Bergson: The Young Scholar

When I learned in 1961that I would be going to Harvard as a special student associated with the Russian Research Center and working with Abram Bergson I sat down and read his *The Structure of Soviet Wages. A Study In Socialist Economics*. It was clearly a model publication in economics. Upon being invited to say something about Bergson's legacy to the field, I picked up my by-now faded copy of the book. After perusing it and my marginal notes, I decided that it would be an appropriate topic for a presentation on his legacy to the field of Soviet economic studies.

Anyone who has read a number of Abe Bergson's publications will discover a very disciplined and consistent author. Abe was not given to overstatement and he obviously enjoyed unobtrusively skewering his intellectual opponents. *The Structure of Soviet Wages* is divided roughly into four parts. In the first part (Chapters I and II) Bergson explains why he calls his work a study in socialist economics and spells out the theory of socialist wages. The second part is institutional and is divided into two sections: Chapter III on money wages and non-wage benefits and Chapters XI and XII, which describe wage administration. The third part (Chapters IV-X) is an empirical, comparative examination of wage variation in the Soviet Union in 1928 and 1914, in the Soviet Union in 1928 and the United States in 1904, and in the Soviet Union in 1928 and 1934. It also includes an examination of salaries in the Soviet Union in 1928 and 1934 and of the distribution of the wage bill among industrial workers in 1914 Russia and the USSR in 1928 and 1934. The forth part is historical: A critique of Soviet equalitarianism (XIII an XIV). A very terse conclusion follows. The pattern is clear: a theoretical framework, an empirical and comparative test of the hypothesis, a description of the relevant economic and administrative institutions, and finally an historical search for the rationale for Soviet economic practices. Bergson presents his hypothesis as an apparent paradox: that the principles of socialist wage "is also a capitalist principle." (p. 15)

Abe Bergson's defense of his reliance on Soviet statistics, which he presented in the Preface, is a measure of the care with which he formed his opinions and of his consistent application of his views over time. This passage is worth quoting in full:

> But independent considerations [of other students of the Soviet economy] also lead me to regard Soviet materials as trustworthy. The data which are studied here are used and discussed in Soviet economic journals, and in other Soviet publications. It seems clear that these materials are also the facts on which Soviet administrators base their decisions. On this score alone "double bookkeeping" is not remotely probable. It has been found also that the data used in the present study, when taken together with other Soviet factual materials, exhibit a broad consistency in widely diverse fields and in very different vehicles of expression. An "external" consistency, too, if the term may be used, is apparent. The comparisons which are undertaken between the inequality of wages in the

> U.S.S.R. and in capitalist countries reveal a striking uniformity of results. …Such consistency could hardly be demanded of the data. But it could not have been realized if the Soviet statistics were distorted or if in important degree they were inaccurate (p.viii).

Bergson next takes on the question of whether it is appropriate to call the Soviet Union of 1928 and afterwards socialist. His answer is three-fold: (1) "ownership and administration of the bulk of the community's industrial resources by the government"; (2) "the direction and integration of this sector …by a system of planning; and (3) "the differential wage system" which he presents in what follows. Foreshadowing his conclusions, he states that the last characteristic "distinguishes the Soviet economy from the ideal, communism, rather than from competing systems" (pp.6-7). Bergson quotes Marx to the effect that inequality of reward would not follow immediately upon the successful revolution. That would only follow in "a higher phase of communist society, after the enslaving subordination of individuals under division of labor … has vanished; after labor from a mere means of life, has itself become a prime necessity of life; after productive forces have also increased ... only then can … society inscribe on its banners: from each according to his ability to each according to his needs" (p. 24, quoted from the Critique of the Gotha Programme.).

In spelling out the principles of socialist wages Bergson makes two fundamental assumptions that predetermine the outcome. First, he assumes that socialist wage administrators will want to optimize the allocation of labor in the economy. Second, he assumes that workers will seek out the most remunerative occupations in which to apply their skills. In other words, both will be rational economic actors. Thus, "socialist administrators …will seek to extract as high a value product as possible from the resources at their command" (p. 8). Consequently:

> First, for any given set of accounting wages, the total wage bill required to produce any given value product must be at a minimum. Thus wages are regarded as costs to be minimized. Second, the actual wage rates must be such that, for some given value product, the numbers of different kinds of workers required to operate at a minimum cost equal respectively the numbers of different kinds of workers available for employment. In other words, at the given wage rates there must be full employment of the available labor resources (pp.9-10).

Solving the distribution of labor among the various occupations involves ascertaining the costs associated with supplying labor to those occupations. Bergson argues that "The most obvious procedure, and one which the socialist administrators would find as politic as it is simple, is to determine these cost from the workers' own preferences…." (pp. 12-13).

He concludes:

> Thus, the effective utilization of resources in the socialist community requires that differences in the claims paid workers for different types of work equal differences in the contribution of the different types of work to the community's value product. Again the socialist principle is also a capitalist principle (pp.14-15).

And he points out also that any "tax" or "dividend" would need to be a lump sum equal for all workers. Moreover, a lump-sum tax, and only a lump-sum tax, could be used to finance "the state's investment and social service program…[or] to redistribute income" (p. 22).

I have quoted Bergson on the principles of socialist wages to point up the rigor with which he stated them. The optimization principles were not novel, of course, but Bergson's application of them to planners in a socialist system was. It is also clear that, until human nature changes under the coming communist state, Bergson had the high ground when it comes to planning and administering socialist wages.

The next step for Bergson is two fold: first, to show that money wages did matter in the Soviet economy of the 1930s and second to show that the administration of wages in the USSR did indeed reflect the fact that the principle of socialist is the same as the capitalist principle. Money wages are, of course, a cost of applying labor, but the "larger problem remains: to what extent does the inequality in money wages also connote an inequality in the command over goods?" (p.26). After examining the provision of free or highly subsidized services, such as education and health care, subsidies for housing, transportation and the like, rationing and taxation in the USSR from 1928 to the mid 1930s, Bergson concludes that although "the inequality in real rewards is less than the inequality in money earnings," the latter may "be studied with the assurance that they are the most important element in Soviet economic life" (p.49). The fact is that insofar as these free and under priced goods and services diminish the incentive effect of any money wage differential, "these items together exert a long-run pressure for greater *inequality* in money earnings, for a larger money wage differential than otherwise would be the case …" (p. 49). The relationship between money wage variation and real wage variation is addressed in Chapter X where he concludes that higher money wages for any category of worker also meant relatively greater real earnings also. Thus differentials in money wages and salaries did in fact reflect differential command over real resources.

Chapter IV explains the statistical procedure Bergson plans to apply and states its limitation to industrial workers. He then examines wage variation in the Soviet Union in 1928 and in Russia in 1914 in Chapter V. He shows that "the relative values of the quartile rations in different industries in Russia in 1914"are strikingly similar to those of Russia in 1928 and concludes that the "only plausible explanation is … that the principles of wages applied in the Soviet Union were capitalist principles and that Soviet wages lake wages of pre-war Russia varied systematically in accord with the productivity of different workers" (pp. 76-77). However, there was also evidence of a departure from these principles in that there was observed an overall reduction in the inequality of earnings occasioned by administrative measures favoring equalitarianism.

Chapter VI examines wage variation in the Soviet Union in 1928 and in the United States in 1904, which yields a comparable conclusion:

> But the fact that the level of the quartile ratios is proximate in the U.S.S.R. in 1928 and in the United States in 1904 is not to be dismissed as a coincidence. The results must be regarded as further support for the conclusion that Soviet wages varied in accord with capitalist principles (p.96).

Chapter VII compares wage variation in the Soviet Union in 1928 and 1934 and discovers that whereas wage differentiation declined between 1914 and 1928 thanks to certain administrative proclivities, the process of equalization of wages was reversed between 1928, the end of the NEP, and the planned economy of 1934. Chapters XI and XII are devoted to an explanation based on an examination of wage administration policies in the U.S.S.R. in those years.

After examining wage administration policies, including restrictions on freedom of choice of occupation in Chapter XI, Bergson concludes: "The upshot is that the forces of supply and demand which operate in a capitalist labor market are also active in the Soviet labor market" (p.153). In the following chapter he argues that "Soviet administrators apparently reckon with the same factors that influence the supply of labor in a capitalist economy" (p.156). And he points to extensive "use of a piece system, more than any other aspect of Soviet wage administration, evidences the prevalence of capitalist wage principles in the U.S.S.R. (p. 161).

The final question is addressed in Chapters XIII and XIV: "What motivated the reduction in the inequality of earnings in Russia between 1914 and 1928? Was this simply an expression of a desire for justice on the part of early Soviet administrators? And, of so, how explain the increase in inequality which occurred after 1928? Was the just wage policy discredited, and hence abandoned, after a decade of practice?" (p.177). An answer to the second question was found in Stalin's speech of June 23,1931, in which he attacked "'left' equalitarianism in the sphere of wages." He went on to claim that it was necessary "to abolish equalitarianism and to destroy the old wage-scale system" in order to tame rampant labor turnover" Stalin points out that both Marx and Lenin wrote that differentials would disappear only under communism, and typically he challenged any dissenters: "Who is right – Marx and Lenin or the equalitarians? (p.178). The answer is obvious. On the other hand, it appears that the diminution in wage differentials prior to 1928 "was largely the result of a considered policy to reduce inequality, and the consideration was that greater equality was just … that it was per se a socially desirable aim" (p. 193). But Bergson goes on to say that "Early Soviet equalitarianism … was hardly utopian. The wage administrators clearly were motivated by a desire to attain a more just distribution. But it is equally clear that their interest in justice was tempered by a concern for the maintenance of production" (pp. 195-96).

Bergson's main conclusion is as follows:

It is of great significance that Soviet equalitarianism was not of the utopian variety. That the worker requires a pecuniary incentive to acquire skill, to accept responsibility, to perform more arduous labor, and to increase his productivity, was an accepted principle of Soviet wage policy even in the period of War Communism. The equalitarian's appreciation of the magnitude of the incentive required may have been dim, particularly before 1920. But at least a sanguine appraisal of the conditions of supply set a lower limit to the reduction in differentials. If we may recur to the subject which was broached in at the outset of this study, Soviet equalitarianism represented not an abandonment of capitalist wage principles, but at most a distorted application of them" (pp. 203-04).

I have reviewed Bergson's thesis at length and quoted him extensively for three reasons. First, Abe Bergson obviously left no stone unturned in seeking to make his case. Second, the argument takes as a whole was original and compelling if one accepts the assumptions of rationality in the socialist phase of the transition to communism. Third, I hope that it inspires some readers to take up the volume again themselves as a way to appreciate the rigor of his thinking and the very contemporary significance of his conclusions.

I have three observations on Bergson's legacy as viewed from his first major publication. First, as noted above, the book reveals a pattern to which Bergson remained true throughout his career. It involved a rigorous statement of relevant economic theory upon which an hypothesis is erected for empirical testing. The test includes the collection and reliance primarily upon Soviet data, comparative study and statistical verification. The pattern also requires appreciation of the historical conditions of the period studied and an examination of the relevant institutions and policy pronouncements. This is a pattern that Bergson's Ph.D. students ignored at their peril, and few did so.

Second, Bergson was writing at the time that Oskar Lange gained fame for the model of market socialism. There are some significant differences between Bergson's model of the socialist labor market and Lange's, but the most striking is the fact that Lange was trying to show that a socialist state could achieve economic efficiency equivalent to a capitalist system if it utilized markets and capitalist principles of pecuniary incentive and profit maximization. Bergson argued that the socialist system *would be obliged* to follow capitalist principles if they were to seek efficiency in the allocation of labor (and, by implication, other) resources. Abe was not making an argument for socialism. He was making an argument for the general applicability of what we call microeconomics today and stressing the limitations implied thereby.

Third, it is obvious why Abe Bergson was persuaded to devote many years of his most productive years constructing indices of Soviet national income from 1928 to 1958. He understood the system. He had experience working with Soviet data for 1928, 1934 and so forth. And he had the stature in the field to carry the study off. One cannot but wonder, however, what he might have accomplished in theory if he could have devoted as much time to it as he did to Soviet national income.

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