

Tugan-Baranovsky on Socialism: From Utopia to the Economic Plan

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Tugan-Baranovsky's ideas on socialism are reconstructed with an emphasis on the relation between political economy and utopia. Utopia enters the stage after the critique of capitalism, in the definition of the realm of possibilities in the world of ideas. With the help of ethics, the notion of ideal socialism, unreachable by definition, is defined in the sphere of utopia. Thus, the task of political economy is first to show which of these possible worlds are reachable in the real world, and second to choose the one that conforms better to ideal socialism: this is socialism in practice through the economic plan. Thus, far from considering utopia and science as contradictory, Tugan-Baranovsky saw them as complementary, and his socialism is the result of the dialogue he instituted between them.

Keywords: Tugan-Baranovsky (Mikhail I.), socialism, utopia, planning, theory of value

Tugan-Baranovsky et le socialisme: de l'utopie à la planification

Les idées de Tugan-Baranovsky sur le socialisme sont reconstruites dans ce papier en portant un regard particulier sur la relation entre l'économie politique et l'utopie. L'utopie fait son entrée après la critique du capitalisme, dans la définition de l'univers des possibles, dans le monde des idées. La notion de socialisme idéal, inatteignable par définition, est définie dans la sphère de l'utopie à l'aide de l'éthique. Ainsi, la tâche de l'économie politique devient d'abord de montrer parmi ces mondes possibles ceux qui sont atteignables dans le monde réel, et ensuite de choisir celui qui se conforme le mieux à l'idéal socialiste: c'est le socialisme pratique à travers le plan économique. Ainsi, loin de considérer l'utopie et la science comme contradictoires, Tugan-Baranovsky les considère comme complémentaires, et son socialisme est le résultat du dialogue qu'il institue entre elles.

Mots-clés : Tugan-Baranovsky (Mikhail I.), socialisme, utopie, planification, théorie de la valeur

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The curtain of the twentieth century was drawn up under the sign of Socialism. The proletarian red flag, hailed by some with enthusiasm, viewed by others as a menacing symbol with horror, is by none regarded with indifference. Creations of the brain of solitary thinkers turned into a social movement the mightiest history knows of; the immense Socialistic literature is increasing every day; thousands of organs of the press in the old and new worlds endeavour to elaborate, develop and spread Socialistic ideas. Millions of people actively participate in this movement, and it is indeed not to be wondered at that the problem contained in this agitation forms the central topic of public thought.

However, Socialism, as a doctrine is as yet very far from the ideal of an accomplished scientific system. The very conception of Socialism is unsettled and vague. What is Socialism? (Tugan-Baranovsky, 1910, 1)

Every accomplished social system consists of three parts: of the criticism of the existing social conditions, of a determined conception of the future organization, and of considerations regarding the ways and means by which its principles are to be carried out in actual fact. (Tugan-Baranovsky, 1910, 185)

At the turn of the twentieth century, various conceptions of socialism were encountered in Russia. Supporters of Marx were as numerous in the various strands of society, as were the interpretations of the Prophet's writings. The conservative Populist Voroncov, for instance, saw in Marx's description of the nightmare of English capitalism, an analytical instrument to help Russia avoid this difficult transition. In *The Fate of Capitalism in Russia* (1882, in Russian), he tried to establish the impossibility of the growth of capitalism in Russia and advocated a promising agrarian socialism based on the mythic and deep-rooted rural collectivist community—the *obshchina*¹. Against this conception of the world, better known under the label of Populism or *Narodnichestvo*, considered by their opponents as primitive and ignorant of the materialistic forces of history, another reading of Marx was proposed by Plekhanov and, say, Lenin, who advocated a proletarian revolution. Although they diverged later on whether or not the proletarian revolution should be preceded by a bourgeois revolution (one of the points of disagreement in the Bolshevik-Menshevik divide), these authors were unified against the Populists and their "archaic" vision. These two mainstreams towards socialism implied, among others, two very different attitudes towards industrialization. But many other conceptions of socialism coexisted in the Russian debates, including non-Marxist ones. Besides Bulgakov's Christian socialism and Kropotkin's anarchist socialism,

¹ On Voroncov and the Populists' ideas, see Masoero (1988).

Tugan-Baranovsky's ethical socialist system provides an interesting combination between economic theory and the concept of utopia.

The first publications of the Russian economist Tugan-Baranovsky², and especially his doctoral thesis *The Russian Factory* (1898), were directly intended to refute the Populists' argument that capitalism was not taking root in Russia. He showed, in particular, that industrialization had a longer history in Russia than often thought and that although the State had a strong implication in that history, the industry was not artificial to the Russian economy. He even pointed out, in the aftermath of his master thesis *Industrial Crises in England* (1894), that fluctuations, which were the symptoms of an industrial state, were appearing in Russia, just like they had appeared earlier in England³. Tugan-Baranovsky was, at that point, a member of the informal group named "Legal Marxism" (together with Peter Struve, Sergei Bulgakov, Semen Frank and Nikolay Berdiaev)⁴, which was, during the 1890s, in the same side as Lenin and his *Development of Capitalism in Russia* (1899), unified against the Populists. Later on, Tugan-Baranovsky evolved from Marxism to some kind of ethical socialism of his own: he borrowed, from his reading of Kant, the ethical idea of the supreme and equal value of all human personalities and placed it at the heart of his system. His socialism has already been the object of careful investigations. Barnett (2000) offers an analysis of Tugan-Baranovsky's planning approach in the context of its reception among Soviet economists and of the socialist calculation debate. Barnett also outlines the Russian economist's vision of an international socialist economy and the role played by an international paper money system. For her part, Makasheva (2008) details the philosophical and ethical foundations of Tugan-Baranovsky's socialism, while Sheptun (2005, 363-365) puts this ethical socialism in a broader perspective by explaining the influence of the German historical school on the Russian economist.

This paper offers an interpretation of Tugan-Baranovsky's ideas on socialism from another perspective. It reconstructs his vision of socialism by underlining the articulation between utopia and economic science. By postulating their complementary nature, Tugan-Baranovsky shows how ideas could be implemented and how economic science acts as a bridge between the world of ideals and the

² Mikhail Ivanovich Tugan-Baranovsky (1865-1919). See the classical presentation by Nove (1970), and a complete historiographical account by Amato (1984). For a recent appraisal, see Sorvina (2005) and for the latest documents, see Shirokorad and Dmitriev (2008).

³ Although both works—*Industrial Crises in England* (1894) and *The Russian Factory* (1898)—are well known, the first by historians of the theory of crises, the second by economic historians of Russia, their complementary nature has been put in perspective only recently. See Barnett (2005).

⁴ On "Legal Marxism", see Kindersley (1962) and Zweynert (2002, 348-350).

world of actions. This compels an analysis of the relation between utopia and economic science on the one hand, and between socialism in theory and socialism in practice (with economic planning) on the other. An unusually large body of Tugan-Baranovsky's writings will be used to invoke his socialism: *Socialism as a Positive Doctrine* ([1918] 2003), *Modern Socialism in its Historical Development* (1910), *Principles of Political Economy* (1909) and *Towards a Better Future* ([1912] 1996); for they must capture socialism in its three dimensions: utopia, theory, and practice.

The present reconstruction of Tugan-Baranovsky's socialist system follows the three-step plan prescribed by Tugan-Baranovsky in the epitaph of this paper concerning the building of an accomplished social system. Accordingly, section 1 contains Tugan-Baranovsky's "criticism of the existing social conditions", i.e. his critique of capitalism as an antagonistic economic system. This section demonstrates his distance from Marxism and already reveals three essential notions of his socialist system: proportionality, the economic plan, and the ethical ideal. Section 2 contains "a determined conception of the future organization", i.e. follows Tugan-Baranovsky's attempts to give a definition of the nature and goals of socialism. This section heavily draws on utopia and reintroduces the three above-mentioned notions. Section 3 consists of "considerations regarding the ways and means by which its principles are to be carried out in actual fact"; i.e. indicates Tugan-Baranovsky's ideas of how to put socialism in motion. This section reveals the potential instrumentality of the notion of the economic plan based on the synthesis in the theory of value.

1. Critique of Capitalism

The deepest antinomies of the capitalist economy occur during economic crises. (Tugan-Baranovsky, 1913a, v)

Following Proudhon, Tugan-Baranovsky sees the anarchy of production as being the source of all the working class' misfortune. Incidentally, and as a critique of the capitalist regime, more than half of his celebrated work on *Industrial Crises in England* (1894) is devoted to the social consequences of crises, with statistics on death and marriage and careful descriptions of periods of starvation, mass unemployment and their social and political consequences in England: strikes, social movements and the organization of the working class into political parties.

The cause of crises in the capitalist economy is explained by the absence of an economic plan at the national economy level. Each company has full control over its own production plan but makes decisions without an exact knowledge neither of the society's needs nor of the aggregate supply:

Society wants a determined quantity of bread, meat, texture, iron, glass, wood, etc. If the quantity of produced iron, wood or meat, is greater than that required, the residue is—relatively at least—superfluous. Under the conditions that lie at the bottom of the capitalistic system of the present day, this proportionality of the productive powers is carried into effect by the complicated expedient of the market, by the fluctuation of market prices. (Tugan-Baranovsky, 1910, 178)

The absence of “proportionality of the productive powers” in the various branches of the economy or, alternatively, the absence of a conscious economic plan at the national level, is the cause of all fluctuations in the capitalist economy⁵. And the profound reason for this disproportionality is to be found in the antagonist nature of capitalism as an economic system.

Tugan-Baranovsky classified economic systems either as being harmonious or antagonistic as shown in Table 1.

Table 1: Typology of economic systems

Antagonistic	Harmonious
Slavery	Primitive society
Serfdom	Mercantile society
Capitalism	Socialism

Source: Tugan-Baranovsky (1909, Ch. VII)

In a harmonious economic system, the interests of an individual are in harmony with the interests of the other individuals. Such is the case in the primitive economy, with only a few means of production, and no notion of private property and where only a few exchanges take place. This is also the case in the “mercantile society”, composed of small independent producers, owners of their own means of production. This is also the case for the socialist economy. The contrary occurs under slavery: some individuals—the slaves—are the property of others—the owners, as their means of production. Under serfdom, the masters can take advantage of their serfs by taking away a part of their workday. Under capitalism, albeit legally free, the worker is deprived of means of production and has to work for those who have capital. The antagonism of capitalism lies in the fact that the economy serves the interests of capitalists and functions as an end in itself, not as a means to satisfy the individuals’ needs. Production is not driven by consumption but is conducted for its own sake. Tugan-Baranovsky even proved that capitalism could be self-sufficient, without any need of fulfilling any social demand: a single worker could operate machines that produce other machines and, so forth, without any demand deficiency, i.e. without breaking Say’s law. This hypothetical example based on revised versions of Marx’s

⁵ Such strong focus on the *endogenous* nature of crises came only progressively in Tugan-Baranovsky’s writings. See Allisson (2011).

reproduction schemes showed that capitalism could exist indefinitely (Tugan-Baranovsky, 1905, 224-227)⁶: for Tugan-Baranovsky, antagonism is not a synonym for the collapse of capitalism. With this example, but not exclusively, Tugan-Baranovsky alienated most of the Marxists.

The decisive criterion for conciliating individuals' interests in the economy is, for Tugan-Baranovsky, the ethical ideal of the equal value of human beings. Capitalism is mistaken since it confuses the means and the end: the economy should only be a means of satisfying human needs. The economy is therefore located between the two sides of life: the materialist forces—production—and the psychological forces—human needs or demands. By postulating that these two types of forces (materialistic and psychological) drive history, Tugan-Baranovsky moves further away from Marxism and allows the possibility for utopia to enter the stage.

Capitalism should not disappear because of internal contradictions: it should be replaced by human will—the power of the mind—because it does not follow the ethical ideal: capitalism does not allocate the productive forces according to human needs, but according to the interest of specific social classes, the owners of the means of production who are exploiting the working class. Capitalism causes disproportionalities and crises and the working class suffers from this exploitation. Socialism, on the contrary, should be consciously established in order to conciliate the constraints of production with society's needs.

2. Defining Socialism: Utopia and Science

In his quest for a definition of socialism and the design of a socialist system, Tugan-Baranovsky makes an abundant use of the writings of so-called utopian socialists, that he considers “deserving the most serious attention and which in some respect are even more scientific than Marxism” (Tugan-Baranovsky, 1910, vi). Science and utopia are complementary:

The opposition of science and utopia is untenable in the sense that science and utopia are not necessarily contradictory concepts. Utopia is not absurd or ridiculous. Utopia is an ideal. Every ideal contains something infeasible, infinitely distant and unattainable, a dream; some of our inherent spiritual nature has the desire to leave the limits of the possible, to rise above the world of phenomena. ... An ideal is unattainable, because otherwise it would not be an ideal, but a simple empirical

⁶ Tugan-Baranovsky is credited by Howard and King (1989, 168-169) of being the first economist who made an analytic use of Marx's schemes of reproduction, and the first to use them to analyse the law of the tendency of the rate of profit to fall, and to connect the schemes of reproduction with the issue of the transformation of labour value into prices of production. See Howard and King (1989, Ch. 10).

concept. ... An ideal plays the role of a star, thanks to which a night stray traveller chooses his road ... Far away, the beautiful star indicates the true path, but it does not replace the convenient and mundane lantern.

If an ideal can be compared with a star, science plays the role of a lantern. With a lantern, not knowing where to go, one does not find the true path, but without lantern at night one risks breaking his neck. Ideal, as well as science, are equally necessary for life. Ideal gives us the supreme goal of our activities; science shows the means for implementing these objectives and provides us with a correct criterion for determining what is feasible in our goals, and to what extent. (Tugan-Baranovsky, [1912] 1996, 85-86)

The ideal implies a profound modification of the actual society and in his analysis of various utopian schemes, Tugan-Baranovsky shows that the utopian authors clearly understood that human nature is manageable: with their new plan of society, they try to build a new man. In Tugan-Baranovsky's *Modern Socialism in Historical Perspective* (1910), the plans of Bellamy, Louis Blanc, Cabet, Fourier, Godwin, Kropotkin, Owen, Pecqueur, Proudhon, Rodbertus and Saint-Simon are scrutinised. These works provide him with interesting material for thinking about the future society and its new man.

Cabet helps in understanding the idea of the boredom of a society composed of integrally equal men while Godwin furnishes a better picture of the new man. Concerning the question of economic equality, the Louis Blanc's and Owen's plans are rejected by Tugan-Baranovsky, as they consecrate inequality and, therefore, do not achieve the socialist ideal. Saint-Simon requires "such an iron discipline to which the labourer of our days, with his love and freedom, would by no means willingly submit" (Tugan-Baranovsky, 1910, 116) and is, therefore, criticised. Rodbertus is equally criticised for his system of distribution. Tugan-Baranovsky shares with Fourier a faith in the increasing social productivity of labour but does not explain how this could be compatible with freedom. Kropotkin oscillates on this point between freedom and violence. Bellamy is the only one who offers interesting commentary on the "choice" of a profession; and Proudhon explains his innovating idea on a new organisation of exchange. However, the author that finds the most support from Tugan-Baranovsky is Pecqueur and his most harmonious conciliation between individual freedom and the social organisation of labour.

These authors are, however, often mistaken, according to Tugan-Baranovsky, when they forget to analyse a few of the significant external constraints that are precisely under the scrutiny of political economy. Utopia and the science of political economy must therefore converse, in order to approach the socialist ideal, which Tugan-Baranovsky defines as follows:

We ... define Socialism as the social organisation in which, owing to equal obligations and equal rights of all to participate in the communal work, as

also owing to the equal right to participate in the produce of this work, the exploitation of one member of the community by another is impossible. (Tugan-Baranovsky, 1910, 14)

The plan for the future society aimed at achieving this ideal is the result of the discussion between the various plans described by the utopian authors and the science of political economy. The discussion is arranged around the following typology:

Table 2: Typology of future societies

	A. Socialism	B. Communism
1. Centralized	A1	B1
2. Corporate	A2	B2
3. Federal	A3	B3
4. Anarchical	A4	B4

Source: Tugan-Baranovsky (1910, 110)

The first distinction of this typology, between socialism (A) and communism (B), concerns the way in which the society organises the distribution of the social product among its members. The second distinction (1. centralised, 2. corporate, 3. federal, 4. anarchical) concerns the way in which the productive forces are coordinated in the economy in order to reach the social needs.

Regarding the first distinction between socialism and communism, Tugan-Baranovsky rejects the explanation based on property rights, according to which there are no private property rights on means of production under socialism; and no private property rights at all under communism. This criterion is dismissed on the basis of practical reasons (how to conceive no rights of property on clothes that are currently worn? or on the poet's pen?). Tugan-Baranovsky proposes an alternative criterion in order to distinguish socialism from communism: under socialism (A), each individual has an income (monetary or not), which narrows his consumption of goods (with private property rights on the latter), offered at a given price expressed in units of the individual's income. Under communism (B), there is no notion of income and consumption is either free, if there is enough consumption goods, or otherwise fixed.

The second level of distinction (cf. Table 2) directly answers the following—almost Smithian—quest:

A society to be perfect, to have all that is requisite to its nature, must consequently be so organised that the widest possible personal freedom of the individual can go hand in hand with the greatest possible security of the interests of the community as a whole. (Tugan-Baranovsky, 1910, 180-181)

A centralist system (1) offers the greatest possible security since it allows the coordination of the whole production process in order to

follow defined goals, such as answering society's needs through planning (see next section). A centralist system can be highly efficient since the division of labour can be extended at a large scale. On the other side of the coin, centralist systems are necessarily authoritarian, if not dictatorial, since they decide, among other things, the professions of society's members. Individual freedom is, therefore, in danger. These characteristics are encountered, for example, in the systems of most Saint-Simonists, Pecqueur, Bellamy and Cabet. A corporate system (2) does not fulfil the socialist ideal since society, organised around professional unions, knows no coordination and does not secure equal economic rights to its members, but creates new social classes by occupation. Corporatism should be forgotten. On the contrary, a federal system (3) can regionally achieve the socialist ideal: it consists of self-sufficient independent small communities, loosely connected to their neighbours on a voluntary basis. The division of labour is less developed as compared to the centralist system and, therefore, yields lower productivity while simultaneously securing greater individual freedom. The organisation of labour and distribution can differ greatly from one community to another. This system, proposed by Owen, Thompson and Fourier, could and should be used as a counterweight to any centralist system. Finally, an anarchical system (4) is a society in which the individual is absolutely free from the point of view of economic labour and independent from any social community. The individual is self-sufficient and interacts with others only on a voluntary basis. This system, proposed by Godwin, Proudhon and Kropotkin, guarantees the greatest individual freedom but would necessitate a tremendous level of technology in order to allow each individual to produce all his needs by himself.

There is no combination in this typology that corresponds to the absolute ideal. Practical concessions are unavoidable between the two conflicting objectives, freedom for the individuals on one side and proportionality in the economy on the other. Regarding the first distinction between communism and socialism, the ideal would free unlimited consumption (communism) but, due to present-day constraints (technology and, perhaps, human nature), today's ideal is socialism, where consumption, albeit limited, is at least free. An improvement can be guaranteed with a mixed system: where communism is possible, it should be applied. Education, health services, museums, libraries, transports... should be rendered immediately and freely available to the members of society. The greater the social productivity, the larger the supply of such communistic goods: non-luxury food, lodging... Regarding the second distinction, only centralism can achieve the greatest coordination or economic proportionality and, therefore, efficiency or useful productivity. The productive forces can be governed in

accordance with social needs. In order to guarantee individual freedom, ingredients of both federal and anarchical systems are to be introduced within the centralist system. In this regard, the utopian systems contain a full set of ideas that can be of some help: a few hours per day of compulsory socially useful labour may be sufficient to procure society with its basic needs and to give to all society's members the right to a part of this social product. In order to accomplish their own ideal, individuals could freely spend remaining hours in activities that are not directly useful to society's direct material needs: leisure, craftwork, arts, literature, intellectual and scientific work, etc. Whether the individuals retain private property on the product of this work is a different question.

The issue of the social product's distribution among society's members under socialism is a central one. Should society procure an equal income to all its members (which does not mean equal consumption) or should it guarantee equal rights for all individuals to the integral product of their individual labour in order to entirely eliminate society's exploitation of an individual? In other words, should the individual receive according to what he gives? Keeping his ethical position in mind, Tugan-Baranovsky supports the first system:

A system of equitable distribution must aim not at warranting to every labourer the whole of his produce, but at the possibly greatest agreement of the distribution of products with the fundamental ethical principles of Socialism—the idea of equivalence of the human personality. (Tugan-Baranovsky, 1910, 127)

There is no other ethical system of remuneration: the myth of labour being paid according to its productivity is senseless according to Tugan-Baranovsky. It should be recalled that, under capitalism, he rejected both classical theories of wage and the marginal productivity theory of wage, to support his "social theory of wage"⁷ according to which wages are determined in concordance with the relative powers of the workers and the capitalists in each sector. Therefore, for Tugan-Baranovsky, the capitalist wage cannot serve as an indicator of the worker's productivity. A comparison of two different types of labour is impossible:

By what standard, for instance, could the productive work of a judge, a physician, or a farmer be rated? How many working hours are included in the work of a poet, or what quantity of "normal working time" is equal to his labour of one hour? (Tugan-Baranovsky, 1910, 127)

Therefore, an equal income for all members of society is the only practical solution, which moreover better conforms to the socialist ideal, by asserting the equal value of all humans.

⁷ See Tugan-Baranovsky (1913b).

Another central issue discussed by Tugan-Baranovsky concerns the nature and organisation of labour under socialism. In an anarchist society, each individual can choose his profession but, if everyone wants to be poet, for example, society will soon cease to exist due to a shortage of food. Tugan-Baranovsky is confident that, with equal income for all professions, the choice of a profession will become a sole question of taste and that it will be easier to give to every one its desirable job, even within an authoritarian mode of production. Some arrangements will nevertheless be necessary: the toughest jobs could be compensated by a shorter workload (but not by a higher income). Tugan-Baranovsky has a strong belief that social productivity will rise under collective ownership of means of production and, once the basic needs fulfilled, it will leave the individuals with a full amount of free time. The relation to labour will change and members of the socialist state will satisfy others needs with new activities: arts, literature, science, luxury craftwork... that will contribute to the spiritual development of the socialist society. Some of these activities, such as science, will even contribute directly to the growth of social productivity of human labour⁸. In all these activities, no authority should ever be applied; they should remain absolutely free in order to be useful to humankind.

Before this ideal picture of free choice of labour is reached, the socialist society should first organise itself in order to secure the basic and, soon non-basic, consumption goods for its members. This is precisely the goal of the economic plan.

3. Building Socialism: Value and the Economic Plan

In Tugan-Baranovsky's terminology, the "economic plan" corresponds to the distribution of the productive forces between the alternative sectors of the economy. In a capitalist economy, the plan corresponds to the sum of numerous individual plans made by firms, based on the distribution of various means of production (labour, capital, land) according to the economic principle of profit maximisation. These calculations do not realise the socialist ideal, since they are based on costs of production, a concept that considers the work of man as a resource among others, for purposes alien to the worker. The sum of these plans leads to disproportionality between the social product and social needs.

In a socialist economy, the plan can be consciously developed: it should correspond to the distribution of human labour (the only pertinent means according to ethics) among the alternative sectors of

⁸ Tugan-Baranovsky explains that machinery will no longer be seen as an enemy to the worker under socialism, since it will give him the opportunity to develop himself.

the economy, for the social product to be in full proportionality with the needs of human beings (the objective). In this way, the economic plan fulfils the socialist ideal based on the ethical principle of the equal value of human personality. Production in the socialist society should therefore be planned, according to the two following considerations: on one side, considering human labour as the only pertinent input variable; and considering human needs as the only pertinent source for the output variable on the other. This is achieved by Tugan-Baranovsky's theory of value and prices.⁹

From 1890 onwards, Tugan-Baranovsky developed a synthesis in the theory of value (Tugan-Baranovsky, 1890). After his initial step, the synthesis approach to value theory was to become a tradition among Russian economists¹⁰. For Tugan-Baranovsky, most theories of value were one-sided and the misunderstanding between an "old" labour-based theory and a "new" theory based on marginal utility should be understood under the following perspective: Ricardo places the labour of man at the centre of his understanding of value ("an objective moment") while Wieser takes for granted that the human process of evaluation—marginal utility—determines the value of goods ("a subjective moment"). Objective and subjective moments are not incompatible; they are reconcilable and even, on an ethical basis, they are both necessary.

In 1890, Tugan-Baranovsky gave an example of how this reconciliation takes place. A community produces only two goods: A and B. These two goods provide this community with the following marginal utilities¹¹:

Production	1	2	3	4	5	6	7	8	9	10	11
Good A	10	9	8	7	6	5	4	3	2	1	0
Good B	10	9	8	7	6	5	4	3	2	1	0

The production of one unit of good A requires 1 day of labour while two days are needed for the production of one unit of good B. Suppose that the community has at its disposal 4 days of labour, Tugan-Baranovsky asks:

⁹ See Nenovsky (2009) and Allisson (2012, Ch. 5) for a full treatment.

¹⁰ Members of this tradition include V.K.Dmitriev (1868-1913), L.v.Bortkiewicz (1868-1931), N.N.Shaposhnikov (1879-1939) and L.N.Yurovsky (1884-1938). See Allisson (2012, Ch. 6).

¹¹ Tugan-Baranovsky saw in Menger's schemes the best illustration of the difference between the total and the marginal utility provided by different quantities of several goods. As many Russian economists at the time, he made an abundant use of these schemes. They are reproduced *here* horizontally only to save some space. The first unit of good A gives a marginal utility of 10, the second unit of good A gives a marginal utility of 9, etc. Idem for good B. These are *cardinal* utilities.

How should labour be distributed so that to observe the economic principle—to reach with the least expense the biggest utility? (Tugan-Baranovsky, 1890, 225)

The ideal production plan requires all labour forces to be assigned to the production of 4 units of good A, contributing to a total utility of 34 (10+ 9+ 8 + 7). If the society disposes of 8 days of labour, the ideal production is the following: 6 units of A and 1 unit of B (since every alternative distribution of labour is less efficient), for a total utility of 55 (10 + 9 + 8 + 7 + 6 + 5 + 10). The last unit of good A has a marginal utility of 5 and the last unit of B has a marginal utility of 10. At the same time, the production of A takes 1 day and the production of B takes 2 days. From these ratios (10:5 vs 2:1, or 10:2 vs 5:1), Tugan-Baranovsky concludes: “The marginal utilities of produced goods are proportional to their cost of labour” (Tugan-Baranovsky, 1909, 73). In others words,

The utility of the last units of reproducible goods of every kind—their marginal utility—should be inversely proportional to the relative quantity of these goods produced during one unit of time of labour; or directly proportional to the costs of these goods. Only the fulfilment of this condition guarantees that the distribution of the production corresponds to the economic principle of the greatest utility. (Tugan-Baranovsky, 1909, 72)

This illustration of Tugan-Baranovsky’s synthesis in the theory of value shows how he conceived planning in a socialist economy: building an economic plan based on the theory of value allows the synthesis between the objective (production) and the subjective (needs) sides of his human—ethical—economy:

For the establishment of this [economic] plan, the socialist society will have two considerations in mind: on the one hand, it must take into account the marginal utility of each good, on the other hand, their labour cost. These are the two fundamental elements for the construction of the socialist economic plan. (Tugan-Baranovsky, [1918] 2003, 390)

Many problems arise from this conception of planning: the collection of data on labour costs and, moreover, the estimation of marginal utilities (on this, see Barnett, 2000, 122 and 129-130). On this point, Tugan-Baranovsky was optimistic that these evaluations would prove easier than thought. Indeed, in his last written paper entitled “The Influence of Ideas of Political Economy on the Natural Science and Philosophy” ([1919] 1977), published posthumously, he provides an analysis of the influence that the economic concept of “evaluation” was having on other fields, mainly psycho-physics in the Weber-Fechner and Wundt tradition. As in the case of Darwin, influenced by Malthus, Tugan-Baranovsky showed that political economy, as the science of evaluation (and marginal utility as its greatest development), was in an optimal position to numerically assign economic values:

Life is certainly not confined to economic activity. However, economic interests prevail over all other vital interests, because they are most urgent, and are closest to the material basis of life. Economic activity is nothing else than the adjustment of the external material environment to man's needs; every need of man requires such an adjustment. Therefore the satisfaction of all life's needs is related to some extent to economic activity.

Because of the urgency of economic welfare (*primum vivere, deinde philosophare*) man is especially interested in a thorough accounting of everything related to conditions underlying the satisfaction of these needs. At the same time, because the economy is directly related to physical environment, such an accounting is possible in a more precise form than is true in other fields of psychic life. Thus, economic science elaborates methods of more precise accounting for those psychic processes that it deals with than does any other non-natural science.

Strictly speaking, it is only in the economic field that evaluation processes arrive at numerical results. Everything in man's life has its definite value, but almost nowhere outside the field of economic value are these values expressed in numbers. How does one measure the value of beauty, mind, health, or talent? There is no doubt that they all possess values, but these values cannot be measured. (Tugan-Baranovsky, [1919] 1977, 207)

This view allows a strong link between marginalism and socialism, as entailed by Tugan-Baranovsky's 1919 paper¹².

However, this should not hide the other difficulties entailed by evaluating marginal utilities. The latter is calculated for the community as a whole without considering any individual level or any issue of aggregation. Here, Tugan-Baranovsky clearly overshadows the potential loss of freedom that may result from the concept of *social marginal utility*. Finally, the whole reasoning is based under the present technical conditions hypothesis that evades the issues of accumulation and of inter-temporal consumption. Nevertheless, Tugan-Baranovsky proposed an ethical system of planning under socialism, which was supposed to surpass capitalism without any knowledge of Barone's approach¹³.

Whether socialist planning should be applied on a national scale (centralist scheme) or on a more regional scale (communities organised around the federal scheme) or a mix of both is not specified by Tugan-Baranovsky but one should guess, according to his principles previously exposed, that he would avoid too much centralism (authoritarianism) and too much regionalism (disproportionality and inefficiency). His intense involvement in the

¹² For a more comprehensive evaluation of Tugan-Baranovsky's last written article (Tugan-Baranovsky, [1919] 1977), see Klimina (2008) and Katsenelinboigen (1977).

¹³ The reverse seems true as well: so far, there is no indication that Barone had read any of Tugan-Baranovsky's writings on value.

cooperative movements¹⁴ is perhaps an indication of his preference for smaller communities, and therefore for liberty over planning every aspect of human life:

There is but one province of human activity in which unlimited freedom is possible and indispensable: it is the province of the higher intellectual creative labour, where no authority can be tolerated ... this sphere of labour does not require the maintaining or the observance of proportionality of production, which constitutes an imperative demand in economic adventures. (Tugan-Baranovsky, 1910, 181-182)

Tugan-Baranovsky acknowledges the possible need for the proletariat to take political power in order to establish the future society¹⁵ because most political parties and trade unions only envisage the improvement of the situation of the workers and not the transformation of society. However, he shared a faith in the future developments of these economical and political entities: cooperatives, unions, cartels, political powers, ... for they were potentially instrumental in preparing the transformation of society and especially the economic sphere of society. Indeed:

There is no necessity whatever to introduce Socialism at once to its extreme limits. On the contrary, it is to all intents and purposes by far more rational to gradually remould the existing economic structure by slowly infusing into it the spirit of the new order. The land and enterprises of national importance such as railways, credit and insurance institutions, likewise all capitalistic associations, trusts, and syndicates which extend to large proportions, can immediately pass into possession of the State without any technical difficulties. (Tugan-Baranovsky, 1910, 229)

However, Tugan-Baranovsky warned: complications will not come from the political sphere but from the economic organisation of the new socialist society:

The most difficult task for Socialism will be to adjust supply to demand; in other words, to establish a proportionality between production and consumption. Under the actual reign of unrestricted industrial activity and private enterprise, this problem is being solved by the ruin of those undertakings, the products of which exceed the social demand and the rapid growth of such concerns, and the increasing profits they yield are due to the demand for their products being greater than the supply. (Tugan-Baranovsky, 1910, 229-230)

But in the process of regulation, or approaching *proportionality* in the socialist economic plan, market signals will still play a role. Prices movements indicate, at the margin, the necessary adjustments in order to meet social demand (see also Barnett, 2000, 123):

¹⁴ Both practical and theoretical. See his *Social Foundations of Cooperatives* (Tugan-Baranovsky, 1916).

¹⁵ See especially chapter VIII (Practical programme of socialism) of *Modern Socialism* (Tugan-Baranovsky, 1910).

However, the Socialist system will not wholly escape the regulating influence of the fluctuations of the market, in so far as under the reorganised State, commodities will be bought and sold at prices dictated by the ratio between social supply and demand. In the Socialist community, just so as in the capitalistic, the prices of a commodity will rise in the case of demand exceeding supply, and fall in the inverse instance. In this manner, the market prices of a product will serve as a graduator of the proportionality of social production with the society of the future, as it serves with the society of the present time. The difference will consist only in prices; retaining the quality of a regulator of social production and consumption, under the Socialist arrangement of economic life, it will cease to be the regulator of social distribution. (Tugan-Baranovsky, 1910, 230-231)

For Tugan-Baranovsky, under socialism, income distribution will no longer depend on economical relations but will depend on social and political relations. This very fact will induce many changes in the life of the people, in relation to freedom and the absence of exploitation:

Under the Socialist organization of production, the income of the labourer employed in a given branch will not bear any direct relation to the consumption of the return of his labour, his fixed income being at all events secured. The elementary forces of the capitalist system, the influences of the fluctuations of the market, must be replaced by a special mechanism to be introduced and worked by Socialism, in the form of most detailed statistical data regarding production and consumption, and the elaboration of a rigorous organization of the employment of labour in different branches of industry on a level with the social exigencies. This organisation must, on one side, secure the proportionality of social production, and on the other hamper personal freedom as little as possible—the freedom of every individual to choose his profession according to his taste. (Tugan-Baranovsky, 1910, 230)

This is the beginning of the socialist transformation of human beings and this is where Tugan-Baranovsky ends his investigation.

4. Conclusion

Tugan-Baranovsky extended his critique of the capitalist system to the formulation of a new social system resolving the contradictions inherent to the former system. Capitalism is condemned to fail, not because of contradictions related to its mode of production, but as a consequence of its immorality. The exploitation of men by other men is not the goal ascribed to the economic system of a human society. The economy should only be a means for humans to satisfy their needs, at the least of their expense.

Handling the economic concepts that were disputed among economists at the end of the nineteenth century, Tugan-Baranovsky attempted a synthesis in the theory of value in full agreement with his vision of the new socialist society. On the subjectivist side of the economy, he borrowed the notion of marginal utility, although on a

social scale, in order to follow the needs of society. Production is thereby driven by no consideration other than consumption needs. On the objectivist side of the economy, he constructed a notion of labour costs, halfway between Marx's labour value and Ricardo's absolute value, in order to take into exclusive consideration the expense of man, i.e. labour. The difficulty of production is considered from the point of view of human labour and disregards all capitalist notions such as those—wage, profit and rent—that form the costs of production. Both subjectivist and objectivist sides—which coincide only by accident under capitalism—are to be implemented in the new socialist society within the scheme of a conscious economic plan. With his example, illustrated in section 3, he paved the way for economic planning, although he overlooked two important conditions required to bring his economic plan into action.

The first condition implies knowing the marginal utilities for all possible goods in the given society. These estimations would necessitate large-scale surveys, not to mention the difficulties encountered in the expression and in the comparison (and therefore aggregation) of all individual evaluations. The second condition concerns the calculation of labour costs. The latter supposes a full knowledge of the present day (and future) technology in order to estimate the total amount of human labour embodied in a given good under present technical conditions, again not to mention the issue of scale of production. While these two conditions imply large surveys, the development of statistical techniques for calculating the national balance (in labour terms), and offer a full range of fieldwork for statisticians in the Russian empire, Tugan-Baranovsky was certainly authorised to believe in their feasibility, given the promising development of theoretical and empirical statistics at the beginning of the twentieth century in Russia.

Nevertheless, statistics are not a panacea. If planning could answer the materialist needs of life, it should not hide the other objectives of socialism: freedom and development of human personality. A centralist society alone could not achieve these objectives. In order to guarantee utmost human freedom, federal and anarchist ingredients should be incorporated. This wisdom, theoretical at least, that would not be followed by the Bolsheviki, crossed Tugan-Baranovsky's mind while he was reading, and taking seriously into account, the utopian authors: the stars thanks to which a night stray traveller chooses his road...

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