

David Mandel

**Democracy, Plan, and Market:
Yakov Kronrod's Political Economy
of Socialism**

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YAKOV KRONROD'S
POLITICAL ECONOMY OF SOCIALISM**

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To the memory of Galina Yakovlevna Raktiskaya
political economist, teacher, comrade
(1939–2013)

ACKNOWLEDGEMENT

This book would not have been possible without the many discussions I had over the course of summer evenings in Moscow with Boris Rakitskii. Boris had been a junior researcher in Kronrod's theoretical section of the Institute of Economics in the 1960s. He later became one of three economists whose work it was mandatory to criticize by anyone wishing to defend an academic thesis in political economy.

Boris, and his wife, Galina, to whom this book is dedicated, have been inspiring models of intellectual and political commitment and honesty.

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INTRODUCTION

This book presents an overview of the thought of Yakov Abramovich Kronrod (1912–1984), a leading Soviet theorist of the political economy of socialism, but little known today. A bold and original thinker, he argued, in opposition to the founders of Marxism and to the prevailing Soviet orthodoxy, that commodity-money relations and the law of value are integral parts of socialism and that socialism itself should be considered, if not a separate mode of production, then at least a lengthy, relatively autonomous period of transition between capitalism and communism (when scarcity would finally have been overcome, real social equality achieved, and work would have become its own main reward), a stage governed by own laws of motion. He thus rejected the traditional Marxist view that market relations are a source of economic anarchy and alienation, the antithesis of planning and solidarity. He argued, on the contrary, that commodity-money relations, though subordinate in socialism, are essential to effective national planning, to collective, societal control over the economy. But at the same time, he rejected the concept of “market socialism,” insisting on effective national (*obshchenarodnyi*) ownership and the primacy of planning and direct (that is, non-commodity) relations under socialism.

Kronrod’s youth coincided with the period of construction of the new society that had emerged from the October Revolution. In a letter from the Stalingrad front in 1942, he wrote: “Everything—my mind, my blood, heart and every nerve were born in the October flame.”¹ He lived through all the major turns of his country’s turbulent history: reconstruction under the New Economic Policy after the civil war, the enthusiasm generated by the first five-year plans, the upheaval of forced collectivization, the Stalinist terror, the Great Patriotic War (the victory in which he attributed to what remained in popular consciousness of the promise of October), Khrushchev’s “thaw”; and, finally, the conservative bureaucratic reaction and the “period of stagnation” (*zastoi*) under Brezhnev that accelerated the system’s decomposition. It was apparently at the start of this latter period that Kronrod reached the conclusion that the Soviet system was a historical dead-end, that it was incapable of being reformed, and that only a revolution could re-

¹ Cited in Ya. A. Kronod, *Protsess sotsialisticheskogo proizvodstva*. Moscow, Nauka, 1989, p. 4

store the country to a path of historical progress. That was not an easy conclusion to reach for someone who had spent the war years at the front defending the “socialist homeland” against fascism under the leadership of the Stalinist regime.

Kronrod earned university degrees in the 1930s in philosophy and economics, after which he took up positions at Gosplan, the state planning agency, and at the Central Statistics Agency, before finally moving to the Institute of Economics of the USSR Academy of Science, the country’s premier economic research centre. When war broke out, he immediately volunteered for the front. Beginning as a machine-gunner private in the battle for Moscow, he ended the war as a major in East Prussia. After the war, he returned to the Institute of Economics and eventually headed its theoretical sector, a position that he held until he was forcefully removed by the regime at the start of the 1970s.

It was during the period of “thaw,” inaugurated in 1956 by Khrushchev’s denunciation of Stalin at the twentieth party congress, that Kronrod produced his really original work. He was a member of the 1960s generation, the *shestidesyatniki*. It was a time of heightened intellectual and artistic ferment and of hope in a socialist renewal. Kronrod took active part in the discussions around the planned economic reform, the so-called “Kosygin” reform, whose introduction began in 1966, but fell far short of what Kronrod considered necessary.

Khrushchev’s dismissal as Secretary General of the Communist Party in 1964 opened the way for a bureaucratic reaction. While there were good reasons for dissatisfaction with Khrushchev’s leadership, the *nomenklatura* (the Central Committee meeting that dismissed Khrushchev was a gathering of the élite of that bureaucratic caste) was motivated primarily by concern for its own power and privilege, concern that was soon after greatly intensified by the “Prague Spring” in 1968, a genuinely national movement for socialist democracy that included the Czechoslovak Communist Party itself. The military suppression of this movement by the Soviet Union marked the final end of what still remained of the thaw in the USSR.

The Soviet leadership could not, of course, admit openly that it had sent in the tanks because it felt threatened by the example of socialist democracy in an allied state. Instead, the economic reform that was being implemented in Czechoslovakia, dubbed “market socialism” by Soviet ideologues, was presented as opening the way to the restoration of capitalism. In this con-

text, Kronrod's views on the role of market relations in socialism, which had been more or less tolerated until then, were considered dangerous. The Central Committee apparatus ordered the party organization of the Institute of Economics to take the lead in criticizing Kronrod's ideas. But the institute's party committee refused. And so the task was taken up directly by the Soviet Central Committee, with the high-level participation of Politburo members, Central Committee secretaries, other major party figures, as well as a number of directors of Academy of Science institutes.²

In December 1971, in the presence of a Politburo member and against the objections of the local party secretary, A.V. Nikiforov, a meeting of the institute's party organization adopted a resolution criticizing Kronrod's sector for "ideological errors of theoretical significance." The following heretical positions were attributed to him:

- socialism in the USSR is a particular order of socioeconomic inequality
- exploitation continues to exist in the USSR
- there is no basis for the moral-political unity of the people
- there is no basis for the friendship of its various peoples
- a material basis for mature, developed socialism will not exist for a long time
- socialism is a separate mode of production from communism, not merely its early phase.³

Kronrod's already much diminished theoretical sector was then completely disbanded, and he was reduced to the rank of acting senior researcher. Any new work of his of theoretical significance was placed under a publication ban, that lasted until Gorbachev's perestroika, which Kronrod did not live to see. Criticism of Kronrod's school of political economy became mandatory for anyone wishing to publish in related areas of political economy. As economist D. Moskvina recalled: "Kronrod provided so many people with work! There were different schools of political economy—Tsagolov's, Kuz'minkov's, the optimizers⁴ ... None of these schools was subjected to the kind of flogging that Kronrod's school and he himself received. The opposite,

² L.V. Nikiforov, "Yakov Abramovich Kronrod," in *Ya. A. Kronrod v proshlom i nastoyashchem*, Moscow, Institut ekonomiki, 2014, p. 19.

³ T. Kuznetsova, N. Mozhaiska, « Nauchnoe zaveschchanie Ya. A. Kronroda (k stoletiyu so dnya rozhdeniya)», *Voprosy ekonomiki*, 2012, no. 5, p. 116.

⁴ In one way or another, these three schools all denied any significant role to commodity-money relations in socialism. At most those relations were seen as holdovers from capitalism, antithetical to planning, and to be eliminated as soon as possible. On this, see ch. 4.

in fact, the case: Ya. A. Kronrod was subjected to furious attacks on the part of these schools.”⁵

Although these repressive measures were a part of the general tightening of ideological control in the wake of the “Prague Spring,” the fact that they coincided with the virtual abandonment of the Kosygin reform, which, however half-heartedly, had embraced some of the ideas that Kronrod had been advocating, notably broadened enterprise autonomy and so a greater role for market relations, indicates that the ideas of Kronrod’s school were considered by the nomenklatura as rather more than a mere theoretical deviation from orthodoxy. It saw in those ideas a political threat to its monopoly on power, which was the unconditional foundation of the bureaucratic system, a system that could not tolerate the existence of any political or economic subjects other than the bureaucracy itself.⁶ It was that logic that had guided Stalin, the recognized leader of the bureaucratic faction of the party, in imposing the “command economy” in 1929 and virtually suppressing commodity-market relations. That move gave the bureaucracy direct administrative control over the entire economic life of the country, even though,

⁵ M.I. Voeikov et al., ed. *Ya. A. Kronrod: lichnost’ uchenogo. Politicheskaya situatsiya, ekonomicheskaya teoriya*, Institut ekonomiki, RAN, M. 1966. pp. 105–6.

This was not Kronrod’s first run-in with the guardians of the ideology. In 1950, during the “anti-cosmopolitan” campaign, Kronrod’s name figured second on the list, after Evguenii Varga, of “cosmopolitan” (that is, Jewish) economists, accused of a insufficient patriotism. In the course of a discussion of Kronrod’s case at a meeting of the institute’s party organization, the party secretary, Ivan Anchishkin, an Old Bolshevik and veteran of the civil war, slammed his large fist down on the table (he had been a stone-mason before the revolution), shouting: “Where the hell am I? Is this a meeting of the Communist Party of the Institute of Economics or at a gathering of the Society of Michael Archangel!?” (an anti-semitic, proto-fascist organization in Tsarist Russia). He closed the meeting, declaring that he would take up the matter with the party’s Central Committee. By that time, the anti-cosmopolitan campaign was winding down, and Kronrod emerged unscathed. But at the institute, Kronrod’s salvation was attributed to Anchishkin’s intervention, and the incident became part of the local folklore. (Related to the author by B.V. Rakitskii.)

L.V. Nikiforov, the institute’s party secretary, later followed in Anchishkin’s footsteps, when he defended Kronrod in 1971 before the secretariat of the Central Committee. For that, he received a severe party reprimand, a ban on publication of his manuscript on cooperation, and dismissal from the institute. (T.E. Kuznestova, *Vestnik Rossiiskoi Akademii nauk*, 1994, vol. 64, no. 2, 1994, p. 174.

⁶ That monopoly was finally acknowledged formally, albeit in masked form, in the new constitution of 1977, in which reference to the party (to be read as the “nomenklatura”) and to its leading role appeared for the first time.

as Kronrod argued (see ch. 5 here), it undermined its ability effectively to plan the economy.

In Kronrod's conception of socialism, enterprises and enterprise associations would be economic subjects, that is, genuine economic actors with a substantive degree of autonomy within the framework established by the plan. It was not so much the prospect of broadened powers of enterprise directors that worried the nomenklatura (directors were themselves part of the nomenklatura), although the first secretaries of the regional party organizations, the dominant group in the nomenklatura, could not have welcomed the prospect of losing their pivotal economic role.⁷ What especially concerned them was the prospect of the nomenklatura's loss of its direct administrative control over the economy and the threat of worker activation, since the broadened autonomy of the enterprises would logically spur workers to demand a say in management, as their economic well-being would become much more directly dependent on their enterprise's performance. That dynamic had manifested itself under Czechoslovakia's economic reform in 1968.⁸

Kronrod's analysis of the Soviet system, written "for his desk" following his marginalization, can be briefly summed as follows:⁹

The social system of the USSR could not be classified among historic social formations: it was a historical dead-end, incapable of self-reproduction or transformation over the longer term. Its origins were in the degeneration of the political superstructure, that is, transformation of the power of the toilers into that of a ruling bureaucratic social stratum.

That process passed through two stages. In the first, the power of the proletariat was usurped by a bureaucratic social stratum. The logic of that new ruling group led to its putting forth a dictator to act as guarantor of its monopoly on power. In the second stage, the dictator carried out a terroristic coup, in the course of which he physically destroyed the bureaucratic stratum that had carried him to power and replaced it with new people who lacked any personal connection with the revolutionary past and who had no commitment to its goals. Unlike the group that had been eliminated, the new people were entirely dependent upon the autocrat for their positions

⁷ On this role, see J. Hough, *The Soviet Prefects*, Harvard University Press, Cambridge Mass., 1969.

⁸ On this, see G. Golan, *The Czechoslovak Reform Movement Communism in Crisis 1962-1968*, Cambridge University Press, Cambridge, 1968, pp. 282-6

⁹ For this analysis, see ch. 6.

and privileges. At this stage, what remained of the Communist party as a political movement ceased completely to exist. It became a purely bureaucratic apparatus dedicated to the violent imposition of the dictator's will on society.

The bureaucracy's monopoly on power was the central, critical element of this system, and its predominant means of domination were violent. That violence assumed a broad variety of forms. The ruling group, though it was not a propertied class—since the economic base was formally socialized—was a privileged social stratum that mercilessly exploited the rest of society. However, the real structure of society was masked behind a socialist façade. Together with the total repression, that made very tortuous and slow the process by which the toilers could develop a social consciousness adequate to their situation. Their world view was largely an illusion.

There were three possible routes out of this historical dead-end: a socialist route, that would require a “social explosion”; the system might remain unchanged and would continue to degenerate rapidly; a military-economic technocracy might displace the existing incompetent bureaucratic oligarchy, perhaps slowing down, but not avoiding, the inevitable degeneration. The specific outcome depended on the relative strength of the social forces that bore each of the tendencies.

A few words about Yakov Kronrod the man. B. V. Rakitskii, a junior researcher in Kronrod's sector in the 1960s, recalled:

He was a profoundly educated man with a firm grounding in philosophy, a genuine master of dialectic materialism. He was vibrant, alive. It was a pleasure to listen to him. The intellectual atmosphere of the time was stale, grey, covered in a layer of dust. And suddenly, in the midst of that—Kronrod, brilliant, vital. To the Central Committee bureaucrats, who looked upon him as a serf, he was an unpleasantly intelligent man. He bothered them. They tolerated his ideas until the latter 1960s but did not want those ideas to conflict with their decisions.

He served as an example for us. The breadth of his intelligence and the depth of his humanism opened up new horizons. It made us ashamed to remain small. He didn't impose that—it was merely his presence. His lectures were theater of the highest level—exciting and enlightening, light-years from anything I had heard during my university years. They were not merely events; they were holidays. They were a fusion of high science, culture and extraordinary art.

The determinism that appears toward the end of the essay¹⁰ didn't emanate from inside. It was part of our education. I caught myself with that same metaphysical, deterministic thinking in the 1990s. You only realize it when you pose major goals for yourself. But Kronrod's work, and that of the other members of his school, really sys-

¹⁰ See ch. 7.

tematized what socialism should be. The work of his school was the most productive of what was written in the Soviet Union on the political economy of socialism, if socialism is ever to be realized. We, in fact, prepared a programme for taking our society out of totalitarianism and into socialism. It would have been of great value in 1989, had the country then turned to socialism.¹¹

Rakitskii recounted the following episode from when he was working in Kronrod's theoretical sector:

He was a Don Quixote of science, and whatever we, his students, have of that quality, we caught from him. But he was not what one might call an "otherworldly intellectual."

I remember the following episode. When they reduced Kronrod's previously large sector to a fraction of what it had been, he was left with only three or four senior-researcher positions. The weakened front and the blow that that dealt to research were very striking. And in the midst of all that, Kronrod appoints Ivan Aleksandrovich Anchishkin from his former sector to one of the senior-researcher positions. I lacked experience and so I asked:

"Yakov Abramovich! Why are you taking on Anchishkin? His work is of little scientific value."

"What does science have to do with it!?" he replied curtly, deeply annoyed at my question. He remained silent for some time, then he added: "For seventeen days [during the Battle of Moscow] Anchishkin led our division out of encirclement. And he pulled us out. He was the unit's [party] commissar, and our commander had been killed."¹²

This book consists of two parts. Chapter two to five offer a general overview of Kronrod's political economy of socialism. We make no claim here to an exhaustive presentation of Kronrod's work, which covered a broad range of topics. (See the selected bibliography of Kronrod's works at the end of this book.) These chapters are based principally on the following works: *The Laws of the Political Economy of Socialism* (1966) and three posthumously published books, written in the 1970s: *Planning and the Mechanism of Action of the Economic Laws of Socialism*, *Productive Forces and Social Ownership*, *The Process of Socialist Production*. Chapter 6 is a translation of Kronrod's analysis of the Soviet system, written in 1972–73 and first published in 1991. It analyzes the origins, the nature and possible futures of Soviet society. The conclusion is my own.

Some remarks on Kronrod's writing style are in order. Those who heard him speak considered him a gifted, even spell-binding orator. But they often

¹¹ Interview with B. Rakitskii, June 2013. .

¹² Ibid.

remarked on the contrast between his oral performances and his scientific writing style, marked by rather abstract theoretical terminology and long, complex sentences. This partly might have been the influence of Kronrod's philosophical education. But M. I. Voeikov, who worked under Kronrod at the Institute of Economics, offers the following explanation:

Many of his readers criticized the excessive complexity of his presentation and the ornateness of his style. But at the same time, Kronrod spoke beautifully: simply, clearly, lucidly... Everyone who remembers his lectures agrees that Kronrod was a wonderful orator. And so I dare to suggest that Kronrod consciously and purposefully complicated his writing style [to get it past the censors]. Although, to be fair, I will note that this complex style allowed Ya. A. to transmit in a more concentrated and profound way the dialectical complexity and contradictory nature of the social phenomena he was analyzing...

I witnessed the following exchange between Ya. A. and Boris Rakitskii in 1970. Rakitskii was saying that not all readers could easily understand Kronrod's books and that that was an obstacle to the progress of his ideas among the masses. Ya. A. replied that intelligent readers will nevertheless understand, while fools..., well "why throw pearls before swine?" "No," retorted Rakitskii, "one should write simply and clearly, so that any housewife, even the authorities, can understand." "Well," answered Ya. A., "you write as you like, but you will regret it." Some time later, Rakitskii confided to me that Kronrod had been right.¹³

In presenting Kronrod's ideas, I have made an effort to retain something of his writing style, while at the same time making his ideas more accessible.

Another difficulty in reading Kronrod is having to decide whether a given text analyzes Soviet reality or is rather presenting socialism as it should be. For example, in his posthumously published books written in the 1970s, which, according to the editors, he still hoped to see published, he refers to Soviet society as socialist. But his essay "Socio-oligarchy," from the same period, is subtitled "The Pseudo-Socialism of the Twentieth Century." In it Kronrod makes exceedingly clear that the Soviet system was based on exploitation and in no way socialist. At most, he concedes the existence of an only "formally socialized base." Similarly, in those books he writes of the relative autonomy of enterprises and of the existence of market-commodity relations among them and criticizes his opponents for their refusal to recognize the reality of market relations. But commodity-market relations, at least in the sphere of production, were, in fact, suppressed in the Soviet Un-

¹³ T. Kuznetsova, "Ya. A. Kronrod i Institut ekonomiki AN SSSR," in T.E. Kuznetova, ed., *Ya.A. Kronrod v proshlom i nastoyashchem*, Moscow, Institute of Economics. RAN, 2014, pp. 29–30.

ion, unless one has in mind the underground economy that flourished in period of the system's advanced decomposition.

B. V. Rakitskii offered the following explanation, that helps to resolve this question:

We, who were working in Kronrod's sector, portrayed socialism as it should be, in accordance with its own conception, with its definition as a society free of exploitation... An attentive reader would invariably be left wondering at the lack of correspondence between our descriptions of socialism and the reality that was called socialism, and even "developed socialism." Of course, nine out of ten readers probably considered us hopeless scholastics and fools. But perhaps one out of ten realized that in the USSR there was no socialism of any kind. And he would think to himself: "And in what kind of society then are we really living?"... If we hadn't been hammering away at that point—the lack of correspondence between the reality and the original socialist theory—then the doctrine of "really existing socialism" would not have been concocted on high.¹⁴

A few words about the reasons for this book. A developed political economy of socialism could not have existed before the October Revolution. Marx and Engels consciously refrained from presenting anything resembling a blueprint for socialism, since they argued that socialism would be the workers' response to their situation under capitalism. And one could not predict the concrete circumstances under which the revolution would occur. The Soviet Union witnessed some lively debates among economists in the 1920s, but they were based on still limited experience. By the time experience had accumulated, economic thought had been imprisoned in the straightjacket of Stalinist dogma. Kronrod's school of political economy broke through that dogma and was forcibly marginalized. Its ideas are little known today, both inside and outside of Russia. His thought, therefore, will be of interest to historians of the Soviet Union and to students of economic thought.

But beyond that, Kronrod's work holds an interest for those who continue to consider socialism a humanistic alternative to capitalism, which has long since outlived any progressive historical role to become an increasingly destructive force that now threatens the very fabric of civilized human society. However one might regard the Soviet experience, it was an attempt to create a planned economy based on public property. As such, there are important practical lessons that socialists can learn from that experience. Kronrod's work is a significant contribution to that end.

¹⁴ B. Rakitskii, "YAK," *Institut perspektiv i problem strany*, no. 29, Moscow, 2003, pp 6–7.

Besides Kronrod's insistence on the centrality of democracy and of personal freedom to a socialist economy (although he was not unaware of the complex political problems that poses for the period of revolutionary crisis and the forced suppression of capitalism), he offers an original perspective on the relationship between commodity-money relations and planning. Most Western Marxists share the founders' view that market relations, commodity production, the law of value, money, etc., have no place in socialism, once it is functioning on its own basis. In this, they tend, paradoxically, to agree with liberal economists, who argue that market and plan are fundamentally antithetical. Kronrod, however, argued that market relations change their nature and role once economic power is transferred from the capitalist minority to the people, the toilers, as a whole. The source of exploitation under capitalism is, after all, not commodity production as such, but the property, the economic power, of the capitalists, backed up by the state's apparatus of violence. It is that power that, in the final analysis, "forces workers to sell themselves voluntarily," just as direct physical (political) coercion forced serfs under feudalism to furnish labour to their aristocratic landlords.

The fundamental issue for Kronrod was not "market or plan", but power in the economy: the power of a propertied class that permits it to exploit the others, or the collective, democratic power of all of society collectively to direct economic development according to its wishes. Contemporary critics of capitalism tend to identify the problem as "domination of the market" over society (and, concomitantly, the reduced role of the state as a democratic institution) and the commoditization of public services. "Free trade" is criticized in much the same way, as if it is really about trade rather than power.

The real issue is always the same: the economic power of the bourgeoisie (the so-called 1%), power that is usurped from society. The mechanism of exploitation assumes different forms in different socio-economic formations. But its basis is always the concentration of power in the hands of the propertied minority.

Under socialism, power is wielded collectively by society as a whole. That power necessarily expresses itself as national planning. In Kronrod's conception of socialism, commodity-money relations are subordinate to the national plan. They function within the framework established by the plan. Commodity-money relations, therefore, change their nature from what they

were under capitalism. They are not a hostile, foreign element, a vestige of the old order, at source of alienation and anarchy, but an integral, necessary part of a planned, democratically-managed economy, whose basic goals are the progressive achievement of genuine social equality (including an end to the division between predominantly intellectual and physical labour) and the free development of each member of society.

Kronrod's conception of the socialist economy offers a response to those who would be attracted by the concept of a democratic, humanistic alternative to capitalism but who are repulsed by idea, widely held and vigorously propagated by liberal economists and commentators, that a planned economy necessarily entails a vast, oppressive bureaucracy that dictates the activity of every enterprise and of every member of society. That logic of "one-big-factory" was, indeed, that of the Soviet system. Apart from its demonstrated inefficiency (which was the ultimate cause of the system's demise), that model leaves no room for meaningful worker self-management. And without concrete, daily experience of self-management at work, genuine participatory democracy, essential to socialism, in the larger society is hardly possible.

To put it somewhat differently, from Kronrod's point of view, Marx was probably ill-advised to develop his analysis of capitalism in the Hegelian manner, starting from the commodity and money. He would have done better to begin with the later section of *Capital* that presents "primitive accumulation," the process by which the bourgeoisie, through violence, came to monopolize the means of production and create a class that was "forced to sell itself voluntarily." In Kronrod's view, it is the bourgeoisie's usurpation of society's power, not the market, that is at the heart of capitalism.