

# Unprecedented Insight Into Che's Economics

Monday 15 June 2009, by [RABY Diana](#) (Date first published: 14 June 2009).

**Che Guevara: *The Economics of Revolution* by Helen Yaffe. Palgrave Macmillan: London, 2009. Reviewed by Diane Raby.**

## Contents

- [The Law of Value under Sociali](#)
- [The transformation of Cuba](#)
- [Study and scientific rigour](#)
- [The Critique of the Soviet \(...\)](#)
- [Che's Legacy](#)

Helen Yaffe has produced a very important book which can only be described as essential reading for all socialists. Ernesto Che Guevara has been justly admired, indeed romanticized and even idolized, for his heroic role as revolutionary guerrilla fighter, his personal integrity and self-sacrifice culminating in martyrdom. But a vital period of his short life has been inexplicably neglected in previous accounts: the six years in which he served the Cuban revolutionary government, playing a crucial role in the transition to socialism.

As President of the National Bank, head of the Department of Industrialisation and then Minister of Industry, Guevara was responsible for many of the fundamental decisions in creating a distinctive Cuban model. Despite the importance of Soviet support in providing a lifeline to the young revolution, Che quickly made clear his reservations with regard to economic policies in the USSR.

Che's criticisms gave rise to a public polemic which came to be known as the "Great Debate," and several of the key contributions to this discussion were published in a useful volume edited by Bertram Silverman (*Man and Socialism in Cuba: The Great Debate*, New York: Atheneum, 1971). But we have had to wait until Yaffe's book for a detailed analysis of Guevara's arguments and of actual policies.

On the basis of 60 interviews with Che's former colleagues and extensive archival research, including consultation of Guevara's crucial notes for a critique of the Soviet Manual of Political Economy, Yaffe gives us unprecedented insight into Che's vital contribution to the Cuban Revolution and to Marxist theory.

## The Law of Value under Socialism

The central issue at stake was the role of the Law of Value under socialism. [The Law of Value is the Marxist concept that market prices of products are proportional to the socially necessary labour time required to produce them.-SV Editor]

Ever since Lenin, Communists had recognised that this key component of capitalist economics would not simply disappear overnight and could not be legislated out of existence; in the USSR in the early

1920s, Lenin's New Economic Policy (NEP) was an explicit tactical retreat which authorised extensive use of capitalist practices and hence the Law of Value. Although Stalinist collectivisation appeared to eliminate or greatly restrict its operation, in fact it continued and after Khrushchev's reforms in the late 1950s, the Law of Value was once again explicitly enshrined in Soviet economic manuals.

To Guevara, Soviet technological backwardness was a symptom of the stifling of socialist creative potential by trying to combine socialist planning at national level with capitalist management systems at enterprise level. In technical terms, the key issue was the use of the Auto-Financing System (AFS), promoted in Soviet manuals from the 1950s onwards, as against the Budgetary Finance System (BFS) favoured by Guevara. The AFS encouraged enterprise managers to maximize profits by using market mechanisms to determine prices, financing their own investments through credit and developing autonomous commercial relationships with other public enterprises with little regard for the national plan.

In contrast to this, under the BFS goods exchanged between public enterprises were transferred without payment; a cost price was administratively determined and the relevant adjustments were made in the respective enterprise accounts in the Treasury. Incentives were based on micro-management of costs and production contracts (determined by management consultations at all levels, with direct worker input) regulating quantity, quality and punctuality.

Che's argument for the BFS was that under socialism, the entire Cuban economy was essentially one big public enterprise, and therefore exchanges of products within it were not commodity transactions; there was no transfer of ownership and therefore no purchase or sale. Costs had to be recorded to prevent waste, but incentives for increased quantity or quality of production should be based on the collective interest and not market forces.

This principle of socialist exchange, in which the Law of Value does not operate, could not be applied to foreign trade with capitalist countries, where imports were necessarily priced according to the Law of Value. It followed that goods produced in Cuba with imported inputs (raw materials or machinery) would have to reflect the Law of Value in their pricing. Indeed, one of Che's major criticisms of the Soviet Bloc was the extent to which they applied capitalist market prices in their international trade.

## **The transformation of Cuba**

It is fascinating to see how Guevara applied these abstract principles in practice to the management of the Cuban economy, at the same time that he was wrestling with all kinds of mundane practical problems. The nationalisation of virtually all large-scale enterprises in only two or three years, together with the sudden loss of Cuba's traditional commercial ties to the US and the need to replace American with Soviet technology, threatened to bring about complete economic paralysis.

What Helen Yaffe's book shows in this respect is how Che's extraordinary revolutionary dedication enabled him to deal with this daunting situation. While her discussion of the BFS refutes the widely held myth of Guevara as a pure voluntarist and idealist, her account of his practical administrative work shows how his personal will and commitment drove him to find solutions to apparently insoluble problems.

Yaffe gives amusing examples of the improvisation and spontaneity which characterised the revolution in its early years, such as Che's appointment as President of the National Bank despite having no economic training or experience and his decision to appoint his maths lecturer, Salvador

Vilaseca (who was equally inexperienced) as his deputy; and the appointment of 200 teacher trainees, aged 15-20, as managers of nationalized enterprises.

These examples confirm the tendency to improvisation and spontaneity which characterised the revolution in its early years, and while such rash decisions sometimes had disastrous consequences, it is remarkable how often these young and inexperienced revolutionaries succeeded in their new tasks. The reason for this almost certainly lies in the dedication which Guevara (and Fidel and many of their associates) brought to everything they did, and the practice of giving real decision-making power to shop-floor workers.

### **Study and scientific rigour**

The myth of Che as impractical idealist is further undermined by his respect for science and his quest to apply the most advanced scientific knowledge in all spheres. Whenever he assumed a new responsibility, he immediately began to study the relevant scientific disciplines, systematically and intensively – and he insisted on his subordinates doing the same.

This combination of dedication, theoretical rigour and attention to practical detail also characterised Che's approach to issues of workers' participation and socialist consciousness. His insistence on the crucial importance of developing consciousness – the "New Man" – was not just a matter of propaganda and exhortation. All kinds of mechanisms were introduced to promote workers' initiative and participation: Committees for Spare Parts, the Movement of Inventors and Innovators, Advisory Technical Committees, Production Assemblies and Committees for Local Industry. Most important, the human side of workers' involvement was a central concern.

Thus the encouragement of voluntary labour and moral (as opposed to material) incentives was accompanied by measures which showed a growing understanding of workers' practical problems. Health and safety were recognised as important issues, and "burnt-out" workers were given entitlement to rest and recuperation in holiday resorts. Guevara's medical training made him sensitive to workers' problems of stress and self-esteem, and of psychological issues in general; and he was forced (with some difficulty) to recognize the problematic impact of his own explosive character.

### **The Critique of the Soviet Manual**

Guevara's contribution to socialist theory is summed up in an incomplete study which he was working on in 1965-66, before leaving for Bolivia. These notes, which amount to a comprehensive critique of the Soviet Manual of Political Economy, and which were so contentious that for 40 years they were kept under lock and key by Che's deputy Orlando Borrego Díaz, are analysed in Yaffe's chapter 9.

Guevara's ideas are certainly controversial, and a breath of fresh air for anyone familiar with the fossilised formulae of "orthodox" Communist (and in many cases also, Trotskyist) exegesis. He argued that in the USSR the NEP (which Lenin would surely have abandoned had he lived longer) had entrenched the structures of pre-monopoly capitalism, but centralised planning had prevented competition (and the Law of Value) from operating freely. The result was the worst of both worlds: technological stagnation and a situation in which "man neither develops his fabulous productive capacities, nor does he develop himself as the conscious builder of a new society." Stalinist dogmatism had frozen the system but had since been replaced by inconsistent pragmatism, which in

turn would lead more and more towards capitalist restoration, pure and simple.

But Guevara's criticisms went far beyond this. He also rejected the Soviet Manual's acceptance of the idea of a peaceful, parliamentary road to socialism in some countries; condemned the working class in imperialist countries as accomplices of the system; identified landless peasants as the truly revolutionary force in most countries; and condemned the USSR for replacing internationalism with chauvinism, forcing other socialist countries into submission.

## **Che's Legacy**

Yaffe recognises that Che's ideas have not been fully applied in Cuba since his departure and death, but neither have they been simply abandoned. Rather, she argues, the country's subsequent history "can be portrayed as a pendulum swinging between what is desirable and what is necessary – with Guevara's ideas being associated with the vitality of the Revolution," She also correctly draws attention to the importance of the new relationship with Venezuela and the ALBA, in which international exchanges take place on a non-commodity basis. She quotes favourable comments by Hugo Chávez on Che's ideas and the adoption by the United Socialist Party of Venezuela of "the strategic objective of neutralizing the operation of the law of value".

What this book has achieved, then, is to demonstrate that Guevara's greatness lies at least as much in his contribution to socialist thought as in his heroic example as a guerrilla leader. This does not mean, of course, that his ideas should be accepted uncritically; indeed that would itself be totally un-Guevarist.

In the humble opinion of this reviewer, two questions immediately arise. First, if the BFS is a desirable mechanism for avoiding the operation of the Law of Value at enterprise level, does it not create an enormous danger of bureaucratic centralism stifling workers' democracy and initiative? And secondly, while it may be desirable to view the entire economy of a socialist country as one single enterprise owned collectively by the working people as a whole, does this not pose a serious problem of the potential disparity between ideal and real possession of the means of production: i.e., workers may well feel that they are the owners of their particular workplace, but do they really feel – and do the objective conditions exist for them to function as – owners of the entire economy?

One thing is certain: for anyone engaged in the struggle for a better world, the thought of Che Guevara is a fundamental point of departure, and this book is an essential work of reference.

---

Related reading: Che's Final Verdict on the Soviet Economy by John Riddell:  
[Che Guevara's Final Verdict on the Soviet Economy](#)

---

### **P.S.**

\* From Socialist Voice:  
<http://www.socialistvoice.ca/?p=409...>

\* Diana Raby, professor emeritus of history at the University of Toronto, is a research fellow at the University of Liverpool. Her review is reprinted by Socialist Voice by permission from *Fight Racism! Fight Imperialism!* <http://www.revolutionarycommunist.org/>