

# **Che Guevara and the Political Economy of Socialism**

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Che Guevara is widely known to the world as the romantic-idealist revolutionary. The economic thought of Che Guevara has not really been widely publicised as the Argentinean born revolutionary is commonly known for his works on the guerrilla warfare, whose underlying idealist and voluntarist approaches to the struggle of the oppressed masses against capitalism and imperialism have been exposed and rejected altogether by the Marxist-Leninists. It is most appropriate, however, to pay special attention to Guevara's economic works, as his contribution to the economic transformation of Cuba during the early stages of the revolutionary process was central and was highly criticised by the ideologists of modern revisionism, both within and outside the country.

Che participated in making up the agrarian reform law in 1959. In October 1959 he was appointed director of the Department of Industrialisation, which was created by INRA (Instituto Nacional de la Reforma Agraria or National Institute of the Agrarian Reform). At that time most of the industry was still in the hands of private owners. Guevara undertook the task of studying the economy of the island and establishing the guidelines of building up Cuban industry. According to Orlando Borrego, author of 'Che el camino del fuego' (Imagen Contemporanea, Havana 2001), the department started off without a single industry under its jurisdiction nor a 'budget of its own to finance supplies, investments and other expenses' to manage the few companies that passed to its jurisdiction later in the year. In November 1959 Guevara was appointed head of the National Bank, although he never stopped overseeing the work of the department of industrialisation to where he returned within the next year.

It is not till October 1960, when the Cuban Government decrees the immediate nationalisation of commercial and industrial enterprises including the sugar cane industry, that the Department of Industrialisation becomes a full-fledged body for the organisation of industrial production on a massive scale. His leadership in the Department of Industrialisation led Guevara to become the Cuban minister of industry in February 1961, which had the task to organise state industry following massive nationalisation.

At this point Guevara faces the challenging task to organise most of the country's industrial production on the basis of an ill-defined (from the point of view of socialist construction) revolutionary process. Despite the success of the anti-imperialist struggle undertaken by the Cuban Revolution, its leadership lacked knowledge of the political economy of Marxism-Leninism. Che Guevara, without any doubt, is the member of the Cuban leadership who takes most seriously the study of political economy, which he did in parallel to all the administrative and organisational tasks that he was assigned by the Cuban Revolution. The study of Marxist political economy and the economic discussions that were triggered during the process of organisation of the Cuban industry become the central topic in Guevara's life during the first half of the '60s. This period of exploration and creativity comes for the most part to an end when, in 1965 Che renounces his responsibilities as the Minister of Industry, following a heated economic debate, referred to by many as the 'Great Debate', which reached its climax in 1963-1964.

Strong divergences between the pro-Soviet economic line and Guevara's plan of industrialisation brought to an end the participation of the Argentinean revolutionary in the internal affairs of the Cuban revolution. Guevara embarks on a 'quixotic' military campaign to aid and create revolutionary processes in Africa and Latin America, which concludes with his assassination in Bolivia, in 1967.

Castro remembers Che in a well-known speech given in 1987, in the midst of the so-called process of rectification, by denouncing a number of gross deformations in the economic life of the island and corruption of moral standards. Castro calls upon the population with an appeal of the highest moral standards embodied by the life of the great revolutionary, and admits to the negative consequences of departing from Che's economic thought:

*'Che was radically opposed to using and developing capitalist economic laws and categories in building socialism. He advocated something that I have often insisted on: Building socialism and communism is not just a matter of producing and distributing wealth but is also a matter of education and consciousness'* (Fidel Castro in *'Che Guevara, Economics and politics in the transition to socialism'*, Pathfinder, New York, 2003, p. 39).

In the midst of open appeals to revive what many in Cuba call the 'Che's dream' a lot of confusion is fostered about the interpretation and originality of Guevara's economic thought. Twenty years after his assassination, Cuban scholars Fernando Martinez Heredia, and specially, Carlos Tablada, revived the discussions concerning Guevara's contribution to the practice of socialist construction in Cuba and to the economic theory of the transitional epoch in general. Unfortunately, most scholars in Cuba consider Guevara's economic thought in isolation from the theory of political economy of socialism developed before the revisionist political economy became widely accepted in the Soviet Union and the former People's Democracies of Eastern Europe in the 1960s.

Outside the country, efforts have been made to reconcile Guevara's economic thought with Trotskyism and neo-Trotskyite tendencies. Neo-Trotskyite elements around the world, not without encouragement from within Cuba, try to portray Guevara's economic thought as a reaction to the economic line imposed by the bureaucratic castes in the Soviet Union, by completely ignoring, more correctly suppressing, Guevara's open support to Stalin in questions of the construction of socialism. It is silenced that Guevara quoted Stalin on multiple occasions in his economic works published in Cuba and the fact that the core of his economic theory, the budgetary finance system, bears strong similarities to the economic 'model' of development, which had become 'standard' in the former People's Democracies of Eastern Europe during the post-war period up until Stalin's death. Trotskyism, neo-Trotskyism and many in Cuba exacerbate Guevara's idealist mistakes present in both his political and economic thoughts and turn Che into some sort of humanist socialist, who *de facto* suppressed the weight of the objective character of the economic laws of socialism in favour of a leading role of socialist education and consciousness (which, unfortunately, is true to a considerable degree).

Discussions about the controversial role of Che Guevara in the Cuban revolution during the early stages of the construction of the new economy have been revived in recent years. More and more unpublished documents are slowly coming to light. One of the most significant efforts developed

in this direction is led by the Centro de Estudios Che Guevara, based in Havana and located in the house where Guevara and his family used to reside during the first half of the sixties. This association possesses direct access to Guevara's personal library, which contains numerous volumes in which he used to make annotations. Ambitious plans have been revealed to publish nine volumes with materials covering numerous aspects of the political life of Che Guevara, which hopefully will throw important light on the evolution of Guevara's thought as a Marxist.

One of the most enlightening documents published in recent years corresponds to a letter sent by Che, while based in Tanzania, to Armando Hart Dávalos on the need to publish in Cuba works on philosophy. The authenticity of this letter does not seem to be controversial as it was published in a Cuban journal and made available to the public. In this letter Guevara outlines a basic plan for the publication of texts in philosophy, subdivided into 8 groups:

*'In Cuba there is nothing published, if one excludes the Soviet bricks, which bring the inconvenience that they do not let you think; the party did it for you and you should digest it.*

*It would be necessary to publish the complete works of Marx, Engels, Lenin, Stalin [underlined by Che in the original] and other great Marxists.*

*Here would come to the great revisionists (if you want you can add here Khrushchev), well analyzed, more profoundly than any others and also your friend Trotsky, who existed and apparently wrote something (Che Guevara, Letter to Armando Hart Dávalos published in Contracorriente, Havana, September 1997, No. 9).*

In the present article we will try to briefly cover the main elements of Guevara's economic thought by means of establishing analogies with the Marxist-Leninist economic theory of the transitional society. Further, we will discuss the absurd allegations of Trotskyism that the Soviet revisionist leadership inflicted on Guevara. We will conclude with a brief exposition of what are, in our opinion the two major mistakes committed by Guevara in his economic works: idealism and mechanicism.

### **Budgetary System versus Financial Self-Management**

At the centre of Guevara's economic thought stands the budgetary system, which Che implemented in the enterprises organised by the ministry of industry between 1961 and 1964. The budgetary system is formulated by Guevara as a reaction against what had been established in the Soviet Union and the former People's Democracies of Eastern Europe under the system of economic accounting (usually referred by us as market-like economic accounting, in order to distinguish it from the more generic concept of economic accounting), which the followers of post-Stalin Soviet revisionism posed as a model of development in Cuba. It is within the context of the revision of the Marxist-Leninist principles of the political economy of socialism by the Soviet revisionist leadership that the study of Guevara's budgetary system needs to be analysed and appreciated.

Despite strong elements of mechanicism and schematism inherent to Guevara's presentation for a case in favour of the centralisation of industrial production and the establishment of forms of

management and interrelations between individual producing subjects and the state, the budgetary system embodies the means, however primitive, which served the purpose for the application and success of the centralised planned principle of the economic development in a backward country. This is the rationale behind Guevara's formulations, which represents in the main the basic prerequisite for a more or less rapid industrialisation of the island, which he considered to be the highest priority within the process of socialist construction.

Many in Cuba portray Guevara's budgetary system elaborated for the specific conditions of Cuba, which in a sense Che 'invents' a particular model that suits his more or less utopian view of the transition to the socialist society. Thus Guevara's thinking is studied in isolation from the historical epoch, which corresponds to the epoch of the restoration of capitalism in the Soviet Union and the former People's Democracies. At most, Guevara's economic thinking is viewed as an alternative to the 'neo-Stalinist' command-administrative system undertaken by the Soviet leadership. This view was revitalised in Cuba towards the end of the 1980s when the Soviet economy and the whole so-called 'socialist' system showed clear signs of decomposition. It is enlightening, however, to see that some leading economists in the island do admit that Guevara's economic thought did not come out of the blue:

*'In retrospective, the budgetary system is a contribution of great value. We would not say – and you know it well – that Che invented the budgetary system. It already came from the socialist countries; in the Soviet Union for a period of time the budgetary system ruled many aspects of the economy'. (Carlos Rafael Rodriguez in 'Che Guevara, Cuba and the Road to Socialism', New York, 1991, pp. 39-30. Translated from Spanish.)*

Needless to say Rodriguez refers to the socialist economic model developed under Stalin. Rodriguez, however, wrongly attributes to Guevara the view that in the transition to higher forms of socialism, or full socialism, the budgetary system could be applied to the entire economy; the entire economy could allegedly function as one big enterprise, with one social fund to meet the needs of production and distribution. Much to the contrary, Guevara formulates the budgetary system as a means to meet the immediate needs posed by the organisation of the State industry and, as will be seen in the next section, admits to the existence of commodity-money relations between the state and other production objects, hence he admits the existence of forms of production other than state owned.

The budgetary system is conceived by Che as an opposite of the model established in the Soviet Union and the former People's Democracies of Eastern Europe after Stalin's death. Guevara exposes the basic differences between the budgetary system and the market-type of economic accounting or so-called financial self-management, as early as in 1961, i.e. the very early stages of the socialisation of industry in the country. Guevara's thinking in favour of the centralisation of the State industry predates the 'Great Economic debate', and it is clear to us that Che had conceived the budgetary system long before he sees himself engulfed in a heated discussion with the numerous supporters of financial self-management in the island. We have every reason to believe that he was in some more or less systematic way acquainted with the history of the Soviet economy and the general elements of the socialist economy during Stalin's times.

Guevara rejects from the very beginning the concept of free enterprise within the socialist sector, which is embodied by the ability of the individual economic subject to act as a more or less independent producer, since

*'...in the socialist countries, the enterprise possesses a bank credit, acquires money, produces with the money that it receives, sells its production, and then grants to the State part of the profit and part of this profit is preserved for internal needs. The difference is that our company does not sell, but delivers products and workers are awarded through the State'* (Che Guevara, Conference 'Economy and Plan' of the People's University, 1961. Translated from Spanish.)

In Guevara's system the enterprise does not sell, as the commodity-money becomes effective both in form and content only when the product is alienated by an independent producer or the individual consumer. Guevara understands the retribution of the worker in the socialist enterprise as an operation, in which in essence the socialist toiler establishes an employer-employee relationship with the socialist state, bypassing the enterprise. We believe he considers this relationship from the point of view of the essence of the labour relationship, as in reality this relationship has unavoidably to take the form of employment via the individual enterprise.

As opposed to the revisionist system of financial self-management, labour circulates among the individual enterprises of the state sector and between the enterprises and the State via the form of allocation or assignments according to contracts stipulated by the socialist plan:

*'To elaborate a budget through which the enterprise will be assigned necessary funds by the state to make effective contracts...; and also to transfer to public accounts the revenue from sales.'* (Che Guevara, op. cit. in 'Collective Discussion: Unique Decision and Responsibility', p. 3. Translated from Spanish.)

In Guevara's system the enterprise functions as an aggregate of a larger enterprise, which does not possess financial resources with which to make its own decisions in terms of production and reproduction. Since the socialist enterprise:

*'The company does not have resources of its own; therefore its income is transferred to the national budget'* (Che Guevara, op. cit. in 'Considerations on Expenses', p. 46. Translated from Spanish.)

Guevara is adamantly opposed to any form of exchange among socialist enterprises in the socialist sector other than allocation of resources. The circulation of labour within the socialised sector is viewed by Guevara as an aggregation of labour in a complex productive chain. In this system the enterprises are not able to establish labour exchange independently from the plan, since the entire productive activity of the enterprise is dictated by it. The state, in the form of the State Bank is the beginning and the end of labour flow concerning the productive activity of the socialist enterprise: it acquires the necessary financial means to acquire the means of production and it deposits the revenue in the Central Bank. These resources are then utilised by the socialist planning system to provide for extended reproduction of the individual productive unit, for capital investment or non-productive social needs. In this sense the enterprise does not extract profit *per se*; it transfers a positive balance between the production cost and the income and it is

the socialist state which makes the final decision according to the plan as to the fate of this positive balance.

The concept of socialist planning in Guevara's system is closely linked to the concept of profitability of the whole productive system. The effectiveness of the socialist economy is not the results of the mechanical summation of individual enterprises. A positive balance in the arithmetic sum of individual profits is possible in the capitalist system during times of expansion, although it becomes negative in times of recession. Regardless of the fact that the socialist productive system does not know recession or crises, the socialist productive system displays the greatest rates of growth not just because the arithmetic aggregation of individual profitability amounts to a positive balance. The advantage of the socialist mode of production over capitalism lies in the planned character of the economy, that the socialist state is in a position to decide at the scale of the whole productive system, not the coordination of individual producers but the regulation of labour flow among socialist enterprises. While it is of paramount importance that the productive unit be most profitable by means of maximum reduction of production costs, the efficiency of the economy needs to be assessed as a whole.

*'Since this system is based on the central control of the economy, the relative efficiency of an enterprise would become just an index; what really matters is the total profitability of the entire productive system'* (Che Guevara, op. cit. in *'Considerations on Expenses'*, p. 48. Translated from Spanish.)

This concept, which is a more complex concept with respect to the profitability of the individual enterprise, had been stated explicitly by Stalin in *Economic Problems*. In arguing against the right-wing deviationists, the only way to understand that certain sectors of the economy may function without profit or even producing losses over a certain period of time is to introduce a more complex concept of profitability of the whole socialist economy:

*'If profitableness is considered not from the standpoint of individual plants or industries, and not over a period of one year, but from the standpoint of the entire national economy and over a period of, say, ten or fifteen years, ... then the temporary and unstable profitableness of some plants and industries is beneath all comparisons with that higher form of stable and permanent profitableness which we get from the operation of the law of balanced development of the national economy and from economic planning...'* (J.V. Stalin, *Economic Problems of Socialism in the USSR*, Foreign Language Publishing House, Moscow 1952, pp. 28-29.)

Many have been led to believe that the establishment of socialised planning in certain areas of the State-owned sector during the transitional economy is a dangerous utopia. The transition to NEP is commonly used as a historical example, which allegedly illustrates that socialised forms of organisation do not correspond to the economic conditions given in a backward, agricultural country. Much to the contrary, not only the implementation of market-like economic accounting in the State industry is a relatively short-lived phenomenon in the economic history of the Soviet Union, it was soon realised that the NEP-style approach could lead to catastrophic consequences if the market-like economic accounting were to be imposed on all the areas of the State sector. Since the first stages of the transition from the economy of War Communism to the liberalisation of the Soviet economy, the Soviet leadership expressed worries that Lenin's plans for the

industrialisation of the country would be jeopardised if market relations were to be made effective in all the State-owned sectors. Already in 1923, the XII Congress of the Russian Communist Party (Bolshevik) expressed ample concerns:

*'On the other hand, heavy industry, which has barely entered in contact with the market and which depends completely on State contracts, needs for its reconstruction large and well-calculated financial resources from the State. This also applies to a great degree to railway and sea transport.'* (Decisions of the Soviet Government on Economic Questions, Moscow 1957, Volume 1, p. 380. Translated from Russian.)

Despite what right-wing revisionism led many to believe, the Soviet government since the early stages of the NEP established a line of demarcation within the sectors I and II of the economy. While light industry displayed significant growth during the early stages of the liberalisation of the economy, mostly due to the revival of market relations, heavy industry showed little or no signs of flourishing under the conditions of market-style economic accounting. If the market-type economic accounting were to be imposed on heavy industry, if the Soviet plan, regardless of the level of development of the forces of production and the correlation of forces within the various sectors of the economy and the weight of non-socialist forms of production, were to deny heavy industry large long-term financial assistance for a sustained process of re-production, this sector would be forced into recession. The plans for the speedy industrialisation of a vast and backward (both technically and culturally) country would be doomed and with it collectivisation and socialist construction.

*'The interrelations between light and heavy industries cannot be resolved by means of the market, as this would threaten to liquidate heavy industry in the next few years; heavy industry could recover, but this time as a result of the anarchic development of the market and on the basis of private property.'* (Ibid. p. 382. Translated from Russian.)

The socialist law of development, according to which the industry of means of production should develop faster than light industry and agriculture, necessarily leads a more or less significant fraction of the forces of production owned by the socialist state to operate according to laws of labour distribution and organisation different from those inherited from the capitalist form of production. While market relations to a considerable degree were temporarily allowed by the NEP to regulate production and labour distribution among more or less disseminated and independent economic units in the State industry, the Soviet State was forced since the beginning to define the concretisation of this law of socialist production, in a sense breaking with NEP itself. The establishment of socialist planning on the basis of the socialised mode of production in certain sectors of the economy holds absolute character. This principle holds regardless of the level of development of the forces of production in the economy of the country in transition to socialism as a whole. The level of socialisation of the State sector does strongly depend upon the concrete-historical conditions of the country in transition. However, the State is bound since the very beginning to establish a socialist planned principle to operate in a direct, socialised way (not by means of the market) on certain sectors of the economy, primarily on the sector I. This is the basic principle of the transitional economy that Guevara tried his best to uphold by advocating the budgetary system, as a system opposed to the system of market-type economic accounting proposed by the followers of Soviet revisionism in the island.

As will be touched upon in more detail, Guevara's economic thought, the budgetary system that he advocated is completely opposed to Trotsky's concealed right-wing economic theories. Trotsky opposed since the early stages of NEP, all the way till the end of his political career the establishment of a genuine planned principle in certain sectors of the State sector, by advocating the absolute and universal character of NEP:

*'But the New Economic Policy does not flow solely from the interrelations between the city and the village. This policy is a necessary stage in the growth of state-owned industry. Between capitalism, under which the means of production are owned by private individuals and all economic relations are regulated by the market –I say, between capitalism and complete socialism, with its socially planned economy, there are a number of transitional stages; and the NEP is essentially one of these stages.*

*Let us analyze this question, taking the railways as a case in point. It is precisely railway transportation that provides a field which is prepared in the maximum degree for socialist economy... The railway lines, not only those privately owned, but also the state-owned lines, settled their accounts with all the other economic enterprises through the medium of the market. Under the particular system this was economically unavoidable and necessary because the equipment and development of a particular line depends upon how far it justifies itself economically. Whether a particular railway is beneficial to the economy can be ascertained only through the medium of the market.'* (L.D. Trotsky, *The First Five Years of the Communist International*, Volume 2, New Park Publications, London, 1953, pp. 233-4.)

Guevara's budgetary system is the means for the industrialisation of Cuba. One of the fundamental principles of the socialist economy is based on the development of industrial production, mainly heavy industry, as the basis and engine of the development of the socialist economy. Imperialist domination is based upon the concentration of industry and technology in the hands of imperialist corporations. Exploited countries are deprived of the means and necessary knowledge to secure the development of labour productivity, a key element to sustained development of the forces of production.

In order to overcome economic backwardness and the relations of dependence on the imperialist countries, i.e. the ultimate goal of a genuine process of national-liberation, it is imperative to turn around the character of economic relations with the outside world. This implies a deep restructuring of the economies, which for long years have been geared towards fitting the economic needs of the imperialist countries, and to turn these countries into self-sufficient and prosperous socialist industrial ones. Genuine independence, true anti-imperialism is no more than rhetorical statements without massive policies of socialist industrialisation, which is the material basis for long-term and sustained independence.

Over a hundred years of national liberation movements have taught us that the socialisation of the means of production, as opposed to half-measures disguised by pseudo-socialist phraseology, is the only way towards national independence. Here lies the essence of the internationalist policies of the Soviet State during the post-war period.



The economies of dependent countries, such as Cuba back in the 1950s, are based upon the extraction and the early stages of manufacturing of raw materials. The main source of revenue of Batista's Cuba was the export of sugar, whose price in the international market was out of the control of the country and, as repeatedly pointed out by the leaders of the Cuban revolution, undershot the actual value.

The only possible way that economically and culturally backward countries can attain economic and sustained political independence, lies in the development of heavy industry, which is the only possible way to lay the foundations for sustained economic growth. This fundamental point of the socialist construction lies at the centre of attention of Guevara's economic thought and to it he devoted most of his practical and theoretical efforts while remaining in office.

### **Commodity-Money Relations and the Law of Value**

In this section we will briefly cover Guevara's understanding of the role of commodity-money relations and the law of value in the socialist industry. At this point we lack written materials to throw light on his attitude towards the agrarian reform performed during the early stages of the Cuban revolution. His understanding of the collectivisation of the large mass of petty producers is also unknown to us, although we hope that in the near future archival materials may be made available to the public in Cuba.

As illustrated in the previous section, at the centre of Guevara's economic thought stands the model of budgetary system. This system is intimately related to Guevara's understanding of the role of plan, which, as discussed, fundamentally differs from that envisioned by right-wing revisionism in the Soviet Union and the former People's Democracies in Eastern Europe. Much to the contrary, it bears close resemblance to the conception of economic planning, which prevailed in the Soviet Union before Stalin's death and stands in line with the economic policies that had become 'standard' in the former People's Democracies in Eastern Europe in the period of 1948-1953.

Guevara's attitude to the role of market categories and relations are consistent with his understanding of plan and are very close to Stalin's formulations in *Economic Problems*. Guevara explicitly denies the need for commodity exchange between socialist enterprises and categorically denies the commodity character of the means of production. He supports the correct view that commodity exchange involves change of ownership. Commodity exchange between state enterprises is viewed by the Argentinean as a contradiction *per se*, since in the budgetary system the socialist enterprise is an organic element of a bigger enterprise, the State. Within this system the labour among enterprises does not adopt the form of commodity exchange. Means of production, financial resources are not owned by the socialist enterprise, as the latter lacks its own account and revenue is automatically deposited in a socialised account. In this system, the means of production are allocated to a given production unit according to the needs and future perspective of economic development and dictated by a centralised plan.

Guevara does not deny the existence of commodity production and the coexistence of different modes of production. He supports Stalin's views that commodity relations are not inherent to the socialist sector but that their existence is due to the presence of different forms of property within

the Cuban economy. As opposed to the Soviet Economy in Stalin's time, the Cuban countryside had not undergone the process of collectivisation of the petty producer. In the concrete-historical situation of Cuba, the incipient socialist industrial sector had to coexist with a large mass of independent producers. However, this concrete-historical circumstance does not prevent the socialist sector, however small and poorly organized, to operate under a different regulator of production than that operating in the countryside. Guevara writes:

*'We believe that the partial existence of the law of value is due to the remnants of the market economy, which also manifests itself in the type of exchange between the State and the private consumer'* (Che Guevara, op. cit. in *'On the Budgetary System'*, p. 95. Translated from Spanish).

This statement is very close to Stalin's well-known statement given in *Economic Problems*:

*'But the collective farms are unwilling to alienate their products except in the form of commodities, in exchange for which they desire to receive the commodities they need... Because of this, commodity production and trade are as much a necessity with us today as they were thirty years ago...'* (J.V. Stalin, *Economic Problems of Socialism in the USSR*, Foreign Languages Publishing House, Moscow 1952, p. 19-20.)

In addition, as pointed out by Guevara, there remains the need for commodity-money bonds between the State and the private producer, as the worker in socialism still receives a significant fraction of the social fund for the satisfaction of individual needs in money terms. The exchange between the state and the individual producer is performed under the form of a commodity exchange, as

*'...this transfer occurs when the product leaves the state sector and it becomes property of an individual consumer'* (Che Guevara, op. cit. in *'Considerations on Expenses'*, p. 46. Translated from Spanish.)

With the socialisation of all the means of production and the liquidation of individual and collective forms of production, there would be no need for commodity-money exchange in socialism. As a matter of fact, the realisation of the socialist principle of distribution does not necessarily imply the existence of commodity-money relations, as a category of production. These views were 'exposed' and refuted by Soviet economists, who after a series of discussions re-wrote chapters in the *Manual of Political Economy* regarding the political economy of socialism.

Naturally, these views were also not shared by many economists in Cuba, as manifested in a more or less full-fledged controversial discussion during 1963-1964. For instance, Alberto Mora (Minister of Foreign Trade during that time) in 1963 openly attacked Guevara's views, by comparing them with Stalin's, which were published in *Economic Problems*. He rejected Guevara's theses on the grounds that the most serious 'scientific' discussions held in the Soviet Union during the second half of the 1950s and early sixties indicated that Stalin's views were wrong, that the law of value operates in socialism as a regulator of production, as the products in the socialist economy remain and will remain commodities all the way till communism:

*'When some comrades deny that the law of value operates in the relations among enterprises within the State sector, they argue that the entire State sector is under single ownership, that the enterprises are the property of the society. This, of course, is true. But as an economic criterion it is inaccurate. State property is not yet fully developed social property that will be achieved only under communism.'* (A. Mora, in *'On the operation of the law of value in the Cuban Economy'*, published in *Man and Socialism in Cuba*, Atheneum, New York, 1973, p. 227).

The well-known Trotskyite economist, Ernest Mandel, who was very active during what he called the 'Great Debate' in Cuba, enters into a long-standing controversy with Charles Bettelheim, a French right-wing revisionist scholar. The latter also became active during the economic debate, this time as a fervent supporter of the 'socialist-market' conception advocated by the pro-Soviet economists in the island. Despite Mandel's views that means of production in the socialist economy do not circulate as commodities, he is very keen on exposing Stalin's views advocated by Guevara with regard to the causes of the law of value in the socialist sector. In the section of the 'Historical conditions leading to the extinction of mercantile categories' of a well-publicised article in Cuba, he states:

*'Although we have criticized several of comrade Bettelheim's positions, we agree with him completely in rejecting Stalin's theory that the basic reason for the mercantile categories in the Soviet economy is the existence of two forms of socialist property: ownership by the people (that is, the State) and ownership by more limited social groups (essentially the Kolkhozy).'* (E. Mandel, in *'On the operation of the law of value in the Cuban Economy'*, published in *Man and Socialism in Cuba*, Atheneum, New York, 1973, p. 70.)

Mandel has an opinion of his own and does not need to refer to the Soviet pseudo-science to 'expose' Guevara's 'primitivism'. The author advocates that only the abundance of consumer goods, which are closely linked to the development of forces of production, will create the objective conditions for the abolition of commodity-money relations in the sphere of private consumption. Moreover, he seems to be proud that

*'The new program of the CPSU, approved by the XXII congress, incorporated this idea as set forth in our Traite d'Economie Marxiste'* (E. Mandel, in *'On the operation of the law of value in the Cuban Economy'*, published in *Man and Socialism in Cuba*, Atheneum, New York, 1973, p. 71).

Guevara advocated the correct view that the law of value does not operate within the socialist sector as a regulator of production. He is able to grasp, unlike his detractors, a crucial element in the political economy of socialism:

*'We insist on the analysis of the cost, since part of our conception refers to the fact that it is not strictly necessary that cost of production and price coincide in the socialist sector.'* (Che Guevara, op. cit. in *'Considerations on Expenses'*, p. 47. Translated from Spanish.)

Guevara understood that the price setting in the socialist sector, as a quantifier of the flow of labour circulating among different subjects of the state industry, does not necessarily have to coincide with the cost of production. If the labour exchange between different sectors of the

socialist economy were to be governed by the exchange according to equal value, less profitable or even not profitable enterprises would not be able to survive and the process of extended reproduction of the socialist economy would be brought to its knees. If the law of value is forced to operate as a regulator of the proportions of labour exchanged between enterprises in the socialist sector it would not be possible to overcome the disproportions between sectors of the economy, which are inherited from capitalism, let alone colonialism and neo-colonialism. This consequently leads to a more complex concept of profitability of the socialist economy, which was touched upon in the previous section, which Stalin formulated in *Economic Problems* and which Guevara embraces wholeheartedly.

It is true that the abstract formulation that prices in the socialist sector do not necessarily correspond to the cost of production contains within itself a strong potential and it represents a serious step forward in the evolution of the understanding of political economy of socialism. This statement represents a tremendous step forward with respect to the theories of right-wing revisionism, which does not conceive labour exchange outside the boundaries of commodity-money relations. However, this statement does solve right away the most intricate problem of the political economy of socialism, which is to concretise what are the actual proportions of labour that correspond to the historical-concrete situation and the development of the forces of production and forms of management of a given country. This is a titanic task that needs to be resolved by the revolutionaries of a given country, which Guevara genuinely and with the best of his abilities tried to solve for the concrete conditions of Cuba.

Guevara is an advocate of the strictest economic accounting, for the same reasons that Stalin criticised many Soviet managers and plan making for neglecting the operation of the law of value as a strong instrument for economic accounting in socialism. Indeed, accounting in value terms proves a powerful tool to evaluate the effectiveness of the socialist enterprise, and this is most appreciated by Guevara:

*'The cost would yield an index of the management of the enterprise; it is irrelevant that these prices are higher or lower than the prices in the socialist sector, or even, in some isolated cases, than those prices used to sell the product to the people; what matters is the sustained analysis of the management of the enterprise..., which is determined by its success or failure to reduce costs'* (Che Guevara, op. cit. in *'Considerations on Expenses'*, p. 49. Translated from Spanish.)

At the end of the day, one of the fundamental goals of the enterprise in socialism as well as in communism

*'...reduces to a common denominator...: the increase of labour productivity as the fundamental basis for the construction of socialism and indispensable premise for communism.'* (Che Guevara, op. cit. in *'Considerations on Expenses'*, p. 51. Translated from Spanish.)

In Guevara's budgetary finance system, money within the socialist enterprise is used primarily as means of calculation, as a strong algebraic tool for determining the effectiveness of the enterprise, the correctness of the use of the resources granted by the State to the enterprise, a means to determine if the enterprise is doing enough to reduce costs, etc... In his very important article, 'About the Budgetary System' he exposes one of the most prominent differences between

his conception and the role given to money by the pro-Soviet economists in Cuba within the so called 'Economic Accounting' system:

*'Another difference is the way money is used; in our system money operates as arithmetic money, as a reflection, in prices, of the management of the enterprise, which the central organs will analyze in order to control the functioning of the latter.'* (Che Guevara, op. cit. in *'About the Budgetary System'*, p. 80 Translated from Spanish.)

Guevara's views are consistent with the well-known exposure of Notkin's 'marketist' views by Stalin:

*'Why, in that case, do we speak of the value of means of production, their cost of production, their price, etc.? ...'*

*Firstly, this is needed for purposes of calculation and settlement, for determining that the enterprises are paying or running at a loss, for checking and controlling the enterprises. ...'* (J.V. Stalin, op. cit, p. 58-59.)

As the economic discussion in Cuba progresses and the contradictions between Guevara's line and the pro-Soviet economists (including Charles Bettelheim) on the one hand, and the Trotskyite elements in Cuba (Cuban nationals as well as foreigners) on the other, Che has unavoidably to clash with the economic conception advocated by the Soviet revisionists. Towards the end of this discussion, in 1964 Guevara expresses himself in a more and more explicit and eloquent way regarding the differences between his model and the 'market-socialist' type of development advocated by the revisionists. The exposition of the differences, which at first, in 1961 Guevara had put in rather mild, almost academic terms, turns controversial and bitter in 1964, leaving no doubt that the contradictions had become irreconcilable and that the Cuban leadership would have to take a stand sooner rather than later. Whether the Soviet revisionist leadership demanded Guevara's removal from his posts in the economy of the island, as a pre-requisite to sustained economic aid, or whether his detractors in Cuba played a leading role in the events that followed the economic discussions, remains a matter of speculation. Regardless, it is clear to us that Guevara engages in an important theoretical debate till the very end and was never curbed by the overwhelming wave of criticism triggered by his writings, which he faced almost alone. In addition, we can only imagine how upsetting to pro-Soviet and Trotskyite elements in the island it would be to accept that the leading economist, a holder of a key command position in the Cuban economy, dares, not once, not twice, but at least three times that we are aware of, to cite and defend Stalin's works as an authoritative reference against his opponents.

Che openly and in print criticises the revisionist manual of political economy published in the Soviet Union in the early sixties, with regards to the insistence of the Soviet revisionists on developing commodity-money relations in socialism, let alone the transition to socialism. After a series of gradual changes operated in the economic literature of the 1950s followed by crucial economic discussions held towards the end of that decade, the Soviet economists published a new manual of political economy under the editorship of a leading economist, Ostrovitianov. In this important document all the products in socialism are proclaimed to be commodities,

including the means of production (with the utterly inconsistent exemption of labour force), and the law of value, which is used in a conscious way by the socialist plan, operates as the regulator of proportions of labour among enterprises, whether state owned or cooperatives.

As opposed to Stalin's plans for the gradual shrinkage of the sphere of operation of the commodity-money relations and categories, the Soviet revisionists envisioned a plan to further enhance the role of these in the economy and to provide the enterprises with more independence. The operation of the law of value will disappear only when the highest stage of communism is accomplished in a more or less distant future. Guevara rebels against the new theses advocated by the Soviet revisionist economists by rejecting altogether the plans for developing commodity-money relations in socialism, which are treated by us as a departure from the political economy of socialism developed by Lenin and Stalin:

*'Why develop? We understand that the capitalist categories are retained for a time and that the length of this period cannot be predetermined, but the characteristics of the period of transition are those of a society that is throwing off its old bonds in order to move quickly into the new stage.'*

*'The tendency should be, in our opinion, to eliminate as fast as possible the old categories, including the market, and, therefore, material interest – or better, to eliminate the conditions of their existence'* (Che Guevara, in *Man and Socialism in Cuba*, Atheneum, New York, 1973, p. 142).

It is unfortunate, however, that Che's reasoning is plagued with idealist assertions, according to which commodity-money relations allegedly embody within themselves the ideological burden of the capitalist society. As will be touched upon in the next section, Guevara equates to a great extent commodity-money relations and categories with the concept of material incentive, which he understands as a mechanism aimed at motivating and enhancing labour productivity by the same means as used in capitalism. Material incentive and consciousness appear in Guevara's thought as two poles of one of the main (if not the most relevant) contradiction in the process of socialist construction.

Guevara should not be accused of a left-wing attitude with regard to the role of commodity-money relations in socialism. Nowhere in Che's writings can one find appeals to implement the policies of war communism in the Cuban economy. Much to the contrary, he is aware of the need to retain commodity-money relations for an undetermined period, as a result of the presence of a large mass of individual producers. Despite glaring idealist elements in Guevara's thought we need to give him credit for identifying correctly the sphere of application of commodity-money relations and the fundamental reasons leading to the inevitability of the latter in the socialist transition in general and in the Cuban revolutionary process, in particular. In summarising the increasing contradictions between the line of thought and the economic reforms accomplished under his office, and the push for market relations advocated by the 'marketists' in Cuba Guevara states:

*'We deny the possibility of consciously using the law of value, in the conditions that a free market does not exist, which expresses directly the contradiction between producers and*

*consumers; we deny the existence of the commodity category in the relation among state enterprises and we regard them as part of one big enterprise, the State (although in practice it does not happen yet in our country).’ (Che Guevara, op. cit. in ‘On the Budgetary System’, p. 96. Translated from Spanish.)*

When Guevara admits to the fact that the state sector in Cuba does not function as a ‘one big enterprise’ he is most likely referring to the coexistence of the Ministry of Industry, the INRA and the Ministry of Foreign Trade, the latter two lead by Carlos Rafael Rodriguez and Alberto Mora, respectively, both rabid ‘market-socialists’. The latter had expressed their disagreement with Guevara’s plans for industrialisation of the island based on the argumentation that Cuba was not prepared for forms of economic relations consistent with developed stages of socialisation of the labour process. Rodriguez states as late as in 1988:

*‘The budgetary system is closer to the future society... this system requires conditions that we will not be able to achieve in a long time’ (Carlos Rafael Rodriguez in Che Guevara, Cuba y el camino al socialismo, New International, New York, 2000, p. 42. Translated from Spanish.)*

By arguing that Cuba was never (not even after 30 years of revolution) ready for higher forms of exchange between state enterprises, Rodriguez openly polemicises in 1988, as he used to do 25 years before, with Che’s assertion that products exchanged between state enterprises do not adopt the form of commodities.

Guevara to the very end sticks to his conception that the commodity-money relations are not inherent to the socialist economy, and especially to the socialised sector, which he tried so hard to build up since the very early stages of the Cuban revolution. Market relations come about as a result of the presence of important remnants of private producers and they are bound to disappear with them (both in form and content). Even though, Guevara refrains (to the best of our rather sketchy and fragmental knowledge of the evolution of Guevara’s thinking) from referring openly to his opinion with regards to the plans of collectivising the private producer, we believe that he would have advocated for a ‘Soviet-style’ type of bond between the socialised sector and the collective farms. As an advocate of retaining the main means of production outside the operation of commodity-money relations (i.e. means of production are not treated as commodities in content, regardless of the need to use value categories to assess the amount of labour involved in them), it seems natural that Guevara would have envisioned a concept pretty much like the machine tractor stations, as a main factor for the increase of labour productivity. We believe this statement is substantiated since the rational core of Guevara’s economic thought, despite strong elements of idealism and mechanicism, remains very close to the economic forms adopted in the Soviet Union under Stalin, which had become standard and were successfully applied with whatever modifications in the countries of People’s Democracies in Eastern Europe between the end of the 1940s and Stalin’s death. We have every reason to believe that Guevara was to a certain extent acquainted with Stalin’s *Economic Problems* and the basic differences of principle between the so-called Stalin model and the model of ‘market-socialism’ advocated by Rodriguez, Mora et al. in Cuba.

In probably his last article 'Man and Socialism in Cuba' a letter addressed to Carlos Quijano, editor-publisher of the Uruguayan weekly *Marcha*, written in early 1965, Guevara reiterates his position once more, leaving us no doubt that he stood for his principles till the very end.

*'Pursuing the chimera of achieving socialism with the aid of blunted weapons left to us by capitalism (the commodity as the economic cell, profitability, and individual material interests as levers, etc.) it is possible to come to a blind alley'* (Che Guevara, in *Man and Socialism in Cuba*, Atheneum, New York, 1973, p. 342).

Unfortunately, Guevara does not give up certain elements of idealism that make his economic thought so distinct as well as vulnerable and inconsistent. This side of Guevara's economic thought has been publicised the most both in Cuba by his detractors and outside Cuba by Trotskyism and neo-Trotskyism. The clear connection between a significant number of Guevara's statements on political economy and the so-called 'Stalinist' model of socialist construction is very much silenced. Che's writing are twisted by picturing his economic thought as a continuation of his idealist and voluntarist stand in questions regarding the interrelation between the masses, the party and the guerrilla warfare, for which he is most commonly known.

### **On Guevara's Alleged Trotskyism**

Guevara soon entered into conflict with the Soviet revisionist leadership. As we have seen above, Che acknowledges differences of principle, as early as 1961, between the economic model established in what he used to call socialist countries, and the plans for industrialisation he was advocating. Guevara's economic reforms were bound to clash with the character of the agrarian reform and the plans suggested by the Soviet Union that Cuba was to remain primarily a sugar cane producer for longer than anticipated by Che. As the character of the Cuban revolution consolidated and the Cuban leadership accommodated to the economic relations between the island and the Soviet Union, it was necessary that Cuban economists align with the new political economy created by the revisionists.

Guevara's plans soon met glaring resistance within Cuba. Due to the worsening of Guevara's relations with the Soviet leadership, many in Cuba felt a great deal of embarrassment. According to several of Guevara's biographers, the Soviets accused Che's economic views of Trotskyism. It was just a matter of time before Che is to leave his post of Minister of Industry and that his plans for industrialisation of the island are to be revised in favour development based on the sugar cane industry.

Trotsky is usually portrayed as a 'radical left-wing', as an advocate of extreme measures with regard to resolution of contradictions both in politics and economics. Trotsky's alleged push for the militarisation of the economy has led many to believe that Trotskyite economic theories are opposed to the politics of the New Economic Policy (NEP) with regard not only to the relations between the individual producer and the state sector but also with regard to the liberalisation of the state sector. In this section we will try to substantiate the fact, that Trotsky's economic theory cannot be classified as left-wing; much to the contrary, it does not deviate significantly from the right-wing revisionism in questions of socialist construction and the role of commodity-money relations during that period.



The myth about Trotsky's alleged leftist stand in resolving contradictions in the transitional period, conceals the true essence of Trotskyism in economic questions. Guevara's economic thought has nothing to do with Trotsky's attitude to commodity-money relations and categories in the transitional period; their views are completely opposed to each other. Such allegations with regards to Guevara's economic thought are unfounded and preposterous, to say the very least. As covered above, Guevara's economic thought does suffer from serious elements of mechanicism, which does not make him a Trotskyite, as such mistakes were common to many economists in the Soviet Union during the Stalin period.

It is very interesting to observe how the Russian bourgeoisie is willing to appreciate in Trotsky the 'virtues' of a 'market-socialist', which many in the left movement do not seem to be able to grasp. To commemorate the 125th anniversary of Trotsky's birth, a leading economic journal, *Voprosi ekonomiki* ('*Questions of Economy*') published an article under the title 'Economic views of L.D. Trotsky'. In this article the authors attribute Trotsky's heavy-handedness during the revolution and the civil war to the historical circumstances of that time, that in fact Trotsky had become one of the first to push for the liquidation of the policies of war communism and the liberalisation of the economy by allowing several forms of property to coexist for an indefinite period of time. The authors draw the bourgeois reader's attention to Trotsky's true and poorly publicised merit as being one of the first to advocate a mixed economic model for the transition to socialism:

*'The transition to NEP significantly changed Trotsky's economic views. In a number of his works during that time he agitates in favour of the development of market relations, material stimulation, the understanding of the plan, as rigorous management in the sense of foreseeing and synchronising various sectors of social production. During the period of NEP Trotsky formulated a number of very important, even original ideas, namely: about the incompatibility of the methods of war communism in the conditions of NEP, about the need for each enterprise to have its own accounting balance, about the objective limitations to transferring resources from the agrarian sector to industry...'* (M. Voeikov and S. Dzarasov, 'Economic Views of L.D. Trotsky' in *Voprosi Ekonomiki* No. 11, 2004, p. 152).

Trotskyite economic doctrine seriously overlaps with Bogdanovism/Bukharinism in the understanding of the essence of the plan. Trotsky, in his renowned work '*The Soviet Economy in Danger*', written in late 1932, starts off by equating one of the economic laws of the socialist economy and the transition to socialism, the planning principle with preconceived harmony of economic proportions:

*'However, light-minded assertions to the effect that the USSR has already entered into socialism are criminal. The achievements are great. But there still remains a very long and arduous road to actual victory over economic anarchy, to the surmounting of disproportions, to **the guarantee of the harmonious character of economic life.**'* (*The Soviet Economy in Danger*, in '*Writings of Leon Trotsky 1932*', Pathfinder Press, New York, 1973, p. 260. Our emphasis.)

The famous and infamous principle of equilibrium and harmony of the proportions of labour in the socialist economy is advocated by Trotsky in a rather unambiguous way. Within the eclectic framework of Trotskyism, centralisation of the economic policy alters the abstract principle of

harmony of the economic processes. Trotsky, in his attempt to oppose the transition of the Soviet economy towards higher forms of economic organisation, comes around as a full-fledged right-wing revisionist, adding no more substance to the right wing opposition led by Bukharin/Rykov.

*'It is impossible to create a priori a complete system of economic harmony. The planning hypothesis could not but include old disproportions and the inevitability of the development of new ones. Centralized management implies not only great advantages but also the danger of centralizing mistakes, that is, of elevating them to an excessively high degree. Only continuous regulation of the plan in the process of its fulfillment, its reconstruction in part and as a whole, can guarantee its economic effectiveness' (loc. cit.).*

Trotsky's 'continuous regulation' is the back door to substantiating his rebuff of the party's line to shrink the operation of the commodity-money relations in the economy, which leads to the liquidation of capitalist exploitation in the country and the consolidation of the socialist economic laws. Once opponents, Bukharin and Trotsky converged into Bogdanovism as the construction of socialism progressed in the Soviet Union.

When Trotsky appeals to the impossibility 'to create a priori a complete system of economic harmony' it is implied that the central economic organs, are not in a position to undertake the tasks of centralised economic management, regardless of the development of the forces of production and the socialisation of the means of production. Deformations of the socialist economy inevitably take place as centralised decision-making overpowers workers' democracy and a caste of administrators takes over as a 'communist bureaucracy'. Once more, the objective character of the economic laws in general and the economic laws of socialism in particular, is overruled and loses its *raison d'être* in the economic thinking of right-wing revisionism. Instead, Trotsky, as a poorly concealed right-wing revisionist, appeals on and on to the need for establishing harmony between the different branches of the socialist economy, which lies at the basis of his political economy.

Trotsky's Bogdanovism is not a phenomenon of the 1930s; much to the contrary, it is inherent to his economic thinking from the very early stages of economic reforms in Soviet Russia. In summarising the developments in Soviet Russia since the victory of the October revolution, Trotsky states that the period of war communism had to end in order to restore equilibrium in labour exchange between the peasantry and the working class and between branches of the state sector, as:

*'Every economy can exist and grow only provided certain proportionality exists between its various sectors. Different branches of industry enter into specific quantitative and qualitative relations with one another. There must be a certain proportion between those branches which produce consumer goods and those which produce the means of production. Proper proportions must likewise be preserved within each of these branches. In other words, the material means and living labor power of a nation and of all mankind must be apportioned in accordance with a certain correlation of agriculture and industry and of the various branches of industry so as to enable mankind to exist and progress.'* (L.D. Trotsky, *The First Five Years of the Communist International*, Volume 2, New Park Publications, London, 1953, pp. 228.)

The postulate about proportionality of portions of labour among branches of the economy was conceived as a general, non-historic law that would apply to all economic systems. Marx's considerations about the need for the establishment of certain proportions in which labour is exchanged in every economic system, and revised in a mechanical fashion by Bogdanov/Bukharin had a simple consequence in practice: the application of the law of value as a regulator of production was to be perpetuated in the socialist economy under the abstract consideration about the need for proportionality. This abstract concept is shared by Bukharin and Trotsky:

*'The problem of the proportionality of the elements of production and the branches of the economy constitutes the very heart of socialist economy'. (The Soviet Economy in Danger, p. 265.)*

The ultimate goal of right-wing revisionism in questions concerning the transition to socialism is to provide every possible ideological means to perpetuate the economic relations of capitalism and to undermine the process of socialisation of the relations of production. In doing so, right-wing revisionism creates eclectic forms, Trojan horses in political economy. The postulate about the need of proportionality proved a euphemistic attack against the party line to curtail the operation of the law of value in the socialist sector and capitalist exploitation in the Soviet economy. By appealing to an abstract concept of proportionality without, leaving its concretisation as a loose end in the economic thinking, naturally leads to the perpetuation of relations of production existing hitherto. Abstract formulations in general, and in political economy in particular, without a concretisation within the concrete-historical framework inevitably render hollow abstractions, double-edged swords in the hands of revisionism.

Certainly, Trotsky casts out his disguise of a left-wing revisionist by bluntly stating:

*'The innumerable living participants in the economy, state and private, collective and individual, must serve notice of their needs and of their relative strength not only through the statistical determinations of plan commissions but by the direct pressure of supply and demand. **The plan is checked and, to a considerable degree, realized through the market.**' (The Soviet Economy in Danger, p. 275. Our emphasis.)*

Here, Trotsky makes an open appeal to the implementation of market relations as the 'judge' of the correctness or effectiveness of the economic policies developed by the plan makers. In other words, in the transitional economy the market is the beginning and the end of the economic system, the medium in which the struggle between the planned and market principles evolves into higher forms of development. It is within the market and according to the rules of the market that the superiority of the socialisation of the means of production is supposed to be put to the test. At some point in time the capitalist and petty bourgeois forms of productions will collapse under the inevitable overwhelming economic pressure of the socialised sector, at the time when it is able to develop higher forms of labour productivity. Trotsky, as a vulgar right-wing economist, therefore stands against what had been usually referred to by them as extra-economic measures to suppress the market principle in the economy, advocating instead a gradualist approach to the resolution of the contradictions between the socialist and other economic forms.

Trotsky's economic thought is plagued with metaphysics; the metaphysical division of the economic system of the transitional society into the planned system and the market system holds a prominent place in the economic works of Trotskyism. This anti-dialectical approach to the economic processes had been already exposed in the mid 1920s in the Soviet Union by the majority of the party, including Bukharin/Rykov. But despite these differences, the left-wing and right-wing opposition agreed on the main proposition: let the market be the regulator of the labour exchange not only between industry and the countryside, but within the economic subjects of the socialist sector.

The idealist, metaphysical and non-historic postulate of proportionality of the elements of production is at the basis of the right-wing theories of Trotsky/Bukharin and gives them a certain semblance of self-consistency. The market represents the realm where the law of value, which is the concretisation of the postulate of proportionality, regulates the flow of labour among economic subjects, whether socialised or not. Needless to say, Trotsky is not the first to concretise the postulate of proportionality, which he had recently embraced, nor he was the first to establish such a line of thought. The appeal to preserve the commodity-money relations in the form that existed during NEP clearly predates Trotsky's assertions about the need for proportionality. While we have to give credit to Bogdanov/Bukharin for their pioneering work in the descending line of modern revisionism, Trotsky does not deserve such an honour, as his contribution does not go beyond popularising the vulgar political economy of right-wing revisionism.

Apart from the metaphysical as well as mechanical idiosyncrasy of Trotskyite thought, which does not deserve to be the main topic of the present discussion, it is useful to bring out quotations like the following:

*'In this connection three systems must be subjected to a brief analysis: (1) special state departments, that is, the hierarchical system of plan commissions, in the center and locally; (2) trade, as a system of market regulation; (3) Soviet democracy, as a system for the living regulation by the masses of the structure of the economy.'* (*The Soviet Economy in Danger*, p. 273. Our emphasis.)

Far from sticking to left-wing orthodoxy, Trotsky sounds more like a Yugoslav Titoite, more like a pro-Western market liberal than anything else.

Trotsky takes a right-wing stand with regard to the role of NEP in the transition to socialism. Despite earlier attacks on the party to strengthen and develop further the economic and political link between the working class and the peasantry, Trotsky turns into a fervent advocate of the early forms of the transition to socialism adopted by the party. Moreover, he accuses the latter of liquidating the union between the working class and the peasantry. As a vulgar 'market-socialist', Trotsky considers the NEP as an inevitable step due to the significant weight of petty private production in the countryside, regardless of the concrete-historical conditions of revolutionary Russia:

*'The need to introduce the NEP, to restore market relationships, was determined first of all by the existence of 25 million independent peasant proprietors. This does not mean, however, that*

*collectivization even in its first stage leads to the liquidation of the market.*’ (*The Soviet Economy in Danger*, p. 275.)

The need for a transition to market relations between industry and the peasantry holds absolute character. According to Trotsky, due to the backwardness of the Russian peasantry and the level of mechanisation of labour in the countryside, the only possible form of peasant production with other producers is inevitably commodity-money relations. Trotsky’s mechanical and metaphysical thinking does not conceive of the socialist state and the individual peasant engaging in other forms of exchange, as well. Trotsky views the process of collectivisation as a forced administrative measure to unnaturally suppress the commodity-money bond between the city and the countryside. It is only through the evolution of the market, that certain conditions are created that the peasant feels it is more profitable to produce as a member of a larger production unit rather than remaining an individual producer. Hence it is believed that collectivisation should be performed by the forces of the market, that the market will suppress itself in a natural way.

Trotsky’s inevitability of market relations as the dominating bond between production agents during the transition to socialism does not reduce only to the interrelations between industry and the peasantry, much to the contrary:

*‘This policy [NEP, our note] is a necessary stage in the growth of state-owned industry. Between capitalism, under which the means of production are owned by private individuals and all economic relations are regulated by the market – I say, between capitalism and complete socialism, with its socially planned economy, there are a number of transitional stages; and the NEP is essentially one of these stages’* (L.D. Trotsky, *The First Five Years of the Communist International*, Volume 2, New Park Publications, London, 1953, pp. 233).

NEP involved far more than the realisation of peasant production in a free market and the establishment of economic ties between the countryside and industry based on supply-demand. Never mind the cohabitation of the socialist sector with state capitalism and petty capitalist exploitation in both the countryside and the city; NEP introduced broad pro-market reforms within the socialist sector based on commercial accounting. It is true, however, that the expansion of commodity-money relations was seriously curtailed in the socialist sector in the second half of the twenties, which Trotsky viewed as a bureaucratic-administrative attack on the principles upon which Lenin allegedly conceived the path to socialist construction. It is here, where Guevara rebels against right-wing revisionism by advocating the right of the socialist state to determine the character of the relations of production and to regulate the proportions of labour exchange between branches of the state sector according to the global needs of the socialist state rather than the profitability of individual enterprises.

Much against Guevara’s views, Trotsky during the very early stages of NEP, during the transition from ‘war communism’ advocated the de-centralisation of the state sector:

*‘The policy of a centralized bureaucratic management of industry excluded the possibility of a genuine centralized management, of fully utilizing technical equipment along with the available*

*labor force.*' (L.D. Trotsky, *The First Five Years of the Communist International*, Volume 2, New Park Publications, London, 1953, pp. 230.)

As a result of the efforts to de-centralise state industry in 1921, especially light industry, as advocated by Trotsky, negative effects were felt soon, such as:

*'...violation of plan discipline, separatism; some state officials tried to replace the state plan organisation – VSNKh – by some 'social organization of industry'' (P.I. Lyashchenko, *History of the People's Economy of the USSR*, Moscow 1956, Volume III, p. 153. Translated from Russian.)*

Guevara supported the correct view that economic calculation does not necessarily imply market relations as factors determining production in the state sector, that economic accounting is not necessarily tied to commodity-money relations, as advocated by the supporters of the Soviet-style model in Cuba. Trotsky takes sides with Soviet revisionism:

*After the administrative suppression of the NEP, the celebrated 'six conditions of Stalin' – economic accounting, piecework wages, etc. – became transformed into an empty collection of words. **Economic accounting is unthinkable without market relations.**" (*The Soviet Economy in Danger*, p. 276. Our emphasis.)*

The history of the political economy of socialism has exposed the intimate link between the postulate of proportionality in the exchange of labour among different branches of the economy and the mechanical transportation of market relations to socialism. Metaphysics and mechanicism, common to the economic thought of right-wing revisionism, are closely interrelated with vulgar and superficial understanding of economic categories, which impels the ideologists of right-wing revisionism to equate exchange to commodity exchange and economic equilibrium to the operation of the law of value. The vulgar economic thought advocated by Trotsky and the right-wing opposition does not conceive another form of economic exchange other than commodity-money relations. It is not conceivable that the socialist state could establish a different content in the economic ties among objects of the socialist economy, which may violate the rigid principle of profitability of the individual enterprise. The ability of the planning bodies to establish labour exchange among socialist enterprises, which violates that principle, is viewed as a deformation, as a disproportion. Right-wing revisionism is unable to grasp and appreciate the great power in the hands of socialist planning to establish certain proportions of labour exchange that fit the needs and growth perspectives of the socialist economy, regardless of the overall level of socialisation of economy. In this sense, right-wing economists conceive the plan as a corollary of subjective (aprioristic, according to Trotsky) measures to organise, rationalise the labour exchange among profit-making individual enterprises. Guevara wholeheartedly rejects such a vulgar view of the plan, by advocating the right of the socialist planning to establish a different character of economic relations among the state enterprises, which does not necessarily follow the principle of profitability of the individual enterprise as the leading criterion for economic effectiveness.

Guevara openly exposed the view advocated by Trotsky and the ideologists of modern revisionism that economic accounting 'is unthinkable' without commodity money relations.

Much to the contrary, Che advocated strict accounting, based on centralised responsibility and accountability of the management of the socialist enterprise, as a key element of the budgetary finance system, which lies at the centre of this economic thought. In his economic system economic accounting in the socialist sector is dissociated from the essence carried by commodity-money relations. Even though Guevara does not seem to grasp the dialectical evolution of market categories in socialism, his thought contains the basic elements to arrive at this understanding. Guevara's accepts the correct view that the price, despite being a category inherited from the market economy, may be used within the socialist sector for calculation purposes. Hence, he does not reject the use of the form of market categories, which brings him closer to the Marxist-Leninist understanding developed by Lenin-Stalin. On the other hand, it is not clear to us that Guevara understood the evolution of the principle of economic accounting, which was introduced in 1921, through the NEP all the way to the massive collectivisation and the consolidation of the economic basis of socialism in the 1930s, all the way to the publication of Stalin's *Economic Problems*. An analysis of the category of economic accounting shows that a deep change in the content had taken place which, despite the fact that the term was in use in the 1930-50s, reflected a different type of management to which Guevara's budgetary system bears strong resemblance.

According to Tablada and Borrego, Che Guevara paid special attention to the analysis of the causes which led to the abolition of the war economy and the establishment of NEP. This issue is covered on multiple occasions in their books and has been the topic of a great deal of speculation, including allegations that Guevara accused Lenin of going too far in the development of market relations during the early stages of the NEP. Regardless of speculations, Che makes a strong case out of Lenin's statements, in which NEP is considered as a retreat in the practice of the revolutionary process like the peace of Brest-Litovsk. It is evident, despite the wealth of confusion fostered by Guevara's bourgeois, Trotskyite and neo-Trotskyite biographers, that Guevara does not consider NEP as an inevitable step in the transition to socialism, as a general and universal statement, but rather, a product of the historical-concrete conditions of revolutionary Russia. After quoting Marx, Lenin and Stalin (this article was written in 1964, when anti-Stalinism was already solidly established in the Soviet Union and the former People's Democracies in Eastern Europe, with the exception of Albania), Guevara concludes:

*'As we see, the retreat that Lenin mentioned was due to the economic and political situation of the Soviet Union. These policies may be characterised as a practice, which is closely linked to the historical situation of the country, and, therefore, they do not hold universal character.'* (Che Guevara, *Che y la Economía*, Editorial de Ciencias Sociales, Habana, Cuba 1993, p. 74. Translated from Spanish.)

The argumentation in favour of NEP-type of economic reforms as an unavoidable step in the transition process between capitalism and socialism is a fundamental element of the economic theory of right-wing revisionism, including Trotskyism, which Guevara rejected altogether. A historical example, which refutes NEP as a compulsory stage for new revolutionary states, is served by the first steps adopted by the People's Democracies in Eastern Europe between 1948 and 1953. The governments of the People's Democracies set an economic course based on the priority of heavy industry over other sectors of the economy. The policies of what bourgeois ideologists called the Stalinist economic model resulted in a spectacular growth of the socialist

industry, a *conditio sine qua non* for a massive process of socialisation of means of production both in the city and the countryside. Even a vicious anti-communist publicist, such as F. Fejto, a Hungarian-born journalist based for a long time in France, admits:

*'Between 1949 and 1953, the industrial production of the six Comecon countries rose by 114 per cent, and in certain countries, like Hungary, where the ambitious planners knew no limits the results had been even more spectacular. Heavy industrial production increased fivefold; the engineering industry was seven times more productive in 1953 than in 1938. (F. Fejto, A History of the People's Democracies, Penguin Books, 1977, p. 362.)*

Further, Fejto elaborates on the very interesting case of the transition to socialism in Hungary, especially the events that followed the abrupt change of 'gears' imposed by the Soviet leadership weeks after the death of Stalin. In 1949 Hungary's party, led by Matyas Rakosi, one of the most fervent supporters of Stalin's policies, launched a campaign of collectivisation, which, although far from finalised, was well underway towards 1953. With Stalin's death a swift change in the character of the Soviet leadership took place. The new Soviet leadership, at first initiated most likely by Beria, imposed on the leaders of the fraternal parties in Eastern Europe a line of forcible de-Stalinisation. The revisionist leadership ordered Eastern European leaders to slow down the tempo of industrialisation and to basically liquidate the process of 'forcible' collectivisation. In a number of countries, peasants were allowed to desert the collective farms ('de-collectivisation') if they wished to; private exploitation of land together with the restoration of the artisan class and private business. It was argued that the 'Stalinist' economic reforms had gone too far, that allegedly broad masses of the peasantry and the working class in those countries were frustrated at seeing that the unquestionable economic growth did not result in meaningful enhancement of the standards of living of the population, including that of the working class. There is no question that the ideological and organisational chaos induced by the policies of forcible 'de-Stalinisation' encouraged anti-communist elements within the middle classes, petty bourgeoisie and workers aristocracy to demonstrate compulsively, while entire party organisations proved hopeless, in disarray.

The Hungarian leader, Matyas Rakosi, did his best to stand up against Soviet revisionism and its supporters in the country; he succeeded in remaining in office till July 1956, when he was basically forced into exile by the Soviet leadership. Following orders from the Soviet revisionist leadership, in July 1953 Rakosi was forced to give up the post of Prime Minister, which passed to Imre Nagy, who even in the words of Fejto:

*'...revived Bukharinist ideas that had gone underground in Stalin's lifetime' (F. Fejto, A History of the People's Democracies, Penguin Books, 1977, p. 363).*

Certainly, Nagy was a fervent advocate of NEP-style treatment of the economic contradictions between the socialist sector, the peasantry and other petty producers. Soon after he gains office in July 1953, he launches a set of 'liberalising' measures, which became known as the 'New Course'. In his last work, written in 1955, he states:

*'In a socialist society, when determining the tempo of economic development and the ratio between the various economic branches, the proportion between production and consumption*



*and between consumption and stockpiling must be in harmony with the requirements of the basic economic law of socialism, guaranteeing a gradual advance of society*’ (I. Nagy, ‘*On Communism*’, Frederick A. Praeger Publishers, New York, 1957, p. 98).

Nagy advocated *ad nauseam* the need for harmonic balance between the resources spent on sector A and sector B of the economy. The well-known concept of certain harmonic proportions invented by Bogdanov/Bukharin and plagiarised by Trotsky comes out again and again, as the back door to the development of commodity-money relations both in the socialist and non-socialist sectors, as a regulator of production. It is interesting, that unlike Bukharin/Trotsky, he uses Stalin’s citations of the mid twenties to substantiate the need to have NEP-style relations in the transitional economic system. In fact, by ‘basic economic law of socialism’ Nagy implies the well-known formulation given by Stalin in *Economic Problems*. This, however, does not prevent Nagy from remaining a vulgar right-wing economist, which Guevara’s economic thought has nothing to do with.

According to Nagy, the only bond that the socialist sector and the private producer can have in the early stages of the transition from capitalism to socialism is the market. It is only through the market that the process of socialisation of production can prove its advantages over capitalist forms of management and production. Nagy is explicit:

*“The NEP policy must be carried out unconditionally, as it means the establishment of increasingly closer relations in the exchange of goods between the city and the village, between the socialist industry and the system of small holdings producing for the market, facilitating the switch to a socialist system of agricultural farms on a large scale.”* (I. Nagy, op. cit., p. 82. Our emphasis.)

Nagy on and on bitterly complains about the staggering disproportions and ‘distortions’ inflicted on the Hungarian economy by Rakosi’s ‘clique’, referring to the fast development of heavy industry with respect to light industry, and especially the countryside. Nagy’s attack on Rakosi’s ‘clique’ becomes even more acute when touching upon the treatment of individual peasants and the collectivisation. He initially refers to Rakosi’s ‘clique’ as adventurous, later on as open left-wing ‘fanatics’ and deviationists. Finally, while quoting Lenin and Stalin’s works in the 1920s, taking their writings out of context, Nagy establishes a parallel between Rakosi’s struggle to uphold the principles of Marxism-Leninism, regardless of whatever mistakes in its implementation, and the Trotskyite left-wing opposition in the Soviet Union in the 1920s by appealing to:

*‘The resolutions of the Bolshevik Party in the Fifteenth Congress, which were forged in the battle against the extreme ‘left-wing’ Trotskyist opposition...’* (I. Nagy, op. cit., p. 82.)

It is not the first time that right-wing opportunism portrays the struggle for the basic principle of centralisation of means of production in the construction of socialism as a left-wing, Trotskyite deviation. These allegations of Trotskyism that were thrown at Guevara are to be understood in the historical context, which corresponds to the time when right-wing revisionism, led by the revisionist leadership of in the Soviet Union, disbanded the ‘Stalinist’ plans for the socialisation of the means of production in industry and the countryside. Modern revisionism turned the state

sector in the People's Democracies into an aggregation of independently producing enterprises, which engage in labour exchange with other enterprises and the state via commodity-money relations; in the countryside the process of collectivisation was halted and reversed, and in some countries farm cooperatives were turned into independently producing enterprises, following the model imposed by the revisionists in the Soviet Union. It is in this context, that Guevara's fight against followers of the Soviet economic model in Cuba, despite his mechanical and idealist mistakes, renders a substantiated critique against right-wing revisionist theories for the construction of socialism.

Guevara's plans for the industrialisation of the Caribbean island need to be understood within the historical-concrete situation corresponding to the restoration of capitalism in the Soviet Union and the People's Democracies in Eastern Europe. Despite elements of idealism and mechanicism, Guevara's model of budgetary finance system and his refusal to implement commodity-money relations and the law of value as the regulator of proportions among state enterprises bears strong resemblances with the economic system existent in the Soviet Union during the 1930-50s. Hence, it was natural that Guevara's plans for industrialisation faced fierce resistance by Soviet revisionism and its followers in the island. It is evident to us, that allegations of Trotskyism or left-wing deviationism thrown by right-wing revisionists are utterly unfounded. Nevertheless, more investigation is needed to throw light on Guevara's ideological evolution in the 1950s and early 1960s and on how he came to propose the budgetary finance system, as the fundamental pillar for the industrialisation in Cuba.

### **Idealism and Mechanicism in Che's Economic Thought**

Despite the progressive character of Guevara's economic thought, and its invaluable positive impact on the economic discussion held in Cuba during the first half of the 1960s, which represents a courageous and more or less consistent and substantiated struggle against modern revisionism, Che's thinking needs to be considered critically. Notwithstanding the substantiated struggle against the right-wing theories of socialist construction, which makes Guevara's works most relevant materials for the study of questions related to socialist transformation, he is plagued with serious mistakes. Guevara's eclecticism is inherent to his thought in general, and cannot be neglected when evaluating Guevara's role in the Cuban revolution and the theory of socialist transformation.

Guevara's mistakes in political economy can be classified into two groups: idealism and mechanicism. Idealist mistakes were committed by Guevara when evaluating the role of consciousness in political economy. When we refer to mechanicism in Guevara's economic thought we mainly imply his failure to grasp the dialectical evolution of economic categories involved in commodity-money relations during the transitional epoch. Needless to say, Guevara's mistakes have been extensively used by the bourgeoisie and the representatives of revisionist tendencies, such as Trotskyism and neo-Trotskyism to mystify the revolutionary and rip his contribution to the political science and political economy from its Marxist logical core and divorce it from a number of Marxist-Leninist principles, which Guevara tried to uphold in a more or less consistent manner.

Guevara's mistakes in political economy have been used inside and outside the island to consider Guevara's contribution to the economic transformations in the early stages of the Cuban revolution in isolation from the principles of socialist transformation adopted by the People's Democracies during the post-war period, so demonised by modern revisionism. Guevara's thought is portrayed by many as a specific phenomenon of the Cuban revolution, thus completely ignoring its strong links with the so called 'Stalinist' economic theories and *modus operandi* during the transitional period. Although we do not wish to portray Guevara's economic thought as a faithful concretisation of the principles of Marxism-Leninism in the conditions of revolutionary Cuba in the 1960s, we feel it would be a serious mistake not to evaluate Guevara's thought within the concrete-historical epoch corresponding to systematic violation of the principles of Marxism-Leninism, which led to the restoration of capitalism in the Soviet Union and the liquidation of socialist construction in Eastern Europe. While evaluating critically Guevara's economic thought and identifying areas of inconsistency, we feel compelled to appreciate and value the positive and progressive that Che upheld under very difficult conditions of struggle against imperialism and revisionism.

Idealism is present throughout Guevara's works all the way till his last published work, 'Man and Socialism in Cuba'. It leads Guevara to proclaim consciousness and education as primary with respect to the study of relations of production in the transitional economy, including the construction of communism. Impressed by the early philosophical works of young Marx, Guevara states:

*'The word conscious is emphasized because Marx considered it basic in stating the problem. He thought about man's liberation and saw communism as the solution to the contradictions that brought alienation – but as a conscious act. That is to say, communism cannot be seen merely as the result of class contradictions in a highly developed society, contradiction that would be resolved during a transitional stage before reaching the crest. Man is a conscious actor in history. Without this consciousness, which embraces its awareness as a social being, there can be no communism.'* (Che Guevara, in 'On the budgetary finance system', published in *Man and Socialism in Cuba*, Atheneum, New York, 1973, p. 124. Our emphasis.)

The role of consciousness and education is ubiquitously stressed by Guevara in his economic works as the leading factor in the transition to higher forms of economic organisation. In Guevara's system political economy ceases to be an independent discipline, the objective character of the economic laws of the transitional society is secondary to the cultural formation of the new man. The economic laws of socialism, like those of capitalism, exist and evolve with the development of the forces of production and the historical conditions at times independently from the level of consciousness of the masses. In fact, in certain historical situations, the masses as a whole remain unaware of the economic essence of both revolution and counter-revolution.

The role of consciousness and education undoubtedly play a fundamental role in the construction of the new society. However, political economy remains an independent discipline and the study of the objective laws that govern it remains a titanic effort. Only scientific analysis and synthesis of the relations of production can make possible the sustained economic development necessary for the construction of the socialist and communist societies. As opposed to capitalism, during the course of the transition to socialism, objective and subjective conditions are given for the

masses to participate consciously in the construction and scientific analysis and synthesis of the socialist construction. It is clear that the more conscious and active participation of the working class in the socialist construction, the more solid are the foundations of the socialist formation. It is clear too, that the more conscious the working class is about the essence of the economic transformation, the more robust is the economic development and the less influential are the forces of counter-revolution.

Economic development under socialism and the development of consciousness and socialist culture – two phenomena which go hand in hand. Generalisation on the basis of the history of the Soviet Union indicates that consciousness and socialist culture require a material basis, without which further economic development and further development of consciousness. However, according to Guevara consciousness and socialist education are supposed to be the primary engines of economic development in socialism:

*'The hopes in our system [budgetary finance system – our note] point to the future, towards a more rapid development of consciousness, and through consciousness, to the development of the productive forces'*. (Che Guevara, op. cit. in *'Socialist plan: its meaning'*, p. 147. Translated from Spanish.)

In Guevara's system, socialist economic development is not really the engine of consciousness, but the other way around, consciousness is the source of socialist economic development. Guevara's idealism turns voluntarist. In this respect, Che's idealism may be compared to Mao's idealist views in political economy, despite the fact that Guevara displays a significantly more progressive stand with respect to commodity-money relations than the latter. Mao, in his critique of Stalin's *Economic Problems*, bitterly complains about the fact that the latter does not include the study of the superstructure in the analysis of the socialist economy:

'Stalin's book from first to last says nothing about the superstructure. It is not concerned with people; it considers things not people...

They speak only of the production relations, not the superstructure nor politics, nor the role of the people. Communism cannot be reached unless there is a communist movement'. (Mao Tsetung, *A Critique of Soviet Economics*, Monthly Review Press, New York and London, 1977, pp. 135-136.)

Guevara supports the wrong idealistic view that commodity-money relations *per se* and in general are a manifestation of the alienation of the human being in the process of production. Guevara interprets mechanistically and metaphysically the role and place of economic forms inherited from capitalism in the socialist economy:

*'The alienated human individual is bound to society as a whole by an invisible umbilical cord: the law of value. It acts upon all facets of his life, shaping his road and his destiny.* (Che Guevara in *'Man and Socialism in Cuba'*, Atheneum, New York, 1973, p. 340.)

One of the major and profound mistakes displayed by Guevara's economic thought, a mistake common to many others who have genuinely claimed allegiance to Marxism-Leninism, is his

failing to grasp Lenin's and Stalin's teachings with regards to the dying off of economic categories inherited from capitalism. These teachings may be succinctly expressed in Stalin's well-known assertion in *Economic Problems*. In his answer to A. Notkin, Stalin stresses:

*'The fact of the matter is that in our socialist conditions economic development proceeds not by way of upheavals, but by way of gradual changes, the old not simply being abolished out of hand, but changing its nature in adaptation to the new, and retaining only its form; while the new does not simply destroy the old, but infiltrates into it, changes its nature and its functions, without smashing its form, but utilizing it for the development of the new. This, in our economic circulation, is true not only of commodities, but also of money, as well as of banks, which, while they lose their old functions and acquire new ones, preserve their old form, which is utilized by the socialist system.'* (J.V. Stalin *'Economic Problems of Socialism in the USSR'*, Foreign Languages Publishing House, Moscow, 1952, p. 59.)

Guevara commits the colossal mistake, which has been more or less successfully exploited by neo-Trotskyism and other bourgeois ideologies, of mechanically and metaphysically extrapolating the character of the economic categories implemented during the NEP to later stages of the socialist construction in the Soviet Union. Guevara, *de facto* blames the adoption of such economic forms as economic accounting, profit, credit, etc. implemented in the 1920s for the right-wing deviationist economic theories that he was fighting in the 1960s, without appreciating the profound changes that operated in the content of those categories during the 1930-50s:

*'In the Soviet Union, the first country to build socialism, and those who followed its example, determined to develop a planning process that could measure broad economic results by financial means. Relations among enterprises were left in a state of more or less free play. This is the origin of what is now called economic calculus (a poor translation of the Russian term, that might better be expressed as auto-financing, or, more precisely, financial self-management).*

*Roughly speaking, then, financial self-management is based on establishing broad financial control over the enterprise activities, banks being the principal agencies of control. Suitably designed and regimented material incentives are used to promote independent initiative toward maximum utilization of productive capacity, which translates into greater benefits for the individual worker or the factory collective. Under this system, loans granted to socialist enterprises are repaid with interests in order to accelerate product turnover'. (Che Guevara, in 'On Production Costs and the Budgetary System', published in *Man and Socialism in Cuba*, Atheneum, New York, 1973, p. 114.)*

It is clear that, the transition to socialism in the Soviet Union, which followed the implementation of market-type economic relations in most of the economy, had to carry within itself certain economic forms, which are inevitably inherited from capitalism. However, Guevara apparently fails to grasp the fact that the concept of economic accounting evolved dramatically over the years, as the character of the economic relations evolved. The concept of economic accounting never disappeared from the Soviet economic literature; however, its content evolved in time in order to accommodate the planned principle of the economy on the basis of socialised property and the liquidation of bourgeois and petty-bourgeois forms of production. The

economic accounting of the more or less disseminated production subjects confined to the Soviet artels in the 1920s bears little resemblance with the economic accounting of highly concentrated Soviet industry in the 1930-50s. The character of the labour exchange among the different production subjects during the 1930-50s bear close resemblance to that of the budgetary finance system advocated by Guevara in the 1960s.

It is not clear to us, to what extent Guevara is able to appreciate the qualitative changes that operated in the interpretation of the content of economic categories over the history of the political economy of the Soviet Union. It is unclear whether Guevara sees the preservation in the Soviet Union of economic forms such as, economic accounting, profit, credit, banks, etc... as a sign of economic backwardness, or rather as a sign of the concrete historical conditions under which the transition to socialism took place in the Soviet Union. For instance, Guevara advocated the liquidation of the concept of credit in socialism, even though the form of credit was never liquidated in the Soviet Union:

*'In our system [the budgetary system – our note.] the Bank supplies a certain amount of resources to the enterprises according to the budget; here the interest rate is not present'. (Che Guevara, op. cit. in 'Considerations on Expenses', pp. 45-46. Translated from Spanish.)*

The same applies to the economic category of profit, which was never liquidated in the Soviet Union but was categorically denied by Guevara within the context of the budgetary finance system in Cuba. Guevara seems to understand mechanically the economic relation of the State with socialised production subjects:

*'...because the State Enterprise in the conditions of Cuba, is just a centre for production. It has a budget, a budget for production; it should meet the goals of production and deliver its product to the Ministry of Domestic Commerce, or to other state industries. Thus, the enterprise does not have profit, does not have money; all the profit, all the difference between what was sold and the cost belongs to the Cuban state. The enterprise is reduced to production.'* (Che Guevara, Conference 'Economy and Plan' of the People's University, 1961. Translated from Spanish.)

As a matter of fact, the history of the political economy of the Soviet Union has demonstrated that the principle of socialist planning on the basis of socialised forms of production does not contradict the implementation of such economic forms as profit, as long as the latter do not express the relationship between independent producers, but on the contrary is used as one of the indexes of economic effectiveness, etc... To state that profit is not the leading economic criterion in socialist industry is generally speaking correct. However to interpret the sole presence of the concept of profit, regardless of its relative weight in the definition of economic effectiveness, as a sign of economic backwardness is strictly speaking incorrect.

In his article 'Bank, Credit and Socialism' Guevara brilliantly exposes the vulgar and fetishist economic views of those in Cuba who did not understand the need to re-define the role of banks in a socialist economy and that the economic functions of the banks in capitalism cannot be mechanically transported to socialism. His conclusions are generally speaking correct, correct in the sense of abstract formulations. So are his conclusions with regard to commodity-money

relations and the role of the law of value in the transitional economy. However, they are correct in the abstract and may turn dangerous if applied mechanically to concrete-historical conditions.

Unfortunately, the evaluation of Guevara's economic thought is confusing and inconclusive since the budgetary finance system is conceived as a result of the struggle with right-wing economic theories, which absolutise the role of commodity-money relations. The budgetary finance system is without a doubt a reaction against right-wing economic theories and needs to be appreciated as such. Further investigations, possibly on the basis of archival materials, will hopefully throw valuable light on the role of mechanicism and metaphysics in Guevara's economic thought.