

# How Maoists "Restore Capitalism" in the Soviet Union

## PART 1 OF 2

by Joseph Seymour

# The Myth of Stalin's "Workers Paradise"

Except for the Maoists, everybody in the world, it seems, recognizes the essential continuity of the Soviet economic system from Stalin through Khrushchev to Brezhnev. In fact, the Maoist dogma that the USSR became capitalist after Stalin's death is so incredible that no two Maoist groups can agree when, why and how this event of momentous historic proportions occurred. The only clue supplied by the Peking bureaucracy is that Khrushchev's secret speech to the 20th party congress of the Communist Party of the Soviet Union (CPSU) was a key benchmark.

In the U.S., the Revolutionary Communist Party (RCP—formerly the Revolutionary Union), wrote in its *Red Papers* 7 (1975) that capitalism was restored in the USSR with Khrushchev's accession to power. Soviet "capitalism," they go on, underwent a two-stage evolution: Khrushchev restored "private, competitive capitalism," while Brezhnev established "state monopoly capitalism." (For a Marxist analysis of this curious version of the "restoration" thesis, see "Revolutionary Union's 'United Front' with NATO," *Young Spartacus* No. 32, May 1975.)

The RCP's main rival, the more slavishly Peking-loyal October League (OL), has preferred the wisdom of silence. To date the OL has not presented any but the most cursory "explanation" of "capitalist restoration" in the USSR, no doubt out of fear that it

### Review of *Restoration of Capitalism in the USSR* by Martin Nicolaus

would later be contradicted by official Peking propaganda. But the Klonsky gang did paddle a bit in these uncharted waters. Under the pressure of domestic competition from the RCP and the "critical Maoists" grouped around the New Leftish *Guardian*, the OL's Liberator Press published a collection of articles by Martin Nicolaus, entitled *Restoration of Capitalism in the USSR*.

The hapless fate of Nicolaus demonstrates the impossibility of giving even a semblance of intellectual plausi-

bility to the Maoist "analysis" of post-Stalin Russia. As a prominent New Left academic he had generalized petty-bourgeois vanguardism into the theory of a "new working class"; upon becoming a hard-line Maoist, he attempted a definitive analysis of "capitalist restoration" in the Soviet Union. This was first published in a 1975 series in the trendy *Guardian*, then sympathetic to Peking. The editors neither endorsed nor rejected Nicolaus' thesis, although the paper's leading light, Irwin Silber, contended it wasn't very convincing.

When the *Guardian* criticized China's openly counterrevolutionary role in Angola last winter, Nicolaus joined the Peking-loyal October League. However, only nine months later the OL has now expelled Nicolaus as a "rightwing revisionist" and "lover of bourgeoisie." Naturally, they denounced *Restoration of Capitalism in the USSR* as "revisionist" like its author (though neglecting to mention their own role in publishing it):

"The book was an attack on the dictatorship of the proletariat, claiming that for more than a decade under the rule of the Khrushchev revisionists, there were no 'profound changes in the actual relations of production operative in the economic base of the society'."  
—*Call*, November 29

The *Call* goes on to assert that the book "covered over the threat of restoration of capitalism and mystified its causes."

Not only is Nicolaus' work denounced by every American Maoist group, but it certainly would not be well-received in Peking today, either. Its Chapter 7 is devoted to lengthy excerpts from "On the Social Basis of the Lin Piao Clique" by Yao Wen-yuan. Yao is one of the "Gang of Four," now imprisoned and denounced by China's new rulers as a "double-dealing capitalist roader."

We have no particular concern for the political travails of this shameless, arrogant intellectual dilettante. However, a discussion of his book is useful as an object lesson in the utter bankruptcy of Maoist theories of a "capitalist restoration" in the Soviet Union. Despite its theoretical shallowness and thoroughgoing intellectual dishonesty, Nicolaus' work has the virtue of giving an empirically verifiable economic content to the "capitalism" purported to exist in the USSR.

He distinguishes between the "bourgeoisie's capture of state power" by Khrushchev in 1956-57 and the later "restoration" of capitalist economic relations through the Kosygin or so-called Liberman reforms in 1965. Unlike some Maoist ideologues—for example, Charles Bettelheim—Nicolaus does not maintain that the Soviet Union represents a new, historically unique form of "state capitalism." Rather, he maintains that new-fangled "Soviet capitalism" is little different from the old-time capitalism of the West.

Nicolaus' effort to prove that capitalism has been restored in the USSR actually succeeds in proving just the opposite: that the Soviet Union is not capitalist as this term has been understood by Marxists or in the experience of the working masses. Moreover, most of Nicolaus' arguments and criteria for why the present-day USSR is capitalist are far more applicable to Stalin's Russia and Maoist China!

### Factory Managers as an Embryonic Bourgeoisie?

One of the most obvious difficulties for any ostensible Marxist who claims that capitalism was restored in the Soviet Union is to explain how a new bourgeois class was generated under Stalin's regime, how it organized itself and captured state power. The overthrow of the feudal order by the European bourgeoisie involved centuries of civil wars, revolutions and counterrevolutions; likewise, the struggle of the proletariat against the capitalist class has wracked bourgeois society for over a century. Yet the Maoists would have us believe that a

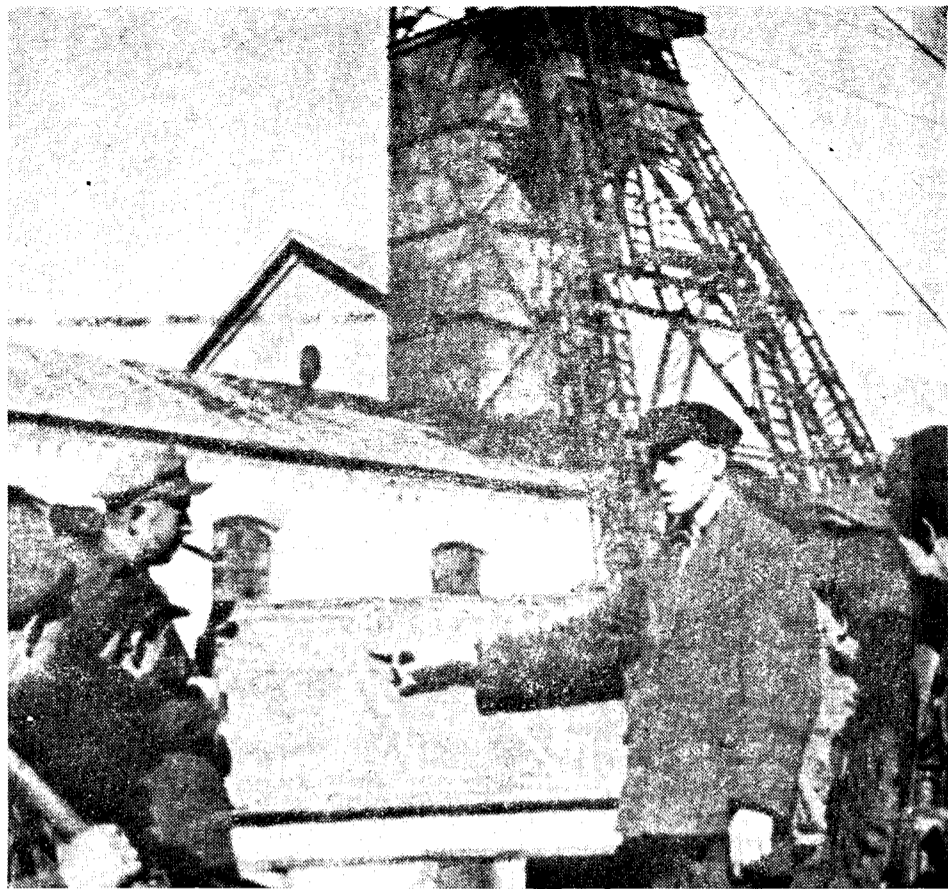


Auto workers in factory mess hall, 1931.

Wide World



Stalin inspecting new limousine outside Stalin Auto Works near Moscow.



Alexei Stakhanov (right). Under Stalin, "Stakhanovites" were privileged workers who fostered speed-up by breaking piece-work norms.

development of world-historic significance—the restoration of capitalism in the USSR—took place through a bloodless palace coup, and was not even noticed as such by *anyone*, not even Mao himself, until several years later!

The invisibility of the Soviet "bourgeois counterrevolution" obviously troubles the "Marxist-Leninist" Nicolaus, as it should:

"There is some sketchy data available to indicate the common economic situation, the material foundation, by which the bourgeoisie that later took power was engendered. But the process by which it gradually organized itself as a class, shaped its own associations and acquired collective self-consciousness prior to its bid for power are almost entirely unknown....

"Behind this solid exterior [of Stalin's Russia], however, there were processes in motion that allowed this bastion of socialism...to be taken over rather painlessly [sic], as historical changes go, by a group of leaders with an anti-Marxist, anti-Leninist counterrevolutionary program."

Nicolaus' Maoist view of bourgeois counterrevolution in the Soviet Union strangely parallels the late J. Edgar Hoover's view of communist revolution: nothing but conspiratorial subversion of the existing government.

*Restoration of Capitalism in the USSR* attempts to locate the embryo of the "new bourgeoisie" in the enterprise managers of Stalin's time. According to Nicolaus' mythology, the managers' position was onerous because they had great responsibility while lacking the power to discipline the workers, whose interests were scrupulously defended by Stalin! This, believe it or not, is Nicolaus' sociological explanation for the growth of bourgeois counterrevolutionary forces in Stalin's Russia:

"At the same time as they were charged with heavy and strict responsibilities, the Soviet managers as a rule had considerably less power than their capitalist counterparts over the workers.... they did not have the most vital of the powers possessed by their capitalist counterparts, namely the power to fire a worker at will. They could not threaten a worker with unemployment and hunger....

"Except during wartime, workers were free to quit; but managers could not fire them except by proving some criminal offense against them. Thus, lacking the whip hand, the managers were weak."

So, according to Nicolaus, the Soviet managers sought to overcome their "weakness" by restoring capitalism:

"On the one hand they [the managers] arrogated to themselves more of the powers held by the workers, and at the same time chipped away at the responsibilities imposed on them by the plan. Both these tendencies on the director's part, stemming from an identical capitalist impulse, were kept in check

and suppressed during Stalin's lifetime."

We will shortly confront the unbelievable assertion that Stalin's managers "lacked the whip hand" over their workers. However, even if one knows very little about the history of Soviet economic policy, Nicolaus' thesis is obviously contrary to elementary Marxist sociology.

Soviet enterprise managers are not a distinct, organic social group with a basis for unity against the higher administrative strata. Enterprise management is simply a division of labor within the administrative bureaucracy. Real success for an enterprise manager is not the expansion of "his" factory,



Khrushchev visiting collective farm, 1963.

farm or mine—which is technically quite limited in any case—but promotion up the administrative hierarchy.

Most of the Gosplan (central planning organization) and industrial ministry top officials were enterprise managers at the beginning of their careers. And in Stalin's Russia, as well as today, the personal income of bureaucrats is closely correlated with their positions in the administrative hierarchy. The conflicts of interest between managers and higher planning authorities can no more generate a new capitalist class than can the conflicts between lieutenants and generals in the Soviet army.

#### Stalin's Militarization of the Working Class

Josef Stalin is reported to have said that paper will take anything that is

written on it. Nicolaus writes in the true spirit of his master. If an older Russian worker read that in Stalin's time managers "lacked the whip hand" over the workers, he would probably first be struck dumb with disbelief that anyone could utter such stupidities, then burst out in bitter laughter. It is here that the author's dishonesty is so flagrant that he must hope that no reader will check his "facts." Had Dr. Nicolaus submitted *Restoration of Capitalism in the USSR* as a graduate school dissertation, he would be lucky to avoid expulsion for falsification of sources.

For example, as evidence of supposed workers power in Stalin's Russia, he cites the existence of special courts "to hear industrial disputes to which only workers had access" and in which "managerial personnel could appear ... only as defendants and were barred from initiating cases." He also cites production conferences where workers could freely criticize management. To begin with, this evidence is immediately suspect since Nicolaus gives as sources works dealing with *post-Stalin* Russia: Mary McAuley's *Labor Disputes in Soviet Russia, 1957-1965* (1969), and David Granick's *The Red Executive* (1960).

If a worker could bring charges against his superiors in a court made up exclusively of his fellow workers, this would indeed be a powerful bastion of proletarian control. Such a court exists only in Nicolaus' Maoist propaganda, however, never in the Soviet Union. According to McAuley's book on labor disputes, there existed special courts established in 1922—the RKK—where workers could only *appeal* unfavorable management actions; management could not be charged with malfeasance. According to McAuley, these courts were "joint management-trade union commissions...composed of an equal number of representatives from the two sides."

As for production conferences, these were instituted in the early 1920's as the main form of workers control. They were virtually eliminated with the beginning of the first five year plan. Khrushchev reinstated production conferences in 1958 (for all enterprises with over 100 employees), though they were impotent, aside from embarrassing a particularly abusive or incompetent manager. The best that could be said for this measure was that, in contrast to Stalin, Khrushchev at least felt a need to create the appearance (though not the substance) of workers control of production.

The Leninist Bolshevik party had recognized that there would be immedi-

ate conflicts of interest between the workers and economic administrators under the workers state. Therefore the 1922 Soviet Labor Code stipulated that wages and working conditions be negotiated between the trade union and management. But under Stalin the conditions of labor became more oppressive in every conceivable way. Negotiations with the unions over wages and working conditions were abolished in 1933. After that, Russian trade unions became little more than social welfare agencies and propaganda mills for greater labor discipline.

The Bolshevik party of the early 1920's also understood that a rational allocation of labor involved voluntary job changes, sometimes entailing periods of unemployment. A July 1923 decree established labor exchanges and unemployment insurance to facilitate labor mobility and protect the workers. In 1932 Stalin abolished both. Thereafter unemployed workers were forced to take any job offered, even unskilled and unrelated work at a big cut in pay. Stalin "eliminated unemployment" by methods not unlike those advocated by bourgeois reactionaries in the U.S. who want to eliminate welfare recipients.

Stalin's claim to have eliminated unemployment in the 1930's is totally fraudulent in any case. In Stalin's Russia, as in China today, the peasants were *legally* bound to the collective farm *from birth*. Peasants who migrated to the cities but could not find work were rounded up and shipped back to their villages. Those who resisted were sent to Siberian labor camps.

Nicolaus to the contrary, factory managers in Stalin's Russia could fire workers as a means of enforcing labor discipline... and that's putting it mildly. The Leninist Labor Code of 1922 stated that employees with six unexcused absences in a month could be dismissed. In 1927 this was reduced to three unexcused absences, and in 1932 managers *had to* dismiss any worker who had *one day's* unexcused absence. Workers could also be dismissed for consistently failing to fulfill the output norm. Dismissal meant immediate confiscation of the worker's food ration card and eviction from his or her dwelling if, as was usual, it was furnished by the enterprise. Yet Martin Nicolaus has the gall to say that Soviet managers in Stalin's time could not "threaten a worker with unemployment and hunger"! This "Marxist-Leninist" is nothing but a deceitful Stalinist hack.

As severe as the Stalinist bureaucracy's labor practices were in the 1930's, they paled before the decree of June 1940,

*continued on page 10*

# Stalin's "Workers Paradise"...

(continued from page 7)

which could well have been (and possibly was) copied from Nazi Germany. This decree punished violations of labor discipline with naked state terror. Changing jobs without permission of management was punishable by two to four months' imprisonment. A worker guilty of a single instance of "truancy" (one day's unexcused absence or 20 minutes' lateness) had to be punished by up to six months' corrective labor at the workplace, at up to 25 percent reduction in pay. This savage anti-worker law was so unpopular that managers were prosecuted for covering up for errant employees!

The 1940 decree was no mere wartime emergency measure, either. It remained in force until 1956, and its underlying principle was officially declared to be the norm in a "socialist society." The Stalinist attitude toward labor in this bogus "workers paradise" was well summed up in a 1949 Soviet work, Dogadov's *History of Development of Soviet Labor Law*:

"In the socialist society there is no difference in principle and quality between drafted labor and labor performed by voluntarily entering into labor relations by taking employment..." [our emphasis]  
—quoted in *Monthly Labor Review*, March 1951

## Stalin's Extreme Anti-Egalitarianism

In contrast to the Big Lie technique of Nicolaus, some apologists for Stalin admit that he eliminated the freedom which Soviet workers enjoyed in the 1920's, but argue that by eliminating a free labor market Soviet workers achieved economic security and equality of income. Nevertheless, Stalin the egalitarian is as big a fraud as Stalin the defender of workers' rights against management.

During the 1920's the Soviet government published ample statistics on wages. Again, when real wages rose steadily from the mid-1950's onward, the Kremlin publicized this fact. However, no comprehensive official figures for cost-of-living changes and real wages have been published during or about Stalin's reign. This silence in itself indicates a marked deterioration of living standards. The most careful

Western study is Janet Chapman's *Real Wages in Soviet Russia Since 1928* (1963), which estimates that from 1928 to 1940 the annual real wage of state employees in the USSR fell at least 22 percent, and that the 1928 level was not restored until 1953-54. Since working time per year expanded greatly during the 1930's, wage compensation per hour fell even more sharply.

As to the distribution of income, the Stalin period was marked by inegalitarianism that was extreme when compared to both the 1920's and the subsequent Khrushchev/Brezhnev period. In 1932, engineers and technicians received 2.6 times the income of the average production worker; in 1960, engineers and technicians earned only 50 percent more than production workers, and by 1972 the difference had dropped to 30 percent (Peter Wiles, "Recent Data on Soviet Income Distribution," *Survey*, Summer 1975). Today income differentials in Brezhnev's Russia are quite comparable to Maoist China, notwithstanding much phony egalitarian propaganda in the latter.

No comprehensive data for the incomes of top party and government officials during the Stalin period exist. In addition to money salary, top bureaucrats have access to all kinds of special privileges provided free of charge, and there is every reason to believe that in Stalin's Russia they enjoyed relative affluence amidst widespread poverty.

Marxists recognize that in a collectivized economy under conditions of scarcity wage differentials are necessary to allocate labor between different occupations, industries and regions. However, individual wage differentials as a means of enforcing work discipline—piece rates—are an entirely different question. Socialist consciousness, integrally bound up with soviet democracy, is the force for ensuring that work is performed conscientiously. A piece-rate wage system, which Marx called "that form of wages most in harmony with the capitalist mode of production" (*Capital*, Vol. I, Ch. 21), undermines socialist consciousness and proletarian unity.

During the economic collapse which accompanied the destructive civil war, at a time when most of the working class had been mobilized to the front and the factories were staffed with new workers recently drawn from the peasantry, Lenin regarded piece rates as legitimate. During the period of "war communism," piece rates were the norm for industrial workers. But following the introduction of the Labor Code of 1922 wages were negotiated between trade unions and management, and by 1928 piece rates covered only 34 percent of the industrial labor force (Dewar, *Labour Policy in the USSR 1917-1928* [1956]).

In 1931 Stalin launched his famous attack on "petty-bourgeois egalitarianism." The party conference that year passed the following resolution:

"We must liquidate completely the rotten practice of egalitarianism in wages and must achieve the objective of making out of the piecework and bonus system the most important factor of the struggle for increased labor productivity..."  
—quoted in W.W. Kulski, *The Soviet Regime* (1963)

After that piece-rate wages were applied wherever feasible, and the scale was far steeper (more inegalitarian) than in the 1920's or the advanced capitalist countries. This was the so-called "progressive" piece-rate system whereby wages increased and decreased at a faster rate than did production.

Stalin's attack on egalitarianism and proletarian unity reached its peak with the Stakhanovite movement launched in 1935. A special group of "shock workers" were promoted whose purpose was to break established production norms, thus providing the basis for increased piece-rate norms for the entire workforce. The Stakhanovites received enormous wages as well as other

material privileges otherwise limited to the bureaucracy. Intense worker hostility to these mercenary rate-breakers caused the practice to gradually die out.

Stalin's piece-rate system was so unpopular that its curtailment was one of the major concessions which Khrushchev made to the Russian workers. In 1956, 73 percent of the Soviet workforce was on piece rates and 27 percent on "progressive" piece rates. By 1965, "progressive" piece rates had been done away with altogether and the share of the labor force on the piece-rate system was reduced to 58 percent (Leonard Joel Kirsch, *Soviet Wages: Changes in Structure and Administration Since 1956* [1970]).

## Khrushchev: Forerunner of Maoist Economics

Although Nicolaus and the Maoists completely misread its significance, Khrushchev's consolidation of power in 1958 was, in fact, associated with a significant change in the structure of Soviet economic planning. Under Stalin the basic administrative units for implementing the plan were vertically-integrated, nationwide industrial ministries (e.g., the aviation industry, agricultural machinery). Khrushchev's opposition among the Stalinist "old guard," the so-called "anti-party group" of Molotov/Malenkov/Kaganovich, had its main base among the Moscow-centered, economic administrative apparatchiks. Khrushchev's following was concentrated among the provincial party bosses, who had long resented Stalin's super-centralism which deprived them of influence over their local economies.

When Khrushchev ousted the Molotov group he proceeded to reward his supporters and punish his opponents by abolishing the ministerial system in favor of regional decentralization. From 1958 to Khrushchev's fall in 1964, the basic unit of economic administration was the regional council (*sovmarkhoz*).

Predictably, Nicolaus jumps on Khrushchev's regional decentralization as proof that he was subverting Stalin's "socialism" in the service of capitalist restoration:

"In the industrial sphere, the plan envisaged the abolition, at one stroke, of the central economic planning ministries carefully constructed with years of effort under Lenin and Stalin. Their functions and powers were to be transferred to more than a hundred regional economic councils (*sovmarkhozy*) with only loose supervision remaining at the center...  
"Khrushchev's blow at the centralized socialist planning ministries... had the immediate effect of a widespread resurgence and expansion of the sphere of commodity-money exchange relations."

In denouncing Khrushchev's economic regionalization as "capitalist-roadism,"

the Maoist propagandist Nicolaus demonstrates either gross ignorance of Chinese economic policy or hypocritical demagoguery... or perhaps both.

Economic localism and "self-sufficiency" (autarky) have long been a central tenet of "radical" Maoist economics. One of the most significant changes in the Chinese economy following the Cultural Revolution was a marked increase in the economic power of local authorities. Whereas in 1965 some 20 percent of industrial enterprises were administered at the *hsien* (county) level or below, during 1969-71 the proportion increased to about 50 percent (Stuart Schram, ed., *Authority, Participation and Cultural Change in China* [1973]). In 1971, Chou En-lai told Edgar Snow that the central government had only 10,000 employees compared to 60,000 before the Cultural Revolution (*New Republic*, 27 March 1971).

An article in the 25 September 1971 *Peking Review* affirms economic localism as a hallmark of Maoism, saying that the Great Leap Forward and the Cultural Revolution proved that "letting the localities undertake more work is the only correct principle for developing China's industry..." The French Maoist ideologue, Charles Bettelheim, in his *Cultural Revolution and Industrial Organization in China* (1974), favorably contrasts Chinese economic localism with traditional Soviet centralism:

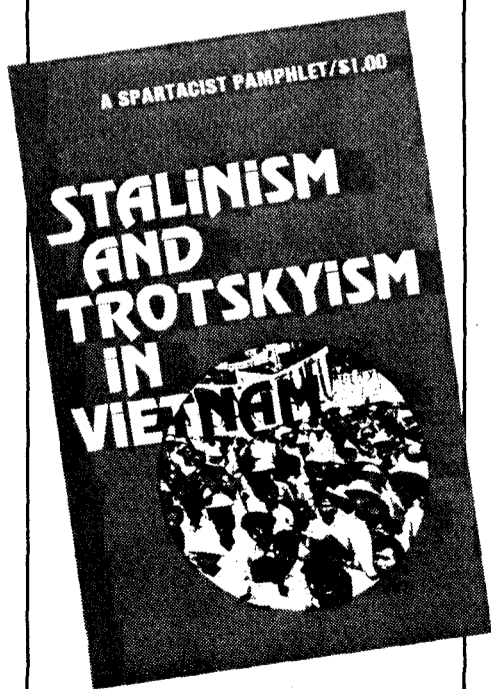
"The local authorities (of provinces, districts or municipalities) actually play a considerable role in planning and management. This decentralization enables the province or municipality to effect close cooperation between the various regional production units. Management at the provincial level is guided by a broad concept of relatively autonomous industrial development in each province...  
"Decentralization accounts for the exceptional dynamism of the Chinese economy and for the sharp contraction of the administrative apparatus that can be observed everywhere. Such decentralization, moreover, constitutes one of the conditions for the development of socialist forms of management, and for workers' participation in management."

Following the fall of Lin Piao in late 1971, some steps were taken to recentralize the Chinese economy. Teng Hsiao-ping, in particular, was associated with pushing for more Soviet-type central planning. However, in contrast to the restored industrial ministry system in the present-day USSR, the basic unit of economic administration in China remains the provincial government.

The Maoist Nicolaus chooses to identify "socialism" in Russia with Stalin's super-centralism, while saying nothing about China's economic regionalism, which if anything is more extreme than the Khrushchevite *sovmarkhoz* system.

TO BE CONTINUED

JUST OUT!



ORDER NOW FROM:  
Spartacist Publishing Co.  
Box 1377, G.P.O.  
NY, NY 10001

# WORKERS VANGUARD

includes SPARTACIST

NAME \_\_\_\_\_

ADDRESS \_\_\_\_\_

CITY/STATE/ZIP \_\_\_\_\_

Enclosed is \$5 for 48 issues (1 year)

Enclosed is \$2 for 16 issues (4 months)—Introductory sub

order from/pay to: Spartacist Publishing Co./Box 1377 GPO/NY, NY 10001

INTERNATIONAL RATES: 48 issues—\$20 airmail/\$5 seairmail; 16 introductory issues—\$5 airmail.

138