

Trotskyism
versus
Maoism

Why the U.S.S.R. is Not Capitalist



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Maoism**

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Introduction

Ever since the Bolshevik Revolution, differences over the nature of the Soviet Union have been the single most important question underlying the principal divisions within the international workers movement. Almost immediately after October the social democrats condemned Lenin's soviet government as a historic step *backwards* from bourgeois democracy. As early as 1919, Kautsky declared the USSR to be "state capitalist," ruled by a "new class" of bureaucrats.

A few years later disillusion set in among the anarchists, particularly over Kronstadt. They denounced Lenin's centralist regime as a "dictatorship of the party" and repeated the Bakuninist dictum that the state is the fundamental source of all social oppression. Then, after the institution of the New Economic Policy (NEP) in 1921 and with the emerging Stalinist bureaucratization, ultra-left tendencies in the Third International, notably Gorter/Pannekoek in Holland and the German KAPD, concluded that capitalism had been restored in Russia.

During the 1930's Leon Trotsky developed the position that the USSR was a bureaucratically degenerated workers state. The maintenance of a collectivized planned economy indicated the proletarian, anti-capitalist nature of the state. Stalin's totalitarian terror rested on a parasitic bureaucratic caste, which had to be ousted by the working class in order to open the road to socialism. Of all the opponents of Stalinism within the workers movement, only the Trotskyists regarded the Soviet Union as a continuing, albeit qualitatively deformed, expression of the dictatorship of the proletariat.

By the eve of World War II the basic political divisions over "the Russian question," each with its characteristic theories, had attained a more-or-less stable alignment. Newly formed groups were inexorably drawn into one of the fundamental historic tendencies. For example, those factions which split to the right from the Trotskyist Fourth International over the Russian question (e.g., Max Shachtman and Tony Cliff) drifted into the camp of social

democracy; others who split to the left (e.g., J.R. Johnson and Grandizo Munis) became anarcho-syndicalists in all but name.

The political/theoretical alignment on the Russian question which was established in the 1930's has now been disturbed by new fanatical converts to the doctrine that the USSR is "state capitalist"—the Maoists. China's post-1971 de facto alliance with U.S. imperialism against Brezhnev's Russia is justified by the contention that the latter has become a "social-imperialist superpower," which is "more dangerous" than the older capitalist states. Today the most aggressive, shrill campaigners for the view that the Soviet Union is an exploitative class society are no longer the social democrats or anarcho-syndicalists; rather, they are the Maoists, acting in the name of orthodox Stalinism.

The Maoist diatribes against Soviet "state capitalism" have their ironies. Those tendencies on the left which considered themselves the most implacable enemies of Stalinism, which accused the Trotskyists of being soft on Stalinism, now hear their arguments from the mouths of the most unregenerate, hard-line Stalin cultists. In turn, the Maoists could have lifted their denunciations of Brezhnev's Russia almost word-for-word from Kautskyan and libertarian polemics against Stalin's regime.

In fact, some of the more eclectic New Left Maoist intellectuals are even willing to turn to social-democratic revisionists to beef up their poor theoretical armory. An Italian sympathizer of the "Chinese road to socialism," Antonio Carlo, maintains that Russia under Stalin was "bureaucratic collectivist" ("The Socio-Economic Nature of the USSR," *Telos*, Fall 1974). One supporter of the academic mao-oid *Monthly Review* agrees with its editor Paul Sweezy that the Soviet bureaucracy is a ruling class, but finds the notion that the USSR is capitalist unconvincing. He suggests that the analyses of Shachtman and Rudolf Hilferding are more germane:

"The socially stratified, bureaucratically planned societies of the Soviet bloc are class systems, and if we could raise Marx from the grave he would say so. Marxists have defined these planned societies in various ways: bureaucratic collectivism (Shachtman), totalitarian states (Hilferding), state socialism (Naville). Whatever the correct name for these societies, one feature is clear—the bureaucracy is a class."

—Ross Gandy, "More on the Nature of Soviet Society,"
Monthly Review, March 1976

We will not comment on the scientific merit of an author who claims the Soviet Union is a class society but does not know what kind of class society it is.

The intellectual convergence between the traditional social-democratic and anarcho-syndicalist attitude toward the USSR and the Maoist-Stalinists comes as no surprise to Trotskyists. In his many

polemics on the Russian question. Trotsky on numerous occasions pointed out the *methodological parallelism* between Stalin and those who condemned him as the ruler of an exploitative class society. For example, in one of Trotsky's last polemics on the question he wrote:

"Shachtman revises not only the present policy of the Fourth International but also the past. Since we are against Stalin we must therefore be against the USSR too. Stalin has long held this opinion. Shachtman arrived at it only recently. From his rejection of the Kremlin's politics flows complete and indivisible defeatism."

"From a Scratch To the Danger of Gangrene." 1940

Stalin and Shachtman shared a common identification of the *political* character of the ruling party or group with the *dominant social class* represented by the state.

Despite individual variation and overlapping argumentation, there remain three distinct ideological approaches to "state capitalism," each corresponding to the major political tendencies upholding this position: social democracy, anarcho-syndicalism and now Mao-Stalinism.

Social-Democratic Liberalism and Economism

Predictably, the first exponents of the view that Soviet Russia was "state capitalist" were the social democrats. This followed logically from the Kautskyan/Menshevik dogma that Russia was too backward to support an economic system more advanced than capitalism. The assertion that Lenin's Russia was capitalist was a necessary component of the Second International's reformist worldview.

Karl Kautsky's 1919 polemic *Terrorism and Communism* lays out all the basic arguments which social democracy subsequently employed to denounce the USSR as more distant from socialism than bourgeois democracy. Kautsky identifies democracy with parliamentarianism and condemns the rule of workers councils (soviets) as itself a violation of socialist principle. He defines Lenin's Russia as "state capitalist," a condition which was worse for the workers than tsarist rule!

"In order to save industry, therefore, a new class of officials had to be formed and put in authority over the workers. This new class gradually appropriated to itself all actual and virtual control, and transformed the freedom of the workers into a mere illusory freedom...."

"The absolutism of the old bureaucracy has come again to life in a new but ... by no means improved form; and alongside of this absolutism are being formed the seeds of a new capitalism ... which in reality stands on a much lower level than the industrial capitalism of former days. It is only the ancient feudal land estate which exists no more. For its abolition conditions in Russia were ripe. But they were not ripe for the abolition of capitalism. This latter system is now undergoing

resuscitation, nevertheless in forms which, for the proletariat, are more oppressing and more harmful than those of yore. . . . Industrial capitalism, from being a private system, has now become State capitalism. Formerly the bureaucrats of the State and those of private capital were often very critical, if not directly hostile, towards one another. . . . Today, however, both State and capitalist bureaucracy have merged into one system. That is the final result of the great Socialist upheaval which the Bolsheviks have introduced. It represents the *most oppressive* of all forms of despotism that Russia has ever had." [our emphasis]

All later theories of state capitalism are built on foundations anticipated by "the renegade Kautsky" less than two years after the Bolsheviks had come to power. This fact in itself points to the reformist ideological premises inherent in the notion of "state capitalism."

With the onset of Stalin's industrialization drive in 1929, social-democratic ideologues added another argument to their basic "parliamentary democracy is the road to socialism" position. Stalin's unbalanced concentration on producer goods and breakneck industrialization tempo led to a drastic fall in the living standards of the Russian masses. This enabled social-democratic spokesmen to declare Russia "capitalist" because it maximized accumulation at the expense of workers' wages.

The most prominent—but by no means earliest—exponent of the "Stalinist industrialization equals capitalism" school is Tony Cliff, a renegade from Trotskyism who heads the British International Socialists group. For a comprehensive exposition of the fraudulent and economic Cliffite theory of state capitalism, see "The Anti-Marxist Theory of 'State Capitalism'—A Trotskyist Critique," reprinted in this pamphlet.

At bottom the "accumulation equals capitalism" argument is a workerist and/or demagogic identification of the physical means of production with capital (the means of production as privately owned commodities). Marx's classic exposition on the nature and organization of a workers state, the "Critique of the Gotha Program" (1875), contained a polemic against the Lasallean notion that "every worker must receive the 'undiminished proceeds of labour'." In it he clearly stated that part of the surplus over consumption would be devoted to accumulating additional means of production:

"Let us take first of all the words 'proceeds of labour' in the sense of the product of labour: then the co-operative proceeds of labour are the total social product.

"From this must now be deducted:

"First, cover for replacement of the means of production used up.

"Secondly, *additional portion for expansion of production.*" [our emphasis]

If accumulation of the means of production is the programmatic

norm for a *model* workers state, how much more important and rapid must accumulation be in a *backward* workers state facing *imperialist encirclement*?

Stalin's purges in the late 1930's provoked a new class of theories which focused on the rise of the "totalitarian state," an ideological tradition culminating in the unrelieved historic pessimism of George Orwell's *1984*. Stalin's purges seemed to represent the existence of an omnipotent, arbitrary state power unconcerned with rational economic purpose; Russia was a giant Gulag.

Rudolf Hilferding, the most talented theorist of inter-war social democracy, argued that Stalin's Russia represented a new historical phenomenon, totally unanticipated by traditional Marxist theory and categories. In a 1940 essay he put forth a brilliant criticism of the concept of "state capitalism" as applied to the USSR. He also rejected the notion that the bureaucracy was a ruling class with a sound argument that the individuals comprising the bureaucracy had no institutional means for appropriating a definite share of the surplus product, or even maintaining their positions in the social hierarchy. He correctly observed that the Soviet bureaucracy, "is in fact subordinate to the government to the same extent as are the rest of the people" ("State Capitalism or Totalitarian State Economy," in Irving Howe, ed., *Essential Works of Socialism* [1970]).

Hilferding reverted to an essentially anarchist conception of the state as the dominant and autonomous institution in society, rejecting the Marxist position that the state power defends the property interests of a distinct group (i.e., class) central to economic life. He was both knowledgeable enough and honest enough to make this revision of Marx explicit:

"The Marxist sectarian cannot grasp the idea that present-day state power, having achieved independence, is unfolding its enormous strength according to its own laws, subjecting social forces and compelling them to serve its ends for a short or long period of time. Therefore neither the Russian nor the totalitarian system in general is determined by the character of the economy. On the contrary, it is the economy that is determined by the policy of the ruling power and subjected to the aims and purposes of this power. The totalitarian power lives by the economy, but not for the economy or even for the class ruling the economy—as is the case of the bourgeois state...."

— *Ibid.*

The theory of "bureaucratic collectivism," which also arose at this time, is very close in spirit to Hilferding's "totalitarian state." The seminal expression was by Bruno Rizzi, an Italian ex-Trotskyist who in 1939 wrote *The Bureaucratization of the World*. Like Hilferding, Rizzi identified Stalin's regime with the rise of fascism and (unlike the social democrat Hilferding) with Roosevelt's New Deal. "Bureaucratic collectivism" was seen as a world-historic phenomenon,

the rational solution to the anarchy of capitalist production.

The concept of "bureaucratic collectivism" was taken over and popularized by the American renegade from Trotskyism, Max Shachtman. With the defeat of the fascist powers in World War II, Shachtman drew the conclusions of his growing conviction that "bureaucratic collectivism" (i.e., Stalinism) was a greater threat to a socialist future than bourgeois democracy, and was therefore inexorably drawn into the fanatical anti-communism of official American social democracy.

The totalitarian state theories which burgeoned in the late 1930's all stand in the social-democratic tradition in that they imply (even when they don't explicitly assert) that Stalinist Russia, like Nazi Germany, is a historical retrogression from the most advanced capitalist democracy.

The Reactionary Utopias of Anarcho-Syndicalism

In discussing the anarcho-syndicalist attitude toward the USSR it is useful to distinguish between those claiming the classic Bakuninite tradition and the ultra-left communists who supported Lenin's Third International and claim to be Marxists.

The traditional anarcho-syndicalists condemned the Bolsheviks for carrying out the Marxist policy of state ownership of the means of production and economic centralism. A recent effective restatement of the classic anarcho-syndicalist case against Lenin's Russia is Maurice Brinton's *The Bolsheviks and Workers Control, 1917 to 1921* (1970). In this well researched and fairly objective historical essay, Brinton correctly asserts that the Bolsheviks were always committed to centralized management and that their guarded acceptance of workers' self-management in 1917-18 had a conjunctural tactical purpose.

Brinton's essentially pre-Marxian outlook makes him indifferent to the concrete, particular nature of Soviet society and its evolution from Lenin to Stalin, or from Stalin to Brezhnev. He and his fellow anarcho-syndicalists have a simple-minded definition of class as any distinct group of political or economic administrators. In other words, for them the basic division in society is between the order-givers and the order-takers:

"We also hold that the means of production may change hands (passing for instance from private hands into those of a bureaucracy, which collectively owns them) without this revolutionising the relations of production. Under such circumstances ... the society is still a class society, for production is still managed by an agency other than the producers themselves."

For Brinton and his co-thinkers the ultimate goal is not liberating mankind from economic scarcity and arduous toil, but the relatively

trivial one of eliminating hierarchical relations at the point of production:

"Workers' management of production implying as it does the total domination of the producer over the productive process is not for us a marginal matter. It is the core of our politics. It is the only means whereby authoritarian (order-giving, order-taking) relations in production can be transcended and a free, communist or anarchist, society introduced."

At bottom, this type of simplistic libertarianism is a utopian desire to return to the "free" artisan status of pre-industrial society. Brinton's polemic against Bolshevism was fully answered over a hundred years ago by Engels in his classic anti-anarchist tract *On Authority* (1873), where he pointed out:

"Wanting to abolish authority in large-scale industry is tantamount to wanting to abolish industry itself, to destroy the power loom in order to return to the spinning wheel."

We really have nothing new to add.

The Bolshevik Revolution gave rise to a current of ultra-left communists who shared many of the premises of the traditional anarcho-sindicalists. Partly in response to the capitalist features of NEP and partly reacting against the emerging Stalinist bureaucratization, these ultra-left tendencies split from the Third International, denouncing Russia as capitalist. The most important figures in this tendency were the Italian Amadeo Bordiga and the German Hugo Urbahns.

Bordiga mocked the demagogic workerist view that Stalin's Russia was capitalist because factory directors drove big cars. But his own theory is no less simplistic:

"It [the bureaucracy] obtains these commodities in exchange for rectangular pieces of paper which it folds up into wads that are held close to its heart in small leather purses called billfolds. These paper rectangles are money, rubles in Russian; therefore, this is a bureaucracy of a capitalist mode of production."

"Le trotskysme," in *Programme Communiste*, October-December 1972

Bordiga demonstrates that socialism, the lower stage of communism, does not exist in the USSR: classes continue to exist, as do commodity production, money and wage labor. It is not a socialist mode of production, he concludes; therefore it is capitalist.

As the foremost opponent of ever participating in bourgeois parliaments, Bordiga fancied himself the most ferocious defender of the dictatorship of the proletariat. But he denied any economic content to this class dictatorship; it was simply and exclusively a question of who held state power. *Economically* there was no transition period between capitalism and socialism in his view; the revolutionary party of the proletariat may rule but capitalism remains until money, wage labor and commodity production are

eliminated. "In Russia," he wrote, "... *capital was never destroyed*, because it could not be: it was simply controlled for an instant [during the period of so-called 'war communism'] by the dictatorship of the Bolshevik party; then it destroyed this party" (our emphasis).

This thesis is a frontal assault on the Marxist theory of the state, by denying that it has any economic content, that state power is based on armed bodies of men defending certain property forms. The collectivist economy (abolition of private ownership of the means of production, planned production) count for nothing. It is not surprising, therefore, that Bordiga not only rejected Trotsky's theory of a degenerated workers state under Stalin, but expressed his distaste for the term *workers state*. Although his argumentation was complex, the reason was straightforward: he wanted to deny that there was anything for the workers to defend in the Soviet Union.

There are no significant anarcho-syndicalist or ultra-left communist groups in the English-speaking world. In marked contrast to Latin Europe and also Japan, in the U.S. the notion of Soviet "state capitalism" is generally associated with social-democratic and now Maoist reformism, and with support to American imperialism as the lesser evil as against the USSR.

One articulate exponent of the left version of "state capitalism" in the U.S. is Raya Dunayevskaya. Of Russian origin, Dunayevskaya entered the Trotskyist movement in the 1930's. She split from the Fourth International in the late 1940's as part of an essentially syndicalist faction led by the West Indian J.R. Johnson and loosely tied to the Spaniard Grandizo Munis.

An early, brief and cogent statement of Dunayevskaya's position is "A New Revision of Marxian Economics" published in (of all places) the *American Economic Review* (September 1944). (She is polemicizing here against a Russian Stalinist economist who maintains that the law of value prevails under "socialism"—whence the title.) This is the heart of Dunayevskaya's position:

"There is incontrovertible evidence that there exists in Russia at present a sharp class differentiation based upon a division of function between the workers, on the one hand, and the managers of industry, millionaire *kolkhozniki* [collective farmers], political leaders and the intelligentsia in general, on the other. ... This distinction between the intelligentsia and the mass of the workers has found its economic expression in the formula: 'From each according to his abilities, to each according to his labor.' This formula should be compared with the traditional Marxist formula: 'From each according to his ability, to each according to his need.' 'Each according to his need' has always been considered a repudiation of the law of value. The document, however, states that 'distribution according to labor' is to be effected through the instrumentality of money. This money is not script notes or some bookkeeping term but money as the price expression of value."

What Dunayevskaya neglected to mention is that "to each according to his need" is the capsule description of *full communism*. As Marx clearly stated in the "Critique of the Gotha Program," the transitional epoch is characterized by economic scarcity and therefore by differential wage labor. Wage labor in a workers state serves to allocate different types of labor, ration scarce consumables and ensure an external compulsion to work.

If the economy is based on wage labor, then the money cost of production must be the key *index* of economic accounting and calculation. The money cost of production is the only common denominator (though a highly imperfect one) which allows comparison of different kinds of resources expended on physically heterogeneous goods and services. Contrary to Dunayevskaya, economic calculation based on labor costs in terms of money outlay does not mean the predominance of the law of value in the economy.

What is the positive program implied by the anarcho-sindicalist and left communist contention that the USSR is state capitalist? For the former, it is producer cooperatives necessarily linked through market relations; for the latter, it is a purely administrative economy, an idealized version of the "war communism" of 1918-21. Both these programs are reactionary utopias. They *cannot* exist as stable economic systems, and attempts to implement such programs will lead to economic collapse.

A system of producer cooperatives would in short order degenerate into capitalist exploitation. In the absence of state restriction, the more profitable cooperatives would buy out bankrupt ones and exploit the former cooperative members as wage labor. The immanent tendency of workers management under market conditions to transform unprofitable enterprises into spheres of capitalist exploitation is generally recognized in Yugoslavia. The leading Titoist theoretician, Eduard Kardelj, explains that only strict government control prevents profitable enterprises from taking over financially weak ones and exploiting the latter's labor in a fully capitalist manner (see his "Toward Higher Forms of Integration," *Socialist Thought and Practice*, April-June 1967).

If producer cooperatives are a road to capitalist restoration, then the idea of a moneyless, marketless, totally administrative economy under conditions of scarcity is a reactionary utopia pure and simple. The Soviet masses, who suffered the militarization of labor under Stalin, who still wait in line hours every week for goods in short supply, will not take kindly to programs for allocating labor by administrative fiat and rationing consumables in physical units. While the ultra-left communist program will never be a serious contender for power against the Stalinist regime, such utopian

fantasies may seduce idealistic radical youth, the potential cadre of a revolutionary Marxist vanguard.

The Maoist "theory" (actually, dogma) that capitalism has been restored in the USSR is distinguished by its subjectivist redefinition of social classes. Stalin's "socialist state" was supposedly overthrown and replaced by capitalism when the "revisionist" Khrushchev came to power and read his famous "secret speech" to the 20th congress of the CPSU. The flagrant idealism behind the idea that capitalism could be restored by a new party chairman and a speech (rather than bloody civil war) is forced upon the Maoists by the fact that the continuity of the Soviet economic system from Stalin to Khrushchev to Brezhnev is empirically indisputable and recognized by everyone else in the world. Likewise, the fundamental similarity between the economic systems of Brezhnev's Russia and Maoist China, despite their sharply different levels of development, is manifest.

Those few Maoist intellectuals, like Martin Nicolaus, who attempt to demonstrate that traditional capitalist institutions and relations have been restored in Brezhnev's Russia must of necessity resort to a total falsification of Soviet economic history. (For an exposé of Nicolaus' endless falsifications, see "How Maoists 'Restore Capitalism' in the Soviet Union," reprinted in this pamphlet.) The Peking bureaucracy and its more cautious followers have chosen the safer course of simply *asserting* capitalist restoration in the USSR rather than trying to prove it.

Halfway intelligent Maoists realize instinctively that in any attempt to empirically demonstrate that socialism existed in Stalin's time while capitalism exists now, their opponents can only win. Consequently, the Revolutionary Communist Party, with Maoist orthodoxy on its side, accuses Nicolaus of revisionism and even Trotskyist methodology because he still identifies capitalism with the dominance of commodity-market relations:

"Nicolaus' line which states that capitalism is equivalent to the market and socialism equivalent to planning is not a new one. In fact, his line has been the favorite of the Soviet revisionists who claim that their economy cannot be capitalist since it is run according to a plan. . . . It has also been taken up by the Trotskyites who, in words, stand opposed to revisionism but who have always argued that it is central planning which is the main characteristic of socialism. That is why, despite all their ranting and raving about 'Stalinist bureaucrats,' the Trotskyites still characterize both the Soviet Union and socialist China as 'deformed workers' states,' completely obscuring the fundamental difference between bourgeois and proletarian class rule."

—*Communist*, October 1976

The core of the Maoist position is captured in an axiom attributed to the Great Helmsman himself: "the rise to power of revisionism means the rise to power of the bourgeoisie." But revisionism can only

occur in the realm of doctrines and ideas, while the bourgeoisie, on the other hand, is an objectively determined social group: those individuals who own the means of production as marketable commodities. The subjectivism of the Maoist concept of class is nakedly revealed in this quotation from the Chairman.

Although the purest, most exaggerated subjectivist attitude toward social reality is to be found in Maoism, this outlook is inherent in all varieties of Stalinism with its identification of the state with the ruling clique and its dictatorial leader. For Marxists and in reality, the state is a historically given, objective relationship between the dominant economic system (i.e., property relations) and the military apparatus which defends that system. That is why the class nature of the state cannot be changed through a mere shuffling of personnel within the governing apparatus, but only through its shattering.

In Defense of Marxism

The position that the USSR is "state capitalist" or some other form of exploitative class society cannot simply be dismissed as the ideological expression of opportunist appetites. If the adherents of "state capitalism" include such opportunist renegades as Karl Kautsky and Tony Cliff, among them are also individuals of outstanding personal revolutionary integrity like Amadeo Bordiga and Grandizo Munis.

The nature of the Soviet Union under Stalinist rule is one of the most difficult theoretical problems which has ever confronted the Marxist movement. That proletarian revolution should first triumph in backward Russia, in alliance with a mass peasant rebellion, was itself contrary to traditional Marxist projections. However, Lenin and Trotsky did not consider the Bolshevik Revolution as a self-sufficient, nationally limited event, but as the first act of an imminent Europe-wide proletarian revolution. The subsequent isolation of a workers state in an economically backward country surrounded by hostile imperialist powers was totally unanticipated in the Marxist tradition. And that this country should be ruled for decades by an absolutist bureaucracy through mass terror against the workers and peasants seems to contradict everything Marx or Lenin ever wrote, said or thought about the transition from capitalism to socialism.

It is therefore readily comprehensible that many subjectively revolutionary would-be Marxists balk at the Trotskyist position that the USSR under Stalin and his heirs is a workers state, albeit qualitatively bureaucratically degenerated. However, unless one doctors the evidence (à la Nicolaus), it is not possible to characterize the Soviet Union as capitalist or a new form of exploitative class rule

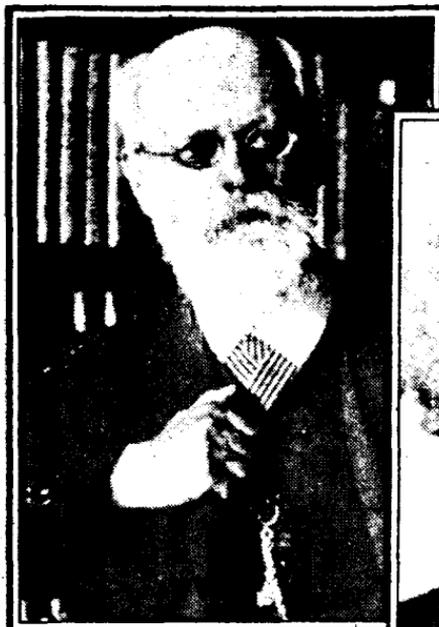
without rejecting one or another fundamental element of classic Marxism, usually the theory of the state.

Marxism is not a dogma which is impervious to a changing reality. Marxism is both a scientific (i.e., empirically verifiable) analysis and a guide to action (i.e., a political program). How should one approach a major historical development which is unanticipated by, and seems to contradict, evolved Marxist doctrine? On the one hand there are theoretical extensions which preserve the integrity of the Marxist worldview. On the other, there are revisions which necessarily lead to the abandonment of the Marxist program, of a revolutionary proletarian, communist perspective.

Marxian scientific socialism (as distinguished from the utopian socialism of pre-Marxist radical-democratic intellectuals—notably the Babouvists, Saint-Simonians and Owenites) is distinguished by two central propositions. First, socialization of the means of production is not the realization of a moral ideal, but is only possible because capitalism arrests the development of productive forces and must be superseded by a superior economic system. Second, the agency for overthrowing capitalism on a world-historical scale is the organized working class, and the transition period to socialism (a classless, stateless society) is the dictatorship of the proletariat.

The Trotskyist position that the dictatorship of the proletariat exists in the Soviet Union because the collectivist property forms established by the October Revolution have not been liquidated by counterrevolution is nothing other than a reaffirmation of the central premise of Marxism. The Kautskyan doctrine that the central defining feature of the dictatorship of the proletariat is democratic control of the government by the working masses, or the analogous Maoist-Stalinist notion that it is the proletarian mentality of the ruling group that is key, stands the Marxist dialectic on its head. The dictatorship of the proletariat is a progressive historical stage because it is necessary to create the material preconditions for socialism.

Any serious would-be Marxist who holds that the USSR is "state capitalist" or some other form of exploitative class society must answer the following question: is this form of society a progressive development or is it a historical retrogression from the most advanced capitalism? Only those, like the Bordigists, who maintain the empirically untenable position that the Soviet economic structure is that of a traditional capitalist economy are absolved from this theoretical responsibility. It is proof of the intellectual shallowness and/or demagogy of the "state capitalist" theorists that they almost never pose the question from the standpoint of the Marxist dialectical conception of history. Instead, the "Russia is state capitalist" literature consists overwhelmingly of sterile terminological scholasticism, vulgar workerism or insipid moralism.



Karl Kautsky

ISR



Tony Cliff

Pierre Berenger/Monthly Review Press



Max Shachtman



Charles Bettelheim



Leon Trotsky

"The workers' state must be taken as it has emerged from the merciless laboratory of history and not as it is imagined by a "socialist" professor, reflectively exploring his nose with his finger. It is the duty of revolutionists to defend every conquest of the working class even though it may be distorted by the pressure of hostile forces. Those who cannot defend old positions will never conquer new ones.

— Leon Trotsky, "Balance Sheet of the Finnish Events," in Fourth International, June, 1940

The superiority of the Soviet economic system to traditional capitalism is empirically indisputable. From a backward, largely peasant economy in the 1920's, the Soviet Union has transformed itself (despite massive bureaucratic parasitism and mismanagement) into a modern industrial society. The USSR is the only backward country to achieve such a transformation in the 20th century, the epoch of imperialist capitalism. Furthermore, it is also empirically indisputable that the Soviet economy is free of traditional capitalist cyclical contractions and crises. Industrial production expanded rapidly in the USSR both during the Great Depression of the 1930's and the recent world depression of 1974-75.

Those who maintain that the USSR is "state capitalist" or "bureaucratic collectivist" are asserting that the state bureaucracy can successfully overcome the contradictions of the capitalist mode of production and administer the rapid, steady expansion of productive forces. This profoundly revisionist conception calls into question the progressive character and historical necessity for proletarian revolution and class rule.

Alternatively, the social-democratic position that, because of the suppression of democratic rights by a totalitarian regime, the USSR is reactionary compared to the most advanced capitalist states implies that the dictatorship of the proletariat and communism are utopian fantasies. And this actually is the position of social-democratic reformism, which regards the bourgeois-democratic "welfare state" (as in Sweden) as the highest possible level of social organization.

An Epoch of Progressive Bureaucratic Rule?

No political tendency has explicitly maintained that the Soviet Union is a *progressive* new form of exploitative class society. However, in a certain sense this view was put forward a quarter-century ago by revisionists within the Trotskyist movement. Though its proponents subsequently retreated from such an unabashed apology for Stalinist rule, the liquidationist program of Pabloism was first generalized in the profoundly anti-Marxist proposition of an entire *epoch* ("several centuries") of deformed workers states.

Trotsky maintained that the Russian Stalinist bureaucracy was not a new class because it had no characteristic relation to the means of production, and therefore its rule could at most be nothing but a historical *episode*, ultimately reflecting the belatedness of proletarian revolution in the advanced capitalist world. As against the social democrats, Trotsky asserted that a workers state could exist under bonapartist bureaucratic rule, but only as an episode conditioned by the dominance of capitalism on a world scale. The *epoch* of the

dictatorship of the proletariat on a *world scale* must represent the direct political rule of the working class (i.e., soviet democracy). Therefore, the overthrow of the Stalinist bureaucracy by the proletariat is essential for the transition to socialism.

This Trotskyist position was challenged in the early 1950's by a revisionist tendency within the Fourth International itself, a tendency led by its secretary, Michel Pablo. In his "war/revolution" thesis, Pablo projected the overthrow of world capitalism through the military victory of the Stalinist-ruled Soviet bloc. The democratization of the resulting bureaucratically deformed workers states, held Pablo, would be a process of gradual self-reform, not the result of a working-class political revolution. In effect, Pabloism replaced the epoch of proletarian rule with that of progressive bureaucratic rule:

"The capitalist regime, having attained its highest stage, is breaking up, decaying, and thus allowing a series of phenomena to appear which fall into the general framework of an epoch of transition between capitalism and socialism, an *epoch* which has *already begun and is quite advanced*.

"... this transformation will probably take an entire historical period of several centuries and will in the meantime be filled with forms and regimes transitional between capitalism and socialism and necessarily deviating from 'pure' forms and norms." [our emphasis]

—Michel Pablo, "Where Are We Going?" 1951

Pabloism is actually the positive version of "bureaucratic collectivism." The parallel methodology of Shachtmanism and Pabloism has long been recognized by our tendency. The seminal document of the Spartacist tendency, "In Defense of a Revolutionary Perspective" (1962) stated:

"Like the Shachtman-Burnham theory, this [Pabloist] theory denied a revolutionary perspective for our movement and saw in Stalinism the objective expression of the revolutionary forces in the world."

—reprinted in *Marxist Bulletin* No. 1

We can provide no better introduction to this pamphlet on contemporary theories of "state capitalism" than Trotsky's classic statement ("The USSR in War," September 1939) as to why an understanding of the Soviet Union as a bureaucratically degenerated workers state is essential to a serious revolutionary optimism:

"The disintegration of capitalism has reached extreme limits, likewise the disintegration of the old ruling class. The further existence of this system is impossible. The productive forces must be organized in accordance with a plan. But who will accomplish this task—the proletariat or a new ruling class of 'commissars'—politicians, administrators and technicians? Historical experience bears witness, in the opinion of certain rationalizers, that one cannot entertain hope in the proletariat. The proletariat proved 'incapable' of averting the last imperialist war although the material prerequisites for a socialist revolution already existed at that time. The successes of fascism after the war were once again the consequence of the 'incapacity' of the

proletariat to lead capitalist society out of the blind alley. The bureaucratization of the Soviet state was in its turn the consequence of the 'incapacity' of the proletariat itself to regulate society through the democratic mechanism. . . . If this conception is adopted, that is, if it is acknowledged that the proletariat does not have the forces to accomplish the socialist revolution, then the urgent task of the statification of the productive forces will obviously be accomplished by somebody else. By whom? By a new bureaucracy, which will replace the decayed bourgeoisie as a new ruling class on a world scale. . . .

"If this war provokes, as we firmly believe, a proletarian revolution, it must inevitably lead to the overthrow of the bureaucracy in the USSR and the regeneration of Soviet democracy on a far higher economic and cultural basis than in 1918. In that case the question as to whether the Stalinist bureaucracy was a 'class' or a growth on the workers' state will be automatically solved. To every single person it will become clear that in the process of the development of the world revolution the Soviet bureaucracy was only and *episodic* relapse.

"If, however, it is conceded that the present war will provoke not revolution but a decline of the proletariat, then there remains another alternative; the further decay of monopoly capitalism, its further fusion with the state and the replacement of democracy wherever it still remained by a totalitarian regime. The inability of the proletariat to take into its hands the leadership of society could actually lead under these conditions to the growth of a new exploiting class from the Bonapartist fascist bureaucracy. This would be, according to all indications, a regime of decline, signaling the eclipse of civilization.

"An analogous result might occur in the event that the proletariat of advanced capitalist countries, having conquered power, should prove incapable of holding it and surrender it, as in the USSR, to a privileged bureaucracy. Then we would be compelled to acknowledge that the reason for the bureaucratic relapse is rooted not in the backwardness of the country and not in the imperialist environment but in the congenital incapacity of the proletariat to become a ruling class. Then it would be necessary in retrospect to establish that in its fundamental traits the present USSR was the precursor of a new exploiting regime on an international scale. . . .

"The historic alternative, carried to the end, is as follows: either the Stalin regime is an abhorrent relapse in the process of transforming bourgeois society into a socialist society, or the Stalin regime is the first stage of a new exploiting society. If the second prognosis proves to be correct, then, of course, the bureaucracy will become a new exploiting class. However onerous the second perspective may be, if the world proletariat should actually prove incapable of fulfilling the mission placed upon it by the course of development, nothing else would remain except only to recognize that the socialist program, based on the internal contradictions of capitalist society, ended as a Utopia. . . .

"But are there such incontrovertible or even impressive objective data as would compel us today to renounce the prospect of the socialist revolution? That is the whole question. . . .

"Marxists do not have the slightest right (if disillusionment and fatigue are not considered 'rights') to draw the conclusion that the proletariat has forfeited its revolutionary possibilities and must

renounce all aspirations to hegemony in an era immediately ahead.... In the years of darkest Russian reaction (1907 to 1917) we took as our starting point those revolutionary possibilities which were revealed by the Russian proletariat in 1905. In the years of world reaction we must proceed from those possibilities which the Russian proletariat revealed in 1917. The Fourth International did not by accident call itself the world party of the socialist revolution. Our road is not to be changed. We steer our course toward the world revolution and by virtue of this very fact toward the regeneration of the USSR as a workers' state." ■

The Poverty of Maoist Economics

The Reactionary Utopian Doctrines of Bettelheim/Sweezy

by Joseph Seymour

Maoists justify China's increasingly open and all-sided alliance with U.S. imperialism against the Soviet Union—manifested in Peking's continual warnings to strengthen NATO and in its support to the American-inspired, South African-led invasion of Angola last winter—by raising the assertion that capitalism has been restored in the USSR, which has allegedly become an "aggressive, expanding social-imperialist" state. More importantly, Western Maoist support for China's counterrevolutionary line derives from the belief that China is uniquely socialist, representing an even higher form of socialism than did Russia under Stalin. Thus the seemingly abstract question of what constitutes progress toward communism is an important factional bone of contention among Stalinists, with Maoist apologists dismissing any hesitations about Chinese foreign policy by invoking China's supposedly unparalleled rapid progress toward so-called communism.

The Soviet Stalinist concept of "socialism in one country" always involved a large element of technological dynamism: a faith that backward Russia, through its planned economy, could catch up with the advanced capitalist countries in a generation or less. Stalin's

Problems of Leninism (1933 edition) asserts: "We are fifty or a hundred years behind the advanced countries. We must make good this lag in ten years."

Maoist China is qualitatively even more economically backward than was Russia in the 1930's. The gulf between the productive capacity of the Chinese and American economies is so vast that bridging it in any politically meaningful time period is inconceivable. When the Maoist regime broke with the Soviet bloc in the late 1950's, it was therefore forced to radically alter traditional Stalinist concepts. "Socialism" was redefined so as to be imminently achievable in one of the most impoverished nations on earth.

Far more so than Moscow-line Stalinism, therefore, Maoist ideology is a sustained attack on the fundamental Marxist premise that socialism requires material superabundance through a level of labor productivity far higher than that of the most advanced capitalism. Maoist ideology rests on a *subjectivist* redefinition of class society. Thus socialist relations are achieved through a "cultural revolution," and the process which supposedly restored capitalism in the Soviet Union was located mainly inside the head of Nikita Khrushchev.

Maoism's primitivism and extreme voluntarism — particularly as presented during the "Cultural Revolution" period — have had great appeal for petty-bourgeois radicals in the West. It was the promise of an end to alienated labor here and now, without the whole historical period needed to raise the technological and cultural level of mankind, that enabled many of the followers of Marcuse to transfer their loyalty to Maoist China in the late 1960's. It is the belief that China has broken with Soviet-style "economism" to create a veritable "socialist man" that gives Maoism a mystique and appeal not shared by other "Third World" Stalinist regimes such as Castro's Cuba or Ho's Vietnam.

Of course, the realities of Chinese economic life are very distant from the idealizations of Western Maoist apologists like Charles Bettelheim, Paul Sweezy and William Hinton. China today is as stratified and as rife with bureaucratic corruption and black-marketeering as Brezhnev's Russia. The economic policies of the Chinese and Soviet bureaucratically deformed workers states have far more in common with one another than either would have with the economic program of a genuinely revolutionary, democratic workers government.

In particular, Chinese economic policy rather closely resembles the regional decentralization of the later Khrushchev period (1958-64). In both cases decentralization resulted from an intra-bureaucratic conflict followed by an attempt to transfer control of economic resources from the centralized administrative technical apparatus to

the local party chiefs. However, the purpose of this article is not to counterpose China's venal, bureaucratic reality to the "radical" Maoist ideal presented by its Western sycophants. Rather it is to expose and attack the reactionary utopian nature of the Maoist ideal itself.

Marx Against Primitive Egalitarianism

Running through Maoist apologetics is an identification of concern for technical progress with "capitalist roadism." Bettelheim, for example, exhorts backward countries to follow China's policy of "self-reliance" and not to base development on importing advanced technology, which he regards as intrinsically capitalistic (!):

"Take, for example, the growth in the technical composition of capital, the apparently 'necessary' growth in the size of units of production in order to obtain a reduction in cost.... Far from being modalities of 'natural laws of technique,' are these not, quite simply, *social laws*—an effect of the domination of capitalist relations of production over the productive forces, quite concretely, an effect of the *laws of capitalist concentration and centralization*? There are many reasons for thinking that this is the case." [emphasis in original]

—Charles Bettelheim, *Economic Calculation and Forms of Property*, 1975

The contrast between a supposedly egalitarian, voluntarist "Chinese road to socialism" and Soviet-style "economism" is clearly stated by Paul Sweezy, who is less concerned than Bettelheim to claim Maoism for orthodox Marxism:

"... the experience of the Chinese Revolution ... has shown that a low level of development of productive forces is not an insuperable obstacle to the socialist transformation of social relations and does not necessarily entail a process of 'primitive accumulation' and the aggravation of inequalities; that it is self-defeating to try to build the material bases of socialism first, while putting off until later the task of developing compatible social relations...."

—"The Nature of Soviet Society, Part I," *Monthly Review*, November 1974

And Sweezy goes on to emphasize what he believes to be the unique contribution to Marxism of the "Chinese road":

"It was only in China, where of all countries in the world conditions were most favorable for revolution, that Marxism could finally be purged of its (essentially bourgeois) economic taint."

"The Nature of Soviet Society, Part II," *Monthly Review*, January 1975

It is the fate of revisionism to rediscover the very doctrines and ideas *against* which Marxism developed. In the case of Maoism we see a clear reversion to pre-Marxian petty-bourgeois conceptions of socialism. The programmatic models constructed by the first socialists—Babeuf, Owen, Weitling, Cabet—were moneyless, marketless, self-sufficient productive units where labor was allocated and

goods distributed by a central political authority. In short, they were pure versions of the "people's communes" of the Chinese Great Leap Forward period, which Bettelheim claims as a higher form of socialism than the state property of the Soviet Union.

To do historic justice to Babeuf and the other early communists, their model of a just society was necessarily limited and conditioned by the pre-industrial technology prevalent in continental Europe. Marx was able to transcend primitive egalitarian notions of socialism only by assimilating the significance of the industrial revolution in Britain (in large part through his association with Engels).

Virtually from the day he became a communist in Paris in 1843, Marx vehemently attacked the doctrines of "barracks socialism" prevalent among contemporary communists like Weitling and Cabet:

"This type of communism since it negates the *personality* of man in every sphere is but the logical expression of private property, which is this negation.... Crude communism is only the culmination of this envy and of this levelling-down proceeding from the *preconceived* minimum. It has a *definite, limited* standard. How little this annulment of private property is really an appropriation is in fact proved by the abstract negation of the entire world of culture and civilization, the regression to the *unnatural* simplicity of the *poor* and crude man who has not only failed to go beyond private property, but has not yet even reached it." [emphasis in original]

Karl Marx, *Economic and Philosophical Manuscripts of 1844*

And when the Communist League published the first and only issue of its journal, the *Kommunistische Zeitschrift*, in September 1847, it began with an editorial differentiating the League from other contemporary communist tendencies (as well as its own origins in the primitive egalitarian League of the Just):

"We are not among those communists who are out to destroy personal liberty, who wish to turn the world into one huge barrack or into a gigantic workhouse. There certainly are some communists who... refuse to countenance personal liberty and would like to shuffle it out of the world because they consider that it is a hindrance to complete harmony. But we have no desire to exchange freedom for equality. We are convinced... that in no social order will personal freedom be so assured as in a society based upon communal ownership."

reproduced in David Ryazanov (ed.), *The Communist Manifesto of Karl Marx and Friedrich Engels*, 1928

There is no better proof of the reactionary nature of the Maoist concept of socialism than that it was rejected by the vanguard of the European artisan-proletariat—the first Marxists—130 years ago!

The similarity between pre-Marxian models of socialism and the "radical" Maoist ideal arises because both are ideological expressions of social groups *doomed by historic progress*. Primitive egalitarianism—"barracks socialism"—was the response of artisans driven into destitution by the beginnings of the industrial revolution.

"Question 2: What is the aim of the Communists?"

"Answer: To organize society in such a way that every member of it can develop and use all his capabilities and powers in complete freedom and without thereby infringing the basic conditions of this society."

—Friedrich Engels, "Draft of a Communist Confession of Faith," 1847

"Only through the interaction of these three elements, state planning, the market, and Soviet democracy, can the correct direction of the economy of the transitional epoch be attained."

—Leon Trotsky, "The Soviet Economy in Danger," October 1932

It was the ideological expression of an impulse to *escape* from the hostile capitalist environment through the voluntary creation of self-sufficient producers' cooperatives.

The voluntarist Maoist version of "socialism in one country" expresses the false consciousness of a bureaucracy in an economically backward deformed workers state isolated in a world dominated by the advanced capitalist powers. The overthrow of world capitalism through international proletarian revolution would sweep away the Chinese Stalinist regime. Therefore the Maoist bureaucracy instinctively rejects international proletarian revolution as the key to a socialist future and projects communism as the *idealization of the existing Chinese reality*.

Like Marx in the 1840's, his successors today, the Trotskyists, insist that socialism can only be based on the revolutionary appropriation of the productive forces of the advanced capitalist nations.

Obscurantism in the Service of Maoist Subjectivism

The most ambitious effort to give the crude, even embarrassing, subjectivism of *Peking Review* editorials the appearance of Marxism is that of Charles Bettelheim, a long-time orthodox French Stalinist won to Maoism in the late 1960's. Bettelheim's works are a lengthy exercise in obscurantism. After tortuous terminological harangues and casuistic logic-chopping, Bettelheim arrives at the predictable conclusion that the class nature of society depends on the attitude of its ruling group. Bettelheim's assertion that capitalism has been restored in the USSR is as distant from scientific socialism as is his Chinese mentors' successive claims that Liu Shao-chi, then Lin Piao

and now Chiang Ching were "capitalist roaders" (and long-time double-dealing "capitalist roaders" at that).

Of course, Bettelheim rejects the Marxist understanding of capitalism as a system of generalized commodity production associated with and requiring private ownership of the means of production. He chooses instead to define capitalism as "the separation of the direct producers from the means of production," a vague formulation smacking of New Left libertarianism and anarcho-syndicalism. Bettelheim sees wage labor as the essential element of capitalism:

"The point to be particularly emphasized... is that it is *the wage-labor relation*, intervening in *commodity production*... that constitutes a capitalist social relation of production." [emphasis in original]

Economic Calculation and Forms of Property

Like everyone else who uses the term "state capitalism" to describe the USSR, Bettelheim gives to it his own, unique definition. Actually he has two fundamentally *different* definitions. State capitalism, for Bettelheim, is *either* the complex of commodity relations *within* the dictatorship of the proletariat, *or* a new *bourgeois* mode of production. This highly confusing terminological dualism is very important for Bettelheim's purpose as an apologist for Chinese Stalinism against the Kremlin.

This becomes clear, or at least clearer, if we contrast genuine anarcho-syndicalism to Bettelheim's Maoism. For an anarcho-syndicalist an economy characterized by wage labor is capitalism, and that's that. But Bettelheim is not a syndicalist — he is a Stalinist. He firmly believes in the uncontrolled rule of a bureaucratic elite, masquerading as a Leninist vanguard party, which maintains itself in power through violence and terror against opposition arising from the working masses.

In Bettelheim's theoretical schema, if a genuine proletarian vanguard is in power, then "state capitalism" is "subordinated" to the construction of socialism (the case of Maoist China). But if power is not in the hands of a genuine vanguard, then "state capitalism" becomes dominant (as in Brezhnev's Russia):

"In brief, if the state apparatus which owns the means of production (as a result of state control) exists *apart* from the masses, and if, moreover, this *apparatus is not subject to control by a party which is linked to the masses and which helps the masses to struggle to gain control over the use made of the means of production*, we are then faced with relations constituting a structure which reproduces the *separation of the direct producers from their means of production*. If under these conditions the relationship between labor power and means of production is expressed through a *wage relationship*, this means that the relations of production are *capitalist relations*, and that those who occupy leading posts in the central state apparatus and

associated apparatuses are, collectively, a capitalist a state bourgeoisie...."

"For there can be no dictatorship of the proletariat if the ruling party is not the party of the working class." [emphasis in original]

Charles Bettelheim (with Paul Sweezy), *On the Transition to Socialism*, 1972

Since Bettelheim maintains that the vanguard party can be corrupted and lose its class character by a peaceful, organic process, capitalism can be restored without a violent counterrevolution. Thus inherent in Maoism is a fundamental rejection of the Leninist theory of the state in favor of subjectivist voluntarism.

Does Bettelheim provide us with an objective measure—like the nature and extent of economic planning—of whether commodity relations are dominant or subordinate in a given collectivized economy? No, he denies that such an objective measure exists. Isn't it true that the market plays a far larger role in China, and that enterprises have greater autonomy there than in Brezhnev's Russia? Illusions! cries Bettelheim. The power of economic planning is bestowed only upon the true disciples. And since the masters of the Kremlin are no longer among the faithful, they have lost the power to plan. Economic planning in the USSR does not exist!

"If such a vanguard does not exist, and, in particular, if the ruling workers' party does not have, or no longer has, the characteristics which make it a vanguard of the working class, then the *political and ideological conditions* which enable planned relations to be dominant over market relations *do not exist*. When this is the case, it is, indeed, possible to *formally* have a document that bears the name 'plan,' but this only conceals the absence of real planning." [emphasis in original]

—*Economic Calculation and Forms of Property*

At this point, Bettelheim reunites with the undisguised subjectivism of *Peking Review*. Classes no longer arise from objective economic relations but depend on the attitudes of those wielding political power at any given time. How are we to know if it is a "real" proletarian vanguard engaged in "real" economic planning? On this key question, Bettelheim and his Maoist co-thinkers can only claim revelation by faith—and the latest purge. We wonder if Bettelheim's own faith that the Chinese Communist Party is a "real vanguard" has been shaken by the purge of Chiang Ching and the other Cultural Revolution "radicals." After all, Bettelheim's theorizing was originally inspired by the Cultural Revolution, all of whose leaders are now either dead or imprisoned as "capitalist roaders."

Does Money-Capital Exist in the USSR?

Bettelheim's assertion that wage labor as it exists in the Soviet Union (and China) is a capitalist relation of production requires further investigation. Running through Bettelheim is a fixation with

the money form as intrinsically capitalist. A central theme of *Economic Calculation and Forms of Property* is the counterposition of monetary (capitalist) to economic (socialist) calculation in heterogeneous physical units, including different types of labor inputs.

Under capitalism wage labor is the exchange of money-capital for labor time. Money is not any piece of paper which can sometimes be exchanged for commodities. A ration ticket is not money. Money is the *generalized* embodiment of exchange value; according to Marx, money exists as "the universal medium of payment, as the universal means of purchase, and as the universal embodiment of wealth" (*Capital*, Vol. I, Ch. 3). What distinguishes money from all other forms of finance is precisely its generalized exchange value. That is why Marx insisted that money could not be ultimately based on government fiat, but only on precious metals which had intrinsic value as the product of labor.

In a capitalist economy, the sale of a consumer good directly and immediately adds to the money-capital of the particular capitalists who produced and distributed it. In contrast, in the Soviet Union there is a rigid separation between the financial flow associated with wages and consumption and that associated with interenterprise transactions. This empirical fact is recognized by everyone from Joseph Stalin himself (in his *Economic Problems of Socialism in the USSR*) to every bourgeois expert on the Soviet economy. Only Bettelheim and his Maoist cothinkers believe that money-capital circulates in the Soviet economy.

The sale of a consumer good in the USSR affects the bank balance of the enterprise which produced it very indirectly through the mediation of higher economic authorities. Furthermore the bank accounts of Soviet enterprises are not money-capital either. Enterprise managers cannot use "their" funds to purchase whatever they want, but only goods specified in the supply plan or subsequently approved by higher-ups. Using capitalist categories to describe the Soviet financial system, one can say that labor is paid in generalized ration tickets and enterprises buy and sell among themselves through the extension and contraction of trade credit, not the circulation of money-capital.

In this respect, the Soviet economy conforms to Marx's own explicit projection of the financial mechanisms of a socialized economy under scarcity:

"In the case of socialized production the money-capital is eliminated. Society distributes labor-power and the means of production to the different branches of production. The producers may eventually receive paper vouchers, by means of which they withdraw from the social supply of the means of consumption a share corresponding to

their labor time. These vouchers are *not* money. *They do not circulate.*" [our emphasis]

Karl Marx, *Capital*. Vol. II, Ch. 18

Rationing vs. Market Distribution

Predictably Bettelheim regards the elimination of commodity *forms* in production as the goal of socialism. And he sees progress toward this end primarily through "ideological revolutionization":

"Unity among socialist workers must develop on the basis of politics and ideology. Such a unity makes it possible to envisage the eventual elimination of the surviving market relations and the emergence of new socialist social relations, an outcome that is directly related to the *ideological revolutionization achieved by the class struggle unfolding under the leadership of the Chinese Communist Party.*" [our emphasis]

Charles Bettelheim, *Cultural Revolution and Industrial Organization in China*, 1974

That Marx regarded differential wage labor as a necessary characteristic of the transition to communism is well-known, being explicitly stated in both the *Critique of the Gotha Program* and *Anti-Dühring*. Only when labor absorbs an insignificant amount of time and energy will individuals freely grant it to the social collective. Marx would have savagely ridiculed as subjective idealism the notion that the elimination of wage labor could be achieved through "ideological revolutionization." In reality, the Chinese bureaucracy's claim to favor "moral" over "material incentives" is a cover for the allocation of labor by *state coercion*, which is both more oppressive and economically less effective than wage labor.

The Chinese bureaucracy's use of state coercion masquerading as "ideological revolutionization" is apparent in the practice of transferring urban student youth to the countryside for indefinite periods. This practice not only generates enormous social discontent, but is probably a net drain on the Chinese economy. The transplanted youth are indifferent, negligent farmers, and the peasants justifiably resent having to partly support and socialize with recalcitrant, labor-shirking youth, who behave as if they were in a prison camp.

Bettelheim's biases also lead him to favor rationing or socialized distribution as opposed to the individual purchase of consumables. However, the aim of socialism is not to impose a uniform way of life, but exactly the opposite: the full development of individual capacity. This development is not primarily spiritual, but requires the individual appropriation of material wealth. Painting and sculpture, for example, require a wide variety of ingredients available in subtle gradations. Within the limits imposed by overall availability, a

socialist economic policy seeks to maximize individual choice of consumables.

Rationing subverts this aim, as does "free" distribution of scarce consumables on a first come, first served basis. In the early 1960's, when Fidel Castro and Che Guevara wanted to establish socialism in Cuba overnight, they eliminated charges on telephone calls. The result was that one had to wait hours to make a phone call! Even under the fullest, most perfect workers democracy, rationing, discriminatory pricing and socialized distribution entails an element of administrative arbitrariness and subjectivity. This subjective arbitrariness is magnified many times over in China where the administrators are an irrational, clique-ridden bureaucracy.

Of course, in times of war or natural disaster administrative control must be rigidly imposed on all sectors of the economy. But as a norm in the dictatorship of the proletariat, and assuming the wage structure is optimal, the market is the most efficient, sensitive and democratic mechanism for adjusting scarce consumer goods and services to individual needs and desires. The extension of socialized distribution should be an exception to be justified by particular merits. For example, a workers government might use free or subsidized distribution to make available sports facilities. It also makes sense to supply free of individual charge necessary services where demand is little affected by price, like mass intra-city transit. However, unless it expresses the elimination of scarcity, the extension of socialized distribution restricts individual choice and so impoverishes social life.

Here again Marx is in explicit opposition to Bettelheim's "Chinese road to socialism." Marx considered that in a collectivized economy under conditions of scarcity, consumables would be priced and sold at their cost of production. In fact, he believed that one of the advantages of economic planning would be the elimination of random market fluctuations and that consumables would be available at their true value and equilibrium quantity:

"(It is *only* where production is under the actual, *predetermining control* of society that the latter establishes a relation between the volume of social labor-time applied in producing definite articles, and the volume of social want to be satisfied by these articles.)... But if the quantity of social labor expended in the production of a certain article corresponds to the social demand for it, so that the produced quantity corresponds to the usual scale of reproduction and the demand remains unchanged, then the article is sold at its market-value. The exchange, or sale, of commodities at their value is the *rational* state of affairs, i.e., the natural law of their equilibrium." [our emphasis]

Karl Marx, *Capital*, Vol. III, Ch. 10

Under the dictatorship of the proletariat, the market should be the normal mechanism for distributing the *existing* supply of scarce

goods and services destined for individual consumption. However, the *extension* of productive capacity for particular consumables should be determined through the centralized investment plan. Major investment in particular consumer goods industries (like the establishment of an automobile industry) should be governed not only by projected market demand, but by a collective (i.e., political) decision concerning general social desirability.

The Marxist Path From Scarcity to Communism

The crass anti-Marxism of the Maoist ideologues is, in a sense, more revealed by what they do not say than by what they do say. Virtually every time Marx and Engels wrote about communist society and progress toward it, they focused on the radical reduction in necessary labor time and its replacement by creative, scientific work. For Marx the reduction in labor time required to produce necessities was not only the central measure of human progress, but reducing the workday was the object of much of his political agitation, particularly in the early years of the First International.

In the writings of Bettelheim, Sweezy, *et al.*, the reduction of labor time as a precondition for socialism is nowhere to be found. Commodity relations are to be eliminated on the basis of existing technology with little change in the quantity and quality of labor. Sweezy provides this capsule description of communism:

“...under communism, classes have disappeared; the state has withered away; crippling forms of the division of labor have been overcome; distinctions between city and country and between mental and manual labor have been abolished; distribution is according to need, etc.”

On the Transition to Socialism

What makes this possible, or why it could not have been accomplished at the time of the Pharaohs, is not mentioned by this Maoist ideologue in his efforts to combat “economistic” Marxism.

In order to focus on questions of labor and economics, we have not discussed the *nationalist* deviation inherent in the Stalinist concept of “socialism in one country.” But Sweezy’s description of communism cries out for refutation on this point, too. Sweezy’s Stalinist ideology is so deep-rooted he doesn’t even realize that the Marxist conception of communism contains as one of its central elements the *disappearance of national affiliation*.

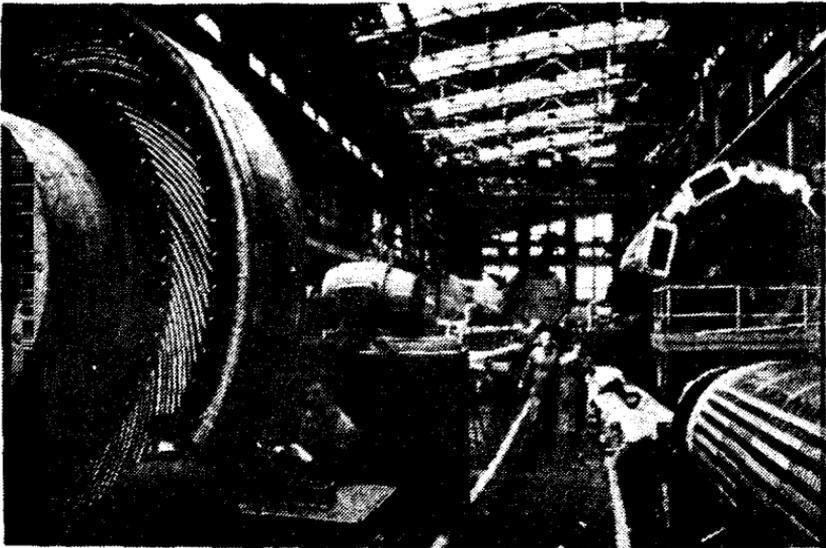
For those whose “Marxist education” is derived from the *Monthly Review* circle or even more vulgar Stalinist ideologues, the original Marxist vision of communist society will come as a shocking revelation. Writing the first draft of what became the *Communist Manifesto*, Engels asserted:

“The nationalities of the peoples who join together according to the



Stalin held that "socialism in one country" could be achieved through concentration on heavy industry (below) to the exclusion of consumer goods. Maoists go further, asserting that classes can be abolished in one of the most impoverished economies of the world (above). Marx, Lenin and Trotsky held that socialism could be achieved only on a world scale, based on the highest level of productive forces.

Life



principle of community will be just as much compelled by this union to merge with one another and thereby supersede themselves as the various differences between estates and classes disappear through the superseding of their basis—private property.”

“Draft of a Communist Confession of Faith,”
June 1847

To return to the main theme of this article, Sweezy's phrase that under communism the differences between “mental and manual labor have been abolished” is vague and consequently misleading. For Marxists, that “abolition” occurs precisely through the *elimination* of arduous, mechanical manual labor and its replacement by creative, scientific work. Marx regarded the most progressive tendency of capitalist industrialization as the elimination of direct manual labor from the process of production and its replacement by the supervision of machinery:

“Real wealth develops much more (as is disclosed by heavy industry) in the enormous disproportion between labor time utilized and its product, and also the qualitative disproportion between labor that has been reduced to a mere abstraction, and the power of the production process that it supervises. Labor does not seem any longer to be an essential part of the process of production. The human factor is restricted to watching and supervising the production process....

“The worker no longer inserts transformed natural objects as the intermediaries between the material and himself; he now inserts the natural process that he has transformed into an industrial one between himself and inorganic nature, over which he has achieved mastery. He is no longer the principal agent of the production process; he exists alongside it.”

Karl Marx, *The Grundrisse*

In other words, Marx conceived of communism as what would today be called a fully automated society. His opposition to capitalism as a system of production was that it *arrested* technical progress because the expansion of the means of production generated a historically declining rate of profit.

The revolutionary overthrow of the capitalist state permits the expropriation and centralized control of the existing means of production. The full, rational utilization of economic resources, particularly investment embodying the most advanced technology, produces a quantum leap in labor productivity. The increased productivity is partly expended on raising the level of consumption but mainly on a significant reduction in labor time. The additional free time is used for re-education of the working masses which raises their cultural level and technical capacity. When these workers re-enter the process of production, they further stimulate increases in productivity. Thus increases in labor productivity become a self-perpetuating, self-reinforcing process:

“Real economy—savings—consists in the saving of working time (the minimum, and reduction to the minimum, of production costs); but

this saving is identical with the development of productivity. Economizing, therefore, does not mean the giving up of pleasure, but the development of power and productive capacity, and thus both the capacity for and the means of enjoyment.... Free time—which includes leisure as well as time for higher activities—naturally transforms anyone who enjoys it into a *different* person, and it is this different person who *then enters* the direct process of production. The man who is being formed finds discipline in this process, while for the man who is already formed it is practice, experimental science, materially creative and self-objectifying knowledge, and he contains within his own head the accumulated wisdom of society.” [our emphasis]

—*Ibid.*

The end of this process occurs when necessary labor absorbs such an insignificant share of time and energy that the individual freely grants it to the social collective. In turn, the level of productivity is then so great that individual material appropriation can be given unrestricted play: “From each according to his abilities; to each according to his needs.”

Wage labor and commodity distribution are simply the characteristic *forms* of scarcity and labor coercion under the capitalist mode of production. The true goal of communism is to eliminate the *reality* of scarcity and labor coercion.

Independently of its contribution to the eventual transcendence of scarcity, the elimination of commodity relations has no progressive character at all. A program to eliminate wage-labor and commodity distribution under conditions of material backwardness is reactionary utopianism. Attempts to carry out such a program will lead to economic collapse, as following the Chinese Great Leap Forward in 1960-61, and will create conditions of life more oppressive than those associated with wage labor in the deformed workers states.

—reprinted from *Workers Vanguard* No. 134, 19 November 1976

How Maoists “Restore Capitalism” in the Soviet Union

A review of
*Restoration of Capitalism
in the USSR* by Martin Nicolaus

by Joseph Seymour

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 "*Red Papers 7—Maoist Idealism Run Amok*," reprinted in this pamphlet.)

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 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 plausibility 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 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, 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 interests 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 *Labour 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 immediate conflicts of interests 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, 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 errand 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 inequalitarianism 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 unequalitarian) 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



Two construction workers eating lunch of black bread and soup in communal kitchen, central Asian republic of USSR, 1932. Posters urge greater labor productivity.

Stalin inspecting new limousine outside Stalin Auto Works near Moscow (above, opposite).

Soviet auto workers in factory mess hall, 1931 (opposite).



Wide World



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 apparachiks. 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 *sovnarkhoz* system.

The Kosygin reforms "restored capitalism" in the USSR, proclaims Martin Nicolaus, and he may well be the only person in the world who thinks so. (Unfortunately for his career as a Maoist, the official Peking line is that capitalism was restored under Khrushchev.) However, many commentators did regard the 1965 Soviet reforms associated with the economist E.G. Liberman as capitalistic because of their emphasis on enterprise "profitability." *Time* magazine ran Liberman's picture on its front cover with a story entitled "Borrowing from the Capitalists," and ten years later the U.S. Maoist Revolutionary Union (now Revolutionary Communist Party) declared that the Kosygin reforms "made the profit motive the major guiding force in the Soviet economy..." (*Red Papers No. 7*)

As Liberman points out in defending himself against charges of anti-Marxist revisionism, ever since 1921 Soviet enterprises have been expected to make "profits," or at least avoid losses. This is true. However, the overriding goal of traditional Soviet planning was to over-fulfill the output target at the expense of all other considerations, including other plan indices. The purpose of the 1965 reforms was to eliminate the waste of resources caused by pervasive and many-sided managerial parasitism.

Since both monetary income and promotion to a higher position depended on over-fulfilling the output plan, managers usually understated enterprise productive capacity so as to be assigned an easy target. Moreover, a savvy plant executive would not over-fulfill the plan by too much, since then he would be given a much higher output goal for the following year. In his famous 1962 article, "Plan, Profits, Bonuses," Liberman addresses this problem:

"How can the enterprises be entrusted with the job of working out plans when at present all their draft targets are usually much lower than their actual capacities?"

"This can be done if the enterprises have a maximum interest, both material and moral, in making full use of their reserves..."

— reproduced in Myron E. Sharpe, ed., *Planning, Profit and Incentives in the USSR*, Vol. I (1966)

Of course, the planning authorities always knew that enterprise managers systematically understated capacity, and attempted to correct for this. Plant executives and Gosplan (plan organization) authorities played a cat-and-mouse game with one another, and the resulting output targets bore only a rough relation to actual production capacity.

Since managers were rewarded for output regardless of the usability of or demand for their products, there was a tendency to sacrifice quality and assortment of goods in order to maximize

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output. Targets are set in physical units (e.g., silverware in kilograms, cloth in square meters) so that managers chose items maximizing this index even if the products had little use value. In a famous cartoon from the Russian humor magazine *Krokodil*, the annual output of the nail factory (measured by weight) is shown as one mammoth nail. Another example is the notorious fragility of plate glass in the USSR: since plan targets are set in square meters, managers maximize output by producing over-thin glass. In his September 1965 speech introducing the new system, Kosygin bluntly stated the problem:

"Experience indicates that the index of volume of gross output does not stimulate the enterprise to produce goods which are really needed by the national economy and the public, and in many cases the index tends to limit any improvement in the assortment of goods and their quality. Not infrequently our enterprises produce low-quality goods which the consumer does not want and which therefore remain unsold."

—"On Improving Industrial Management..." in Sharpe, *op. cit.*

Another problem with the traditional system is that output was measured by total (gross) value, not that added by the enterprise. So managers naturally tended to use the most expensive inputs which thereby maximized the value of "their" output. And since managers had little incentive to minimize cost, hoarding labor and building up huge inventories of supplies was the rule. In particular, there was no material incentive to economize on plant and equipment, because investment was financed by a non-repayable budget grant. Since it was "free," managers consistently overstated their need for new equipment.

It is clear that what we have described is nothing but *bureaucratic parasitism* at the enterprise level. A plant manager who understates actual enterprise capacity in order to receive an easy plan, or one who produces low-quality goods so as to more easily meet output goals, knows he is behaving in an anti-social manner. Some managers may be personally honest but believe they will be victimized in income and career advancement if they don't over-fulfill the output plan. Moreover, *all* spokesmen for the Soviet bureaucracy regard the kind of managerial dishonesty depicted above as inherent in the system.

Liberianism is a fruitless effort to overcome managerial parasitism through more sophisticated plan indices. But no planning techniques, however sophisticated, can prevent dishonest managers from subverting the planners' intent and squandering resources. As we shall see, the 1965 reforms perpetuated some of the old problems while generating new forms of managerial dishonesty and waste of resources.

The elimination of bureaucratic parasitism at the base of the economy as well as at the top is impossible without thoroughgoing

soviet democracy, which in turn requires revolutionary action by the working class to topple the Stalinist bureaucracy. Two requirements, in particular, are necessary to ensure conscientious management: selection of managers with demonstrated socialist consciousness and workers control of production.

Following the Bolshevik Revolution and during the 1920's, Soviet economic management had to rely on bourgeois experts drawing high salaries. Lenin's Bolsheviks regarded this as a necessary evil, only partly offset by workers control. A revolutionary workers government coming to power in the advanced capitalist countries through social revolution or in the USSR and East Europe through political revolution would not face the same situation today. Managers would receive straight salaries commensurate with the wages of skilled workers, and a central task of the factory committees would be ensuring against managerial wastage of resources. Under the close scrutiny of the workers in the enterprise, incorrigibly incompetent, abusive or dishonest managers would simply be removed.

Objective Pressures for Economic Reform

Managerial parasitism and the consequent squandering of resources at the enterprise level have long characterized Stalinist bureaucratic planning. Why then did pressure for reform build up in the early 1960's, culminating in the action of the incoming Brezhnev Kosygin regime?

During the last years of the Khrushchev period a number of objective factors caused the bureaucracy to become more concerned about micro-economic inefficiency. A rising standard of living in the late 1950's made consumers more selective and unwilling to purchase shoddy or otherwise undesirable merchandise. Also, in Stalin's day a manager who played too fast and loose with the plan and his superiors could get into very hot water indeed. Thus the post-1956 relaxation of totalitarian state terror may have allowed greater managerial dishonesty and violation of planning instructions.

However, the basic motives for the 1965 reforms reflected profound changes in the Soviet economy. The later Khrushchev years (1958-64) saw a marked fall in economic growth, particularly in productivity increase per unit of new investment. In part this worsened economic performance reflected Khrushchev's regional decentralization, undertaken purely to strengthen his power base within the party apparatus. More importantly, the USSR was beginning to experience a labor shortage which put an end to the traditional Stalinist pattern of rapid industrialization.

Stalin-era economic development was *extensive*, with almost all investment expended on new factories drawing upon seemingly

unlimited labor supplies from the countryside. Around 1960, however, the most far-sighted elements in the bureaucracy realized that continued economic growth must become *intensive*, concentrating on modernizing existing productive units and raising their labor productivity. Under these circumstances, traditional managerial parasitism and conservatism had become a serious obstacle to further economic growth.

Liberianism was not the answer to supposedly inherent inefficiencies in centralized planning, as some bourgeois commentators claimed; and it certainly was not capitalist restoration. Rather it was a weak, contradictory attempt at self-reform of certain types of bureaucratic parasitism which had become increasingly harmful to the interests of the Soviet Stalinist regime.

The 1965 Kosygin reforms had four major elements. First, Khrushchev's regionalism was done away with and the economy was recentralized. Also, the key indices for measuring enterprise performance and managerial success were changed, the method of financing and determining investment at the enterprise level was altered, and the formula for setting wholesale prices was changed.

A significant effect of the 1965 measures which is often overlooked was the re-establishment of the traditional ministerial system. In one important respect the post-1965 economic structure was *more* centralized than it had been under Stalin, when industrial ministries tended toward autarky and "empire-building." To avoid wasteful duplication of intermediate products, the Kosygin reforms established a State Committee on Material-Technical Supply (Gossnab) as the centralized organ for allocating these goods.

It is typical of the dishonesty running through Nicolaus' book that he doesn't even mention the existence of Gossnab, although the Kosygin reforms are central to his thesis. The reason for this silence is not hard to discern: the very existence of Gossnab refutes his contention that after 1965 there was a market for producer goods created by enterprise competition. In the late 1960's this administrative organ allocated 16,000 intermediate products, and by 1971 it accounted for two-thirds of all inter-enterprise transactions (cited in *Soviet Studies*, July 1972). But according to Nicolaus the 1965 reforms ended centralized control over the enterprises, which thereafter operated on the basis of unrestrained profit maximization:

"Its essence ... consists in giving the central planners the task of keeping the economy as a whole in balance while each particular unit of the economy runs riot in pursuit of its maximum profit."

This is a blatant falsification.

"Profit" in the Soviet Economy?

Since the early 1930's, Soviet enterprises have had a "profit" plan

as well as an output plan and other indices. Basing herself on this, more than 30 years ago the anarcho-syndicalist Raya Dunayevskaya contended that since Soviet enterprises made "profits," the economy was capitalist (see her "A New Revision of Marxian Economics," *American Economic Review*, September 1944). However, in actuality enterprise "profit" amounts to a tax levied at the point of production, part of which is then granted to the enterprises subject to strict guidelines and instructions for its allocation.

From being a secondary and often neglected target under Stalin and Khrushchev, the profit plan was made the key index governing managerial bonuses in the Kosygin reforms. (To eliminate unusable merchandise, enterprises were credited only for output actually sold.) However, there is still an output plan, measured in physical units, which must be fulfilled. A manager who does not fulfill the output plan will not receive a bonus (regardless of profit), and he may also be administratively disciplined as a state functionary!

The standard Soviet work on current economic policy is *Soviet Economic Reform: Progress and Problems* (1972), which describes the relation of enterprise production to the planning authorities as follows:

"...guiding themselves by the prices set from above, production costs and the possibilities for the sale of the finished output, enterprises independently decide on the concrete, detailed assortment of output. But to reduce the probability of mistakes which separate enterprises might make, they are given *administratively*, as an initial basis, an *assignment* as regards the nomenclature [product-mix] of major output." [our emphasis]

This official description is confirmed by a leading British bourgeois expert on the Soviet economy:

"Managerial bonuses have simply redirected effort from output to profit but *only* when output has *exceeded* the plan targets; below that level, profit counts for little." [our emphasis]

Peter Wiles, "Recent Data on Soviet Income Distribution," *Survey*, Summer 1975

In contrast to capitalist firms, Soviet enterprises do not seek to maximize profit levels or the rate of return on invested capital. Managers are supposed to over-fulfill the output plan while maximizing the difference of realized profit over planned profit. As a result, the "reformed" system perpetuates a central weakness of the old system in a different form: instead of understating their production capacity to get an easy plan, managers now understate their ability to generate profit. So higher authorities still must intervene to offset the dishonesty of the managers.

E.G. Liberman, who of all people should know the effect of the 1965 measures, expresses disappointment in the Kosygin reforms:

"Basic shortcomings are also manifested in the striving of ministries to

impose higher sales volume on the enterprises. This is an expression of uncertainty that, independently, the enterprises will sufficiently utilize their production capacities and disclose reserves. . . .

"The question of what the 'product-mix of most important items' is must be clarified. At present, its definition is chiefly left to the ministries. But the ministries tend to expand rather than restrict this product-mix, and this expresses a tendency to retain the old methods to provide a greater degree of regulation. . . ."

-E.G. Liberman, *Economic Methods and the Effectiveness of Production* (1971)

Since Liberman's book was written, the tendency has been to restrict enterprise autonomy even more.

The continuity of the post-1965 system with traditional Soviet planning is strongly emphasized by Alec Nove, one of the foremost bourgeois experts in this field. Under a sub-head entitled "The reform that never was," Nove writes:

"The power to allocate resources and to take production decisions remains with the central authorities, and is shaped between the revived industrial ministries, Gosplan and Gosstrib, under the general supervision of the higher party organs. . . . current doctrine regards an increase in profits due to a change in the product mix or in inputs as somehow illegitimate. . . . Yet this means that both the product mix and the inputs of the enterprise are laid down in a plan initiated or approved at the ministerial or *glavk* [sub-ministerial] level. It logically follows that the supply plans made in one or another of the central bodies cover the major part of industrial output, and that both its production and its delivery to designated customers must form part of the obligatory plan-orders from above. *This is the essence of the old system. It survives today.*" [our emphasis]

- "Economic Reforms in the USSR and Hungary, a Study in Contrasts," in Alec Nove and D.M. Nutt, eds., *Socialist Economics* (1972)

Are the Means of Production Commodities in the USSR?

According to Nicolaus, the 1965 measures transformed the means of production into marketable commodities:

"The 1965 measures, in sum, wiped out the legal and financial barriers that had kept the emerging market in the means of production underground during the Khrushchev years. The exchange of the means of production as commodities. . . became respectable, universal and amply supplied with liquidity."

Another gross falsification! One might accuse Nicolaus of conscious deceit, except this would assume he actually knows something about the Soviet economy. Far from the means of production having become commodities, as we shall show *all* inputs purchased by the enterprises must be approved in the supply plan; "decentralized investment" by enterprises is a small share of total expenditure on plant and equipment; and enterprise funds *cannot* be

expended outside the inherently narrow basis of the technical production unit.

Just as output targets are set from above, so supplies are allocated through a detailed annual plan. Unlike their Yugoslav, Hungarian and Chinese counterparts, Soviet enterprises cannot acquire supplies through a more or less free market. Almost all major inputs are allocated directly by Gosplan or through long-term contracts between the producing and consuming enterprises negotiated through Gosplan. Supplies neither go to the highest bidder nor are they distributed on a first-come, first-served basis. An enterprise which is willing to pay three times the official price for, say, a truck might not be able to purchase one, while a far less profitable firm will be allocated a vehicle according to the plan.

As a British expert on the Soviet economy put it:

"The material inputs which enterprises need for production are not simply purchased from producers as they would be in a free market, but are allocated to consumer enterprises by the state supply organs. In effect this is a rationing system for producer goods."

— Michael Ellman, *Planning Problems in the USSR* (1973)

To drive this point home, Ellman cites an incident reported in the Soviet press in 1969. The deputy director of a state farm purchased wood (a centrally allocated item) from a quarry which had chopped down some trees in the course of its operations. As a result, the managements of both the state farm and the quarry were prosecuted and convicted for an economic crime!

In debunking Nicolaus' fraudulent contention that relations between Soviet enterprises are governed by the market, we are not endorsing traditional Stalinist bureaucratic planning methods. The detailed rationing of intermediate goods a year in advance possesses neither the virtues of socialist principle nor of economic rationality. The supply plan, involving hundreds of thousands of transactions, is always and necessarily inconsistent, resulting in untold shortages and bottlenecks. Soviet managers regularly resort to hoarding, blackmarketeering and corruption to procure their "planned" supplies. Rational socialist planning should involve a *centralized* wholesale market where enterprises can purchase inputs at will. This would provide the necessary flexibility for the production process while avoiding the inefficiencies and dangers of atomized competition between enterprises.

From the standpoint of the enterprise, the most significant change caused by the 1965 reforms was in the financing of investment. Under the traditional system all new plant and equipment was financed by a non-repayable grant from the government budget. After the reforms such investment was largely financed through retained enterprise profit. In 1967 wholesale prices were revised

upward in order to increase enterprise profits. And while in 1966 enterprises retained 26 percent of their profits, by 1969 this had risen to 40 percent (*Soviet Economic Reform...*).

Nicolaus naturally points to the significant increase in retained enterprise profits as key proof of "capitalist restoration":

"They [enterprise directors] became not only dictators of the production process...but also managers of important sums of money, who have the eagle eye of investors to succeed."

Any Soviet enterprise manager would find this statement utter nonsense.

According to Nicolaus' own figures, in 1969-70 only about 25 percent of enterprise investment was decentralized—i.e., was outside the annual plan. Decentralized investment means that managers do not require approval from higher bodies to *spend* enterprise funds. However, as we have seen, producer goods are not available in a market, but are rationed by the central supply agency. Thus an enterprise still requires approval from the Gosstab to actually implement "decentralized investment."

So the 1965 measures produced a contradiction: *demand* was partially decentralized while the *allocation* of producer goods remained centralized. The result of this contradiction is growing balances in the bank accounts of Soviet enterprises, since they cannot always use "their" "profits" to purchase actual means of production.

Nicolaus is aware of this fact but attributes it to the lack of profitable investment opportunities:

"...some enterprises cannot profitably place all 'their' funds, but accumulate what is called a 'free profit remainder,' in which case they are entitled to offer loans to Gosbank...for a certain interest fixed by the government'."

Any capitalist firm in the U.S., West Europe or Japan which had excess liquidity would certainly not keep its money-capital in a bank, drawing minimal interest. It would branch out, build new factories, buy out other firms, purchase stocks and bonds, lend directly at the highest available interest and generally seek to maximize the return on its capital. Why don't the purported "capitalists" in the Soviet Union act in this way? *Because they can't*—because the means of production are not private property, commodities to be purchased in the market. Therefore, enterprise funds are not money-capital, which Marx termed "the universal means of purchase." To put it another way, *because the Soviet Union is not capitalist.*

Growing Unemployment in Brezhnev's Russia?

Along with his absurd claim that managers in Stalin's time "lacked the whip hand" over the workers, Nicolaus' contention that unemployment has been restored in the USSR since 1965 is the most

obvious and incredible of his endless falsifications. He writes:

"the unemployed are made to pay materially for the official hypocrisy. An even more bitter aspect of their situation is that all the layoffs undertaken by the enterprise directors for economic reasons are strictly against Soviet law, as embodied in the Constitution of 1936, the Stalin Constitution."

Before dealing with unemployment in present-day Russia, we have once more to debunk the myth of Stalin's "workers paradise." As we have seen, during the 1930's there were widespread obligatory dismissals for breaches of work discipline, and mass disguised unemployment existed on the collective farms. Despite the "right to work" in the Stalin constitution, a Soviet employee *never* had a legal right to his job.

Because the planning system encouraged managers to hoard labor, and because economic (as distinct from disciplinary) dismissals were generally regarded as anti-socialist, layoffs were and continue to be rare. But as to *legal* managerial rights, the 1970 Principles of Labor Legislation perpetuates Stalin's precedent. Managers are obliged to seek comparable employment for those they intend to lay off. But if the trade union agrees that management has made a honest, though fruitless, effort in this regard, *any* Soviet worker can be dismissed with two weeks severance pay.

Anyone with the slightest knowledge of Soviet society today knows that there is an acute labor shortage, which greatly worries the bureaucracy. In 1960, 78 percent of the working-age population was employed; by 1965 this proportion had jumped to 87 percent, and by 1970 it had increased to 91 percent (V. Kostakov, translated in *Problems of Economics*, November 1974). By way of comparison, in the United States only 61.8 percent (1975 figures) of the non-institutional population, age 16 and over, is employed (*Monthly Labor Review*, November 1976).

The problems which the extremely high level of labor force participation in the USSR poses for the bureaucracy have been clearly stated by the Soviet manpower expert E. Manevich:

"The economic consequences of the manpower shortage are very great: in a number of cases there arise serious difficulties in supplying personnel to newly activated enterprises; it is difficult to secure the uninterrupted operation of enterprises in two shifts...; manpower turnover rises; the existence of a large number of vacancies hinders the collectives in their struggle to strengthen labor discipline and is one of the reasons for maintaining clearly superfluous workers and employees, which in turn aggravates the general manpower shortage in the nation."

"Ways of Improving the Utilization of Manpower," translated in *Problems of Economics*, June 1974

Nicolaus can nonetheless find in Soviet economic literature references to people who are not employed and are looking for work.

As Manevich points out, labor shortage encourages high labor turnover. Since strikes and other forms of collective class struggle are suppressed by state terror, Soviet workers seek to improve their circumstances through individual initiative. Increasingly, workers take advantage of the tight labor market and change jobs frequently. In a formal, statistical sense this means more unemployed at any given time.

We are obliged to explain to Dr. Nicolaus that there is a difference between being the victim of a mass layoff and quitting one's job in order to find a better one. If the academic economist doesn't understand this difference, every worker in the world does. Furthermore, the difference between genuine labor turnover and unemployment can be measured statistically. The average period between jobs commonly given in Soviet literature is about three weeks. At present in the U.S., the average duration of unemployment is about 15.5 weeks (*Monthly Labor Review*, November 1976).

Under capitalism; mass unemployment is not primarily caused by technological progress, by machines replacing men. Rather, the appearance of masses of jobless workers results from a contraction of production—recessions, depressions, stagnation. Even a charlatan like Nicolaus who invents growing unemployment in Brezhnev's Russia cannot invent cyclical contractions in the Soviet economy. Since 1956 (as well as before then), industrial production in the USSR has increased every single year, though at greatly uneven rates.

Thus the Maoists and other believers in "Soviet capitalism" present us with a capitalism free of cyclical fluctuations—a condition quite contrary to Marx's understanding of the capitalist system. The notion that the Soviet Union is capitalist necessarily leads to a revision of the Marxist analysis of actual capitalist societies. And, in fact, the Maoists, anarcho-syndicalists and social-democratic "Third Campers" tend to believe that present-day "state-monopoly capitalism" in the West can, in general, suppress sharp economic contractions and cyclical crises.

Until recently, the "Russia is capitalist" crowd would argue that Soviet economic performance over the past decade or so was no better than some "traditional" capitalist countries like Japan or France. In 1974 this impressionistic argument blew up in their faces. Between mid-1974 and mid-1975, industrial production in the advanced capitalist world dropped 19.5 percent. The 1974-75 depression hit every major capitalist country with drops in production ranging from 13.5 percent in Britain to 33 percent in Japan (OECD, *Economic Outlook*, December 1975 and July 1976). But in 1974-75 industrial production in the USSR actually increased by 18 percent (United Nations, *Statistical Yearbook* 1975).

A serious and honest Marxist confronting these empirical facts

could reach only one of two conclusions: either the USSR is not capitalist, or it is a new form of capitalism which has overcome cyclical contractions (which Marx considered *necessary* for the capitalist mode of production).

The latter, revisionist conclusion directly negates the fundamental Leninist position that this is the epoch of capitalist reaction and decay. The Marxist revolutionary program is not based on moral repugnance against social oppression, class exploitation and inequality; it is based on the *objective* condition that capitalism arrests the development of productive forces and must be superseded by a superior economic system. Thus if there exists today a capitalist system which insures the rapid and steady growth of productive forces, this calls into question the necessity and progressive character of proletarian revolution and working-class rule.

What Would Capitalist Restoration Look Like?

Nicolaus' empirical description of the Soviet economy is a mass of fabrications from beginning to end. However, the "capitalistic" features which he falsely attributes to "social-imperialist" Russia—enterprises determining output on the basis of profit maximization, a market for producer goods, widespread layoffs—do exist to some extent in other bureaucratically ruled workers states, notably Yugoslavia, Hungary and China.

Despite "radical" Maoist ideology the Chinese economy is characterized by significantly greater market orientation and enterprise autonomy than prevails in the Soviet Union. (We have already pointed out the substantial regional decentralization of the Chinese economy, another source for inegalitarianism.) The liberal American economist Lloyd G. Reynolds, who visited China in 1973, observed:

"In deciding what varieties of, say, watches or carpets to produce, the factory relies on the judgment of the sales organization that distributes its product. 'Market guidance' in this sense seems more prominent in Chinese planning than in traditional Soviet planning."

"China's Economy: A View from the Grass Roots,"
Chinese Economic Studies, Spring 1975

Reynolds' observation about the market orientation of Chinese enterprises is confirmed by a report in the *U.S.-China Business Review* (May-June 1976) concerning a factory producing firecrackers for export:

"Workers in the factory received an average monthly wage of 72 yuan, which is a high income for a rural area. Their salaries are at least partially the result of the method used to set firecracker prices. In general, various commodities receive prices either through a

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unilateral assignment or through *negotiations* between the Foreign Trade Bureau and a particular enterprise. . . . Firecrackers are priced using the negotiation process. Because their price has been rising in the *international* market, the chance for negotiation within China has led to *higher prices* there too, and a *resultant higher income* for the firecracker factory employees." [our emphasis]

In Brezhnev's Russia one will not find anything so irrationally capitalistic and inegalitarian as the wages of a particular group of workers being influenced by their product's price fluctuations in the world market.

In any case, whether a Soviet, Hungarian or Chinese manager orders more cups produced because it is more profitable or if he can purchase a new kiln on his own initiative has no bearing on whether the economy is capitalist. Such practices merely indicate the degree of centralization within a collectivized economy.

What distinguishes the capitalist mode of production is that the means of production are commodities, a phenomenon having its highest expression in the stock market. While there is a limited market in producer goods in various of the degenerated/deformed workers states, in none of them are the basic units of production—the enterprises—commodities. Even in Yugoslavia between 1965 and 1971 (the period of maximum enterprise autonomy and market relations) enterprises themselves could not be bought and sold. Investment by one Yugoslav enterprise in another was treated like a loan that had to be fully repaid over time.

The non-commodity character of Soviet and East European enterprises is not a mere juridical principle which could be changed overnight but integral to collectivized property. Enterprises, however autonomous their operations, are not owned by their managers but are sub-units of a single collective. Commodities can only be exchanged between different, independent owners. That is why Marx wrote, "Capital exists and can only exist as many capitals" (*Grundrisse*, Notebook IV).

The prerogatives and very existence of enterprises in the deformed workers states are decided by governmental authorities. In 1973 the Brezhnev/Kosygin regime downgraded the enterprise (usually corresponding to the technical production unit) and replaced it with the association (*obyedineniye*) as the basic unit of management and accountability. In 1971 the Tito regime in Yugoslavia sharply curtailed enterprise autonomy and reversed the trend toward greater market orientation. This "conservative" turn refuted those impressionistic leftists like Paul Sweezy who saw in Yugoslavia a gradual, organic and peaceful return to capitalism.

But to assert that neither in the Soviet Union nor in any of the

bureaucratically deformed workers states that have emerged since World War II has capitalism been restored is not to argue that such a development is impossible. The bureaucracy's attempts to conciliate imperialism embolden capitalist-restorationist forces at home and abroad, and despite tremendous industrial development over several decades, the Soviet and East European economies are still far behind the most advanced capitalist societies.

Capitalist restoration in the Sino-Soviet states is possible through an essentially internal process and not only through imperialist reconquest from without. However, capitalist restoration *cannot* occur either through gradual evolution or a mere reshuffling of personnel at the top; it requires a violent counterrevolution.

Objective conditions encouraging the growth of bourgeois-restorationist forces were most closely approximated in Yugoslavia during 1965-71. These included the proliferation of property-owning petty capitalists (well-to-do farmers, owners of small workshops exploiting wage labor, middlemen / usurers operating with money-capital); the growing activity of foreign capital in the economic life of the country; the elimination of the state monopoly of foreign trade, allowing the world market to have maximum impact on the economy; the atrophy of centralized planning with enterprise relations largely governed by market forces; and the separation of managers from the state bureaucracy. Moreover, this economic "liberalization" was closely linked to an upsurge in Croatian nationalism, expressed not only in student protests and strivings for greater autonomy among party leaders but also in stepped-up activity by fascistic Ustashi groups.

Under such objective conditions, a domestic capitalist-restorationist movement could well emerge. But this would not be a conspiracy striving for a palace coup in the manner of the Maoist fiction of a "Khrushchev restoration." It would be a visible, aggressive movement challenging the regime and polarizing society. Such a movement would require an ideology and organization capable of enlisting masses of adherents, such as the Catholic Church in Poland.

The emergence of powerful capitalist-restorationist forces would produce a "conservative" reflex among Stalinist officials anxious to preserve their social position, and also give birth to a directly counterrevolutionary wing of the bureaucracy (what Trotsky called the "Butenko faction"). However, the workers would instinctively move to defend their interests from the growing threat of reaction. Capitalist restoration could triumph only through a civil war in which the class-conscious elements of the proletariat were an-

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nihilated in the course of their bitter struggle to defend collectivized property as the economic basis for the transition to socialism.

Defend the Gains of October Through Political Revolution!

The Mao-Stalinists go from hailing the supposed establishment of socialism in the USSR with the 1936 constitution to discovering a peaceful counterrevolution secretly carried out by Stalin's heirs. Not only did such a momentous event go unnoticed at the time, but Peking has never published an analysis of how or why this occurred and Maoists in the West cannot even agree on the timing. Moreover, if capitalism can be restored by a palace coup, then presumably socialism can be reinstated in the same manner; thereupon another Khrushchev could appear on the scene, and so on indefinitely, producing a cycle that has more to do with the Buddhist "wheel of life" than with Marxism.

As against this idealist, conspiratorial view of history, Trotsky provided a materialist analysis of the degeneration of the Russian revolution under Stalinism. "The October revolution has been betrayed by the ruling stratum," he wrote in 1936, "but not yet overthrown." He briefly summarized the nature of the regime in an analysis that remains valid today:

"The Soviet Union is a contradictory society halfway between capitalism and socialism, in which: (a) the productive forces are still far from adequate to give the state property a socialist character; (b) the tendency toward primitive accumulation created by want breaks out through innumerable pores of the planned economy; (c) norms of distribution preserving a bourgeois character lie at the basis of a new differentiation of society; (d) the economic growth, while slowly bettering the situation of the toilers, promotes a swift formation of privileged strata; (e) exploiting the social antagonisms, a bureaucracy has converted itself into an uncontrolled caste alien to socialism; (f) the social revolution, betrayed by the ruling party, still exists in property relations and in the consciousness of the toiling masses; (g) a further development of the accumulating contradictions can as well lead to socialism as back to capitalism; (h) on the road to capitalism the counterrevolution would have to break the resistance of the workers; (i) on the road to socialism the workers would have to overthrow the bureaucracy. In the last analysis, the question will be decided by a struggle of living social forces, both on the national and the world arena."

The Revolution Betrayed

Not only is the Maoist illusion of a restoration of capitalism in the USSR wrong and profoundly anti-Marxist, but it serves to justify an increasingly open counterrevolutionary alliance of the Peking bureaucracy with U.S. imperialism against the Soviet Union. In contrast, as the Russian Left Oppositionists were taken from arctic

concentration camps to be shot in 1938-41 they again vowed their unconditional defense of the Soviet Union against imperialist attack. Their struggle was not one of bureaucratic intriguing in the interests of one clique against another, but rather to defend and extend the world-historic gains of the October Revolution by ousting the parasitic usurpers. It is because the Trotskyists know how to defend past conquests of the workers that the Russian Left Opposition will arise again from the ashes, while there never has been and *never will be* a significant Maoist opposition in the USSR.

—reprinted from *Workers Vanguard* Nos. 138 and 140, 24 December 1976 and 14 January 1977

Red Papers 7

Maoist Idealism Run Amok

Red Papers 7 [RP7] is based entirely on the dictum of Mao that socialism is characterized by "the struggle between the socialist road and the capitalist road." Because the "capitalist roaders" under socialism base their strength on the purportedly "powerful weapon" of "old bourgeois ideas," the struggle between the proletariat and the "capitalist roaders" is above all *ideological-political*. Thus, "in this 'struggle between the socialist road and the capitalist road,' the relationship between the Party and the masses is decisive." If ideological revisionism gains the upper hand, concludes RP7, then socialism will be destroyed "relatively bloodlessly" in "a more or less peaceful restoration of capitalism" by a mere "handful of capitalist roaders" and "bourgeois careerists" infected with "'me-first' ideology"!

So, while the RU's mentor Stalin upheld "Marxism-Leninism," his flaw was the "theoretical failure to recognize how class struggle continues under socialism." Stalin, you must understand, did not realize that hordes of "capitalist roaders" had "managed to worm their way into positions of authority," closet capitalists who were "political operators of consummate skill." According to the Stalin-cultist RU, Stalin's "prestige" was the thumb in the dike holding back the flood of an ocean of cleverly disguised "capitalist roaders."

After Stalin's death Khrushchev appeared on the scene, "the right man in the right place at the right time" ... with the wrong ideas. At last ripping off his socialist mask, Khrushchev allegedly established "with lightning rapidity" a "rival bourgeois headquarters." According to RP7, Khrushchev pulled off his "coup" simply by making a

speech at the 20th Party Congress in 1956 criticizing Stalin, a speech "to signal to his fellow capitalist roaders and bourgeois class base that the tide had turned and it was safe to crawl out from the wood work"!

With Khrushchev's rallying cry, the "capitalist road" at once became a choked thoroughfare:

"The seizure of power in 1956-57 by the bourgeois headquarters led by Khrushchev marks the crucial turning point in the restoration process. It was at this juncture that political power passed out of the hands of the proletariat and into the hands of the bourgeoisie. The re-establishment of fully capitalist relations of production was now inevitable, for it is impossible for a bourgeois political line to lead society in any direction but that of capitalism."

The basic premise of *RP7* that the domination of the proletariat in a workers state can be preserved or reversed only by struggle in the ideological realm is a profound revision of Marxism and Leninism. As Lenin explained so clearly in *State and Revolution*, the state is an organ of class *domination* through which the given ruling class defends "its external conditions of production" (Engels). Thus, the essence of the state resides in a repressive apparatus, or "armed bodies of men" (army and police, backed up by judicature, prisons and the bureaucracy), not an ideological line, for enforcing class rule. The class character of a state is determined not by the prevailing ideology, but by the forms of ownership of the means of production which that state defends.

Mao vs. Marx On the State and Socialism

The October Revolution led by the Bolshevik Party of Lenin and Trotsky smashed the bourgeois state and established the dictatorship of the proletariat, which set about "to wrest, by degrees, all capital from the bourgeoisie, to centralize all instruments of production in the hands of the state" (Marx). A counterrevolution to restore capitalism in the Soviet Union would have to smash the workers state (essentially the Red Army and police) and ultimately overturn the proletarian property relations (nationalization of the principal means of production and planned economy) which formed the basis for socialist construction.

For Marxists, the destruction of capitalism and the establishment of the dictatorship of the proletariat require a revolution; the destruction of the dictatorship of the proletariat and restoration of capitalism necessitates a counterrevolution. If the concept of a "peaceful transition to socialism" is reformism, then the RU's schema of a "bloodless," "peaceful restoration of capitalism" is precisely *reformism in reverse!* Both remove the necessity to smash the existing state.

Mao's "discovery" that under socialism classes and class struggle

continue to exist, moreover, stands in flat contradiction to Marxism. As the lower phase of communism, socialism signifies "an end to all class differences and class antagonisms" (Engels). Class conflicts, and hence the state, however, continue to exist under the dictatorship of the proletariat. As Lenin so lucidly stated in his *Economics and Politics in the Era of the Dictatorship of the Proletariat*:

"Socialism means the abolition of classes. The dictatorship of the proletariat has done all it could to abolish classes. But classes can not be abolished at one stroke. And classes still *remain* and *will remain* in the era of the dictatorship of the proletariat. The dictatorship will become unnecessary when classes disappear." [original emphasis]

But Mao "discovers" class-based conflicts under "socialism" (in reality, the dictatorship of the proletariat) only to disappear the state! *RP7* categorically asserts, "the main focus of the class struggle under socialism is within the Party itself, and particularly in its top ranks." Thus, the restoration of capitalism can be peaceful, factional or even surreptitious, because Maoist idealism liquidates the state as a public force enforcing the *dictatorship* of the particular ruling class.

As long as the Russian state continues to rest upon and defend the proletarian property forms, the Soviet Union in its class character remains a workers state. Lenin clearly posed the question, as follows:

"In what does the rule of the class express itself now? The rule of the proletariat is expressed in the fact that landlord and capitalist property has been abolished—the victorious proletariat abolished property and destroyed it utterly, and in this consists the rule of the class. First of all the question of property. When the question of property was decided in practice, the rule of the class was assured.... When classes displaced one another, they altered property relations."

—*Polnoe Sobranie Sochinenii* [Collected Works], 4th ed., Vol. 30, p. 426, 427 [our translation]

Bureaucratic Degeneration vs. Capitalist Restoration

Lenin and Trotsky never prattled about building "socialism in one country," but declared that the fate of the Soviet state depended upon the victory of the revolution in the West. Unless the revolution was victorious in one or several advanced capitalist countries, which would provide the backward and devastated Russian workers state with the necessary protection and resources to begin socialist construction, the dictatorship of the proletariat would degenerate bureaucratically and ultimately be overthrown by counterrevolution. Even under Lenin when workers democracy still existed in the Bolshevik Party, a bureaucracy had crystallized in the Soviet state, leading Lenin to warn in 1921, "our state is a workers state with bureaucratic distortion" (*Polnoe Sobranie Sochinenii*, Vol. 32, p. 6). The bureaucracy, however, had not yet been consolidated and was not yet conscious of its power.

Following Lenin's death, the Stalin-Kamenev-Zinoviev Triumvirate in 1924 strangled the revolutionary vanguard and gutted the soviets, thereby politically expropriating the proletariat, atomized and prostrated by unrelenting social crisis and demoralized by defeat of the German revolutionary upheavals. The rise of a materially interested party and state bureaucracy represented the reaction, particularly of the Russian petty bourgeoisie, to extreme economic scarcity and social instability and the pressure of dominant world imperialism, materially and ideologically, upon the state of the proletariat. The bureaucracy arose as the arbitrator in the struggle between individual consumption and socialist accumulation in conditions of generalized want. By a *political counterrevolution*, the Stalinist bureaucracy usurped power from the proletariat, and established its bureaucratic rule *on the foundation of proletarian property forms*.

The Stalinist bureaucracy has a dual character: on the one hand, the parasitic bureaucracy must defend the proletarian property system which provides it with its material privileges and will fight imperialism to the extent that the capitalists threaten to deprive it of its social underpinnings; on the other hand, the bureaucracy pursues an impossible "peaceful coexistence" with imperialism and subverts international revolution, which is the only real defense of the anti-capitalist state. Far from a stable, independent ruling class, the bureaucracy balances between the interests of the proletariat and the bourgeoisie in order to maintain its rule.

The bureaucracy is thus trapped in a contradiction: to return to capitalism entails the destruction of the planned economy upon which the bureaucracy rests, and to advance to socialism requires restoring direct political power to the proletariat. Because it still maintains the proletarian property forms, the USSR remains a *bureaucratically degenerated workers state*.

The Trotskyist program calls for the *unconditional defense* of the collectivized property systems of the Sino-Soviet states from counterrevolution and imperialist attack, recognizing that the nationalized economies of these states correspond to the social base of proletarian rule. We support the strengthening of the Warsaw Pact forces against NATO, and demand that the Moscow bureaucracy extend its nuclear shield to cover China and North Vietnam.

We simultaneously call for a *workers political revolution* to oust the politically reactionary Stalinist bureaucracies and restore soviet power and proletarian internationalism. Stalinist bureaucratic rule is fundamentally unstable and vulnerable, since the bureaucracy rules not on a property system peculiar to itself, but on a social system in which the demands of developing economy, the class position of the



“Conceptually, competition is nothing but the inner nature of capital, its essential character, appearing and realized as the interaction of many capitals on one another...”

“Capital exists and can exist only as many capitals...”

—Karl Marx, *Grundrisse der Kritik der politischen Ökonomie*, Rohentwurf 1857-58, pp. 316-317
[our translation]

“The rule of the proletariat is expressed in the fact that landlord and capitalist property has been abolished....

“First of all the question of property. When the question of property was decided in practice, the rule of the class was assured.”



— Lenin, *Polnoe Sobranie Sochinenii* [Collected Works], 4th ed., Vol. 30, p. 426, 427 [our translation]

proletariat and the formal ideology continually pose the question of workers power. By removing the nationalist-reformist bureaucracies, the political revolution clears the path for a mighty, international united front of workers states against imperialism....

Myth of "State Capitalism"

The proposition that the class character of the USSR is capitalist does violence to the basic concepts of Marxism. As Marx disclosed, capitalism is a mode of production based on private property in which the production of commodities becomes generalized and all the determinants of production (labor power, instruments of labor, land and so on) become commodities. Generalized commodity production is based on competition in an anonymous market. This competition between individual capitals generates the law of labor value and constitutes the driving force for the historic process of capital accumulation.

The expropriation of the capitalist class and the nationalization of the means of production by the workers state eliminates capitalist competition by establishing a planned economy. With the extinguishing of a market economy, the means of production cease to be a commodity, i.e., capital, and the law of labor value ceases to operate in a capitalist mode.

The contention of *RP7* that in the USSR the means of production comprise a *single capital* collectively owned by "state monopoly capitalists" is yet another revision of Marxism. Here is what Marx had to say on the subject:

"In *competition* this inner tendency of capital appears as a compulsion imposed on it by other capital and driving it forward over and beyond the proper proportion with a continuous *Marche, marche!*... Conceptually, *competition* is nothing but the inner *nature of capital*, its essential character, appearing and realized as the interaction of many capitals on one another, the inner tendency as external necessity. Capital exists and can exist only as many capitals, and its self-determination therefore appears as the interaction of these on one another." (original emphasis)

—*Grundrisse der Kritik der politischen Ökonomie*, Rohentwurf 1857-58, pp. 316-317 [our translation]

Precisely because "capital exists and can exist only as many capitals," Lenin insisted that monopolization could never be complete, entirely eliminating competition:

"On the contrary, monopoly, coming about in *several* branches of industry, strengthens and sharpens the chaos characteristic of the *entire* capitalist production, taken as a whole." (original emphasis)

—*Polnoe Sobranie Sochinenii*, Vol. 22, p. 196 [our translation]

If the capitalist class cannot organize production according to a

rational plan, it is equally impossible for a bureaucracy (or a group of "capitalist roaders") which arose on the basis of a planned economy to convert itself into a capitalist class without liquidating the planned economy.

Reforming Socialism Into Capitalism

RP7 rests its case charging capitalist restoration not on any coherent economic theory, but on the *ideas* (rather, the terminology) expressed during the so-called Liberman reform debates. For the RU, the references to the economic categories of "profit," "capital" and "wages" by the revisionist Russian economists under Brezhnev are incontrovertible proof that capitalism has been restored in the USSR and the Eastern Bloc countries....

Under capitalism profit determines the ebb and flow of capital in the various branches of production. In the USSR allocations are made according to the plan, while the "market" mechanisms of Libermanism seek to make predetermined allocations efficient. In fact, numerous key enterprises are operated at planned losses, i.e., the bureaucracy consciously sets prices below costs of production.

Far from comprising "profits," the "capital charges" of the Liberman accounting system (which also exist in "socialist" China) do not represent surplus value realized on the market, but rather resource flows within the state sector. *RP7* claims that the state is chained to the "profit" motive, because it rents resources... to itself!

Far from restoring capitalism, the Liberman reforms have failed to achieve even their original, much-trumpeted goals of efficiency. Bourgeois economists have analyzed Libermanism as a "half-hearted, halting, harrassed economic reform" which has proved to be a "failure," precisely because the bureaucracy has organically reverted to Stalin's methods of "political pressure," "socialist emulation" and "'moral' incentives" (*Problems of Communism*, July-August 1971). From this, the RU should conclude that the Brezhnevites once again have put "politics in command" and at last are back on the "socialist road"!

The Liberman reforms, like Stalin's earlier system of enterprise profitability, is an indication that the planned economy is being choked by bureaucratism. The only solution to the chronic problems of the Russian economy is the political revolution which restores the proletariat to power in the workers state.

How the RU Restores Kautskyism

Since the flow of resources in the producer goods sector of the Russian economy is determined by the plan, the USSR is under no compulsion to "export capital." With the destruction of capitalist

competition for a market in the state sector, the Russian economy is liberated from the "declining rate of profit" (the very formation of an "average rate of profit" ceases) and thus from the economic compulsion to export capital to markets where the rate of profit is higher.

For *RP7*, Russian aid and investments in India is "Soviet social imperialism" *par excellence*. Russian loans, grants and joint construction projects are primarily politically, not economically, motivated. The USSR suffers from a scarcity, not a surplus, of investment resources, reflected in the fact that foreign trade amounts to not much more than one percent of Russian GNP. Russian loans carry an arbitrarily fixed interest rate far below world capitalist rates, and the resources allocated for Indian construction projects could far more profitably be invested in the Russian economy.

Furthermore, the Indian government pays for Russian (as well as Polish and East German) imports and loans in non-convertible Indian currency, forcing the "social imperialists" to spend their "plunder" in India. The Moscow bureaucracy's interest in "Indian dependency" has nothing to do with profit rates, but rather is to ensure a favorable balance of power in Asia through a pro-USSR bourgeois India. The low-interest loans and prestige projects are the economic overhead for the Stalinist bureaucracy's policy of "peaceful-coexistence."

RP7's "proof" of "Soviet social imperialism" reduces itself to denunciations of revisionist foreign policies: the USSR seeks influence through foreign aid and diplomatic support. Thus, Russian aid and (until 1973) diplomatic recognition of the former Lon Nol regime in Cambodia are cited as "the grossest single exposure of Soviet social imperialism." If this bureaucratic betrayal is "social imperialism," then what is Mao's lavish economic assistance to Bandaranaike and Nimeiry, what is Mao's obsequious diplomatic backing for the Shah and Selassie, and what is Mao's immediate recognition of the bloody juntas in Algeria and Chile? The rampant idealism of Maoism leads the RU straight to Kautskyism: imperialism simply as a set of preferred *policies* of capitalism.

COMECON

RP7 no more substantiates its allegations of "social imperialism" in East Europe than in India. The RU glibly passes over Stalin's bureaucratic looting of Eastern Europe in the wake of the military conquest during WWII: the massive removal of industrial machinery, raw materials and even manpower; the extraction of severe reparations payments; and the establishment of joint-stock companies. While not imperialism (quite the reverse: a pattern of *importing*

capital), Stalin's policy of reconstructing the USSR at the expense of the material and social bases for Eastern European workers states was justified precisely by the perspective of "socialism in one country." Concerning this brutal bureaucratic looting, *RP7* has the gall to declare, "Stalin encouraged a policy of cooperation, aid and mutual exchange"!

The Cold War bogey of Russian trade "exploitation" of the Eastern Bloc through the Council of Economic Mutual Assistance (COMECON), while still flaunted by revisionist "Marxists," has been discredited even among liberal bourgeois-academic economists (see Franklyn Holzman, "Soviet Foreign Trade Pricing and the Question of Discrimination," *Review of Economics and Statistics*, Vol. 44, 1962).

One of the most powerful weapons of world capitalism against a backward (less productive) workers state is the ability of capitalism to undersell the products of state industry. For this reason, state monopoly of foreign trade is essential for the very survival of such a workers state. COMECON is an attempt, inadequate and internally contradictory, to extend the monopoly of foreign trade beyond the individual states of the bloc.

The contradictions of COMECON arise from the situation that it is almost always possible to purchase products cheaper on the world market, and often possible to get better terms for exports on the world market, than in a geographically limited market. There is thus a strong centrifugal tendency for all COMECON countries, *including the USSR*, to shift to world market trade.... The disadvantages of trading within the Russian-led bloc were important factors in both the Sino-Soviet and Yugoslav-Soviet splits.

As long as the economic plans are determined nationally, COMECON trade prices can only result from the arbitrary interaction of world market prices, domestic costs and political pressures. In most COMECON countries, wholesale prices are fixed at the average costs of production. Newer plants producing at costs below average make "profits" which are largely taxed away; older, high-cost enterprises make accounting losses which are covered by planned subsidies. Because there is central control over total costs, industries operating on subsidies considered too high by the planning commission can be retooled, converted to another line of production or closed.

This control of the price-cost relationship within a COMECON country is precisely what is lacking in trade between the bloc partners. Thus, the Polish bureaucracy has no influence over the costs of Russian steel which it imports; the Russian bureaucracy has no control over the costs of Polish agricultural produce which it imports.

COMECON trade prices fluctuate between world market prices and export costs of production, generating intense national conflicts.

If export costs of production were systematically used, the importing country in effect would undertake an open-ended subsidy of the trading partner's export industry. Thus, the COMECON country which consistently discriminates against its bloc partners the most is not the USSR, but... Bulgaria. Export cost pricing pressures importing countries to escape from COMECON to the world market.

If world market prices were systematically used, each COMECON country would be trading as if in the purely capitalist world market. Some lines of Czechoslovakian and East German machinery, if sold at world market prices, could not recover even labor costs, and Russian collective farmers would starve if they had to compete with Egyptian cotton or Australian wool prices. COMECON would be exploded by the pressure of world imperialism, with disastrous consequences for the defense of the Eastern European deformed workers states from imperialism. Only workers democracy, restored through the political revolution, can replace the dangerous nationalist-autarkic bureaucratic conflicts with the economic, military and political integration of the Sino-Soviet states, from East Berlin to Hanoi....

Defend the Workers' Gains, Defeat the Usurpers!

The Trotskyist movement has always maintained that a correct Marxist understanding of the *class character* of the Soviet Union (and, by extension, China, Eastern Europe, Yugoslavia, Cuba, Korea, Vietnam and Cambodia) is a touchstone of a revolutionary perspective. A failure, or refusal, to recognize the class line separating these anti-capitalist states from world imperialism constitutes a qualitative theoretical departure from Marxism in the direction of reformist subordination of the interests of the proletariat to the bourgeoisie. Only Trotskyism, as the continuity of Marxism and Leninism, has developed an analysis of the USSR that is consistent with Marxist methodology and that leads to consistently revolutionary programmatic conclusions.

To subjectively revolutionary militants who mistake Maoism for a revolutionary alternative to revisionism we say: look where the theoretical clap-trap of the "social imperialist" line leads! If the U.S. defeats the USSR and returns the conquests of October to capitalist exploitation, imperialism would be enormously strengthened and given a new lease on life, which would signify nothing less than an epochal defeat for the world proletariat. With the defeat of the USSR, the People's Republic of China would be immediately

attacked and almost certainly defeated. Refusal to defend the gains of the Russian Revolution is an enormous betrayal of the class interests of the international proletariat and a giant stride toward social-patriotic subservience to imperialism. The RU's line on the "number one enemy," "Soviet social imperialism," is an objective capitulation to anti-communism and backward consciousness in the working class.

As proletarian internationalists, Trotskyists declare: For unconditional defense of the Sino-Soviet states against imperialism! For proletarian political revolution to oust the Stalinist bureaucracies and forge international communist unity against imperialism! For the rebirth of the Fourth International!

- excerpted from "*Red Papers 7: Revolutionary Union's 'United Front' with NATO,*" in *Young Spartacus* No. 32, May 1975

The Anti-Marxist Theory of "State Capitalism"

—A Trotskyist Critique

EDITOR'S NOTE: The following article is an edited transcript of a presentation given by Joseph Seymour of the Spartacist League Central Committee at an SYL east coast educational gathering held in December 1975.

In this talk I want to focus my remarks on some of the theoretical arguments raised by political tendencies which maintain that the collectivist economic system in the USSR is "state capitalism" and that the Russian Stalinist bureaucracy is a "capitalist class." In particular, I will discuss some of the main arguments which are most often used to attempt to prove that the Soviet economy operates according to the laws of motion of capitalism.

In addition, I want to argue that at least for some of these tendencies the theory of "state capitalism" reflects an underlying economist and quasi-anarchist hostility to the dictatorship of the proletariat. In this regard, I'll show how their "state capitalist" theories lead to programmatic positions that are opposed to the economic policies of the Russian workers state under Lenin as well as the economic policies advocated by the Trotskyist Left Opposition in its struggle against the bureaucratic degeneration of the revolution

under Stalin. Finally, this talk will consider some of the economic measures which a Trotskyist party in the USSR would introduce following a political revolution that sweeps away the Stalinist bureaucracy monopolizing political power in the USSR and that reestablishes workers democracy and soviet institutions of proletarian rule.

Let me begin with a brief and empirical description of the economic system of the degenerated workers state in Russia. In the USSR today the bureaucratic apparatus responsible for drawing up and overseeing the central plan is known as Gosplan. It is directly responsible to the highest state body, the Council of Ministers.

Except for the later Khrushchev years (1958-64), when economic decentralism along regional lines was introduced for purely factional purposes, the Soviet economy has been administered through the "industrial ministerial system" based on nation-wide, vertically integrated industries (for example, the Ministry of Non-Ferrous Metallurgy, the Ministry of the Food Industry, the Ministry of Textiles and so on). These are powerful and somewhat autonomous bodies. (Kosygin, for example, had his first major political role, in the 1930's, as head of the Ministry of Textiles.) The lowest level unit in the system is known as the enterprise, which is usually the technical unit of production—a single factory, state farm or mine.

In 1973, during one of the innumerable administrative shake-ups within the Russian Stalinist bureaucracy, the lowest level of the system was to be changed from the enterprise to the association, made up of several related enterprises. Since the significance of this change is unclear, I'll continue to speak of the basic unit of management and account as the enterprise.

Now, in the USSR the economic plan presented by Gosplan to the various ministries is in physical terms: so many tons of steel and coal, so many square meters of plate glass and cloth, and so forth. In any workers state, including the bureaucratically degenerated USSR, the economy must be based on wage labor. Therefore, associated with the physical plan is a set of financial flows reflecting costs and prices.

In the Soviet economy all prices are determined administratively by the Stalinist bureaucracy; prices are *not* determined through the mechanism of the market. There are two basic levels of prices: the price enterprises receive for their product and pay for their inputs, and the price set for consumer goods. The enterprise (or wholesale) price is determined by average cost of production, plus a mark-up for profit.

Before 1967, the profit mark-up was calculated on the basis of production cost and was relatively small, with 25 percent being

retained by the enterprises and the rest going to the ministries and government budget. After 1967, the profit mark-up was calculated on the value of fixed assets and was relatively greater than before, with 40 percent being retained by the enterprises.

“Profit” in the USSR

Many proponents of the “state capitalist” analysis of the USSR make much ado about profit in the Soviet economy. Especially in the crude, subjectivist-idealist “state capitalism” theories of the Maoists “profit” in the USSR spells “capitalism.” For example, in its booklet *How Capitalism Has Been Restored in the Soviet Union* the Revolutionary Communist Party attempts to stun the reader by reproducing a 1966 Soviet poster depicting a worker holding a stack of rubles which are labeled “profit.”

But in the USSR enterprise profits are not money-capital; they are not the universal means of exchange, which can be spent by the enterprises on anything they like. In the USSR profits are essentially a *tax* levied at the enterprise level, part of which is granted to the enterprises subject to very strict guidelines and instructions concerning expenditure.

The difference between enterprise (wholesale) and consumer (retail) price is a sales (or turnover) tax, which in the Soviet economy is very large. Enterprise profits and turnover tax are the principal mechanisms by which the Soviet government finances non-consumption expenditure: education, health, military, investment.

The only major sector outside the centrally planned economy is agriculture. One fourth of all agricultural production in the USSR comes from state farms, which in a formal sense are run the same way as industrial enterprises. Grain—the basic product of the collective farms—is subject to compulsory delivery to the state at a fixed price. About 30 percent of agricultural production, concentrated in fruits, vegetables, meat and poultry products, comes from private peasant plots. About half of this is sold in private peasant markets to individual consumers.

With one major exception (collective farmers), there are no legal restrictions on the movement of labor in the USSR. Labor is allocated primarily through wage differentials—not through administrative or coercive means. Legally one is bound to a collective farm from birth, and official approval is required to leave. However, since the death of Stalin in 1953 this law has not been enforced and has become a dead letter.

With the single important exception of housing, which is rationed, consumers are free to purchase whatever is available at retail outlets

on a first-come, first-served basis. At the level of consumer goods, money has generalized exchange value.

What is the Law of Value?

Some of the more sophisticated theories of "state capitalism" attempt to prove that the USSR is capitalist by claiming that the Soviet economy is regulated by the law of labor value. Yet, like the Maoists on "profit" in the Soviet economy, these theories attempt to equate the "law of value" with "capitalism."

Now, the law of value establishes a rigid quantitative relationship between the terms of exchange and the resources, ultimately labor, necessary for production. The law of value is *not* simply a relationship governing exchange. It is a law relating the *terms* of exchange to the *conditions* of reproduction.

Only under the capitalist mode of production does the law of value fully hold sway. Why? Because only in capitalist society does the exchange of commodities totally penetrate the process of reproduction. In all pre-capitalist societies and also in post-capitalist society, key elements of production are not themselves commodities. Thus, in the period of European feudalism labor and land were not commodities; they were not exchanged in a market.

What distinguishes capitalism is the existence of atomized producers who must transform their product into the universal equivalent of exchange value (money) and buy back *all* the elements of production. The law of value cannot operate, for example, in a barter (non-money) economy. Under these circumstances, the conditions of exchange are governed either by accidental supply/demand conditions or by tradition.

Another way of looking at the question is to ask what happens within a capitalist system when the terms of exchange are not equal to the costs of production. If the terms of exchange are *below* the cost of reproduction, the capitalist is unable to buy back the resources needed to maintain production at the same scale. Consequently, production in that particular firm or industry must contract. If the terms of exchange are *above* reproduction costs, the capitalist will receive above-normal profits. This will attract additional capital, and production in that particular firm or industry will expand.

Marx was quite categorical in insisting that the capitalist mode of production and the law of value are inextricably bound up with atomized competition. Here is a quote from Marx which leaves very little room for misinterpretation on this point:

"Conceptually, *competition* is nothing other than the inner nature of *capital*, its essential character, appearing and realized as the interaction of many capitals on one another, the inner tendency as external necessity. Capital exists and can exist only as many capitals.

and its self-determination therefore appears as the interaction of these on one another." [original emphasis]

—*Grundrisse*, translated in *Young Spartacus*, May 1975

Thus, one cannot speak of the law of value in the absence of a market, since the law of value is generated by competition on the market. It is, however, possible to have markets in which the law of value does not operate. In pre-capitalist societies, exchange was sufficiently removed from the conditions of reproduction that the law of value did not operate. For example, the Roman empire purchased luxury goods from China on a large scale. I do not believe that this trade was governed by the law of value. When this trade dried up with the collapse of the Roman empire, this had little effect on the production of luxury goods in ancient China.

Markets and the Law of Value in the USSR

Only by the most gross distortion of Marxist categories can one claim that in the USSR the law of value operates in the sector of producer goods. In the Soviet economy producer goods are allocated as specific use values within a single economic collective, which is the *inverse* relationship to capitalism. In a capitalist economy, it is exchange value which generates the production of specific use values: if and only if a particular use value is profitable will it be produced.

In the Soviet Union, however, prices and profits are set by the bureaucracy so that the financial flows associated with production correspond to the planned output of specific use values. Enterprise profit is partly an accounting mechanism and partly serves (although badly) to encourage conscientious management on the part of the Stalinist bureaucrats.

For a Marxist any discussion of the law of value in the Soviet Union must be limited to those areas where markets exist: the private peasant market, the labor market and the consumer goods market.

The private peasant market in the USSR is a real market, in the sense that atomized producers face atomized consumers. However, the conditions of production on the private peasant plot are totally determined by the regulations of the collective farm and, therefore, by the government. Money acquired in the private peasant market cannot be used for the mechanization and capitalization of the private plot, nor can it be used to acquire other plots.

Given the rigid restrictions which the Stalinist bureaucracy places on these private peasant plots, there is no tendency for the terms of exchange to encourage private capital accumulation. Since there is only a very slight relationship between the terms of exchange and the conditions of reproduction, one cannot say that the law of value holds sway.



Der Spiegel

“When there is enough goods in a store, the purchasers can come whenever they want to. When the lines are very long, it is necessary to appoint a policeman to keep order. Such is the starting point of the Soviet bureaucracy. It ‘knows’ who is to get something and who has to wait.”

—Leon Trotsky, The Revolution Betrayed

What about the labor market in the Soviet economy? Since the allocation of wages between different groups of workers is determined by supply and demand, there is something approaching an aspect of the law of value.

However, in a capitalist economy the law of value determines not only the distribution of wages between different groups of workers, but also the division of social product between total wage goods and other uses, such as investment and the military. It is here that the reserve army of the unemployed is vitally important for a capitalist economy. When the wage rate is too high to secure adequate profit, increasing unemployment will depress wages.

But in the Soviet Union the labor market does not determine the aggregate wage bill; that is determined by the planned output for consumer goods. In the aggregate the Soviet economy works just the *inverse* of the capitalist labor market. When employment is greater than planned, as in the early Five Year Plans, wages fall. In contrast to the capitalist economy, such conditions in the labor market do not produce a tendency for wages to be bid up, leading to increased demand for and production of consumer goods. And when the level of employment is less than planned by the Stalinist bureaucracy, wages will rise, because the more-or-less fixed supply of consumer goods is spread over a relatively smaller labor force. In the USSR, there is no reserve army of the unemployed.

What about the market for consumer goods? I will argue, and I believe this was Marx's position, that in a workers state under conditions of scarcity, consumer goods should generally be priced at their cost of production. This is not a law arising from the autonomous operation of market competition; rather, it is a planning norm. However, in the bureaucratically degenerated Russian workers state this norm is violated. There is no tendency in the Soviet economy for consumer goods' prices to conform to the cost of production. If the turnover tax, which is an index of the difference between supply and demand, is particularly high for some product, there is no mechanism to shift production toward that good.

Thus, we can see that in each of the three markets in the Soviet economy, there is a qualitative attenuation of the law of value. In fact, these markets do not operate as they do in capitalist economies.

The Cliffite Theory of "State Capitalism"

I want to devote the remainder of this talk to an analysis of the "state-capitalist" position held by the British International Socialists (IS), the rather sizable and reformist "Third Camp" tendency led by the ex-Trotskyist Tony Cliff and loosely linked to the social-

democratic International Socialists group here. With the exception of the Maoists, the Cliffites are today the most influential "state-capitalist" tendency which we must politically confront.

Nevertheless, I find it somewhat embarrassing to have to polemicize against so shoddy a theory as Cliffite "state capitalism." His major work, *Stalinist Russia: A Marxist Analysis*, relies upon a crude and demagogic exploitation of the wide-spread ignorance of Marxist economic theory. Cliffite "theory" is based upon a blatant and willful re-definition of scientific Marxist terminology; that is, Cliff substitutes conventional usage for the precise and delimited meanings which have been given Marxist economic terms. Moreover, Cliff also resorts to substituting one economic category for another; in particular, he systematically confuses use-value and exchange-value.

Terminological Charlatanism

There are two key re-definitions in the Cliffite theory of "state capitalism"—that of economic competition and that of accumulation. For Marx, competition, insofar as it relates to capitalist economic relations, has a precise meaning: it is the competition of private capitals over commodities (exchange values) in the market.

Unable to demonstrate "the interaction of many capitals" (what Marx termed the "essential character" of competition) in the Soviet economy, Cliff simply re-defines "competition," making this synonymous with any kind of political-economic rivalry or conflict. In his major exposition of the "state capitalism" theory Cliff declares:

"But as competition with other countries is mainly *military*, the state as *consumer* is interested in certain specific *use-values*, such as tanks, airplanes and so on. Value is the expression of competition between independent producers..." [emphasis ours]

—*Stalinist Russia: A Marxist Analysis* (1955)

This is nothing but a clumsy terminological sleight-of-hand. In Marxist economic theory "independent producers" signify *private capitals*, not nation-states, and "competition" involves exchange-values in the *market*, not the arms race.

Cliff continues to heap error upon error:

"Russia's competition with the rest of the world is the expression of the elevation of use values to an end, and serving the ultimate end of victory in competition."

Of course, in all societies where economic scarcity prevails there is always competition for material wealth and productive resources. But to identify capitalism with generalized competition for use-values

leads directly to ridiculous conclusions. For example, the Cheyenne and Sioux tribes frequently competed for hunting grounds, and European feudal landowners often bid up their daughter's doweries to secure a royal marriage. According to Cliffite "theory" such pre-capitalist economic phenomena presumably would represent "inter-imperialist war" and "capitalist competition"! So, this Cliffite nonsense about Soviet "capitalist competition" is nothing more than calculated terminological confusion.

The other key re-definition of Cliffite theory is that of economic accumulation. Again, there is a gross confusion of exchange-value with use-value. This is Michael Kidron, a leading Cliffite:

"[The Soviet bureaucrats] are under as oppressive a compulsion to fast economic growth as is any similarly placed class elsewhere. They need to be as clearly motivated to ensure growth as their counterparts abroad; and if their criterion of success has been the volume of gross *physical output* rather than *money profits*, the distinction is one of detail not essence." [emphasis ours]

... "Maginot Marxism: Mandel's Economics." *International Socialism*, April-May 1969

Now, I could sit here literally for days and quote passages from Marx proving that the *essence* of capitalism is precisely that economic surplus must manifest itself as exchange-value, as money-profit and money-capital. For example, in analyzing "the compelling motive of capitalist production—money making" Marx wrote:

"...the circular course of capital...is distinguished by the following features:

"1. It appears as the *circuit of money-capital*, because industrial capital in its money-form, as *money capital*, forms the starting-point and the point of return of its total process.... It expresses furthermore that *exchange-value*, not *use-value*, is the determining aim of this movement." [emphasis ours]

—*Capital*, Vol. II, part I, chapter I

Moreover, the Cliffite identification of the maximization of use-value ("the volume of gross physical output") with that of exchange-value is fundamentally false. Under capitalism the maximization of the exchange value of the means of production periodically comes into conflict with real economic growth. Capitalists do not strive to maximize the total volume of exchange value; rather, they seek to maximize the rate of profit: the ratio of surplus-value to the value of the means of production. That is why under capitalism the falling rate of profit is the central factor arresting the development of the productive forces.

But reading Cliff or Kidron one gets the impression that capitalism always maximizes real economic growth. What Marx called the "slaughtering of the values of capital" (concretely manifested in falling stock market prices), associated with economic depressions

and crises, has no place in the Cliffite schema of the capitalist dynamic.

The Class Struggle: Workers vs. Accumulators?

To the extent that "Third Camp" organizations have an attractive power, it is despite the intellectual shoddiness of their analyses of the bureaucratically degenerated/deformed workers states. The *real* appeal of Cliffite "state capitalism," like the theory of "bureaucratic collectivism" of the American IS, is an analysis of capitalism from the standpoint of trade unionism. Such tendencies have been able to gain a certain significance in the English-speaking world, where the relatively low level of class struggle has made trade-unionist economism prevalent and where the concept of the workers state as a *weapon* appears remote.

The real political content of Cliffite and Shachtmanite theories is the notion that the basic conflict in society is between the direct producers and their consumption needs and the administrators and their accumulationist desires; it is the conflict between higher wages now and economic accumulation. When you read Cliff or Shachtman, this is their vision and the gut-level source of their appeal: "These guys are taking my wages and building factories with it. It doesn't matter who they are, it doesn't matter what the system is. They are making *me* poorer."

Let me read typical quotes from Cliff and from Shachtman, and you will see that this is the appeal of all the diverse "Third Campist" theories. You will also notice that one cannot tell that Cliff is describing "state capitalism" and Shachtman is writing about a non-capitalist "bureaucratic collectivism."

This is Cliff:

"The increasing rate of exploitation, the increasing subordination of workers to the means of production in Russia, accompanied as it is by the great production of guns but not butter, leads to an intensification, and not a lessening in the oppression of the people."

—*Stalinist Russia: A Marxist Analysis*

And here is Shachtman:

"Modernization was undertaken not with the aid of capital derived from the exploitation of labor in the past and elsewhere, but by means of an extraordinarily harsh exploitation of living indigenous labor in field and factory. This demands a regime which does not brook the slightest resistance from the producer....

"As Russia has shown, it is quite possible in this way to promote the industrialization of the economy. The price paid is the maintenance of an autocratic privileged class at the top and an exploitation and disfranchisement at the bottom unrelieved by the existence of any of the rights required for dissent and resistance."

—forward to Leon Trotsky, *Problems of the Chinese Revolution* (1967)

I believe that the real theory of Cliffite "state capitalism," as well as of Shachtman's "bureaucratic collectivism," can be summarized as follows. The industrialization of a backward country requires a rate of accumulation that the workers will not accept under conditions of proletarian democracy. Thus, industrialization requires a totalitarian regime; since the Stalinist bureaucracy is an agency for accelerated accumulation imposed from above upon the workers, it is an exploiting class.

"Third Camp" Economism Against Bolshevik Russia

In our movement there is a tendency to regard "Third Campism" first and foremost as a Stalinophobic departure from Trotskyism. While historically accurate, I think this is too narrow a conception of the vast political differences.

I would argue that the political conceptions which have become central to the Cliffites and Shachtmanites would have led them into opposition to Lenin and Trotsky from the onset of the Bolshevik Revolution. Projecting the Cliffite/Shachtmanite tendency backwards, these "Third Campists" in 1921 would have been in the syndicalist Workers Opposition which Lenin and Trotsky fought, and later in the 1920's, after the Stalinist political counterrevolution, they would have been in the Tomsky wing of the Bukharin faction. With Cliffite politics there is no way one could have supported the economic policies of the Left Opposition; the Trotskyists, who during the late 1920's were dubbed "super-industrializers" by the Bukharinite Right Opposition, never called for the maximization of wages at the expense of state accumulation. For example, when in 1927 the Stalin/Bukharin regime reduced the work day from eight to seven hours as a demagogic maneuver against the Left Opposition, Trotsky and the Left Opposition *opposed* this action as detrimental to the Soviet economy.

Let's project forward and assume for a moment that Trotskyist parties come to power in the Soviet bloc through workers political revolution against the Stalinist bureaucracy. In addition let's assume that these political revolutions do not immediately provoke socialist revolution in the capitalist West, so that for a period one would have an isolated, but relatively powerful, bloc of revolutionary workers states. I do not believe such a situation would eliminate our political differences with the "Third Campists" over the "Russian question." Undoubtedly the form of these differences would change, but decisive differences will remain. Why?

I believe that underlying the revisionist theories of the "Third

Camp” tendencies is a semi-anarchist denial that state power—and therefore the economic resources available to a workers state—is an important proletarian weapon. I believe that this lies at the heart of our differences and transcends the specific question of the nature of Stalinism.

The clearest statement of this position that I know is by Chris Harman, a leading Cliffite. In defending the Cliffite position that the USSR became “state capitalist” with the imposition of the first Five Year Plan, Harman strongly implies that an isolated and backward workers state can borrow against the coming world revolution in the form of a high-consumption, low-accumulation economic policy:

“Until 1924 not economic and military competition with the West, but spreading of the revolution was seen as the basis for establishing socialism in Russia.”

—“The Inconsistencies of Ernest Mandel,” in *Readings on 'State Capitalism'* (published by the British International Marxist Group)

Lenin would never have written anything like this, because he never *counterposed* the economic and military strength of the Soviet Union to spreading the revolution internationally. On the contrary, during the early years of the Russian workers state some of the most bitter factional struggles within the Bolshevik Party—and between the Bolsheviks and other tendencies within the Russian workers movement—were generated by Lenin’s single-minded effort to impose a centralized and efficient economic apparatus. It was against considerable opposition that Lenin fought for the replacement of delegated workers management by one-man management, for the employment of bourgeois experts drawing high salaries and for recourse to the widespread use of piece-rates.

One of Lenin’s overriding concerns was not to permit the civil war and the isolation of the Soviet workers state from leading to the disintegration of Russian industry and the consequent petty bourgeoisification of the Russian proletariat. This is Lenin addressing the Fourth Congress of the Communist International in 1922:

“...our heavy industry is still in great difficulties.... We must economize now though it is often at the *expense of the population*.... We must do this, because we know that unless we save heavy industry, unless we restore it, we shall not be able to build up an industry at all: and without an industry we shall go under as an *independent country*. We realize this very well.

“*The salvation of Russia* lies not only in a good harvest on the peasant farms—that is not enough: and not only in the good condition of light industry, which provides the peasantry with consumer goods—this, too, is not enough: we also need *heavy industry*.” (our emphasis)

—“Five Years of the Russian Revolution and the Prospects

Industrialization as a Proletarian-Revolutionary Policy

One can get to the heart of our fundamental differences with the "state-capitalist" tendencies if we ask why Lenin and Trotsky regarded the development of industry in the USSR as not at all counterposed to, but a necessary *element* of, an international revolutionary perspective. There are actually several different reasons.

To begin, Lenin and Trotsky were not pacifists. When Marshal Tukhachevsky advocated conquering Europe with the Red Army, Lenin and Trotsky vehemently rejected such a course. But Lenin and Trotsky never assumed that the European, and specifically the German, revolution would have a nationally-limited character. Since a successful German revolution would very likely have provoked intervention by France and Britain, backed by the U.S., one of the variants of the German revolution was a European-wide revolutionary war, in which military intervention by the USSR might have been decisive. Thus, in 1920 Lenin was willing to attempt to conquer Poland in order to create a more favorable military situation for the German revolution.

Let us assume that in the early 1920's there was a successful German revolution, but as a result of imperialist military intervention, the rest of Europe remained capitalist. In an isolated German-Russian soviet bloc the need to spread the revolution would have been no less urgent; the tensions and conflicts between consumption and accumulation would have been much less severe than in isolated and backward Russia, but they would not have disappeared. (Interestingly, in his *New Economics* Preobrazhensky discussed the economic problems created by just such a projected situation.) Undoubtedly the backward elements of the German proletariat would have resisted the massive transfer of resources to the Russian peasants (in 1924 Germany was poor relative to its past).

On the other hand, let's say that the German revolution failed, as it did, but that the Chinese revolution of 1925-27 succeeded. In such a situation a Chinese workers state could not have survived, even in the short run, without the transfer of considerable industrial resources from Russia to a society even more economically backward; even discounting imperialist military intervention, there almost certainly would have been a trade boycott of the Sino-Soviet workers states. The USSR would have had to economically carry a Chinese workers state. Thus, the economic and military strength of the Soviet Union

was an *essential* component in any serious world-revolutionary strategy.

Moreover, there were a number of defensive reasons why the industrialization of the Soviet Union was important. Industrialization means more than building more factories and installing more machinery; it also involves the expansion of the proletariat relative to other social classes and a general raising of the cultural level of the toiling masses. What would a high-wage, low-accumulation policy have meant for the dictatorship of the proletariat in the USSR during the 1920's?

Had the policies of Bukharin/Tomsky prevailed in the USSR, one would have had a small industrial proletariat earning relatively high wages, far higher than peasant incomes. Consequently, peasants would have flocked to the cities in far greater numbers than the slowly growing industry could absorb. In the USSR during the mid-1920's the problem of urban lumpenism had already manifested itself. There's a good novel, *The Thief* by Leonid Leonov, describing the lumpen milieu under the New Economic Policy. The social structure of Russia in the 1920's (though not the regime) was far more conducive to capitalist restoration than in the USSR today.

Finally, there is the well-known problem of the Russian peasantry during this period. If Soviet industry failed to provide the peasants with industrial and consumer goods at prices comparable to their levels under Tsarism, there would be a strong tendency for the peasants to breach the state monopoly of foreign trade through dealings with the petty traders. Consequently, there would have developed in the USSR a mercantile bourgeois class tied, on the one hand, to the peasant masses and, on the other, to foreign capital—an obvious locus of counterrevolution.

Thus, the program of the Left Opposition for accelerated industrialization was designed in part to counter the growing strength of reactionary social classes under the Stalin/Bukharin regime. The defense of the historic conquests of the October Revolution from the outset and their extension throughout Europe could only have been subverted by a perspective derived from Cliffite/Shachtmanite economism.

I believe that our political differences with the "state-capitalist" tendency of Cliff and Co. over the character of the USSR can be posed in the form of the following interrelated questions.

Does the planned economy of the USSR function according to some economic law of motion that maximizes the rate of accumulation at the expense of wages? Would the rate of industrialization in the USSR be *qualitatively* changed as a result of a proletarian political revolution that shatters Stalinist bureaucratic

rule and reestablishes soviet democracy? Would an isolated workers state be subject to an economic law of motion governing the rate of accumulation?

Whither the "Law of Stalinist Immiseration"?

Aside from its terminological charlatanism, the "state capitalism" theory of Cliff relies upon the argument that in the Soviet Union under Stalin real wages declined sharply. As is to be expected, Cliff resorts to crude oversimplification and a disdain for mere "facts." During the First Five Year Plan in the Soviet Union wages indeed fell drastically. But wages recovered somewhat during the late 1930's, then dropped again during World War II and were restored to the 1928 level about the time of Stalin's death in 1953.

But what happens to the so-called "law of Stalinist immiseration" in the post-Stalin era? Within a few years Beria and Molotov—who were certainly bonafide Stalinists—instituted the so-called "New Course," under which consumer goods prices were slashed. All this did was aggravate the extreme shortage of consumer goods. Nevertheless, Stalin's immediate successors did attempt to redistribute income in favor of consumption, because they sensed there was mass discontent and they lacked the authority of the "Great Leader."

Between 1955 and 1968, real per-capita wages in the Soviet Union increased by 56 percent (G.E. Schroeder, "Consumption in the USSR: A Survey," in Morris Bornstein and Daniel Fusfield, *The Soviet Economy*). This was less than the growth of total output—less, I would argue, than a Trotskyist government would have increased wages—but nonetheless a significant increase in wages.

Likewise, the 1970-75 Five Year Plan reversed the traditional Stalinist policy that the producer-goods sector must grow faster than consumer-goods output. Because of agricultural shortfalls, that plan was not fulfilled. But the intention was there. So, even from the standpoint of orthodox Cliffism, one would have to concede that Russia is becoming less "capitalist," since the "rate of exploitation" is diminishing.

And Where Is Endemic Unemployment?

There is another aspect to the question of wages besides real wages *per worker*. Does Stalinist practice maximize accumulation at the expense of *total* wages (aggregate workers income)? Here one gets a very different picture than the "state-capitalist" exponents would have us believe.

Fearing political instability, the Russian Stalinist bureaucracy, unlike the bourgeoisie, has always sought to prevent the emergence of a reserve army of the unemployed. During the 1930's, Russian

peasants who could not find jobs in the cities were forcibly shipped back to their collective farms. Stalinist economic planning, with its overriding goal of maximizing physical output (and its unconcern for minimizing cost per unit), encourages enterprise managers to over-employ and hoard labor; Soviet enterprises are grossly over-manned in the sense that many workers would be more productive if shifted elsewhere. Very much like a typical capitalist manager—right?

The extreme fall in the real wages in the USSR during the early 1930's was not the deliberate intent of the Stalin regime, but arose largely because managers employed more labor than the plan for consumer goods had anticipated. Yet, within the framework of bureaucratic rule by a privileged caste, there was one important egalitarian aspect of Stalinist industrialization: Russia did not and does not look like contemporary Brazil or India, with a huge urban lumpen population living in desperation below the industrial proletariat.

Trotsky vs. Stalin On Economic Policy

Now to the second question: Is there reason to expect—in an historical or a future projection—that in the USSR a soviet regime established through a political revolution against the bureaucracy would have a qualitatively lower rate of accumulation and industrialization than the Stalinist regime? Does the fundamental conflict between Trotskyism and Stalinism center on the division of resources in the USSR between accumulation and workers' consumption, as the advocates of "state capitalism" would have us believe?

Certainly none of Trotsky's major programmatic statements on the political revolution in Russia—*The Revolution Betrayed*, *The Transitional Program*—advocates either a fundamental redistribution of national output from accumulation to consumption or a necessarily slower rate of growth. To be sure, particularly in the early 1930's Trotsky (and even Preobrazhensky) was sharply critical of the catastrophic fall in real wages in the USSR and demanded a re-ordering of priorities. For example, in 1932 Trotsky called for the Five Year Plan to be suspended for a year so as to re-order the economy and restore living standards. So, there is a *superficial* parallelism between Cliffism/Shachtmanism and Trotskyism.

However, the difference is that the "state-capitalist" tendencies basically grant that Stalinist economic policy on its own terms was rational and successful. They assume that the greater the investment in heavy industry, the faster the overall rate of economic growth.

But Trotsky never accepted the premise that Stalin was maximizing real economic growth, albeit at the expense of the

workers. His alternative to the First Five Year Plan was not more consumption and a lower rate of industrialization. Rather, his alternative to Stalinist industrialization policies was that a more balanced economic growth with a higher level of consumption would ensure a *comparable* rate of development.

The Ravages of Stalinist Industrialization

First, unbalanced investment and forced-draft growth on the scale pursued by Stalin in the 1930's wastes large quantities of resources at the micro level. At that time in the USSR there were enormous bottlenecks and severe shortages. Half-erected factories collapsed. There were numerous cases of insane economic adventurism. The overriding emphasis on increased output statistics led to a severe deterioration in product quality.

Another even more well-known aspect of the economic destructiveness of Stalinist industrialization is that forced collectivization led to a catastrophic decline in agricultural output. All one has to do is read the newspapers today to see that the USSR is still bleeding from the wound Stalin inflicted on its economy in 1929.

In addition, the rapid fall in real wage levels in the USSR, combined with the totalitarian terror of the Russian bureaucracy, must have shattered labor creativity and work discipline. Both at the technical, administrative level and among the direct producers there must have been a total collapse in work morale.

Below a certain level—and Stalin breached that level—driving down wages to release resources for investment in heavy industry does not accelerate but arrests economic growth. Industrialization is not simply building more factories or adding more equipment per worker. There is also an important element of raising the cultural level of the population as a means of fostering disciplined, technologically competent and creative labor.

The most sophisticated bourgeois governments know that the super-exploitation of illiterate peasants-off-the-farms is not the most profitable labor policy. In France, many foreign workers (particularly North Africans) are illegal immigrants, live in hovels and work below the minimum wage. But in Sweden an immigrant Yugoslav or Algerian worker is first given \$300 a month to learn Swedish and then an industrial skill. And I assure you that Swedish capitalism exploits its foreign labor far more profitably than does the French practice of super-exploitation.

Workers Democracy and Economic Policy

The economic policy advocated by the Left Opposition was not one of favoring workers living standards over rapid industrialization.

Trotsky argued that a more balanced economic policy, including higher consumption levels, could have produced a comparable rate of industrialization without Stalin's excrescences.

In 1932 Trotsky emphatically insisted that Stalin's forced-march industrialization policy, carried through by bureaucratic mass terror against the workers and peasants, was detrimental to the rational and rapid development of the Soviet economy:

"Does this mean that the tempos of industrialization and collectivization should be lowered? For a given period—undoubtedly. *But this period may not long endure.* The participation of workers themselves in the leadership of the nation, of its politics and economy; an actual control over the bureaucracy; and the growth in the feeling of responsibility of those in charge to those under them—all these would doubtless react favorably on production itself: the friction within would be reduced, the costly economic zigzags would likewise be reduced to a minimum, a healthier distribution of forces and equipment would be assured, and ultimately the *coefficients of growth would be raised.* Soviet democracy is first of all the vital need of national economy itself." (our emphasis)

— *What Next? Vital Questions for the German Proletariat*

Bukharinite Economics and "Peaceful Coexistence"

There is another aspect to the whole question. It is characteristic of "Third Campists" to see a fundamental discontinuity between Stalin of the Stalin/Bukharin bloc and Stalin of the First Five Year Plan. This Trotsky never did. Trotsky and the Left Opposition never regarded the intent of Stalinist industrialization to be the defeat of the imperialist West through economic/military means. The Stalinist reaction to the imperialist threat is the quest for "peaceful coexistence," the chimera of international class collaboration.

The connection between Bukharinite economic policy and conciliation with imperialism has re-emerged with the phenomenon of "liberal" Stalinism of the Dubcek type. A more conciliationist foreign policy would presumably allow the Soviet bloc to cut back military expenditure and shift resources from heavy industry to consumption.

For example, there's a Soviet economist named A. Berman who advocates the abolition of central planning, unrestricted workers management and market socialism—essentially a syndicalist program. It's not accidental that he's very pro-"detente," because he figures that the only way the USSR could get such an economic system is if there were to be no significant external threat.

When things open up in the Soviet bloc—and here the Prague spring of 1968 is very indicative—there will be all kinds of advocates of conciliation with the West—anti-militarization, anti-heavy industrial growth pro-consumption. And they may well have a

certain following. Bukharin is regarded highly by many "liberal" Stalinists; he's considered something of a forerunner. When Trotskyists are struggling for political revolution in the Soviet bloc we will find that the struggle Trotsky waged against Bukharin/Tomsky will be replicated—under very different circumstances, in a very different context, but essential programmatic elements will be the same.

Proletarian State Power: Weapon of the Class Struggle

So now we come to the last question and the conclusion of this talk. Can we speak of an *intrinsic* law of economic motion, external to political considerations, in an isolated workers state?

No. The workers state is a weapon in class struggle. It is different from the party, but no less a weapon. In a workers state the allocation of available resources between the military, heavy industry, peasant incomes, wages and so on has an important strategic and tactical dimension. The allocation of resources by the proletarian regime must respond to constantly changing political needs and pressures. Therefore, one can not speak of a law of accumulation in an isolated workers state.

In this regard there is, of course, an important difference between a workers party and a workers state. The party is a voluntary organization, whereas a workers state is not.

A revolutionary party in power must take into account the material and cultural needs and interests of the entire proletarian and petty-bourgeois population. With the obvious exception of wartime the economic policy of a workers state should be designed—and within the framework of workers democracy would have to be designed—to insure a steady rise in the standard of living of the masses. However, if productivity is increasing sufficiently rapidly, it is possible to raise wages and peasant incomes, while also increasing the proportion of total product devoted to investment or military expenditure.

I want to close by noting that the importance of this subject is not determined by our present level of political competition with those propaganda groups adhering to "state-capitalist" theories. In our struggle for power in the Soviet bloc, and even after we take power, we are going to face, in a much more dangerous form, the Tony Cliffs and the Max Shachtmans in the workers movements of those countries. And the position that the development of the industrial strength of the workers state is not of the highest importance, is not a *decisive component* of a world revolutionary perspective, is genuinely counterrevolutionary.

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