children can benefit from their wealth.

However, there are counter tendencies. While the structure of power in China is shaped both by corporate ownership of assets and by bureaucratic position, the ruling groups are constituted from, and influenced by, different elites (party, government, regional, military, economic, media, academic) with each group containing a range of political preferences. Elites, as well as classes, have to be taken into account, to interpret state politics. Samir Amin is also clear that, even though ownership is both private and public, the crucial factor lies in the role of the Communist Party which controls the state apparatus. Unlike the critical state capitalist writers, discussed above, Amin con-

⁷ For different Leftist positions, see Ruckus 2021, 165–192.

siders that surplus is utilized predominantly for economic and social development which has had positive effects. Rather than having the negative connotations adopted by Western critical state capitalists, he follows Lenin to recognize that the socialist state presents a positive force in the developmental process. "It is the preliminary phase in the potential commitment of any society to liberating itself from historical capitalism on the long route to socialism/communism. Socialization and reorganization of the economic system at all levels, from the firm (the elementary unit) to the nation and the world, require a lengthy struggle during an historical time period that cannot be foreshortened" (Amin 2013).

The Party organization is hegemonic and, in a transitional social formation, it can bring its power to bear against capitalistic practices. There are also informal controls over private corporations. As writers such as G. Arrighi (2007) have emphasized, in states moving from autocracy in the early days of capitalism, the political has considerable direct and indirect powers of control over economic life, including private corporations. The powers of Party intervention in the economy are crucial to enforce party policy by which the party-state can intervene to direct corporations, irrespective of their self-interests. Hence, the contemporary Chinese economy is a form of state-controlled capitalism retaining some socialist characteristics. To the extent that surplus value is extracted and used for private purposes, the economy has capitalist features. The increase in private ownership of productive assets in recent years has increased in China and to this extent reduces what is available for public use.

Whether this trend in future can be reversed is possible but problematic. Branco Milanovic has envisaged a convergence of China's political capitalism to liberal capitalism. "Economic power", he claims, "is used to conquer politics" (Milanovic 2019, 217). It is a one way convergence: China moves to liberal capitalism. His envisaged pathway is a version of Marxism emphasizing the superiority of economics over politics. Milanovic concludes that "The domination of capitalism... seems absolute" (Milanovic 2019, 196). This conclusion, in my view, is overdetermined. China shows the possibility of utilizing capitalist methods and motivations within a shell which limits its effects; socialism with Chinese characteristics adopts capitalist methods and forms of property. Its long term future can be imagined in a different light, in the possibility of strengthening the socialist components.

State-controlled capitalism is a viable alternative to neo-liberalism. It has outlived its original form (anticipated by Lenin) as a short-term transitory period between capitalism and socialism. A hybrid economy is a form of exchange between the state sector, which is dominant, and the private sector, which is secondary. This paradigm has been successful for China. It has lessons for the advanced capitalist countries. A dual or hybrid economy enables competitive market capitalism to continue, and promotes individualistic entrepreneurship, innovation and capital investment. In this way individual choice, which drives many people, and a market consumer society, which sustains many others, are maintained ensuring system stability. The state concurrently promotes developmental policies not only through public ownership of key financial and non-financial corporations, but also through persuasion and economic and political controls. If adopted in Western capitalist societies, there could be an end to what Engels called the “anarchy of production”, and the society moves in the direction of an ordered rational society. The state sector could remedy the tendency of competitive market economies to generate economic crises, to unjustifiable inequalities in income and wealth. State-controlled capitalism could formulate a long term perspective for public welfare, capital investment and renewal. It promotes economic rationality in place of economic uncertainty and chaos. These developments, however, make for contradictions between the state and private sectors which may be resolved in different ways depending on the balance between political forces and nature of political realities. How the state is supervised remains a major challenge. State-controlled capitalism is an ideological and political alternative to neoliberal capitalism and could present a set of rational economic policies for an economy with an established capitalist class, and a consumption orientated working class. My contention is that it could be better than what presently exists, or what has previously been tried.

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The Mixed Housing Regime in Romanian State Socialism²

Abstract

Preoccupied with legitimizing the country's turn toward capitalism, anti-communist discourses in Romania are based, among others, on the assumption that state socialism eradicated all forms of private property while promoting central planning and state ownership. However, as my paper demonstrates, the development of the housing regime suggests the opposite. In my study I analyze the state socialist mixed housing system, using legislation and statistical data. As a first step, I take a critical position to transitology studies for their preoccupation with how an unregulated housing market was enabled and how the former housing system was dismantled. Then I clarify the central concepts used in my analysis. In the third section of my article, I discuss the constitutive role of housing in socialist and capitalist political economy and the transformation of state socialism into neoliberal capitalism. In the fourth part, I provide a detailed overview of the state socialist mixed housing system with the help of statistical data, contrasting it with the current, market-oriented housing regime. The paper concludes with the analysis of the state socialist mixed housing regime from two aspects: firstly, I discuss the connection between the state socialist mixed housing and property regime and the way the right to personal property and related policies outweighed the right to housing. Secondly, I am going to highlight the functioning of the state/market mix through the distribution of homes. The paper calls attention

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to the possibilities of a housing regime that may offer an alternative to the mechanisms of contemporary capitalism. By highlighting the pitfalls of the state socialist housing system, this analysis and its conclusions offer a few reference points that such an endeavor can use.

Context and Aims of the Analysis

While transitology studies emphasize the “monolithic systems of central planning and state ownership of assets” in socialist economies, research into the housing regimes in Central and Eastern Europe recognized that former socialist countries operated a mixed system of state and market, although to different degrees (Tsenkova 2009). As Sasha Tsenkova noted, many studies analyzed the process of privatization and deregulation of property markets or the restructuring of housing production (Baross – Struyk 1993; Renaud 1995; Clapham 1995; Hegedüs et al. 1996; Struyk 1996; Turner et al. 1992; Tsenkova 2009), while others focused on the reforms in the public rental sector (Lux 2003) and finances related to housing (Hegedüs – Struyk 2005). Furthermore, it was observed that “transition economies have experienced similar processes of change in the 1990s” as Western European countries did under neoliberalism, such as “the withdrawal of the state from direct intervention in the housing sector, residualisation of public housing and policy collapse” (Tsenkova 2009, 7).

I emphasize from Tsenkova’s arguments the idea that existing studies have been based on the concept of the “gradual transition and progress towards the development of the ideal market-based system”. Furthermore, they “provided practical policy recommendations on actions that need to be undertaken, designing a blueprint for housing reforms” (Tsenkova 2009, 7). Altogether, she and other analysts close to the World Bank were committed to policies enabling housing markets (World Bank 1993). As such, they aimed to prove that “the public housing experiments of centrally planned economies failed” (Renaud 1999, 757); “the public housing programs were wasteful” (Renaud 1999, 758); “the purely government-managed institutions – while seemingly created in the public interest – ultimately become inefficient, monopolistic and bureaucratic” (Renaud 1999, 765); “the socialist housing policies treated housing exclusively as a social issue to be met by the state and

they failed to appreciate the complex and specific features of housing as a major sector of any economy" (Renaud 1999, 769); and "the absence of a commercial housing finance system became one of the numerous problems of transition economies" (Renaud 1999, 768). Further on, their analysis stressed that the socialist housing system was responsible for many of its problems because it created uniform and typically small apartments, there were long waiting lists, and the rents were "absurdly low (the total housing expenditures were much less than 3% of total household expenditures" (Renaud 1996, 10). In addition, they promoted "the transformation of the old state financing mechanism into a modern, competitive financial system" and an overall banking reform, including the transformation of the "monobank system ... that acted as a treasury for the government" and operated "a monopoly saving bank that collected household deposits to finance the state plan" (Renaud 1996, 12–13). Renaud also affirmed that to repair the financial system of housing in former socialist countries it was necessary to rewrite "property laws ... to create the concept of real estate" (Renaud 1996, 17).

In my paper I use the case of Romania to discuss how the mixed property relations in housing and the state/market mix, i.e., the mixed housing regime, constituted a cornerstone of state socialism; and its transformation played a fundamental role in the transition to capitalism after 1990. The fact that personal housing properties existed and there was a state-controlled market before 1990 paved the way to housing policies (linked to market and finance) after 1990. However, the latter changed the system of state-regulated personal property and housing transactions by creating new institutions for the emerging housing and financial markets. As a result, the Romanian state, under pressure from international financial organizations, such as the World Bank and the IMF, abandoned the system of mixed housing that had been so essential, thereby pushing the country's housing regime towards a paradigm of extreme marketization and the predominance of the private sector. It is important to note that all these developments took place in an era of neoliberalism and financialized capitalism. Therefore, they must be examined in the context of their role in this global system.

I also take a critical stance toward the political trend that promoted the role of the market and undermined the state's position in producing and distributing housing, and at the same time, as a new experiment of global capitalism, delegitimated the idea of a mixed housing system and eliminated it from practice. At the same time, this politi-

cal trend subordinated the state to the market, reducing the state's role to creating the legal frames so that the private housing sector can function. Based on this criticism, I also invite all to consider the possibilities of a housing system that may offer an alternative to the housing regime of contemporary capitalism. The market-oriented housing sector needs to be deconstructed (both ideologically and practically) in favor of a new, mixed housing system that serves people's needs and helps them assert their right to housing. The new system should draw on the experience of the inadequacies of the mixed housing regime in "really existing socialism" as well as of the disastrous effects that the capitalist market-dominated establishment brought about. What makes such an endeavor difficult, besides the limitations of political imagination, is that housing policies are closely intertwined with real estate, fiscal and financial policies, general economic policies, urbanism, and territorial development. Therefore, housing should be discussed in the context of other sectors and policy domains or, more accurately, in the context of the whole capitalist political economy.

Central Concepts of the Analysis and the Politics of the Housing Regime

The mixed housing regime is the central concept in my analysis. I use the term housing regime to denote how housing production, exchange, and consumption is organized and what are the roles, responsibilities, and activities of different actors in this structure. Moreover, the housing regime involves a compound of ideological and material practices performed by social, political, and economic actors in a field marked by power relations, creating accumulation versus dispossession or privileges versus disadvantages. The mixed housing system in Romanian state socialism was characterized by a mixed housing property regime (regarding housing production and consumption) and a state/market mix in the housing exchange and distribution mechanisms.

Furthermore, the "actually existing" Romanian socialism was a form of state socialism in which the distinction between the public (property) and the state (property) was blurred both in economic production and housing. Besides, state ownership of the means of economic production and social reproduction (such as housing) prevented the workers (as labor force and tenants) from controlling

the public goods that they produced or used. This made it possible for the state to function as a power structure against the public interests after 1990 and destroyed the public sector through privatization.

The legacy of the socialist housing regime was stigmatized and then dismantled during the transformation from state socialism to neoliberal capitalism. The revival of a socialist mixed housing model implies the creation of a novel institutional system for the production and exchange/distribution of housing, as well as a financial system that would facilitate the creation of a sizeable public housing stock, to which the logic of the market and capital accumulation does not apply. In the early 1990s, the World Bank held the view that what mattered most was to enable housing markets to work. For more than three decades, the financialized housing system has created crises and justified itself by offering solutions to the very crises it generated. It is time now to change the global and national political attitude to housing and realize that the state needs to establish a mixed housing model based on the parity of public and private ownership and the regulation of the real estate market. In this system, the state should be involved in the direct production of a large public housing stock administered and controlled by tenants' unions, as well as in the regulation of the housing market so that the housing costs should not overburden the households, regardless of their tenure status (homeowners, private renters, social renters).

The Key Role of Housing in the (Changing) Political Economy

Housing is at the core of the capitalist political economy (Aalbers – Cristophers 2014) as a consumer good, instrument for the social reproduction of the labor force (Vincze 2020), and a financial asset (Aalbers 2016, 2017, 2019; Gabor – Kohl 2022). Moreover, in late capitalism, the housing sector was part of the built environment as a secondary circuit of capital (Harvey 1982). In countries of advanced capitalism, the capital accumulation regime became finance- and real estate-driven (Hofman – Aalbers 2019), whereas in Romania, often defined as an emergent market, the housing regime turned out to be real-estate-development-driven (Vincze 2022). Housing was central to the socialist political economy, too: construction works contributed to job creation and generated demand for the products of the industry. However, most importantly, it served the general aim of

industrialization by providing homes to the working class, a growing group of people in the cities where the developmentalist state created new jobs. Likewise, housing was essential for transforming state socialism into capitalism (Vincze 2017) for at least two reasons. First, by privatizing the housing stock and supporting private production of private homes by households or developers, the housing market could sustain the formation and evolution of the market economy (according to the World Bank recipe from 1993). This transformation occurred in Romania in the 1990s in the context of global capitalism, which already reflected an increasing trend to financialize housing and facilitated the free movement of (financial and real estate) capital across nation-states. Therefore, this country, too, as a semi-periphery, could be used by capitalist economies as a territory for spatial fix (Harvey 2001), providing opportunities for capital investment into all economic sectors, including real estate development.

Housing is not only an economic issue intertwined with politics. As public policies generally do, housing policies function as technologies of power fueled by ideologies (Shore – Wright 1997). Housing ideologies (Ronald 2008) play a crucial role in creating and legitimizing housing systems and property regimes: for example, they might promote homeownership, the concept of access to home as a merit, or the idea of housing as an entirely personal, i.e., non-political matter. At the same time, housing ideologies can potentially back up changes in the housing regime due to a transformation of the political economy. State socialism in Romania regulated housing as a consumption good, promising to improve the working class's quality of life. Article 1 of Law 4/1973 declared that the housing system maintained by the state was "an essential condition for promoting the well-being of the entire population." The law viewed the development of housing in the context of "the rapid development of the national economy, the modernization of cities and workers' centers, the increase in the number of workers and specialists, the continuously rising salary and other types of income of the working people" and improving their comfort. However, the Romanian Constitution(s) failed to recognize the right to housing, while acknowledged the right to private home ownership.

After 1990, transformational ideologies denigrated the state's capacity to ensure and efficiently administer good homes for its citizens, primarily based on the financial constraints that endangered the continuous development of the public housing sector. The collapse of the socialist economy (induced by the forces of global capitalism)

was used as a general argument for transforming the housing regime. Some Romanian politicians held the view that the initial right-to-buy measures did not serve to privatize the old state-owned housing stock but were intended as instruments of social protection in the context of the privatization-led deindustrialization that resulted in the loss of millions of jobs. Nevertheless, with time, the state dedicated itself to serving the interests of capital, looking for investment opportunities in housing and real estate. On the one hand, the state withdrew from housing production while reducing investments into public services. On the other hand, the state adopted fiscal, monetary, banking, construction, and urban planning policies to support the construction of new private homes. Thus, the earlier system of mixed housing was transformed into a market-dominated regime, while both state and capital contributed to the super-commodification, assetization and financialization of homes.

From a Mixed System towards a Market-Oriented Housing Regime: the Case of Romania in Figures

The housing regime in state socialist Romania was characterized by:

- A high rate of the public rental or state-owned homes (in 1989, this rate was 32.33% for the whole country and above 56% in urban areas), see Fig. 1.³ This rate was similar but higher than in capitalist statist/developmental welfare regimes (such as France, Austria, Sweden, Finland, and Japan), where the average rate of social rentals in 1992 and 2002 was 20.7% (Schwartz – Seabrooke 2009, 10, Fig. 1.2).
- A relatively high rate of homeownership (about 67.67% in the whole country and above 43% in urban areas in 1989). This rate was similar but lower than in market welfare regimes (such as the UK, USA, Canada, Australia, New Zealand, and Norway), where the average rate of homeownership in 1992 and 2002 was 70.1% (Schwartz – Seabrooke 2009, 10, Fig. 1.2).

³ Calculations by the author, based on INS (Romanian National Statistical Institute) data for late 1990 (the total number of existing homes and the number of houses constructed in 1990, vs. the total number of state-owned dwellings and the number of state-funded homes built in 1990).

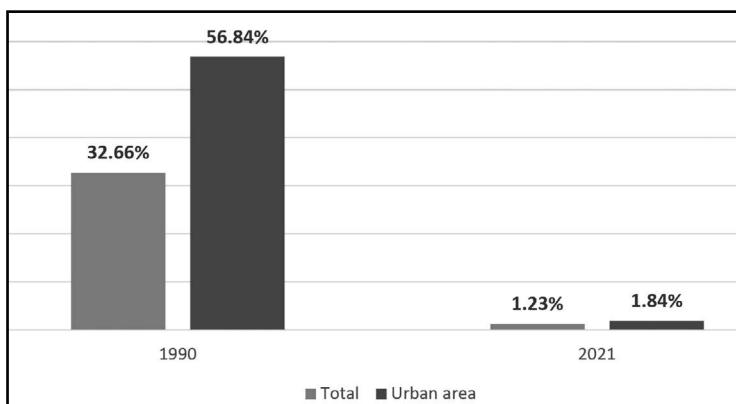


Fig. 1. Housing units in public ownership compared to the total housing stock, in the whole of Romania and in urban areas, 1990 and 2021. Source: Romanian National Statistical Institute

Between 1951 and 1989, 5,528,465 new homes were constructed in Romania. As seen in Fig. 2, 984,083 (53.98%) of these were built through public funding.⁴ The share of state-funded homes compared to the total number of newly constructed housing units was even higher in 1990 (88.07%),⁵ when construction companies still in state ownership finished the housing blocks that they had started to build earlier. This relatively high rate was maintained in 1991 (76.97%) and 1992 (49.84%); however, the number of new state-funded homes started to drop, and private construction companies started to get involved in the building projects. The share of dwellings built through state funding fell to 6.01% in 2000, and 2.28% in 2021.

The state implemented the right-to-buy policies in Romania through Laws 61/1990 and 85/1992. As a result, despite the high number of apartments constructed by the state between 1990 and 1992, the share of the state-owned housing stock decreased from 32.66% in 1990 to 11.28% in 1992, and further to 9.17% in 1993. The declining trend has continued ever since: the share of state-owned stock fell to 4.8% in 2000 and to 1.23% in 2021.

⁴ Calculations by the author, based on data published in *Anuarul Statistic 1990* (Romania's Statistical Yearbook for 1990).

⁵ Calculations by the author, based on INS data.

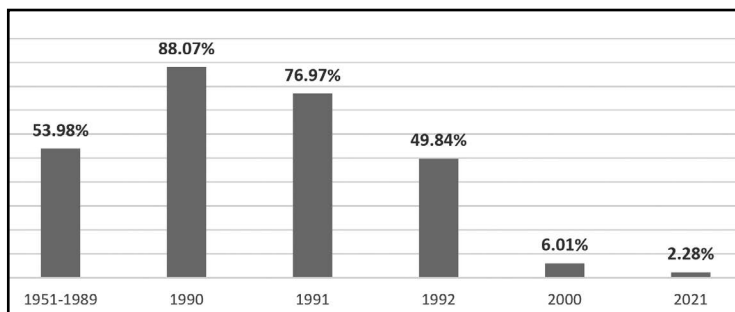


Fig. 2. The ratio of housing units built through public/state funding to the total number of homes constructed in Romania, 1951–2021. Source: Romanian National Statistical Institute

It is important to note that between 1951 and 1989, the state sold to the population 411,584 apartments, i.e., 14% of the housing stock constructed by the state in this period (a total of 2,984,083 homes). Relative to the total number of state-owned dwellings in 1989 (2,572,499), including the state-constructed homes and the ones nationalized by the state, the percentage of homes sold to the population was around 16%.⁶

Between 1990 and 2021, 1,170,083 new homes were constructed through private funding. Moreover, the number of homes in private ownership grew to 4,077,503 between 1990 and 2021. The difference of 2,907,420 housing units in the private housing stock was composed of the state-constructed and -owned homes that the state sold to the population between 1990 and 2021 (see Fig. 3). This means that 71.30% of the total private housing stock that existed in 2021 was built from public funds, mainly before 1990. Or, differently put, 71.30% of the existing housing units that could be commodified and sold on the unregulated housing market was built from public funding, which shows how the state and the public sector was transformed in order to support capital and the private sector.

⁶ No direct figures are available about the number of homes constructed with public funding and sold by the state to the population between 1951 and 1989, and therefore, I calculated these percentages based on data about the number of homes built from the state budget between 1951 and 1989 (Anuarul statistic al României, 1990), the total number of homes in state ownership in late 1990 (INS), and the number of dwellings constructed from the state budget in 1990 (INS).

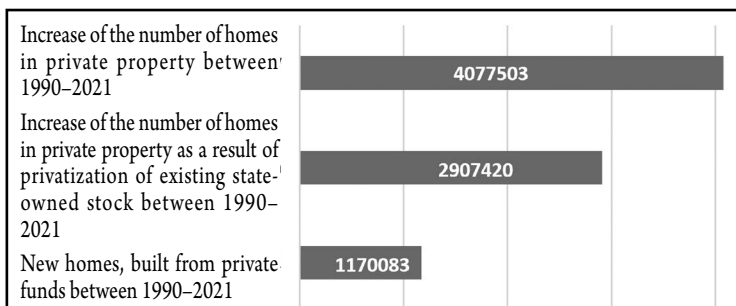


Fig. 3. Number of homes in private ownership and their funding, Romania, 1990–2021. Source: Romanian National Statistical Institute

The data presented here suggest that in Romanian state socialism, besides personal residential property, a housing market also existed, and housing units were exchanged, and after the collapse of the socialist housing regime, the homes built from public funds continued to be sold on the unregulated housing market.

The State Socialist Mixed Housing Regime

As mentioned above, the housing sector was an essential component of the productive economy in state socialism, partly due to the need to produce a new, extensive public housing stock in support of industrialization. New industries needed labor force, and the new labor force migrating from rural to urban areas needed new homes. The state coordinated all these interventions (industrial development, internal migration, housing, educational and healthcare services, cultural and sports facilities, etc.) across economic sectors and territories through the Planned Socio-Economic Development Law 8/1972 and the Systematization Law 58/1974. After 1990, the ideas of central planning and systematization were erased from public policies. According to Law 446/1996, the production and ownership of new social housing was transferred to the institutions of local public administration, and even if they had an obligation in this matter, there was no way to hold them responsible if they failed to provide a sufficient housing stock. Such transformations, combined with other factors, co-created the conditions for the emergence and growth of real estate development, nowadays dominated by institutional devel-

opers and investors (mostly with Romanian capital in the residential sector and with foreign capital in retail, office, and logistics).⁷

In the following section, I explore the state socialist mixed housing system in two steps. First, I look at the production of homes in the mixed housing property regime, and secondly, I discuss the state/market mix mechanisms of housing distribution and exchange.

The priority of the right to personal property over the right to housing and the production of homes in the state socialist mixed housing property regime

The Romanian Constitutions adopted between 1945 and 1989 recognized the right to personal property (but not the right to housing), for example, in the following Articles: “The right of personal property of the citizens of the People’s Republic of Romania to the income and savings derived from work, to the house of residence and auxiliary household besides the house, to household and personal objects, as well as the right of inheritance to the personal property of citizens shall be protected by law” (1952). Furthermore, “the basis of the socialist social-economic formation is the socialist ownership of the means of production, which is either in the form of state ownership (common property of the people) or in the form of cooperative-collectivist ownership (ownership of collective agricultural households or cooperative organizations)”. “The right to own personal property shall be protected by law. Incomes and savings derived from work, the dwelling house, the outbuildings, and the land on which they stand, as well as the goods of personal use and comfort, may constitute objects of the right to own personal property” (1965). Decree 92/1950 on the nationalization of buildings and lands did not stipulate the nationalization of private homes, but aimed to “take away from the exploiters an important means of exploitation ... the buildings that belong to former industrialists, landlords, bankers, traders and other elements of the big bourgeoisie, buildings that housing developers own, ... buildings under construction, built for exploitation, which have been abandoned by their owners, ... buildings damaged or destroyed as a result of the

⁷ Research into this phenomenon is conducted within the framework of the project titled “Class formation and re-urbanization through real estate development at an Eastern periphery of global capitalism”, see www.redurb.ro.

earthquake or the war, built for exploitation and whose owners did not take care of their repair or reconstruction.”

Trying to secure socio-economic rights for the working class,⁸ and facing the high expenses of housing construction while the costs of public rental were relatively low, the state allowed a mixed ownership regime to evolve. Nevertheless, at this point, to be somewhat faithful to the socialist principles, or at least not to turn housing into a means of exploitation, the state had to devise instruments to exert control over homeownership. The right to personal property was limited in the urban areas. Citizens had the right to own a single home, while the construction or purchase of housing by citizens for resale or rental was prohibited (Law 4/1973); the owner and his family had the right to a housing space corresponding to their needs: each member of the family was allowed to occupy one room each, and the household could own two more rooms at most; the rooms that exceeded the needs of the owner and his family would be rented by the owner, and if the owner failed to rent these rooms, the executive committee of the people's council could rent them to the entitled persons; an apartment in personal property that was not used by the owner and his family was entirely subject to regulation and rent (Law 5/1973, Decision 860/1973). In addition, the construction of new homes had to be in line with the local systematization plans, with strict compliance with the construction regime, in terms of the number of levels, the density of the buildings, and their architecture (Law 4/1973).

The rationing of state-built and -owned housing (8 square meters per person according to Law 10/1968 or 10 square meters per person as specified in Law 5/1973) was intended as a means to provide more families with homes. Nevertheless, housing inequalities were not unknown in state socialism. Certain groups had access to larger homes: these were people employed in the central bodies of state administration, deputies of the Great National Assembly, heroes of socialist work, as well as judges, university professors, heads of religious cults, directors of industrial plants, theaters and publishing houses, scientists, and others who earned the title of *emeritus* in cultural production (Decree 860/1973). At the same time, other

⁸ This happened somehow in the spirit of the UN Covenant on Social, Economic and Cultural Rights of 1966, transposed by Romania into national law, albeit rather late, only in 1974.

workers had access only to low-quality apartments or workers' dormitories; however, this was an improvement for many, compared to commuting or the housing conditions in the countryside.

As seen in Fig. 4, the share of the investment budget that Romania devoted to housing fluctuated in the decades of state socialism. In 1960, the state invested into housing 15.69% of its total, relatively small investment budget. This dropped to 9.82% in 1970 and increased to 10.44% in 1980, while the total investment budget was raised three times. In the last four years of state socialism, there was a drop in total investments (compared to the peak of 249,001 million lei in 1986). However, the share of investment into housing continued to grow (from 8.20% of the total investment in 1986 to around 9.25% in the next two years) and fell back to 8.23% only in 1989.

The amount of money invested by the state into housing decreased between 1980 and 1986 (from 21,990 million to 20,436 million lei) as well as between 1987 and 1989 (from 22,783 million to 19,452 million lei, respectively). However, other datasets suggest that the percentage of homes constructed from state funds grew from 40.6% in 1956–1960 to 91% in 1971–1975, and above 98% in the 1980s (Kivu 1989, 124).

The distribution of housing supply and the state/market mix in state socialism

The creation and distribution of state-owned homes was organized within a hierarchical institutional system. First, the factories communicated the housing needs of their workers through the Ministry of People's Councils (*Ministerul Consiliilor Populare*), which, ac-

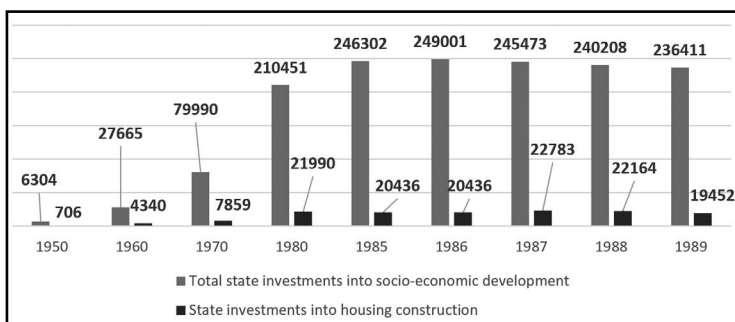


Fig. 4. Total investment budget and investment in housing in Romania, 1950–1989; millions of lei. Source: Romanian National Statistical Institute

cordingly, requested funding from the Central Planning Committee (*Comitetul de Stat al Planificării*) that corresponded with the county-level institutions of state administration. Then, the housing units were allocated from the county level to the People's Local Councils, whose executive committees did the actual work of distributing the apartments in different blocs of flats among state enterprises and institutions. The latter allocated them to their employees, based on the decisions of the Workers' Council (*Consiliul Oamenilor Muncii*) and trade unions. Finally, the state-owned housing stock was administered by the Urban Management Enterprise (*Întreprinderea de Gospodărire Orășenească*, IGO). In parallel with the mechanism described above, there was also top-down planning; the Central Planning Committee announced to the local councils and construction companies the number of new housing units to be constructed in different localities according to centralized industrial development plans across the country. Local institutions had to observe the directives coming from the center, but sometimes there were localities that could not use all the funds they were allocated for the construction of new housing units. In such cases, in the last trimester of the year their budget was redistributed among those cities that achieved the planned target and needed more housing units than they were initially allowed to build.

The shortages of state housing motivated the Romanian government to adopt new policies in the face of the growing demand for new homes in the cities. Decision 26/1966 of the Central Committee of the Romanian Communist Party and the Council of Ministers of the Socialist Republic of Romania proclaimed that people were allowed to build their homes with state support, which could be a provision of land for free use, bank loans, and technical support in the construction: "As a result of the growing volume of income available to the population and its increased possibilities of saving money – which expresses the continuous raising of the living standards of the workers – many citizens have expressed their desire to build their own homes personally. Responding to these requests, the party and the government considered that conditions have been met for constructing privately owned houses from the citizens' funds, with support from the state." In addition, Law 4/1973 specified that, after securing the fund intended for rentals, the state might sell state-owned housing units to the population. The Council of Ministers had to approve the annual list of buildings to be put up for sale. It was specified that the homes under the direct administration of state economic enterprises

and organizations, provided for their employees, could not be sold, only rented out. Even though the law postulated that there was state support for homebuyers whose average income was less than 1,100 lei per month per family member, in fact, employees with the highest income were mostly considered when the housing units were scheduled to be put up for sale. People whose homes had been demolished due to urban systematization projects were also prioritized; they received compensation and were supposed to use it to purchase a new home from the state.

Loans were offered for people to purchase housing units built by the state (in multi-story buildings) or for cooperatives (in one-story buildings), and the annual interest on loans taken from the People's Savings Bank (*Casa de Economii și Consemnațiuni*, CEC) was 2-5%, depending on income. A specific office near the local state administration (*Oficiul de Vânzare a Locuințelor*, Office of Home Sale) managed the cases of tenants who wanted to buy the apartments allocated to them and put them into contact with CEC.

Decree 93/1977 established the prices of the housing units to be sold by the state. In 1977, for example, a high-quality two-room apartment of 55 square meters cost 98,010 Romanian lei, while the price of a comfort two-room apartment of 34 square meters was 54,500 lei (a factory worker made ca. 2000-2700 lei a month and a miner around 3000 lei, as specified in Law 29/1974).

People's income was considered in the distribution of public rental or state-owned housing. Law 5/1973 stipulated that employees and pensioners with an average income per family member of up to 1,100 lei per month continued to benefit from public rental. Those with an average monthly income of more than 1,100 lei per family member were not excluded either, but they could benefit from the right to rent a home only within the limits of the available state housing fund and were required to pay an increased amount of rent (without exceeding, however, 20% of their revenues). According to Law 4/1973, priority was given to young people newly employed in production for five years, young married people up to 28 years of age for five years from marriage, and employees transferred in the interest of service for five years from the date of transfer. The officers and military supervisors from the Ministry of National Defense and those from the Ministry of the Interior were also mentioned in this context.

Law 5/1973 also regulated the rental of housing from the state housing fund under the administration of state enterprises, defin-

ing the following order of priority: skilled workers, primarily those from large industrial units; employees transferred in the interest of the service from other localities; specialized staff working in material production, design, scientific research, and education; graduates assigned to production, coming from other localities; families with several children; those hired based on competition; other employees and pensioners. Within the above categories, preference was given to those who had difficult living conditions and many children. The same order of priority also applied to the granting of loans to purchase housing from the state housing fund. Regarding rental contracts, Decision 860/1973 stipulated that these were accessories of the employment contract in the case of housing built from centralized investment funds, or being under the direct management of state socialist enterprises, or owned by cooperative organizations.

Those without a job did not have access to state-funded housing in any way. If they were occupying a home without a contract, authorities could intervene to evict them based on Law 5/1973. The latter stipulated that, in general, no person could be evicted from a legally owned home. However, tenants could be evicted if they damaged the apartment, if their behavior impeded appropriate cohabitation, and if they occupied the apartment illegally, or did not pay the rent or their share of expenses in bad faith for three consecutive months. Eviction had to be ordered by a court. If a person occupied a state-funded home under the administration of state enterprises without a rental contract, eviction was ordered without assigning an alternative home to the evictee and, if needed, with the involvement of militia (former police forces).

Conclusions: Pitfalls of the State Socialist Housing Regime

The mixed housing property regime that characterized housing production and consumption and the mixed state/market mechanism that operated in housing distribution and exchange, were the two foundations of state socialist housing regime. Until 1990, 43.6% of Romania's total population lived in rural areas (compared to the EU average of 25%), and the mixed housing property regime favored private homeowners (67% of the total) at a national level. In these terms, there was a gap between urban and rural Romania, the former displaying higher rates of homes in public property or public

rental (57% of the total). One may have expected that growing urbanization would improve the public rental system by responding to people's housing needs and respecting their fundamental socio-economic rights while eliminating inequalities inherent in the system. However, due to the regime change, when urbanization continued according to the logic of capital accumulation, the public rental system was destroyed and discredited, and market-oriented capitalism transformed housing into a super-commodity and a financial asset. Therefore, Romania now lags behind many advanced capitalist countries regarding the share of social and public housing in the total housing stock.

The developmentalist socialist state, acknowledging its financial limits, facilitated the creation of a mixed property regime by selling the state-constructed homes or by supporting the private construction of homes. The state did this while building millions of new housing units, rented out as consumption goods, and used as a space of reproduction of the labor force needed to meet the targets specified in the economic development plans. Changes in the political economy in the early 1990s capitalized on the socialist ethos of homeownership and used it as a justification for both the privatization of the total existing housing stock (which, although potentially served as social protection, also facilitated the creation of the housing market) and the withdrawal of the state from the housing sector as a producer and market regulator. Under these conditions, housing became a means of capital accumulation and profit-making.

The state socialist housing system was not fully rights-based, even if its right-wing critics have blamed it for treating housing more as a social issue and neglecting its economic and financial aspects. On the contrary: decisions made by the state on housing issues were firmly rooted in economic reasoning. The mixed housing system directly served socialist industrialization and related urbanization, and explicitly linked access to public housing with one's job. Moreover, even though the socialist political economy was committed to secure the socio-economic rights of citizens, the Romanian state did not recognize housing as a constitutional right, because this would have mandated equal access to adequate homes for everyone – a very costly commitment impossible to fulfill. The state socialist housing regime came into conflict with the promise of securing the socio-economic rights of all, and also with civic rights, when it imposed limitations on individual freedom regarding personal property. In addition, in the

effective practices of housing provision, a latent tension prevailed between recognizing the primordial value of the physical labor force on the one hand and the privileges accorded to party leaders and some intellectuals in terms of access to better homes on the other hand.

There is a major problem with the state-controlled mixed housing regime: after 1990, through the privatization of the state-owned housing stock made possible by the right-to-buy and retrocession laws, as well as the privatization of land, the Romanian state renounced the ownership of public goods. This was done under the influence of political and economic actors of global capitalism. Countries in transition were urged, for example, by the World Bank to “deliver specialized services to the housing sector within fully integrated and competitive financial markets” and not through closed networks of finance, which is “a trend supported by the rapid growth of global financial markets” (Renaud 1996, 18).

Furthermore, after and in parallel with the privatization of the state-owned housing stock, the state assured the prominence of private actors in housing production and exchange through the subsequent legislation regarding the private development of private homes, mortgages, urbanism, and fiscal facilities for constructors and developers. The new housing finance system involved the creation of a private banking sector, mortgages, and the opening up to institutional investors and developers producing and selling housing for profit. Market fundamentalists required even more, such as the creation of secondary market facilities and the use of the emerging private pension funds and life insurance companies as sources of capital for real estate investments and developments.

Reviving the public sector in the production and distribution of housing requires a new financial system, including a new regulation of taxation and loans. Such a shift has the potential to create a balance in the capitalist housing regime. Financial markets are intertwined with the housing market in a way that financializes homes beyond their real production costs and makes them unaffordable for many, while generating profit for several private real estate actors (including developers and constructors, investors, as well as property and asset managers and others). Striking a balance between the public and the private sector (Bowie 2017) or between the social and economic functions (Gallent 2019) would be crucial in general: in the planning, production, and distribution of housing, as well as in related policies. As part of an alternative to capitalism, this is a real challenge, because

all the nation-states (and their housing regimes) operate under the influence of globalized and liberalized financial markets, and therefore, such an alternative have to be found and implemented beyond and across their boundaries. Housing studies, undertaken with an approach that focuses on political economy, and committed to ending capitalism (Streeck 2017) and promoting socialism (Gilbert 2020), have the potential to play a role in this endeavor.

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Garrison Socialism “from above”: The Ethiopian Experiment in the Context of a Non-Capitalist Mixed Economy

Abstract

Following a decade of popular upsurge that led to a social revolution, a military government called Derg seized the state power in Ethiopia in 1974 to implement a new progressive socialist economic policy by institutionalizing people's democracy, one-party system and central planning mechanisms. However, the combination of various development programs organized from above and aimed at rapid rural transformation was politically and economically counterproductive, essentially due to its failure in taking pre-existing non-capitalist socio-economic institutions into account. In this paper, an attempt is made to explore the Ethiopian political experiment with regard to garrison socialism in a substantively peasant-based economy, focusing on redistribution of resources via land reform, collectivization of agriculture, resettlement and villagization programs, and the challenges the socialist state faced in a cohesive and communal society.

Background

Ethiopia is one of the oldest states in Sub-Saharan Africa,² which Teshale Tibebu regards as an “antique polity that managed to sustain an unbroken chain of historical civilization free of foreign intervention”

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² Teshale (1996) described the Ethiopian state and its historicity as “the ‘Anomaly’ and ‘Paradox’ of Africa”.

(Teshale 1996, 414). It took its present shape around 1900 following Emperor Menelik's (r. 1888–1913) conquest that resulted in the expansion of the northern Christian highland kingdom of Abyssinia, incorporating the then self-governing political entities of the west, south, east and southeast into today's Ethiopia. The country got its first written constitution in 1931, and remained an imperial monarchy until the fall of Haile Selassie I, who sought to markedly centralize political power for nearly half a century, claiming to have strived for "modernization" and "nation building". Scholars argue that the Ethiopian empire was a typical "ethnocratic" state (Markakis 1987) founded on the "explosive conjunction of antagonistic class and ethnic divisions that made it inherently unstable" (Vaughan – Tronvoll 2003, 82).

Traditional family-based, small-scale agriculture being the mainstay of the Ethiopian economy, control over land, the prime material resource, was the "foundation of the imperial political economy" (Vaughan – Tronvoll 2003), and invariably remained so for the subsequent regimes in which access to the state power ultimately determined economic privilege and social status. Accordingly, the imperial government pursued policies that aimed to transform the economic condition of the people living in a feudo-capitalist system through the commercialization of small-scale agriculture, as stipulated in three successive five-year development plans (see *Table I*).

From among the three five-year plans, the major development plan to bear a credible influence was particularly the last one. Borrowing some principles of the "green revolution", the plan urged the formations of what were known as "the comprehensive packages"³ and "the minimum package programs", designed to intensify the development of agriculture, including demonstration regions and observational areas (Assefa 1993, 96). Costly and expensive as they were, these programs were funded by various donors under the World Bank and the Swedish International Development Agency (SIDA), however, their implementation was overall ineffective.

³ The Comprehensive Package Program (CPP) was implemented notably *via* the Chilalo Agricultural Development Unit (CADU) and the Wolayita Agricultural Development Unit (WADU), which provided marketing for agricultural inputs, agro-economic research and the dissemination of its results, infrastructure development, veterinary services, cooperative development, training programs, as well as vocational and leadership education. It used "model farmers" as well as demonstrational approaches to spread innovation in the target populace (Assefa 1993).

S. N.	Plan name	Sectoral emphasis	Funds (in million ETB)	Planned GDP growth (%)
1.	First Five-Year Plan (1957–61)	Infrastructure Regional integration	839.6	3.7
2.	Second Five-Year Plan (1962–67)	Commercialization and diversification of agriculture	1,914.22	4.3
3.	Third Five-Year Plan (1968–73)	Manufacturing and agro-industry Service – expansion of educational access and opportunities	3,115	6.0

Table 1. Successive five-year plans implemented by the imperial government of Ethiopia. Source: Eshetu 1990.

The plan encouraged the expansion of capitalist farmers. In some regions of southern Ethiopia, such as Bale, local landlords held 56% of the mechanized farmlands, while 44% was held by contractors (Gebru 1998). Besides, portions of the confiscated land and the 22.9% of land designated by the government for this purpose – which, combined, made up half of the country's arable land – were leased to foreign investors (Gebru 1998). As a result, countless peasants were evicted or forced to comply with unbearable rents due to an increase in land prices following the commercialization of farming. This displacement led to numerous peasant rebellions (Gebru 1996), especially in the southern provinces, where the imperial government had traditionally rewarded its supporters with land grants, whereas the vast majority was required to surrender *irbo*, i.e. a quarter, *siso*, a third, and *asrat*, a tithe, of their produce as tribute and rent, besides other forms in-kind payments to the officials and nobilities.

The credibility of the regime was significantly undermined by its failure to handle the 1972 famine, which reportedly claimed the lives of 200,000 people in the Tigray and Wello provinces, followed by the increase in the price of food and petroleum products (Berouk 2010). Thus, the last fourteen years of Haile Selassie's reign witnessed

a growing opposition to his regime, particularly after the 1960 *coup d'état*, followed by an uprising of leftist students that questioned the very foundation of the empire by upholding the popular motto of “*Land to the Tiller*” (Fisseha 2019; Gebru 1996). The military was used to suppress ethnic and regional rebellions in the Tigray, Eritrea, Ogaden, Bale, Sidamo and Gojam regions, until the army itself rebelled and overthrew the emperor in 1974 (Vaughan – Tronvoll 2003, 84).

Revolution and the Road to Socialism

By the early 1974, Ethiopia entered a period of profound change, a revolution that was frequently accompanied by political, economic, and social violence. On the 28th of June, the committee of military personnel, known as the *Derg*, assumed the *de facto* control of the state power to fill the vacuum created by the absence of a strong civilian political party⁴ capable of taking the lead, and, thus, declared its own *de jure* government by establishing the Provisional Military Administrative Council (PMAC) on 12th September 1974 (Mohammed 2002).

The new regime, however, soon had to consolidate the revolution both structurally and ideologically. Thus, special attention was paid to the social, economic and political injustices that were said to have been perpetrated by the imperial government. While the social reality of Ethiopia, like many other less-developed nations in the Third World, was characterized by a “non-capitalist development path” that “precedes the possibility of socialist transformation”, the new government aimed to “consummate the transition to socialism” in the absence of a significant number of national capitalists and working class (Girma 1987, 1). On the verge of the revolution, Ethiopian

⁴ The socialist revolution was primarily driven by the Ethiopian Students’ Movement (EMS) that had organized and coordinated a loose association of political networks of the youth throughout the country since 1965. Later it was joined by two civilian revolutionary political parties, *Meison* and the Ethiopian People’s Revolutionary Party, which evolved from the Marxist students’ associations themselves in Europe and North America. At the time of the revolution, these political parties were organizationally incapable and politically too inexperienced to assume state power.

socio-economic condition predominantly exhibited "small-scale production, capitalist private property and subsistence economy based on reciprocity could also exist in a subordinate position, to varying extents," which in principle, as noted by Szigeti (2021), fulfilled the definition of non-capitalist mixed economies. Nonetheless, the military junta, the *Derg*, declared *Ye Itiyopia Hibretesebawinet*, i.e. Ethiopian socialism, along with the famous motto, *Itiyopia Tikdem*, meaning "Ethiopia First," as an official ideology of the state, in December 1974.

During these formative years, the military government heavily relied on the political and technical support of the civilian political party, *Meison*, an Amharic acronym for All-Ethiopia Socialist Movement, which attempted to build a futile but strategic alliance with the *Derg*, accepting the latter's hegemony at least for the short term. However, the political climate was soon to be heightened due to the critical engagement of the Ethiopian People's Revolutionary Party (EPRP) in a vigorous debate with *Meison* over the most appropriate strategy for reconstructing Ethiopian society.⁵ The friction between the two groups inspired the *Derg* to become more radical in its ideology and public policies, and the debate escalated into bloody assassination and counter-assassination campaigns, known as white terror and red terror, *nech shibir* and *qey shibir*⁶, respectively.

Step by step, the *Derg* estranged itself from all civilian political groups, including *Meison* (Merera 2008), so much that every policy of the government, even the literacy campaign,⁷ had to be dictated by military discipline, and, therefore, a garrison socialism was introduced (Markakis 1979). Mass organizations were created, such

⁵ The major ideological conflict between *Meison* and EPRP basically revolved around the priority of class and ethno-nationality questions. Differences were also evident in the urgency of the establishment of a civilian government in the aftermath of the revolution.

⁶ Ethiopia lost a generation of vibrant and revolutionary youth at this time (Berouk 2010; Merera 2008).

⁷ If there is one thing that *Derg* is praised for, it is the literacy campaign of *idget be hibret zemetcha*, i.e. development through cooperation, in which about 40,000 students of higher education and high school were forcefully mobilized and dispatched to rural areas to teach and organize the "masses" (MoE 1990). Yet, the government's closure of the university in Addis Ababa and all secondary schools in September 1975 marked the alienation of students and teachers.

as the All-Ethiopian Associations of Women and of the Youth, best known by their Amharic acronyms *Aisema* and *Aiwema*, respectively; others were reformed, such as the All-Ethiopia Trade Union (AETU) that was restructured by eliminating the Confederation of Ethiopian Labor Unions (CELU); and still other, well-functioning professional associations, like the Ethiopian Teachers' Association, were coopted by the government. By doing so, the PMAC was to rule the country for nearly a decade and a half by frequently issued decrees, allegedly without compromising the socialist principles enshrined in the National Revolution Democratic Program (NRDP). When the new, although short-lived, constitution was endorsed in 1987, the same military officers re-appeared to the public in blue suits as civilian leaders of the Workers' Party of Ethiopia (WPE), marking the formal inauguration of the People's Democratic Republic of Ethiopia (PDRE).

Socialist Development Policies

Once the transition period was over and state power consolidated,⁸ the *Derg* had to introduce socialist policies and create relevant institutions, which, in the words of Szigeti (2021), would together constitute a necessary feature of a "planning society". In this regard, Ethiopia emulated revolutionary populist regimes that shared features of state capitalism⁹ such as import substitution industrialization (ISI) (Girma, 1988), and older socialist countries like people's democracies and one-party systems, with central planning (CSHA, 1988). The policies, *inter alia*, included redistribution, collectivization, villagization and resettlement as a new way of organizing the Ethiopian society.

⁸ After 1976, the *Derg* the government quickly declared its own preeminent role as the vanguard of the revolution. Mengistu Hailemariam, head of the PMAC, proudly mentioned in his speech to the cabinet of Leonid Brezhnev on 18 November 1978 that the Ethiopian revolution is unique in that it was led by the army (AP Archive 1978).

⁹ The term "state capitalism" is used here to refer to a system in which state officials regulate and control the means of production with the purpose of "capital formation". Such a system is often the consequence of "uneven world development of capitalism", which gives rise to "economies with agrarian pre-capitalist productive forces and the absence of a bourgeois class" (Lane 2021).

The concept of *Hibretesebawit Itiyopia*, i.e. socialist Ethiopia, was essentially characterized as an embodiment of self-reliance, the dignity of labour, and the supremacy of the common good. This was devised to combat the widespread disdain of manual labour and a deeply rooted concern with status.¹⁰ However, the central element of such discussions was the land reform, which is argued to have even made the Ethiopian revolution into a “social revolution” (Berouk 2010). To this end, the keystone of the *Derg*’s redistribution policy was to implement the land reform and nationalize private property.

Traditionally, land tenure systems took three forms in Ethiopia. The first one, common in northern Ethiopia, is the *rist* system, in which land ownership is hereditary. The second form of land tenure, common in southern parts, was known as the *gult*, a system in which the owner *balabats*, landlords, rent out land to *chisegna*,¹¹ tenants, who also had to pay taxes to the state. The third form of land tenure was communal ownership (Girma 1987; Mamo 2006).

On 4th March 1975, however, the PMAC announced its land reform program that nationalized rural land without compensation, abolished tenancy,¹² prohibited wage labour on private farms, stipulated commercial farms to remain under state control, and granted each peasant family so-called “possessing rights” to a plot of land not to exceed ten hectares (PMAC 1975). This brought an end to the feudal order and changed landowning patterns, particularly in the south, in favour of peasants and small landowners. However, problems associated with declining agricultural productivity and poor farming techniques still prevailed.

¹⁰ Prior to the revolution, some communities were segregated by the caste system (e.g. *Qimant*, *Felasha*, etc.), while many other ethno-national groups in southern Ethiopia were regarded as an underclass.

¹¹ The term *chisegna* derives from the Amharic word *chis*, which literally means “smoke.” This term denotes a feudal system known as the *gäbbar*, i.e. tributary, in which the nobility often randomly imposed land rents and tributes, on the basis of the volume and intensity of the smoke coming out of a village farmer’s grass-roofed house.

¹² Tenancy was as high as 55% in the southern part of Ethiopia before the revolution (Wassihun 2020).

Soon, the government nationalized the urban land with the aim of appropriately allocating the unevenly distributed wealth and income as well as the inequitable provision of services to the population. A person requiring land to build a dwelling house was to be granted a plot no larger than 500 sq meters free of charge. The government also confiscated extra houses of the wealthy urban dwellers and put them under the custody of Agency for the Administration of Rental Housing (AARH) (Girma 1987).

Although the government took a radical approach to land reform, it exercised some caution with respect to the industrial and commercial sectors. Although retail trade was preserved, and the wholesale and export-import sectors remained in private hands with no more capital than 50,000 Ethiopian Birr (ETB), the *Derg* nationalized all banks and insurance firms (Birhanu 1988; Girma 1987).

Collectivization of Agriculture

Like other socialist governments, the *Derg* attempted a Socialist Agrarian Transformation (SAT) in order to facilitate the socio-economic development of the country. To this end, resources had to be directed to specific targets, and the extractable production surplus had to be enough to revive the whole economy (Gebru 1998). The government devised a strategy to accumulate surplus through the collectivization of small-scale farming. Accordingly, in addition to the predominant family-based farming, two other modes, i.e. state and cooperative farms, emerged after the radical redistribution of land in March 1975. The objectives of expanding the collective farming system were to:

- overcome the food shortage in urban areas that was partly caused by the decrease in the amount of marketed foods in the aftermath of the land reform;
- increase agricultural output through large-scale farming;
- promote the cultivation of new areas to enhance agricultural development;
- develop the research and technology sector (Haile 1988).

The PMAC strongly encouraged and latter forced the farmers to join producers' cooperatives. Between 1978 and 1981, the *Derg* issued a series of decrees and directives concerning the procedure for

creating service and producers' cooperatives, with the assumption that small farmers would have been inefficient if they entered large-scale economy alone, by themselves (Kidane 1988). In the Ten Years Prospective Plan (TYPP), the state and collective farms were given due attention, and their share expanded from just more than 5% in the mid-1980s to about 60% within a decade (see Table 2).

S. N.	Types of Farm	Share (in %)	
		1984/85	1994/95
1.	Cooperatives	1.40%	52.20%
2.	State Farms	2.80%	6.40%
3.	Private (Family)	95.40%	39.60%

Table 2. The share of collective and private farms in agricultural output in 1984/85, and the output envisioned by TYPP to be reached by 1994/95. Source: PMAC 1984.

While it is self-evident that collectivization was regarded as a principal strategy to transform the peasant mode of production and develop the country's agriculture in general, the producers' cooperatives, called *amrach* in Amharic, themselves were to undergo a development of three stages. The first stage was the *melba*, an elementary type of cooperative that required members to share their land (with the exception of plots of up to 2000 square metres, which could be set aside for private use) and to share their oxen and farm tools. The second stage, which was known as *welba*, required members to transfer their resources to the cooperative and reduce private plots to 1000 square metres. The *weland*, which was the third stage, abolished private land use and established an advanced form of cooperatives, in which mechanized farming was done by members organized into production brigades. In this system, income would be distributed based on labour contributions (Kidane 1988, 22–23).

The cooperatives had large pieces of land, ideal for crop farming, and they were also intensively engaged in livestock production. The government supported producers' cooperatives in various ways: gave them priority in taking loans; provided fertilizers, improved seed, and access to special consumer goods and building materials. Despite these incentives, farmers were less enthusiastic. In some regions such as Bale, farmers saw the encouragement to form cooperatives as a

prelude to the destruction of their family farms. Besides, the farmers never felt secure about receiving their share in the cooperatives despite their continuous contribution, including their labour, which eventually resulted in frustration and resentment about collective farms.

The collectivization of production activities was more successful in the highland areas, where most farmers were involved in a sedentary mode of agriculture, mainly cultivating cereals and other commercial crops. However, people in the lowland areas, where the majority was involved in pastoralism, took a typical "exit option"¹³ and escaped from the implementation of state policies, while they also questioned the very legitimacy of the *Derg* regime by migrating to inaccessible arid areas, even as far as to Somalia and Kenya.

Another major component of the government's agricultural policy was the development of large-scale state farms, and the *Derg* also sought to convert vast areas of large commercial farms into state farms. In 1987/88 there were about 216,000 hectares of state-owned farmland, accounting for 3.3% of the total cultivated area. The TYPP plan envisaged that state farms would be expanded to 468,000 hectares by 1994, making up 6.4% of the cultivated land. Accordingly, from 1982 onwards, the state farms used up about 77% of the chemical fertilizers, 95% of the improved seeds distributed in the country, and 80% of the loans (between 1980 and 1985), which meant that about 43% of the government's agricultural investment went to the state farms (Kidane 1988).

Although the primary motive for the expansion of state farms was the desire to reverse the decrease in food production that had been ongoing since the revolution, the peasants gradually began withholding grain from the market to drive up prices, because government price-control measures had created shortages of consumer goods such as coffee, cooking oil, salt, and sugar. Additionally, increased peasant consumption also caused shortages of food items such as *teff*, wheat, corn, and other grains in urban areas. Merchants, though linked by market relations with producers, were required to sell to the state 40–100% of their grain purchases (Birhanu 1988).

¹³ "Exit option" is a concept used in Political Science to denote the mechanisms people use to resist a regime by escaping from the territory that the state rules and controls (Hirschman 1970).

Nevertheless, this strategy was ineffective in producing a surplus, let alone to extract surplus in the required manner in order to transform the agriculture and form a base for the country's development. Nor did it positively impact the population's quality of life. In fact, Ethiopia had to experience another devastating famine in 1986. By the mid-1980s, Ethiopia had become a net importer of cereals. The country reportedly imported 506,000 tons of cereals in 1984 and 986,000 tons in the next year (Birhanu 1988).

As the Party grows, an ever expanding bureaucracy is required to administer the government as well as the non-state networks. Thus, the surplus that the central government could eventually reallocate, either for investment or for non-profitable purposes, was much smaller than the total amount of surplus, simply because a part of it was absorbed by intermediary extractors (Gebru 1998). Despite the huge emphasis laid on state farms, their production provided only 6% of the total agricultural output in 1987, while the cooperatives contributed 4%, which means that peasant farmers produced 90% of the agricultural products, which covered 65% of the needs of the urban population (Gebru 1998). The state farms uprooted and dislocated many family homes, and also had a significant impact on the size of land held by them, without improving the quality of life among the locals, especially in the southern regions. State farms could not help with the income distribution, failed to generate employment, and could not reduce poverty.

Resettlement

Shortly after the revolution, the *Derg* was also greatly preoccupied with the acceleration of resettlement. The military government claimed to have implemented this program for humanitarian reasons, contending that it would remove people from exhausted and unproductive lands to settlements with greater agricultural potentials. In addition, the government argued that the new settlements would greatly facilitate the efforts to provide social services. Moreover, it was stated in article 18 of the 1975 Land Reform Proclamation that "the government shall have the responsibility to settle peasants or to establish cottage industries to accommodate those who, as a result of distribution of land, remain with little or no land" (PMAC 1975). Accordingly, in 1975/76 there were 88 settlement centres, accom-

modating 38,818 households. The government conducted most of these resettlement programs under the auspices of the Relief and Rehabilitation Commission (RRC) and the Ministry of Agriculture (CSHA 1988).

Initially, settlers were chosen from the regions of Wello, Tigray, and northern Shewa, and were transported by trucks, buses, and cargo aircrafts to resettlement sites in Bale, Kefa, Gojam, Gonder, Wellega, and Ilu-Abbabor. By 1982, there were 112 planned settlements populated by more than 120,000 people. The settlements were concentrated mainly in the south, east and southwest. At the height of the drought and famine times in the mid-1980s, the regime set in motion a resettlement policy that was initially designed to relocate 1.5 million people from areas in the north, most severely affected by drought, to areas in the west, south and southeast that had abundant resources and adequate rainfall (CSHA 1988).

It is argued that the government was poorly prepared for the operation, and the first settlers experienced tremendous hardships in alien, sometimes underdeveloped and epidemic-stricken areas. Some peasants moved voluntarily, but many more were forced. Many of those forcibly resettled were able to escape; some fled to Somalia, while others took shelter in refugee camps or travelled great distances to return to their native regions at any cost.

As a result of the resettlement program, many were uprooted and dislocated. One remarkable advantage the settlers obtained was a more optimal acquisition of land, as the central as well as provincial government and the party officials seemed to have sided with the new settlers during land allocation. Eventually, however, the same people were seen as "second-class citizens" by the local leaders and administrators at the level of both the *woreda*, i.e. county, and the *kebele*, Peasant Associations (PAs), which created social and political inequalities, and contributed to inter-ethnic animosity in addition to long-term environmental effects (see Fig. 1).

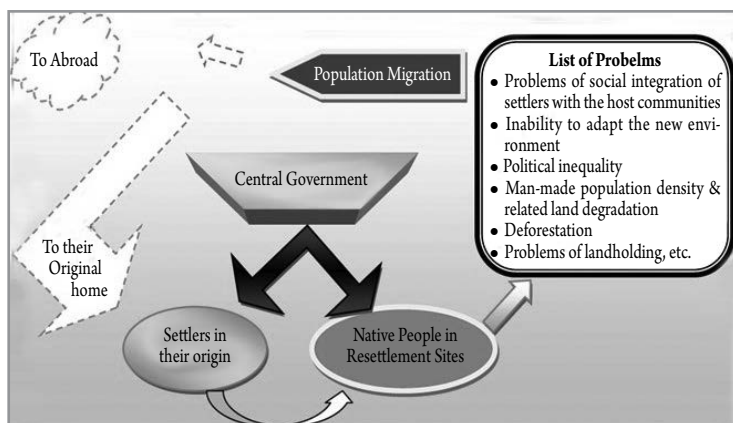


Fig. 1. The cycle of resettlement during the Derg regime. Source: Own Analysis.

Villagization

Villagization is generally an (in)voluntary rural settlement scheme involving the “spatial regrouping of population in areas where they are already living”, which means that people are not relocated over significant distances (Tadesse 2001, 116). In 1985, the *Derg* government officially initiated a villagization program, although the phenomenon began much earlier in the southeast regions of Harar and Bale, soon after the Ethio-Somali War of 1978. This process required peasants to dismantle their homes and, if possible, transport the housing materials to the new village site. In some regions of the country, the decision to villagize was a voluntary one, but in others the procedure was compulsory.

The objectives of the program, which grouped scattered farming communities throughout the country into small village clusters, were to promote rational land use; conserve resources; provide access to clean water and to health and education services; and strengthen security. The Workers’ Party of Ethiopia (WPE) introduced guidelines for site selection, village layout, and related matters. At the regional level, a committee planned, coordinated, and monitored the program through a network of subcommittees (John – Isaksson 1987). These committees were responsible for planning and scheduling; site selection and survey; material procurement, transportation, and logistics; construction; propaganda and training; monitoring and

evaluation; and security. This structure was replicated in successive administrative layers down to the peasant associations, the level which was ultimately responsible for implementation. It has to be noted that, while Peasant Associations (PAs) were formed notably after villagization of local communities as the lowest administrative entity in the rural areas, a similar tier was established in urban areas, called *Ketema Newariwoch Mahber* (otherwise known as *Kenemas*), i.e. Urban Dwellers' Associations (UDAs).

Peasant Associations (PAs) assumed a wide range of responsibilities, including the implementation of government land use directives; adjudication of land disputes; encouragement of development programs, such as water and land conservation; construction of schools, clinics, etc; organization of defense squads; and tax collection. Peasant associations also became involved in organizing forestry programs, local service and production cooperatives, road construction, and data collection projects, such as the 1984 census (CSA 1984).

The villagization program was most successful in the central highlands, which were accessible to the party and government officials because the necessary infrastructure was present. In the lowlands, however, the program failed due to the harshness of the environment and also because the local population was never as cooperative with the government as were the highlanders (Faisel 1992). Nonetheless, villagization, like resettlement, had brought a wide range and lasting social, political and economic impacts. Among other things, farmers had to travel far to their farm lands, resulting in low work moral that in turn brought about low production. The time necessary for implementing the program was not taken into consideration at all. Village houses were often forcibly built during the harvest. Besides, family heads were supposed to spend much of their time with public affairs, and their absence was punished (Tadesse 2001).

One of the major social impacts was that families were dislocated and uprooted from their land where the whole lineage of family members had resided and was buried, the land that had provided their subsistence, and which was valued the most (Mohammed 2002). To this effect, some scholars have heavily criticized the Derg's economic policies, concluding that "agrarian socialism eventually came to be associated in peasant minds with the ideology of poverty" (Dessalegn 1994, 247).

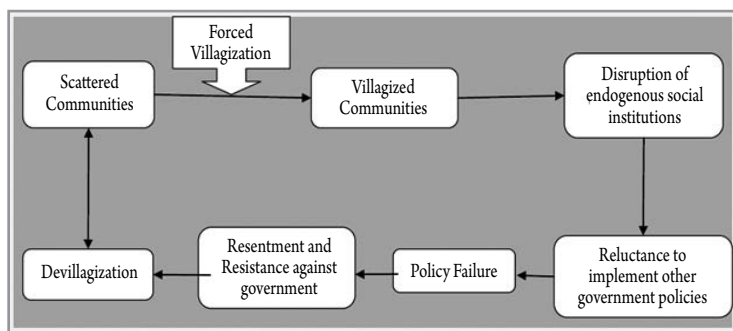


Fig. 2. *The cycle of the Derg's villagization program. Source: Own Analysis.*

Although the government officially declared a “mixed economic policy” in March 1990 as part of the reforms to abandon socialism, and allowed private persons to own more capital (Brune 1990), it was simply too late to tackle the challenges posed to the government from below. Instead, these reforms represented a “top-down counter-revolution” that was as significant to peasants as the great reforms of March 1975 (Dessalegn 1994).

Finally, the collapse of the USSR that eventually brought the winds of international change, an enduring civil war, the great famine, and social unrest, contributed to the downfall of the *Derg* in May 1991. In the countryside, the peasants responded to the collapse of the socialist military regime by looting some institutions (particularly service cooperatives), defending others, and walking away from others that were not valued by the local population (including many conservation projects) (Dessalegn 1994).

Conclusion

As a matter of policy orientation, in the formal and explicit sense, the *Derg's* understanding of socialism emphasized development at a national level, which effectively meant neglecting development at a regional and local level and exercising political control through a typical totalitarian state. Although socialist policies that involved land reform, collectivization, villagization and resettlement made sense from a purely technical point of view, these were never successful in changing the life of the target population, mainly because of the

regime's failure to take into consideration the real socio-cultural, political, and economic situation. In principle, the "socialist industrialization, the collectivization of agriculture, the cultural revolution" are regarded as the "products of certain well defined and consciously accepted decisions" (Szigeti 2021, 39). In practice, however, forced interventions of military government that sought to acquire more arable land for the state farms, or to select appropriate sites for villages or resettlements, the government did not only destroy people's homes, but also attacked indigenous social institutions and the pre-existing non-capitalist system of production, notably the family-based farming system. For instance, the regrouping of a region's residents into the so-called "new villages" enhanced the regime's control and people had no option except "to be herded like cattle into protected hamlets" (Mohammed 2002, 25). It also made people vulnerable to the political greed of the government and party officials by creating a condition whereby the PAs became both the centres of economic contribution and military recruitment.

Mass organization from above also meant a displacement of pre-existing communal systems that organized society on a clan-, gender- and age-basis. In the southern part of today's Oromia region, for example, various forms of egalitarian and democratic political institutions, such as the *gada*, were abandoned, because they would have implied an additional form of state or government as a source of power and authority, which the military government was unwilling to tolerate. All in all, it resulted in human suffering that was best summarized by Tefera in 1988: "a poverty without a natural cause, a crop failure without droughts, starvation not witnessed by television cameras, and thus disaster without fanfare" (quoted in Tadesse 2001, 132). It is in the same vein that Fantu (1989, 42) wrote: "The generals and bureaucrats far removed from the realities of rural life, all set out to experiment in "textbook socialism", without consultation with the masses; who, in the final analyses, had to shoulder the burden of economic crises. Far from creating the "economic kingdom" which they promised, the architects of the Ethiopian socialism ended up erecting the "pyramids of sacrifice" in the minds of those who survived the tragedy." To sum it up, it is worthwhile quoting Bulcha's words (1992, 25): "politics and economy being the two sides of the same coin, a bad government cannot feed its people!"

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