

“TERTIUM DATUR” BY GRZEGORZ W. KOLODKO

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The article reveals the logical and historical grounds of Grzegorz W. Kolodko's approach to the interpretation of the phenomenon of China building socialism with Chinese characteristics and developing capitalist relations. Reality goes beyond the dilemma of “socialism or capitalism” and represents something third, having an independent meaning. It is shown that the starting point for the emergence of society and man is a jointly-divided labour whose two sides (jointness and separation) while historically evolving, are embodied on the side of separation in the market economy and capitalism, and on the side of jointness in the state and socialism. On this basis, there arises a confrontation between two opposing systems: capitalism and socialism. The subsequent historical progress turns capitalisation and socialisation into two complementary processes of the development of society, which are no longer adequate to describe in terms of the two systems. A certain third entity emerges. This proves that “Tertium Datur” by Grzegorz W. Kolodko has not only practical importance, but also deep logical and historical grounds.

Keywords: capitalism, socialism, jointly divided labour, state, market economy, Kolodko, China

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The modern world is characterised by dynamism, increasing complexity and the appearance of fundamentally new phenomena and processes that do not fit into the usual notions and concepts. One of such phenomena is represented by China, which has shown very high growth rate for a long time. Assessments of the processes taking place in China are ambiguous and contradictory. Some prominent scholars believe that capitalism already exists in China, while others insist that this is still a socialism, although a very peculiar one.

Grzegorz W. Kolodko, based on his previous research on the processes of transformation, integration and globalisation, thoroughly analyses Chinese realities and theoretical concepts about them. He poses the question: “So what are we dealing with? Is it simply a period of transition from one formation to another, in this case from socialism to capitalism, or is it a different system, which deserves a name in its own right?” (Kolodko 2018a¹). To answer these questions, the author investigates the correlation between various elements in the system of “economy – society – state”, which in different combinations determine the features of specific forms of management². He shows that “as a matter of fact, not only the economy can be capitalist or socialist, so can be the society and the state” (ibid.).

Based on János Kornai’s characterisation of socialism as a shortage economy and his own model, Kolodko linked *stagflation* under capitalism and *shortageflation* (Kolodko – McMahon 1987) under socialism as two of the most important characteristics organically inherent in the opposing economic systems. This makes it possible to understand the relationship between people’s desires and real transformations. “Protesting against queues and high prices, or shortageflation, and suggesting a transition to a free market economy, which quickly turned out to be a capitalist economy, many people, I guess, – Kolodko writes – the majority in socialist countries, including many economists, did not realize that they were in favor of substituting structural unemployment for structural shortages”. Shortageflation is so important that the author notes: “When I look for a one-word answer to the question about the causes of the fall of real socialism, shortageflation is precisely that word” (Kolodko 2018a).

From these positions, the example of China is assessed, which, according to Kolodko, contradicts the traditional views for two reasons: “Firstly, if this is socialism, then eliminating shortages in its framework has proved possible, without

¹ Since we refer to Kolodko’s (2018a) recent paper in Ukrainian language (and use our translation in the quotes), we shall not provide references with a particular page number.

² On the phenomenology of the interaction between the development of society, the state and economy see Heyets (2014).

changing the system. Secondly, if this is capitalism, then it can exist and, in economic terms, virtually thrive without democracy” (Kolodko 2018a).

Having thoroughly analysed the processes taking place in China and using the previously developed provisions of the new pragmatism for their evaluation, Kolodko notes: “I believe that deliberations such as capitalism *versus* socialism, with respect to China are becoming less and less fertile and lead us astray. If every economist agrees with the view that the ownership of means of production is of key importance to the way economy functions, then every good economist must agree that of no lesser importance are culture, institutions and policies. This, on the one hand, confuses the picture and the object of the analysis, and on the other hand makes the analysis easier as it enriches the field of observation by adding new elements. After all, things happen the way they do because a lot happens at the same time...” (Kolodko 2018a).

At the same time, some economists are trying to reveal the specifics of China without resorting to “capitalism” and “socialism” terminologies. Kolodko considers this approach fruitful and comes to the following final conclusion: “I believe that the capitalism *versus* socialism disputes are, on the one hand, a specific legacy of the Cold War period which real socialism evidently lost, as real capitalism evidently won it. However, this does not mean the end of history (Fukuyama 1989), as history will be with us for as long as we are surrounded by conflicts of interests and the attendant clashes. It’s good as it will make economists always needed because wherever there are conflicting interests, there’s room for their research and activities. Also, this does not mean those two regimes must be inevitably in constant confrontation, whose fetters are so difficult to mentally break free from” (Kolodko 2018a).

Very important is Kolodko’s assessment of the processes of internal convergence in China’s economy. He writes: “These days, China is the one undergoing a sort of convergence. It is experiencing a process of gradually infusing the social and economic reality with fundamentals associated with capitalism, but capitalism is being opposed or sometimes pushed out by elements associated with the mentality typical of socialism. One can say that a hybrid in the form of socialist capitalism or – if you will – capitalist socialism is developing there; a sort of Chinism. It sounds like *contradictio in terminis*? A contradiction in terms? By no means; we are just stuck in the mental trap of a sharp but also false alternative: socialism or capitalism – *tertium non datur*. Meanwhile, something systemically different, though, in its nature not entirely devoid of elements of those both systems, can be born” (Kolodko 2018a) – *Tertium datur*.

For such a position, Kolodko has quite deep logico-historical grounds. Socialism and capitalism just represent two historically formed opposing systems, which had developed from the fundamental structural elements of the society that

subordinated all other elements to themselves. Therefore, the deep roots of the existence of these two systems should be sought in their prehistory, that is, in the origins and development of human society. This initial basis is jointly-divided labour (Grytsenko 2005). It is exactly this relation from which arises, on the one hand, man, and, on the other hand, society. In addition, it is in the course of this very process that the economic and the social divide unify as relations between man and society, being the later represented on the one hand in the object and objectified world (the economic), and on the other hand in the human and subjectivized world (the social).

All social relations are basically jointly-divided activities and represent their specific forms. Institutions, in particular the state and the market, are among the most important forms of realization of jointly-divided relations. In the primitive society, where the jointly-divided labour was formed, all people participated in the labour process, and jointly produced the means for life. Therefore, labour from the very beginning was a joint effort, but each person only performed his or her part of this work. Hence, all labour was divided between individuals.

However, this division is not for different types and forms (hunting, farming, etc.), but a separation of groups with the same occupation, for example, hunting. The division of labour appears here as another characteristic of jointness. Once labour is joint, it is performed by several individuals. Therefore, each only performs his or her part of the work, and all labour is divided between its participants. Such a jointly-divided labour is the cell from which both the social division and isolation of labour, as well as its co-operation and socialisation historically develop.

The development of jointly-divided labour occurs in accordance with the logic of all development whose sources are internal contradictions. The deepest interpretation of the contradiction as a source of development is given by Hegel (1971). He showed that the essence of the phenomenon is revealed through contradiction and found the main stages of its deployment. All development begins with the identity, which includes the difference that Hegel called absolute. Then the distinction undergoes, in unity with identity, its own stages of development, becoming a difference and opposition to itself, and then returns to the identity of contradictions as a developed contradiction. A cell of this contradictory movement is defined as “identity – difference – contradiction”.

Contradiction is unity of identity and difference expressed as a process. This cell, applied as a methodological mean of cognition to difference itself, gives three stages of its development: “absolute difference – diversity – opposition”. Hegel described the movement along the stages of contradiction in the following way: “*Difference* in general contains both its sides as *moments*; in *diversity*, these sides fall apart as *indifferent* to each other; and in *opposition* as such, they are the moments of difference, each determined by the other and hence only moments. But in op-

position these moments are equally determined within, indifferent to each other and mutually exclusive, *self-subsisting determinations of reflection*.... Since the self-subsisting determination of reflection excludes the other in the same respect as it contains it and is self-subsisting for precisely this reason, in its self-subsistence the determination excludes its own self-subsistence from itself. For this self-subsistence consists in that it contains the determination which is other than it in itself and does not refer to anything external for just this reason; but no less immediately in that it is *itself* and excludes from itself the determination that negates it. And so it is *contradiction*” (Hegel 1971: 55). So the contradiction is resolved by going to the basis.

The logic of the historical development of jointly-divided labour is a basis for understanding the relationship between the individual and social principles in all social relations: needs, interests, usefulness, etc. It is also a basis for understanding the correlation between the market and the state. Just as in jointly-divided labour, jointness and separation are initially just different characteristics of the same relationship (difference within identity), in all other respects too, initially the individual and social principles are connected in the same way. Only in the further process of historical development, these differences turn into diversity, opposition and unfold into a contradiction, which is removed in the basis.

The development of compatibility and social principles is most fully institutionalized in the state, which in economic science is considered from the point of view of its economic functions. The development of separation and private origins is most fully economically represented by market institutions. And since the modern economies are market-based, the main problem is the correlation between the state and the market. These questions have been under discussion for centuries, beginning with the interpretations of the theoretical heritage of A. Smith, continuing with the assessment of Keynes’ contribution to the development of economic theory and practice of state intervention in the economy, and ending with the modern approaches to understand the role of the state in search for a way out of the global crisis (Kolodko 2004, 2014b; Heyets 2009; Grinberg – Rubinstein 2013).

The modern global crisis has clearly demonstrated the inconsistency of the purely liberal approaches to the economy and practically justified the influence of the state on the course of reproduction processes. It is quite clear that without the intervention of the state in the current global crisis, the economy would have collapsed completely. But what does this mean? Some economists believe that in the new conditions the role of the state in the economy should increase. Others proceed from the assumption that such an important role is played by the state only in crisis times, and after exiting it everything must return to its former track. However, theoretically these questions remain insufficiently developed.

Development of the individual and social principles, which initially exist syncretically in a jointly-divided labour, is embodied in the development of market relations and the state. This historical process is logically reproduced in the functioning of the market and the state. Initially, individuals act as independent agents, in particular, as owners, pursuing their own, selfish interests. The social principle is represented here only in their mutual interconnection through the market, that is, by the relations of purchase and sale. It is not detached from individual private activities, but their other hidden side. This is exactly Smith's "invisible hand". Here the public and the private are correlated as differences within an identity.

However, as the market relations become more complex, there is a separation between the general and the private, in such a way that either includes one or the other (the stage of difference). The market continues to function largely without state intervention, and the state as a special (individual, private) representative of common interest (even if it is only a particular interest, but not that of the whole society) exists alongside the market, intervening in its activities only externally and sporadically. At this stage (the diversity), the market can in principle exist without the state, and the state can exist without the market, although they exist side by side and interact externally. Historically, this corresponds to the stage of pre-industrial development, when the market was represented by a subsystem existing at the junctions of the natural systems of management.

At the next more advanced stage, the market and the state are transformed into opposites, which are mutually inclusive and mutually exclusive, and their relationship turns into a process of contradiction. A market is not the state, and the state is not a market. In this respect, they exclude each other. But at the same time, a market can no longer exist without the state, and the state can no longer exist without a market. The market presupposes the state's activity in the legal regulation of market agreements, and in the implementation of a monetary policy aimed at maintaining the stability of the monetary unit, which now only represents value in exchange without having a real value itself and, therefore, relies on the "economic strength" of the state.

The share of public goods constantly grows and its production, distribution, exchange and consumption cannot be regulated purely by market principles. Thus, the market presupposes the activity of the state and includes it in its system of relations. The state, on the other hand, assumes the market and includes market relations as objects and forms in the performance of its own activities. Legislative activities on the regulation of market relations, monetary and budgetary policies, public purchases of goods and services at market prices, etc. all are forms of the existence of market relations in the state sphere. At the same time, the market and the state include each other as the opposites, because the market is based on the principles of equivalence, and the state is based on non-equivalent relations.

The modern market economy and the modern state represent a unity, a contradiction, a constant denial and assumption of each other. Contradiction is resolved via the creation of a form for its movement. “This is generally the way – Marx wrote – in which real contradictions are reconciled. For instance, it is a contradiction to depict one body as constantly falling towards another, and as, at the same time, constantly flying away from it. The ellipse is a form of motion which, while allowing this contradiction to go on, at the same time reconciles it” (Marx 1960: 113–114).

The contradiction between market economy and the state is realised and resolved in various forms: sustainable and dynamic development, stagnation, crisis, weakening of state regulation in the period of balanced growth and its strengthening during crises, etc. The task of modern science and economic practice is to produce an adequate theoretical reproduction of this contradiction and to find appropriate forms for its solution for each situation. In place of the mechanistic slogan “the less the state, the better for the economy,” a synergistic slogan “more economy and more state” should come.

Hence, the currently dominant concepts in economics, both liberal ones recognising the need for government intervention in the economy only in the case of market failures, and those insisting on strengthening systemic state intervention, are equally theoretically inadequate to reality. In fact, there are no “market failures”. They only exist in the minds of theorists who initially attributed the ability to solve all problems to the market, and then discovered its “shortcomings”.

Similarly, there is no “state interference” in the economy. It also exists only in the minds of theoreticians who imagine the state as something external and alien to the economy. What really exists is a contradictory interaction between the market, as a form of realisation of individual interests in the conditions of division of labour, and the state, as a spokesman of common social interests arising from the joint, market-mediated activities of all members of society.

Market and the state fulfill their own specific and irreplaceable functions. With this approach, no questions arise about the priority of market or the state, or about failures and interference. Of course, the inability to fly can be called a failure of the hippopotamus, and the inability to swim underwater can be called the eagle’s failure. However, with such an approach, it is obvious that here the questions are inadequate to the situation. The concept of market failures is essentially a consequence of unconscious hidden market fundamentalism: first the market is credited with the ability to solve all issues, then its failures are revealed.

While the market is an institutionalisation of the realisation of individual principles in economic activities, then the state is an institution which embodies common interest. The contradiction between the state and the market is just the institutionalised contradiction between the individual and social principles of economic

activities, expressed in the most generalised, developed and adequate manner. While the market is a reduction of the individual to the general (that is, the reduction of private labour to socially recognised labour; of particular labour producing use-values to the abstract one creating value represented on the market in the form of money, etc.), then the state is a subordination of the private to the general, and a domination of the general over the individual (the need to comply voluntarily or under penalty of the laws, the rules and regulations established by the state to coordinate economic activities with public needs via licensing, standard, etc.).

Thus, the development of jointly-divided labour from the side of division is embodied in the market, and on the part of jointness – in the state. Together with the market, there appears such a social relation that is represented by the movement of object forms, due to which it becomes economic and takes the form of capital. In contrast, the state represents public interests and embodies a social relation that transcends the economic system and acts in its own form. Therefore, the market is associated with the economic and capitalist system, and the state – with the social and socialist system. That is why socialism as a system relied on the state (state ownership, centralized planning and distribution, etc.), and capitalism relies on the market system. From the point of view of a structural organization, socialism and capitalism differ only in dominant element (separateness and particularity or commonness and generality).

The general theoretical basis for this formulation of the problem is the understanding of the historical dialectics of economic and social, which in the context of the global crisis has acquired a conflict character. Economic growth *in the fundamental structure of social development* is subordinate to human interests, but *in the current structure of modern crisis dynamics* it is subordinated to financial and economic goals. To overcome the financial and economic disproportions, the income of the population is reduced, and living conditions are worsened. Economic and social systems have entered into an open conflict. However, this conflict is only a certain historical form of interaction between economic and social, which *undergoes several stages* in the development of human society.

Initially, social and economic relations were inseparably united in the real process of society's life. Relations with regard to the production, distribution, exchange and consumption of material goods in the primitive forms of society were not detached from people's attitudes about themselves, their position and status in society. Then, in the process of historical development, social and economic relations separate themselves and become different spheres in the market system. And, finally, their isolation reaches the limit when social and economic relations become opposite systems (capitalism aims at increasing profits and value wealth, and socialism aims at human development). However, each system in a subordi-

nate form includes the necessary elements of the other one: socialism used commodity-money relations, and capitalism gradually expanded its social sphere.

Historically, the contradiction between economic and social force in the 20th century took the form of a struggle between two opposing social and economic systems: capitalism and socialism. This struggle was conducted in different political, economic, scientific, technical, military and other forms and influenced each of the systems: capital increasingly included socialisation, and socialism increasingly allowed the development of commodity-money relations that led to capital. This process reached a new level at the verge of the 20th and 21st centuries, turning the contradiction between economic and social from the external confrontation of the systems into an internal contradiction of capitalisation and socialisation in the socio-economic development of the corresponding countries. This is what Kolodko means writing about the “process of gradually infusing the social and economic reality with fundamentals associated with capitalism”.

The present situation is characterised by an expanded interaction between economic and social as inseparably connected and at the same time relatively independent spheres. The historical basis for the development of socialisation of the economy is the objective regularity of the socialisation of capital. Capital in its essence is a value that brings surplus value. In the early stages of capitalism, profits used to depend more than now on the level of development of the means of production and technologies.

However, gradually, the person, whose education, creativity, psychological qualities, and mood largely determine the profitability of the enterprise, comes to the fore in production. Thus, *human development, insofar as it affects the conditions for raising the efficiency of production, becomes an object of concern for capital itself.* Capital, therefore, for its own purposes, begins to participate in human development and the socialisation of production. Also, human development increasingly becomes a concern of the state.

Presently, the historic interaction between economic and social relations has acquired the form of a complementary unity of socialisation and capitalisation. *Capitalisation* is a multifaceted and multilevel process that has its essence, the transformation of value embodied in various objects and social forms into a source of the creation of surplus value. And, *socialisation of the economy* is connected with the subordination of economic processes to the interests of human development.

The latter begins from the creation by the society of external favourable conditions to meet the needs of people and develops in the direction of turning man into the main factor and result of production. The measure of complementarity of the economic and the social systems is justice. It characterises the correspond-

ence of economic processes to certain criteria, rules, and standards, which in the public consciousness embody justice.

Such an approach shows that the formulation of a question, for example, with reference to China: what is there? (capitalism or socialism), is an application of the criteria of the past (corresponding to the state of society in which the two systems are opposed) to the new reality, where the two systems do not exist and the processes of capitalisation and socialisation complement each other in different forms. The main issue here is an effective and pragmatic policy. Thus the third option is given and it is given in two ways. That third option used to be an undeveloped and syncretic historical nucleus and now it becomes a new result of all previous historical developments.

Therefore, the “*Tertium Datur*” by Grzegorz W. Kolodko has not only an acute relevance, but also deep logical and historical grounds. Here the triad of “values – institutions – politics” and the new pragmatism (Kolodko 2014a) acquire especially important significance.

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