

Toward a real existing socialism

Every day the American media are filled with the same message: socialism is dead. Everyone always knew it was inconsistent with freedom and democracy, so the story goes. Now it has failed as an economic system as well. In all the places where it has been tried the longest, even the leaders, rushing to replace socialist with capitalist economic institutions, are implicitly admitting it has failed to deliver the goods. As Robert Heilbroner recently proclaimed in the *New Yorker*, "Less than 75 years after it officially began, the contest between capitalism and socialism is over: capitalism has won." The claim that there is no economic alternative to capitalism poses a severe challenge to progressives, however critical they may have been toward "actually existing socialism."

Socialism has meant many things to those who have marched under its banner. It has always embodied values of equality, cooperation and freedom from want. In the early days of the socialist movement, there was also wide agreement that two key institutions would characterize a socialist economy: public ownership of the means of production and planning. For the past 50 years such agreement has been superseded by wide debate over socialist economic institutions, with many arguing that markets and various forms of non-state ownership have important roles to play in a socialist economy. But socialists of every stripe are challenged by the claim that public ownership and planning have been shown up as failed institutions and must be abandoned entirely.

The major American media have consistently distorted the meaning of the recent dramatic events in the Soviet Union and Eastern Europe. The highly centralized, politically authoritarian form of socialism that has existed in the USSR and Eastern Europe has entered a period of crisis. This crisis has both economic and political roots. It has produced movements to transform those societies, movements that have taken different forms in different countries.

But the experience to date does not show that socialism has failed, or that public ownership or economic planning has failed. The European socialist economies' performance has had significant strengths as well as weaknesses. The roots of the current crisis of socialism are found in both the successes and failures of "actually existing socialism."

Successes of socialist economies: From the end of World War II through the '70s, economic growth in the USSR and Eastern Europe was rapid. From 1960 to 1975, gross national product (GNP) grew significantly faster in the USSR (4.3 percent annually) than in the U.S. (3.3 percent annually), and slightly faster in Eastern Europe (4.2 percent annually) than in Western Europe (4.1 percent annually). Furthermore, the rapid growth of the socialist economies in those years took place with virtually no price inflation.

Czechoslovakia and East Germany have been the economically most successful countries in Eastern Europe. For most of the period 1950 to 1973, labor productivity grew faster in East than in West Germany. East Germany exports many industrial products successfully in world markets, including machine tools, optical goods and

EVERYBODY'S BUSINESS

By David M. Kotz



printing equipment, and it licenses technologies to Western corporations. In 1987 per capita gross domestic product (GDP) in the East Germany was \$12,000, about equal to that of France and \$2,000 below the level of West Germany. Czechoslovakia's per capita GDP was \$10,000, about equal to that of Britain, while the USSR's GDP per capita was \$8,700.

The rapid growth of the socialist economies took place without the enormous differences in wealth and income that characterize capitalist economies, showing the fal-

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ltering of the claim that great inequality is necessary to generate a high rate of saving and investment. In fact, a major reason for the rapid growth of socialist economies has been their ability to channel a large proportion of national income into investment. Investment has typically been over one-third of GDP in the European socialist economies, compared to less than one-fifth in the U.S. The absence of property incomes and the narrow wage differences produced a relatively equal income distribution. In the USSR the richest 10 percent of the population receives about 3.4 times the income of the poorest 10 percent, compared to a corresponding ratio of 15.5 for the U.S.

The Soviet and Eastern European economic systems have also provided a high degree of economic security for their people. Virtual full employment prevailed until the '80s. Education and health care are free or very inexpensive, and housing and staple foods have carried low subsidized prices.

The full employment that has prevailed in "actually existing socialism" provides workers with significant power at work. Western analysts often criticize Soviet job practices on the grounds that managers cannot run their plants efficiently because they cannot readily discipline or fire work-

ers. As the Soviet Union has tried to rationalize its economy by reducing some overstaffed enterprises, managers have often had to let the workers decide who would go and who would stay. This has typically led to criteria for layoffs very different from those a profit-seeking manager would use. For example, workers have chosen for layoff younger single workers, rather than older workers or those with many dependents, on the grounds that the former can more easily be retrained or relocated. In East Germany, significant procedural rights for workers have combined with full employment to give workers significant power to block changes in work organization that would adversely affect them.

Problems of socialist economies: Beginning in the late '70s, a set of economic and political developments within "actually existing socialism" spurred the growth of a movement for change. In the second half of the '70s, growth slowed in both the USSR and Eastern Europe. From 1976 to 1988, output in the USSR grew at only 2.1 percent per year, compared to a U.S. growth rate of 3.1 percent. Growth in Eastern Europe fell to 1.6 percent annually over those years, compared to 2.7 percent in Western Europe. This reversal of past experience produced increasing worry by the leadership and a spreading sense of economic stagnation.

There had long been serious problems with the quality of consumer goods, and particularly consumer services, both in the USSR and Eastern Europe. As rising living standards brought the population to a reasonable level of material comfort and security, these problems became more galling. Increased travel and better communication between blocs demonstrated the large gap with the industrialized West on this aspect of economic performance.

The decades of pursuit of rapid growth degraded the environment throughout the USSR and Eastern Europe. A growing protest movement arose to challenge these distorted priorities. Indicators of social alienation began to rise in the socialist countries. Particularly in the USSR, crime, alcoholism, juvenile delinquency and a sense of spiritual aimlessness increased at an alarming rate.

At the same time, the well-educated, largely urbanized population in the USSR and Eastern Europe showed increasing re-

sentment toward the authoritarian structure of political and economic institutions. The denial of freedom to travel and freedom to express opinions became increasingly intolerable.

Thus, the economic and political development of "actually existing socialism" produced growing contradictions that erupted in the form of social movements demanding transformation of the society. But the outbreak of these movements for change does not mean that socialism, or the institutions of public ownership or economic planning, have failed. After all, those same institutions produced very rapid growth and social progress for many decades. The fact that a mode of production produces contradictions, or even goes into crisis, does not mean it has failed—as generations of Western socialists have discovered, to their dismay, in their past confrontations with capitalist crises.

What lies ahead? Mikhail Gorbachov and his associates appear to believe that the solution to the current crisis of their form of socialism is democratization of all social institutions. They argue that democratization of state and economy will bring renewed economic expansion, improved consumer goods and services, a new emphasis on preserving the natural environment and a reversal of the recent disturbing social trends. They also call for expansion of cooperative and individual ownership of enterprises and for an expansion of market forces in the economy, while maintaining a dominant role for public ownership and planning.

We appear to be witnessing a long delayed democratic revolution in the socialist world. A repressive, undemocratic state has never been an appropriate accompaniment for a socialist economy. A democratic state, based on rule of law and offering protection of individual rights, should release the full economic potential of socialism. By contrast, under capitalism a fully democratic state would constantly threaten the interests of the capitalist class, as the majority asserted its needs over the requirements of capitalist profit. The capitalists strive, usually successfully, to restrict popular sovereignty to a narrow realm that will leave the key economic decisions to them.

How to effect such a dramatic transformation of authoritarian, overly centralized socialism is no easy matter, and the attempt is running into various political complications. One is the difficult national problem in the USSR. Another is the flight of East Germans to West Germany, which is undermining the previously strong East German economy and threatening to submerge its egalitarian socialism under the wealthier West German capitalism. In all the countries there is a tendency of some sectors of the population to blame socialism for their problems. In some Eastern European states where the socialist tradition is weak, such as Poland, there may be a move back toward capitalism. However, recent polls have found that, except in Poland, the people of Eastern Europe view capitalism as undesirable.

Rather than mourn the defeat of socialism, socialists should cheer the attempt to finally create a "real existing socialism" that is democratic. Achieving that form of socialism would mark the beginning of the end of the long contest between the two systems, but not with the ending that Robert Heilbroner proclaims. ■

By Pat Aufderheide

AS BARRIERS TO FREEDOM OF expression fall around the world, here at home a major voice for human rights and diversity of expression was silenced when Pantheon Books was gutted by corporate managers on February 26.

The savaging of Pantheon shows why, under the current system, cen-

BOOKS

sorship is not necessary to suppress unfashionable or dissident opinion. Elimination of the vehicles of expression will come, indirectly, to the same thing. And the "invisible hand" never gets dirty.

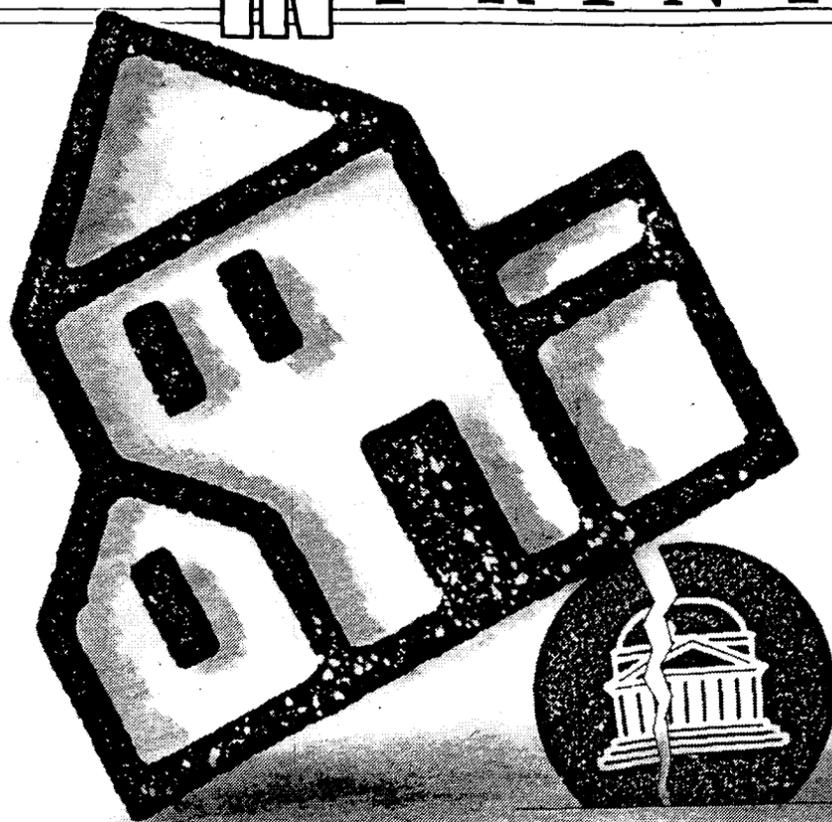
Pantheon was one of the last enclaves of serious publishing of history and culture for a general audience. It stood, over its 47 years, in the shrinking arena between calendars and the increasingly vanity-press world of academic publishing. (See accompanying list of published authors.) Begun by refugees whose publishing house had been destroyed by Adolf Hitler, it consistently published books to be read by the curious and concerned. As publishers increasingly shredded or remaindered yesterday's books, Pantheon kept its impressive backlist in print and available to new generations of readers.

Talk of the town: Never much of a "profit center," Pantheon was bought by Random House in 1961 and run as its prestige line. In 1980, when the Newhouse family bought Random House—the largest trade-book publisher in the country—many bland promises were made (as were made when Newhouse bought *The New Yorker*, which has also undergone drastic upheavals) that there would be no tampering with editorial content. Since then, its financial status has been shrouded in the secrecy of the Newhouse family books, although the Newhouse estimates of Pantheon losses seem magically to grow every time managers talk to reporters.

Last fall, the removal of Robert L. Bernstein, a longtime defender of quality, as head of Random House, and his replacement by bottom-line expert Alberto Vitale (ex-CEO of Bantam Doubleday Dell), led to widespread expectations of new tampering. Newhouse has called for cost consciousness in every Random House division, including Pantheon.

Andre Schiffrin, head of Pantheon Books, also felt the pinch. Rather than slash his forthcoming list and cancel outstanding contracts with authors, he resigned on February 26. He has since been unavailable for comment—apparently, like Bernstein, having been forced into silence as a condition of his job termination.

The next day, senior editors Tom



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Pantheon's fall: publish and perish

Engelhardt (see adjoining statement), James Peck, Wendy Wolf and Sara Bershtel—with a total of 56 years of service—resigned in protest. "Pantheon was founded in 1942 to protect an imperiled culture," they wrote in a joint statement. "We sought to continue that tradition by bringing into public view the forgotten and the iconoclastic, the quirky and the profound, the crises faced by other cultures, and our own. We sought as well to give voice to at least some of the victims of our age—and to expose those who abused their wealth and power.

"What motivated us was the commitment to provide a forum where some of the least popular but most important ideas and voices could be heard. And what encouraged us was that so often the books we believed in became classics and commercial successes, and that so many authors chose to publish with Pantheon because they believed in the values it represented."

On March 1, a fifth editor resigned. Engelhardt explained the loss in terms that can't be quantified. "The authors on our list will all be able to be published by other houses. An Ariel Dorfman, a Todd Gitlin can find a place," he said. "But what about the new Ariel Dorfman? Who will find that author, cultivate him or her, introduce them to a reading public? That's the real loss here."

Vitale rushed to assure critics of "Random House's commitment to maintaining Pantheon's position as one of our most prestigious imprints, and to insuring its continuity and success in the years to come." But it's hard to see where that commitment stands in relation to making

every Random House division a profit center, and to the decision to amputate Pantheon's list of forthcoming books and its authors' contracts.

\$10 billion and no debts: The Newhouse media empire could, in theory, afford a prestige loss leader. The last time *Advertising Age* magazine did a count of the 100 top media companies, in June 1989, Newhouse's Advance Publications ranked seventh, above Knight-Ridder and the Hearst Corporation, with a 7 percent increase in its revenues in a year.

Its 26 newspapers haul in nearly double Random House's \$800 million annual gross, and its magazine empire—including such publications as *Vanity Fair*, *HG*, *GQ*, *Details* and *Bride's*—also substantially out-grosses its book holdings. Newhouse's publishing group also holds a host of cable operations that are a financial bright spot as cable's fortunes rise. Unlike many expanding media empires, the Newhouse family holdings appear to be free of debt. (The Newhouse family's close-to-the-vest and tight-fisted policies—the privately held operation is virtually non-union, a legacy from founder S.I. Newhouse's days—are notorious now, thanks to an Internal Revenue Service tax-fraud case Newhouse won on March 1, which shed a rare ray of light on the family empire. Maggie Mahar's comprehensive article in the Nov. 27, 1989, *Barron's* picked out some of the best parts from the mountain of documents.)

But Newhouse has also been greedy in the merger-and-takeover atmosphere of media conglomeration. Si Newhouse's part of the operation—he controls the \$3 billion

books-and-magazines part of a \$10 billion operation, while his brother controls the rest—recently bought a group of British publishers as well as the Crown Publishing Group. Both deals saddled the company with unprofitable operations.

Maybe this added pressure tipped the balance for Pantheon, or maybe it was just another part of the inscrutable Newhouse management style. Pantheon is not the first victim within Random House of the Newhouse slash-and-burn style; the college division was destroyed in 1988 even though sales were up. And it probably won't be the last. Another prestigious trade-book line, Vintage, is also under scrutiny for possible merger with the more mainstream mass-market line Ballantine.

Playing politics? Elimination of alternative voices by bottom-line logic is one thing. But Pantheon was not only a haven for intellectual work but also a major publisher on human-rights issues and a voice of the left in American society. "We're losing a major forum for dissident opinion, not least because Pantheon set such a high standard," said Pantheon author Barbara Ehrenreich, whose *Fear of Falling* was recently issued by Pantheon and whose *The Worst Years of Our Lives* is forthcoming.

Could the axing of Bernstein (a liberal advocate) and of Pantheon be politically as well as economically motivated? It's impossible to prove. But the values promoted in many Pantheon books have not been high on Si Newhouse's list over the years.

Si Newhouse attended Syracuse University—where his father had funded a communications program—for a few years before dropping out. He spent more than a decade on the society and fashion circuits before settling down to run glossy magazines under the tutelage of the editorial director of the Newhouse-owned Conde Nast magazine em-

pire. He eventually made his reputation in celebrity journalism (reincarnating *Vanity Fair*, for instance).

The New Yorker transition was a symptom of his insensitivity. The editorial changeover was accomplished gracefully, alienating writers, several of whom quit. There is now a much less friendly atmosphere for those within *The New Yorker* who want to raise issues of conscience.

His political convictions may side with his personal loyalties. He was anti-communist attorney Roy Cohn's closest friend—it's all in Nicholas von Hoffman's biography *Citizen Cohn*—and has been known to swing his media clout in the direction of his friendships. In *Mobbed Up*, a biography of Teamsters President Jackie Presser, James Neff describes how a Newhouse paper, the *Cleveland Plain Dealer*, printed a false retraction of a negative story about Presser (whose attorney was Roy Cohn), which helped Presser get re-elected.

None of this necessarily makes Pantheon a political target for Newhouse's ire. But the clues at least add up to an indifference to the communities and values that Pantheon championed.

Words to live by

Pantheon's backlist reads like a trip through midcentury intellectual history. It is particularly significant since the majority of the authors were first published—and some exclusively—by Pantheon. It includes, among many others:

Gunter Grass
Boris Pasternak
Julio Cortazar
Giuseppe de Lampedusa
Simone de Beauvoir
Marguerite Duras
John Berger
Mary Renault
Peter Schneider
Eva Figes
Eduardo Galeano
Gunnar and Alva Myrdal
Noam Chomsky
Jean-Paul Sartre
Juliet Mitchell
Barry Compton
Edward Said
Herbert Gutman
Eugene Genovese
Norman Birnbaum
Arno Mayer
George Kennan
Willy Brandt
Michel Foucault
Eric Hobsbawm
Orville Schell
Italo Calvino
Studs Terkel
Danilo Dolce
Alan Watts
Carl Jung
R.D. Laing
Walker Evans
Susan Meiselas