

**NOTES ON DISTRIBUTION ACCORDING TO NEEDS
IN SOCIALISM***

1. It has been widely accepted, following Marx, that the future classless society will pass through two different stages. In the lower stage, called socialism, scarcity is still present and the distribution of income is in some sense proportional to the productive services of individuals. In the higher, post-scarcity stage, called communism, distribution according to needs will take place. Not much more than what has just been said is to be found in the existing literature. In particular »distribution according to work and »distribution according to needs« have never been precisely and unambiguously defined. What is the exact meaning of the »work contribution« or of the »need«? What is the nature of the transitional periods to socialism and from socialism to communism? Such questions have been left unanswered. In this Note I propose to discuss, in a very sketchy way, only the distributional aspects of needs.

2. The entire social product may be divided into two parts: market (or commercial or profit motivated) product and non-market product. The latter can further be subdivided into the part with welfare content (e.g. education) and the part that plays the role of social overheads (e.g. judiciary). The market output of goods and services can be — and ought to be, because this is the most efficient solution available — organized on the basis of exchange which implies distribution according to work. The non-market output calls for a different organizational principle. In fact these are tautological statements until we identify the market and non-market parts of social product. Of the latter, it is only the part with welfare content that interests us here. In its consumption aspect I shall call it *collective consumption*, reserving the term *public consumption* for the non-welfare part.

If class stratification is to be avoided, distribution must be organized on the basis of work contributions, and for this reason socialists insist on the distribution according to work. If private productive property exists, a part of social income will flow to property owners *qua* owners and that will provide the basis for the emergence of a class of capitalists. If the state monopolizes productive property, than part of the social income will flow to the state officials, the distribution will correspond to the structure of social hierarchy and this will provide the material basis for the emergence of a class of bureaucrats. For socialism to be established all nonla-

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bour income must be eliminated. However, even this will not quite do. If prosperous families can buy better education and health for their children, all members of the society will not be equal at the start — while equity is the essence of socialism. Thus again, personal income will not depend exclusively on personal efforts but also on extraneous factors such as the wealth or the wisdom of the parents.¹⁾ For this reason, even strict distribution according to work is not sufficient for a socialist society; it must be supplemented by distribution according to needs whenever this has an important bearing on the development of talents and personal faculties of individual members of the society. Whether you have a big or a small car does not really matter because both will bring you to wherever you want to go. If you have only primary education and had no chance to attend a university, or if you suffered from malnutrition in your childhood — you will be fundamentally handicapped in your life. Let us note in passing that it is not only social justice — the socialist principle of equity — that requires that every individual be given equal opportunity, but that this requirement coincides with the maximization of economic efficiency since the available store of social talent will be maximally exploited.

4. The following activities contribute to the building of personal capabilities:

- (1) Education
- (2) Medical Care
- (3) Social Welfare
- (4) Culture
- (5) Physical Culture
- (6) Environment Conservation and Creation

These six personality building activities ought to be organized on a non-market basis. This implies that both the supply and the demand side should be organized differently than in the market activities. Here we are concerned only with the demand side. Regarding the supply part I should like only to draw attention to the distinction between provision and production: collective provision of a good does not imply production by a public body. Let me also make a terminological suggestion. *Collective good* refers to non-market output with welfare content. Its essential characteristic is that it contributes to the development of individual faculties. There are at least six broad categories of collective goods. *Public good* refers to non-market output without a welfare content and representing social overhead cost (judiciary, police, army, public administration).²⁾

5. Classical economists did not have much to say about demand. They talked of the *use value* which was subjectively determined and there was little, they thought, one could say about subjective valuations. Neoclassical

¹⁾ It may also depend on genetic or environmental accidents and therefore the labour income of disabled and mentally retarded people must be complemented by a social subsidy which may also be conceived as a global social insurance payment.

²⁾ Thus, e.g., the protective services of police represent an intermediate, not a final good. Total social product does not consist of GNP *plus* police services. The output of a shoe factory consist of a certain number of pairs of shoes, *not* of the latter *plus*, e.g., the services of night watchmen. Preserving law and order is a *precondition* for the system to be able to produce final goods and services, not an addition to final output.

economists demonstrated that even the use value can be analyzed. In fact, they turned it — under the name of utility — into the centre of their interest. Individual consumers and their preferences would determine the aggregate demand, individual firms and their costs the aggregate supply and a perfectly competitive market would lead to a Pareto optimum equilibrium. We now know that this drastic simplification was very far from what was actually happening. Let us again stick to the demand side. Even in the market sector demand has more than one dimension: apart from an individual consumer there is the society which encourages or prevents (e.g. drugs) certain consumption and there are experts who produce norms of accepted quality (e.g. for medicines, testing consumer goods or working out national standards). In the non-market sector this tridimensional demand space — containing the consumer, the expert and the society — is absolutely essential. Preferences of an individual consumer are occasionally even completely disregarded (e.g. in the case of vaccination) or he can say yes or no (as when the doctor suggests operation). The society decides on the size of the »market«. Experts perform some sort of rationing replacing the role of prices.

6. Like everything else in economics, need has a social dimension. Similarly as individual consumer demand depends on consumer preferences restricted by his budget, so collective demand depends on needs restricted by the resources available to the society. (In both cases demand is modified by changes in relative prices). We may imagine a social preference map in which individual consumer demand can be compared with collective demand and also various components of collective demand among themselves. Applying the conventional criterion of equalizing the utility per unit of expenditure, society first divides available consumption goods and services between individual and collective consumption, and then the latter among various components of collective consumption. This is done by means of a political process about which we still know very little and about which we ought to be educated by political scientists (who, however, prefer to leave us waiting). We know even less about what should be done to improve the efficiency of the process. Finally, the distribution of resources to various activities within the components is mostly done by experts.

7. Although collective needs may in some sense be equal in a poor and in a wealthy society, the revealed or resourcesbacked needs or, simply, collective consumption will differ and in general will be an increasing function of the level of development. In the early stages the share of compulsory consumption (vaccination, primary education) is likely to be great. Later collective consumption is likely to be extended to goods and services provided free of charge (or at subsidized prices) by the society while individuals will continue to exercise free choice (university education, museums and arts galleries, theatres and sports grounds). The provision of collective goods is often likely to follow a certain priority schedule, rather than marginalist calculation. Thus (except for relatively short transition periods) social programs are not likely to be oriented towards eradication of one half of malaria and three quarters of smallpox cases or to maintain 60 per cent literacy and 1 per cent university education, but rather to the complete elimination of infective diseases and towards attainment of com-

plete literacy regardless of the fact that other medical and educational needs have not yet been satiated.³⁾ Thus these seem to be certain socially determined standards and it is not deemed acceptable to tolerate consumption at lower levels.

8. We reach the conclusion that every society will decide — through some sort of efficient or inefficient political process — on the share of collective consumption in social product. The poorer the society, the lower, *ceteris paribus*, is this share likely to be. But whatever it is, collectively financed goods and services will not satiate potential demand. Thus collective consumption will be supplemented by individually financed consumption of personality forming goods and services. To the extent that this happens, the equity principle of socialism will be violated. Except in textbooks, one cannot prevent this encroachment of private use of collective services (high officials or wealthy people will have access to better hospitals and will receive better treatment; family influences cannot be eliminated; corruption and nepotism will emerge, etc.). And even if one could prevent by force all individual purchases of collective goods, that would clash with the socialist principle of free development of every individual. The welfare of the society cannot be increased by reducing the choices (which have no adverse externality effects) of its members. It follows that the best solution is to provide certain limited market also for »non-market« goods. The limits of this market will be determined by the existing social ethic and are likely to be narrower in a socialist society as compared with other contemporary societies. This inconsistent but unavoidable market is likely to shrink as society gets richer and moves closer to socialism. Thus it appears that it is difficult to build socialism in a poor society.

9. Once the volume of collective consumption has been decided upon, goods and services are distributed among individuals according to needs. What the needs are is determined by either (a) individuals themselves (mostly regarding culture, physical culture and environment enjoyment; partly in education, medical care and social welfare) or (b) experts in cases of compulsory consumption and when consumers are not competent to decide (children, insane people, patients) or (c) both, when the proposal of an expert has to be accepted by the individual (surgical operations). The determination of needs is always carried out in a given social framework.⁴⁾

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³⁾ We observe a similar phenomenon in individual consumption. In the strict logic of the marginal utility calculus, and assuming divisibility, satiation could occur only for all wants simultaneously, or for none of them. However, already at modest incomes consumption of various good is brought to the satiation level (sugar, salt, water, etc.).

⁴⁾ The social-theoretical foundation of this »Note« are explored in my paper »On the political Economy of Socialism«, *Proceedings of the First Sociological Conference on Participation and Selfgovernment*, Dubrovnik, 1972. The social accounting aspect will be found elaborated in my monograph *An Integrated System of Social Accounting for the Yugoslav Economy*, Monograph No. 13, Institute of Economic Studies, Belgrade, 1969.