

Martin Nicolaus

**RESTORATION
of
CAPITALISM
in the
USSR**

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Preface

This study first appeared as a series of articles in the New York weekly, *The Guardian*, under the title, "Is the Soviet Union Capitalist?" The complete series is reproduced here without alteration apart from a more logical breakdown into chapters, as noted below.

The study does not aim to answer every important question about the U.S.S.R. The situation of the minority nationalities and of women, the state of Soviet agriculture, U.S.S.R. foreign policy and a number of other topics are merely touched on. The investigation concentrates on the bare minimum elements of political economy necessary and sufficient to answer the question posed in the original title. Which class holds state power? What are the basic relations of production? On these topics the work is concentrated.

In approximately the first half of the study (parts 2-15) the approach is chronological. The chief political battles and economic changes in the U.S.S.R. since 1917 are sketched in, with emphasis on the crucial 1956-65 transition period. The second part of the study applies

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a magnifying lens to the post-1965 production relations, especially in regard to labor power, means of production, finance, planning, and the division of the social product among different classes.

The general thesis defended in this work runs counter to the dominant opinion -- the opinion of the dominant classes -- in both the U.S. and the U.S.S.R. In the latter it has been made a crime against the state to disseminate the opinion that capitalism has been restored there. The motives that incline most U.S. and other western Sovietologists to collude with the fiction of Soviet socialism are more subtle and diverse. Anti-communism, opportunism, ignorance, and metaphysics all play a role. The sum of the factors is that it presently serves the interests of the ruling circles in both superpowers to present the relation between them as one between different social systems. Like so many other propositions on which both superpowers agree, the theory of Soviet socialism today is based on falsehoods.

Uncommon as the view here defended is in rival "establishment" circles, it is not the author's alone by far. The general thesis that a capitalist restoration has taken place in the U.S.S.R. is today a common point of agreement among Marxist-Leninists in scores of countries. This study forms part of the growing international Marxist-Leninist literature on the topic, a literature which testifies to the increasing vitality and unity of the movement.

Many people, on first becoming acquainted with the Marxist-Leninist point of view, refer to the thesis of capitalist restoration in the U.S.S.R. as the "Chinese view" or the "Albanian view." This is correct in a way, but basically it is a misconception.

It was the Communist Party of China and the Party of Labor of Albania who stood up first, most firmly, clearly, and consistently in defense of Marxism-Leninism against the revisionist line initiated by Khrushchev. It is they also who did the pioneer's work on the thesis of ca-

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pitalist restoration in the Soviet Union, leading the way to solving the most difficult problems of theory and in marshaling reliable data. All Marxist-Leninists acknowledge their contributions, past and present.

But this does not mean that the thesis of capitalist restoration arises chiefly out of some "national" experience of China or Albania, or would not have been discovered without the Chinese and Albanian parties. The thesis is based on international experience -- not least, that of the Soviet workers and oppressed nationalities -- and has objective validity independently of its first proponents. It has become, as was mentioned, the common property of Marxist-Leninist all over the world.

Readers should also be aware that not all those who are often labeled "Maoists" or "pro-Chinese" hold to the view that there has been a restoration of capitalism in the Soviet Union. It is not uncommon in this period to encounter experiments in wearing the "Chinese" jacket while walking the "Russian" road. The position of the editors of the newspaper in which this study first appeared is a case in point. While sprinkling their writing with occasional references to the "other superpower" and Soviet social-imperialism," they took care -- in a preface atop each installment in the series of articles to state that they did not believe the U.S.S.R. had become a capitalist country. In this way the editors did a brisk business for a time cultivating a prestigious "Chinese" image while acting as apologists for Soviet social-imperialism on every burning question of world affairs.

This whole topic obtains a vital urgency from the clouds of world war now gathering on the horizon. In many parts of the world, the question whether the Soviet Union is a big socialist country or whether it is an imperialist superpower like the U.S. has become a shooting question. One has only to think of Angola or to recall such cases as Czechoslovakia, Bangladesh, and Chenpao Island; or the violent repression of Marxist-Leninists instigated by the pro-Moscow parties in In-

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dia, the Philippines, Portugal and other countries. All these and other incidents are only the forerunners of a more general conflict in which, to judge by the scale of the preparations, Soviet social-imperialism will attempt to displace its superpower rival on the whole of the Eurasian land mass and its flanking seas, and to grab a larger share of Africa and Latin America as well. To evade, minimize, or conceal the capitalist character of the U.S.S.R., and to paint this power as less evil, bloody and reactionary than U.S. imperialism, is to abandon scientific thought and to enlist in the ranks of the other superpower's offensive.

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Note: The study is here divided into 24 chapters rather than the 28 installments of the newspaper serial. From installment 18 on, the newspaper installments sometimes began in the middle of a chapter of the original manuscript. In such a case the newspaper inserted a few lead-in lines for continuity. At other times the newspaper ran the beginning of a new chapter into the end of the previous chapter without indicating a break. This practice naturally caused some readers to lose stride. In the present edition the material added by the newspaper, as well as some superfluous footnotes, is deleted and the chapters follow the manuscript. The text is otherwise unaltered.

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1 Introduction

The Soviet Union today: Is it a friend or an enemy? Is it socialist or capitalist? Is it a bulwark of peace or an aggressive, imperialist power?

Few differences within the broad movement against U.S. imperialism today run as wide and deep as those on this question. The different answers imply different views of the world situation, of strategy and tactics, of basic methods and philosophies. Like it or not, no one who is politically active against U.S. imperialism today can forever avoid taking a stand also on the character and role of the contemporary USSR.

Today wherever anti-imperialists gather in the U.S., the question of the USSR is bound to arise. Whether it comes up in open debate or whether, by tacit agreement, nothing is said about it publicly, it burns all the same.

Some 20 or 30 years ago the character and role of the USSR were a settled question for the great majority of people active on the left in the U.S. Most believed the USSR was a socialist country, that its leadership in the main followed a correct, revolutionary political line and that workers and oppressed people everywhere should look to this great land as the beacon of their emancipation.

Those who openly disagreed -- apart from the bourgeoisie itself -- were forced to eke out some kind of

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political existence on the margins or in the crevices of the communist movement. Over the course of the year, the Soviet Union's achievements and victories had all but discredited its declared opponents within the ranks of the left. Unity in defense of the Soviet leadership had become an unassailable force within the broad movement against U.S imperialism.

Obviously it is very different today. The very fact that there is a large-scale debate shows that champions of today's USSR have lost the enormous prestige within the U.S. anti-imperialist movement that was enjoyed by the champions of the USSR a generation ago. The ideological hegemony that had been won by the pro-Soviet position has crumbled.

Why? What has brought about this decline in the prestige and influence of the pro-Soviet position? Why is the left, once so strongly united on this question, now of several minds? The answer is that the Soviet Union is not what it used to be.

The historical record shows unambiguously who shattered the former unity on the left in defense of the USSR and what it stood for. The opening salvo against the prestige and influence of the USSR among anti-imperialists was fired neither by the Chinese nor the Albanian Marxist-Leninists, but by a leader of the Soviet Communist party (CPSU), Nikita S. Khrushchev.

In a highly emotion-packed address before the 20th Congress of the CPSU in February 1956, Khrushchev -- previously on record for his fawning and flattery toward Stalin -- suddenly unleashed a broadside of the most extreme and vituperative accusations imaginable against the leadership of the man who for three decades had headed up the Soviet party.

Stalin, then three years in his grave, was suddenly heaped with epithets of the most astonishing kind. He was a "tyrant," he had committed "crimes more monstrous than the tsars," his "reign" was marked by "blood and terror," his leadership in the world war was tantamount to treason, he was a bumbler and so on. It was as if the congress of a 20th-century Marxist-Leninist party had been transformed suddenly into a medieval rite of exorcism.

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This speech -- the famous "secret speech" -- was not published in the Soviet press nor made available by the Soviet party leadership to the lower levels of the party cadre. The CIA however managed to obtain a copy almost immediately and passed it to the New York Times and other bourgeois newspapers of the world. This is where most of the world's communist movement first learned of it.

The consternation, chaos and divisions that were the fallout from this bombshell within the communist movement were enormous. Every party at once entered into crisis. There was wave after wave of defections expulsions and splits. The speech was a "shot that was heard around the world" and has not stopped echoing to this day.

Why was this speech so profoundly divisive? Because Joseph Stalin was no mere idle figurehead as a leader of the Soviet people. His whole activity as a party leader was organically bound up with, and reflected, the achievements and shortcomings of a whole period of Soviet development and all of the country's major established institutions. Wherever there was the battle to establish these institutions in the first place, and then to defend them; whenever there was a struggle to turn the development this way or that, Stalin was in the thick of it, at the head of it.

Undoubtedly Stalin and the party he led made errors, important ones. To identify and to criticize these with surgical precision, while stressing that his correct decisions and achievements were the chief characteristic of his work, would have been one thing. Quite another thing was what Khrushchev did. To attack Stalin's leadership overall as "full of errors, grave distortions and monstrous crimes" was to assault not only Stalin the individual, the party leader, but also the essential foundations of Soviet society up to that time.

The Soviet state and the rest of the superstructure, and likewise the Soviet economic base or infrastructure, did not develop spontaneously or "fall from the sky." They had to be established, on the basis of the given conditions and within the limits of what was objectively possible by the conscious, organized efforts of the Soviet working class and peasantry, and most essentially the efforts of their

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leadership, the party. Every such effort came through a political struggle within the ranks of the CPSU itself, in which the different leading figures put forward different positions. Thus, for example, Stalin held that socialism could be built in one country; Trotsky held it could not. Stalin held that the time for collectivization of agriculture had come; Bukharin held it had not. By Khrushchev's time there had been ample opportunity to review these battles and sum them up: Whom had history proven correct? Whom had history condemned?

To say, as Khrushchev did, that Stalin's errors were the main thing, was to attack implicitly the basic policy line that the CPSU had come to adopt over the course of the previous three decades. It was to imply that virtually all the major opponents whom Stalin had defeated at every major turn of Soviet policy had been correct. It was to insinuate that the foundations of Soviet society, as it came to be constructed, were basically wrong.

These were the implications that unsettled the international communist movement, undermined its strength and unity, and marked the beginning of the end of the political, moral and organizational influence of the USSR and its champions within the broad ranks of people opposed to U.S. imperialism.

In a sense nearly every move of the Soviet leadership since then can be read as a series of footnotes to the Khrushchev "secret speech," as declarations and actions that made explicit -- though always under the "socialist" label -- the hidden implications of the early Khrushchevian manifesto.

In the nearly 20 years that have passed since this opening shot, the Soviet party leadership has been engaged in a truly panoramic process of revising and transforming. No important stone has been left unturned.

On questions of basic theory, the Soviet leadership has thrown out the Marxist view of the state as the repressive instrument of a class in favor of the view that the state is the representative organ of the whole people. They have similarly cut the heart out of the Marxist-Leninist theory of the role of a communist party. They have distorted the Marxist view on the transition to socialism to turn it into the illusion of peaceful overthrow of the bourgeoisie. They

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have discarded the core of Lenin's theory of imperialism in favor of the myth of 'irreversible detente' with imperialist powers. This is to mention just a few examples.

In foreign policy, the Soviet leadership beginning with Khrushchev broke the solidarity of the socialist camp by forming an alliance with India's expansionism against socialist China and with Yugoslav chauvinism against socialist Albania. It imposed unjustifiable conditions on its aid to these fraternal countries, and abruptly cut them off when they insisted on treatment as equals. It violated the independence of the Eastern European peoples' democracies, occupied them with its troops, proclaimed that their sovereignty was "limited" and turned the majority of them into its client-states and dependencies. This, too, was merely the beginning.

Most important have been the changes instituted by the new Soviet leadership in the economic base of Soviet society. They used the power of the Soviet state to nurture, fortify and put in command the traces of capitalism that survived in the relations of production, while breaking up the dominant strongholds of socialist relations. In their economic reforms of a decade ago, they erected an out-and-out capitalist economic structure of a state-monopoly capitalist type. It is today a consolidated economic system that conforms in all essential features to the classic analysis of imperialism given by Lenin.

To chronicle, much less to analyse, all or even the great majority of the theoretical and practical revisions carried out by the Soviet leadership beginning with Khrushchev would require a very large volume. The key elements are the changes in the Soviet superstructure, especially during the 1950s, and the subsequent transformation of the economic relations, especially during the 1960s.

In the present-day struggle about the role and character of the contemporary USSR, the lines drawn between the Soviet revisionists and the Marxist-Leninists constitute the main battlefield. For its part, the CPSU has gone to great lengths to charge that the genuine Marxist view of the Soviet Union, which the Chinese and Albanian parties have pioneered in upholding, amounts to nothing more than Trotskyism in a new guise.

The great irony is that it is the Soviet revisionists

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themselves, through the mechanism of Khrushchev's "secret speech," that set the basis for a resurrection and revival of Trotskyism probably beyond the dreams of its prophet. It is from the CPSU itself that the Trotskyists have drawn and spread the defeatist line that its original pessimism regarding the impossibility of building socialism in one country has been vindicated.

But it is precisely because of this temporary revival of Trotskyism that Marxist-Leninists, in explaining their view on the Soviet Union, must also draw a sharp line between themselves and the Trotskyists and show how, in fact, the Trotskyists and CPSU revisionists are the ones that conciliate and cover for each other, not only in their views of the world today, but in their overview of Soviet history as well.

For these reasons the analysis of the contemporary USSR cannot begin with 1956, but must go back to the beginning of the Soviet period.

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2 Revolution

October 25, 1917, marked the beginning of a new period in Russian and in world history.

It was the start of the period of Soviet power in the USSR -- a period which came to an end nearly 40 years later with the rise to power of a new bourgeoisie. In order to gain a clearer picture of the present regime, it is useful to trace briefly some of the key aspects of the early period of Soviet development.

The workers' insurrections in Moscow and Petrograd, the storming of the Winter Palace, the arrest of the old government's ministers and the proclamation of the Soviet Republic put an end to the rule of the bourgeoisie and the landowners in one of the world's largest and most populous countries.

State power was struck from the hands of the old exploiting classes. The proprietors of near-medieval estates, together with the owners and financial backers of some of the world's most modern factories and their foreign allies were deprived at one blow of the services of Russia's centralized official apparatus for pressing revenues out of the people, suppressing the exploited classes and waging wars of conquest and annexation.

Moreover, they were deprived in short order of their most important private properties. All the land was

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nationalized immediately. The banks likewise. The foreign debt was repudiated. The major industries quickly followed. Beginning at first with enterprises whose owners closed down so as to create hardship for the workers and to sabotage their new government, the Soviet authority expropriated more than 800 firms between November 1917 and February the next year. By June of 1918, all large-scale industry and mining became state property along with the major transport facilities and warehouses. All foreign trade was made a state monopoly.

Thus within a few months of the workers' seizure of state power, the new state held the title and the keys to nearly all the country's major means of production. The commanding heights of economic life were in its hands. The swiftest and one of the most massive transfers of property from one class to another in history up to that time had been achieved.

The U.S. writer Lincoln Steffens, after a visit to Soviet Russia in 1918, returned to say, "I have been over into the future and it works." This oft-quoted phrase, and similar remarks by other visitors at the time, reflected the enormous inspiration which the victory of the Soviet working class radiated. The new Soviet power was the harbinger of the future emancipation of all exploited and oppressed peoples everywhere. But few leaders of the Bolshevik party in 1918 agreed in the literal sense with Steffen's judgment that "it works."

Quite the opposite. Very little "worked." In the first place the economy was ravaged by four years of interimperialist world war. Industry suffered from shortages of raw materials. Millions of working-age peasants were at the battlefield. Serious famine threatened the cities.

In the second place, the new Soviet state had hardly begun the task of transforming its newly acquired properties to make them work in a socialist sense. State power having been seized, the transfer of an enterprise from private to state hands was a relatively uncomplicated matter of issuing a confiscation decree and perhaps sending a contingent of armed workers to take physical possession of the plant and equipment, if the workers on the spot had not already done so. But to continue or to

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revive production, and above all to transform the relations of production from capitalist into socialist relations -- that was another matter.

"Yesterday," Lenin wrote in May 1918, "the main task of the moment was, as determinedly as possible, to nationalize, confiscate, beat down and crush the bourgeoisie, and put down sabotage. Today, only a blind man could fail to see that we have nationalized, confiscated, beaten down and put down more than we have had time to count. The difference between socialization and simple confiscation is that confiscation can be carried out by 'determination' alone, without the ability to calculate and distribute properly, whereas socialization cannot be brought about without this ability." (Collected Works, Vol. 27, p. 333.)

If the new Soviet power could not even keep track of how many enterprises had been confiscated, it could even less take stock of their capabilities and needs so as to draw up an economic plan. The central State Economic Council set up at the end of 1917 for this purpose achieved only the most superficial grip on economic affairs. In May 1921, Lenin wrote, "There is still hardly any evidence of the operation of an integrated state economic plan." (CW Vol. 32, p. 371.) Only the germs of socialist economy existed.

The working class had seized state power. It controlled the key positions in the political superstructure of society. But the gigantic task of reshaping the economic foundation of Soviet society still lay before it. As Lenin said in May 1918, and repeated three years later, the name "Socialist Soviet Republic implies the determination of Soviet power to achieve the transition to socialism, and not that the new economic system is recognized as socialist order." (CW Vol. 27, p. 335; Vol. 32, p. 330)

Three years of civil war and invasion by 14 imperialist states, determined to crush the Soviet power in its cradle, compelled the young state to subordinate all other tasks to survival. The intervention, operating in conjunction with the armed counterrevolution led by the overthrown landlords and bourgeoisie, imposed further terrible sacrifices on the Soviet working people between 1918-21. The reactionary armies cut the urban centers of Soviet

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power off from the sources of fuel, raw materials and above all, grain. Extraordinary economic measures had to be taken -- labor conscription, forced requisition of grain surpluses, emergency rationing among others -- that had nothing in common with a peaceful advance toward socialist economy.

Defying all the predictions of the world's bourgeoisies, the Soviet state survived the onslaught. But it suffered staggering losses. Contemporary Soviet historians estimate that in 1917 there were just under 3 million factory workers in the Soviet Republic. About 800,000 of them fought in the civil war. Around 180,000 were killed in action. From 10-15 percent of the whole factory proletariat died of hunger and epidemics. As a result the Soviet power counted only 1.7 million factory workers in August 1920 when the main body of the reactionary armies had been beaten.

More dangerous than the physical losses suffered by the proletariat was its economic degeneration as a result of the paralysis of industry.

"Owing to our present deplorable conditions," Lenin wrote in May 1921 "proletarians are obliged to earn a living by methods which are not proletarian and are not connected with large-scale industry. They are obliged to procure goods by petty bourgeois profiteering methods either by stealing, or by making them for themselves in a publicly owned factory, in order to barter them for agricultural produce -- and that is the main economic danger, jeopardizing the existence of the Soviet system." (CW Vol. 32, p. 411.)

So widespread and general was the ruin of large-scale industry, Lenin wrote in October 1921, that the proletariat has become declassed, i.e., dislodged from its class groove, and has ceased to exist as a proletariat. The proletariat is the class which is engaged in the production of material values in large-scale industry. Since large-scale capitalist industry has been destroyed, since the factories are at a standstill, the proletariat has disappeared. It has sometimes figured in statistics, but it has not been held together economically." (CW Vol. 33, p. 65.)

Such a situation posed special dangers for the Soviet power, since the proletariat was not only the working class

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but the ruling class as well. Unless industry was revived, Soviet power would lose its footing and be overthrown. It was in the midst of this grave emergency, more dangerous than intervention and civil war, that Lenin proposed to the party and the country in early 1921 the New Economic Policy (NEP).

When the Bolsheviks first took power -- as Lenin put it -- "we assumed that we could proceed straight to socialism without a preliminary period in which the old economy would be adapted to socialist economy. We assumed that by introducing state production and state distribution we had established an economic system of production and distribution that differed from the previous one." (CW Vol. 33, p. 88.)

Three years later, experience had proved that this was not possible. The "attempt to introduce the socialist principles of production and distribution by 'direct assault,' i.e. in the shortest, quickest and most direct way," had suffered defeat.

The NEP meant a change in strategy based on the clear recognition of this defeat. Instead of immediate transition to socialist economy, there would have to be a fairly long transitional period -- perhaps five to 10 years by Lenin's estimate -- during which the groundwork for socialist economy was carefully prepared. Instead of an all-out assault, there would be a period of strategic retreat, regroupment and consolidation. Instead of merciless blows against the capitalists, the Soviet power would offer them concessions and encouragement within definite limits to get the economy going again.

The plain fact, as Lenin put it in 1920, is that "there is a firmer economic basis for capitalism in Russia than for communism." (CW Vol. 31, p. 516.) Some 80 percent of the country were peasants, and of these the great majority were small-holders working an individual plot in an individualist way. There was a large stratum also of small workshops and manufacturers likewise engaged in petty-capitalist production and exchange. Even in the most advanced sectors of large-scale industry -- which in Russia at the time was more concentrated than anywhere else in the world -- the foundations for socialism were not yet ripe,

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The proletariat lacked organizational, cultural and technological skills in sufficient quantity even to run them on the old capitalist basis, much less to operate them in a coordinated, planned, socialist way. A period of "schooling" -- under the tutelage of the capitalists and their experts -- was required even in this core of the state sector of the economy.

The analysis of Lenin's New Economic Policy and of the circumstance under which it was adopted sheds important light on the transformations in the Soviet mode of production carried out several decades later under Khrushchev, Brezhnev and Kosygin. The two sets of measures, as will be seen, have many crucial features in common, including the commanding role given to profits, the freedom given managers to engage in commodity exchange and others. In a number of respects, the latter even consciously copied from the former and drew on quotations from Lenin's speeches of the period to give their work a mantle of legitimacy. A crucial difference, however, was that Khrushchev and his followers portrayed their policies as an irreversible advance to communism while Lenin, with the frankness and truthfulness of a Bolshevik, proclaimed openly that NEP was a temporary retreat to state capitalism.

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3 NEP

The years of imperialist intervention and civil war in Russia, from 1918 to 1921, were the new Soviet power's baptism by fire.

Did the new state command the loyalty of the majority of workers and peasants? Was its apparatus cohesive and effective? Were the policies of its leadership adequate to cope with the all-sided onslaught?

By 1921 there was no longer much doubt. The Soviet power had survived challenges that would have crumbled every other state in the world at that time.

"We have, no doubt, learned politics," Lenin told the 8th All-Russia Congress of Soviets in December 1920. "Here we stand as firm as a rock. But things are bad as far as economic matters are concerned. Henceforth, less politics will be the best politics." (Collected Works, Vol. 31, p. 514)

The restoration of the country's ruined economy became the highest political priority.

Among the measures adopted beginning in early 1921 under the name of the New Economic Policy (NEP) were the following:

-- Restoration of commercial relations between town and countryside. The wartime emergency system of military

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requisitioning of grain from the peasants had to be stopped. In its place Lenin proposed, and the Soviet power adopted, a "tax in kind." The peasantry would no longer have to give up its entire grain surplus to the state, but only a fixed and known percentage of it. There was thus a material incentive to increase food production. The peasant would be left with a portion of the grain surplus to exchange on a regular market basis for the products of industry.

-- Restoration of retail trade. The Soviet power retained the state monopoly of grain trade at the wholesale level and kept control of wholesale trade in most products of large-scale industry operating on a nationwide scale. But private retail trade, and limited wholesale trade on a regional and local scale, were again legalized. Private merchants were encouraged to operate.

-- Restoration of small- and medium-sized private industry, working on a capitalist basis under loose state supervision.

-- A limited reopening of the Soviet economy to foreign investments, by offering concessions on a highly profitable basis for investors in raw materials extraction and industry.

-- Reorganization of the nationalized large-scale mass-market industries, placing these, too, to a large extent, on a capitalist footing under the direct supervision and control of the proletarian state.

Of all these measures, the last was the boldest and most drastic. For the large-scale state industries working for the mass consumer market made up -- almost as much as the heavy machine-building industry -- the main economic pillar of the Soviet state. This was the socialist bastion in which new, socialist relations of production were to become entrenched first of all, and from which they were to advance throughout the rest of the economy.

As Lenin put it in May 1921, "the manufactured goods made by socialist factories and exchanged for the foodstuffs produced by the peasants are not commodities in the politico-economic sense of the word, at any rate they are not only commodities, they are no longer commodities, they are ceasing to be commodities." (CW Vol. 32, p. 384)

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In other words, in this sector -- and here alone -- the capitalist relations of production, founded (as Marx analyzed in *Capital*) on the production of commodities, were being suppressed and the new socialist relations were arising.

Yet here, too, a partial retreat was required. Already by November of the same year, the direct exchange (barter) of manufactured goods for foodstuffs had broken down. The link between town and country had become highly capitalist again, with "ordinary buying and selling" for money and monetary gain restored in its place. (CW Vol. 33, p. 96)

As in the relations between state industry and private agriculture, so was a retreat required in the internal structure of state industry. As Lenin put it in his "Draft Theses on the Role and Functions of the Trade Unions Under the New Economic Policy" (December 1921-January 1922): "A free market and capitalism, both subject to state control, are now being permitted and are developing; on the other hand, the state enterprises are being put on a profit basis, i.e.,

they are in effect being largely reorganized on commercial and capitalist lines. He repeats: "With the free market now permitted and developing, the state enterprises will to a large extent be put on a commercial, capitalist basis." (CW, Vol. 42, pp. 375-376)

In specifics, this reorganization meant that every state enterprise (with exceptions made for heavy industry) must "pay its way and show a profit." (Ibid., p. 376) It meant that "it is absolutely essential that all authority in the factories be concentrated in the hands of the management. The factory management, usually built up on the principle of one-man responsibility, must have authority independently to fix and pay out wages and also distribute rations, working clothes and all other supplies; it must enjoy the utmost freedom to maneuver, exercise strict control of the actual successes achieved in increasing production, in making the factory pay its way and show a profit and carefully select the most talented and capable administrative personnel, etc." (Ibid., p. 379, see also Vol. 33, pp. 184-196.)

To give them a material incentive, moreover, the

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directors of factories and trusts were paid on a partly commission basis, so that their income was made dependent on the profitability of their enterprises. There were experiments also with tying workers' wages to enterprise profitability.

All this and more, it will be shown, has made its appearance again 40 years later in a new guise.

But what is remarkable in looking back on this turn in Soviet policy -- which has been sketched only very briefly here -- is the utter and complete frankness with which Lenin advanced it and characterized it. "Freedom to exchange implies freedom for capitalism. We say this openly and emphasize it. We do not conceal it in the least. Things would go very hard with us if we attempted to conceal it." (CW, Vol. 32, p. 490)

Some 40 years later, in a wholly different historical context, when a wholly different Soviet party leadership undertook a far more sweeping restoration of the freedom to trade," and a far more profound reorganization of state enterprises "on a commercial capitalist basis," this frankness was gone, replaced by a stultifying, crushing hypocrisy.

Lenin's clarity and frankness about the significance of NEP testified to the fact that throughout this limited and temporary restoration of capitalism in the USSR, the proletariat remained the ruling class. The state capitalism that the NEP temporarily fostered was not the state capitalism found in bourgeois economics texts, in which the bourgeois holders of economic power collectively subordinate the state and state property to their interests. On the contrary, the proletarian political power subjected the bourgeoisie to its interests. No matter how great the freedom given to the bourgeoisie in economic matters, the proletarian power always kept the reins in its own hands and loosened or tightened them in accordance with its own economic and political policies.

The NEP period of Soviet history comprised three broad phases: the retreat in the direction of capitalism, the consolidation and the new offensive toward socialism. All three phases, and not only the retreat, formed part of the NEP design. Taken as a whole, NEP was the policy of transforming the capitalist (and even precapitalist)

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economic foundation of the USSR into a socialist foundation; it was the policy of laying "the

economic foundation for the political gains of the Soviet state" (CW, Vol. 33, p. 73); it was the policy of transition during the period when "capitalism has been smashed but socialism has not yet been built." (CW, Vol. 30, p. 513) As Lenin said in one of his last speeches, in November 1922, "NEP Russia will become socialist Russia." (CW, Vol. 33, p. 443)

It was Lenin himself, in March 1922, who called a halt to the "retreat" that was the first phase of NEP. It fell to his successors to decide how to consolidate, and when and how to pass on to the general offensive against the capitalist elements.

In all respects the easiest part of the battle during the second and third phases of NEP was the elimination of the private merchants and small manufacturers from the scene. From the mid-1920s on, the share of the country's total trade in the hands of private companies declined, while the share of the state increased. By 1932, the hated private traders, who were called NEPmen, were all but gone. In manufacturing, where about one-eighth of the country's workers in 1923 were employed by private enterprise, the private share had been reduced in 1932 to less than 1 percent. (See the periodic reports of the Soviet State Planning Commission, presented at party congresses by Stalin, [Works, Vols. 12 and 13] and the modern revisionist Outline History of the Soviet Working Class by Y. S. Borisova et. al., Moscow 1973.)

The gradual liquidation of foreign investments and leases presented few problems, as these never amounted to any significant proportion of output. Few capitalists had accepted Lenin's offer to invest in the proletarian state.

More difficult and protracted was the struggle to reverse the capitalist measures introduced in the state industrial sector during the first phase of NEP. Necessity dictated progress here: the managers of the state industrial trusts quickly used their freedom to jack up prices beyond the point where the peasant and worker masses could afford to pay. In 1923 and 1924, the state cracked down on its trusts, imposing first a rigid credit control and then price controls that severely limited the managements' freedom of action. In the spring of 1924, the first serious start was made to

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design a comprehensive long-term economic plan for all branches of nationalized industry; meanwhile the socialist planning principle made gradual headway on a patchwork, branch-by-branch basis. (See E. H. Carr, *The Interregnum*, Pelican Books 1969.) By 1927, Stalin was able to report that the state now "has every possibility of directing nationalized industry in a planned way, as a single industrial enterprise," (Works, Vol. 10, p. 309); and in 1929, the capitalist relations in the state sector had been so far suppressed that this possibility, with the adoption of the first five-year plan, became -- at least in approximation -- for the first time a reality.

The hardest battle of all, during the third and final phase of NEP, was not however in industry but in agriculture. The restoration of the free market during the first phase of NEP had led, as was its intent, to a revival of agricultural production -- and class struggle. Instead of suffering famine as before, the Soviet state in 1922 had been able to export grain, and there was a salutary improvement in the food situation. But the revival of agricultural production meant a revival of capitalist relations in agriculture: a growing concentration of landholdings, of grain surpluses, of capital in the hands of the richest peasants (kulaks), a growing impoverishment of the poorer peasants and of the landless laborers, who were forced to flee to the cities where they aggravated the problem of unemployment. By 1928-29, after a succession of good harvests, the kulaks had grown strong enough (they thought) to thumb their noses at the Soviet state. They refused to pay the grain tax, refused to sell grain except at highway-robbery prices and in a number of areas engaged in open sabotage and armed

rebellion. The agricultural cooperatives that had begun, following Lenin's directives, as part of NEP had become largely a dead letter.

This new emergency confronted the Soviet state once more with the specter of famine and civil war.

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4 Collectivization

In the 1920s the Soviet industrial proletariat was still an island -- though a growing one -- in a vast peasant sea.

While in the state-owned industries the retreat toward state capitalism had been halted and a definite forward march toward socialism was underway in the late 1920s, out in the countryside capitalism was in full bloom.

Agricultural laborers and poor peasants were being ground into misery; middle peasants were being squeezed down, and the richest capitalist farmers -- the kulaks -- were accumulating grain and power.

The kulaks' arrogance can be measured from an anecdote Stalin reported in April 1929 to the Party's central committee. In grain-rich Kazakhstan, "one of our agitators tried for two hours to persuade the holders of grain to deliver grain for supplying the country, and a kulak stepped forward with a pipe in his mouth and said, 'Do us a little dance, young fellow, and I will let you have a couple of poods of grain.'" (Works, Vol. 12, p. 95)

The harvests had been good; yet the state was menaced by famine. The resistance and -- in many areas -- armed rebellion of the kulaks threatened to reverse the progress toward socialism in the cities and to undermine the power of the Soviet state.

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In this emergency, and after heated intraparty struggles against the "left" and right opposition, the central committee, led by Stalin, resolved to launch an all-out offensive against the last great bastion of capitalism in the USSR: capitalism in agriculture.

This was the campaign for collectivization of agriculture. Its aim was to combine the millions of small- and medium-sized peasant plots into tens of thousands of collective farms (kolkhozes). In a collective farm, the individual patches of land are merged (apart from small plots for household consumption) into large tracts which the farmers cultivate collectively. A portion of the harvest is taxed off by the state; but the remainder is the property of the collective, to be sold by it to its best advantage, with the proceeds divided among the collective farmers in proportion to their work.

(In state farms [sovkhoz] by contrast, the entire crop goes to the state and the farmers

receive a predetermined wage, just as in a factory. There were already state farms in the USSR at that time, based mainly on expropriated big landlords' estates; but the majority of the peasantry was not ready for this higher form.)

In order to achieve the collectivization of agriculture, however, it was necessary to deprive the capitalist forces in the countryside of their strongest and leading elements, the kulaks. For this purpose the party put forward the slogan to "liquidate the kulaks as a class." This meant to deprive them of their economic base, their property, their possibilities for exploiting the middle and poor peasantry and laborers and for resisting the Soviet state.

The struggle that began in agriculture in late 1928, lasting some five years, amounted to a second Bolshevik revolution. It was a revolution carried on both from above, by the Soviet state including the Red Army, and from below, by the masses of agricultural laborers, poor and middle peasants.

Like all genuine revolutions, it was "not a dinner party, or writing an essay, or painting a picture," it was not so "refined, so leisurely and gentle, so temperate, kind, courteous, restrained and magnanimous." It was, much like the peasant movement in Hunan described by Mao

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Tsetung In 1927, "an insurrection, an act of violence by which one class overthrows another." (Selected Works, Vol. 1 p. 28.) It therefore did not lack instances when the peasantry went "too far," and liquidated the kulaks (as well as some who were mistaken for kulaks) not only economically but also physically. But, as the chief bourgeois critic of this revolution, Prof. M. Lewin, admitted, "In order to understand this process of wholesale dekulakization, it is also essential to bear in mind the misery in which millions of bednyaks [poor peasants] lived. All too often they went hungry; they had neither shoes nor shirts, nor any other 'luxury items.' The tension which had built up in the countryside, and the eagerness to dispossess the kulaks, were in large measure contributed to by the wretchedness of the bednyaks' condition, and the hatred they were capable of feeling on occasion for their more fortunate neighbors, who exploited them pitilessly whenever they had the chance to do so." (Lewin, Russian Peasants and Soviet Power, Evanston, 1968. p. 488.)

There were also excesses committed "from above," by overzealous party leaders, who were often members of the intraparty opposition intent consciously or unconsciously on sabotaging the process. Inexperience, shortage of cadre and honest errors played their part as well. The opposition -- echoed by the bourgeois press abroad -- lost no opportunity to focus on these excesses and errors, to magnify them out of proportion and damn the general line of the revolution because of its tactical blunders. But there was in reality no other socialist alternative, and those members of the opposition who were dedicated to the cause of Soviet power, as Prof. Lewin records, soon came to see this truth. "He does the job badly," said these repentant oppositionists of Stalin, but he does it." The "most intelligent cadre," in Lewin's estimate at least -- meaning the more enlightened followers of Leon Trotsky and of Nikolai Bukharin, then the chief "left" and right opposition faction leaders -- complained of Stalin's "iron hand" and "despotic methods," but conceded that "thanks to this man's indomitable will, Russia is being modernized. Despite his shortcomings, a few more years

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of this terrible, almost superhuman effort will bring an all-round increase in prosperity and happiness."

By the end of 1933, the long road of the New Economic Policy (NEP) had been completed. The initial retreat toward state capitalism, the consolidation, and then the general offensive toward socialism had been successfully executed. About two-thirds of the peasants were in functioning collective farms; private industry had all but vanished; socialist principles in state industry had gained the upper hand and the first five-year plan had been triumphantly completed ahead of time, unemployment was abolished. After 16 years of political rule, the new Soviet power had succeeded in remolding the capitalist economic foundation it inherited, and in creating the foundation appropriate to itself -- the foundation of a socialist economy.

At the 17th party congress in January 1934, Stalin -- speaking for the central committee -- was able to make the landmark declaration that the socialist economic formation "now holds unchallenged sway and is the sole commanding force in the whole national economy." (Works, Vol. 13, p. 316.)

At the time that the USSR entered the new era in its economic development, the rest of the world was plunging into the depths of the Great Depression. A front-page editorial by Pravda in 1931, on the occasion of the 14th anniversary of the October revolution, threw into sharp relief the contrast between the achievements of the Soviet power and the sufferings in the capitalist world:

"Proletarians! Workers of all countries! Today in the squares, at meetings, demonstrations and rallies you will sum up the results attained by two economic systems -- capitalism and socialism.

"Remember:

"In the capitalist countries --

"Tens of millions of unemployed. The deepening world crisis. Thousands of bankruptcies, tens of thousands of closed enterprises. Growing poverty, hunger and plunder of the colonies. Preparations for fresh imperialist wars.

"In the country which is building socialism --

"Powerful growth of industry. No unemployment.

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Creation of large-scale mechanized agricultural production on the basis of state and collective farms. Improving material conditions of the working people. The rallying of the working people around the Bolshevik party and its Leninist central committee." (Quoted by Borisova et. al., Outline History of the Soviet Working Class, Moscow 1973, p. 168.)

And in fact the triumphant march of socialism in the USSR in this new period appeared as a beacon amidst the gloom of the capitalist world. It was a period when phrases that today may seem strained and trite -- "glorious, triumphant, brilliant, dazzling" and the like -- came naturally to the lips of those who lived or saw it. It was as Marx had foretold: the integument of capitalist relations burst asunder, and the tremendous potentials slumbering in the lap of social labor began to stir. Momentous productive forces that the capitalists had tried for decades, in vain, to whip into life now suddenly found liberation. It was as if the country exploded with productive energy. It did not march ahead; it leaped, it stormed, it flew ahead. It left its critics in the dust as so many carping dwarves. It threw terror into the world's bourgeoisies. It traced out for the first time in history the magnificent future that opens before the world's oppressed and exploited people once they have seized state power.

Today these achievements are in danger of being slowly forgotten. The period of socialist economy in the USSR lasted only slightly more than two decades, from the early 1930s to the mid 1950s. The reversals that have occurred in the last 20 years have tended to obscure what existed during the socialist period, and to efface from consciousness not only its achievements, but its very character. What really is socialism? Was the USSR really ever socialist at all? If it was socialist, how could it have turned capitalist afterwards? In order to answer these questions, it is necessary to have a somewhat closer look at Soviet socialism in theory and practice.

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5 Socialist Economy

In the early 1930s the Soviet Communist party proclaimed that the USSR had entered the period of socialist economic development.

The country could now call itself the "Union of Soviet Socialist Republics" not in the future sense that Lenin had employed when he said, in 1921, that the name "implies the determination of Soviet power to achieve the transition to socialism, and not that the existing economic system is recognized as a socialist order." It was now socialist rather, in the actual sense.

What were the theoretical and practical grounds for recognizing the economic order of the 1930s as socialist?

Though Marx and Engels, as is well known, refrained from drawing up any blueprints for the new society, they drew certain basic deductions from their analysis of the old society which have served Marxists since their time as general guidelines.

What began in the USSR in the 1930s was not full communism, classless and stateless society in which the antithesis of town and country, of mental and manual labor has been overcome. It was a long way from that. It was rather what Marx called the "lower stage of communist society," a long period of transition between the end of

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capitalism and the beginning of full communism. It contained therefore both the seeds of the distant future and the traces of the recent capitalist past. By common Marxist usage since Marx, this first stage is termed socialism and the term communism is reserved for the classless society.

According to Marx's "[Critique of the Gotha Programme](#)," which served Lenin as text for his chapter five of "[State and Revolution](#)," -- the key writings on this question -- the working class during the period of socialism can dispense neither with the state, as an organ of repression by one class against another, nor with certain economic and legal relations taken over from the old bourgeois society.

As far as the Soviet state was concerned, this was and remained in the period, a dictatorship of the proletariat. After the battles of 1917, of the civil war period, of NEP and collectivization of agriculture, there was no longer any doubt about that. The many hundreds of thousands, perhaps a few million, of defeated, expropriated and embittered former kulaks, NEPmen: unreconciled old-regime officials, managers and privileged intellectuals with their families, offspring and hangers-on who remained in the country might have liked nothing better than the implementation of Trotsky's demand, voiced from exile abroad, for the "freedom" to form political parties rivaling the CPSU. But the party had no intention of allowing the state to "wither away" as a repressive force in this manner.

"Democracy for the vast majority of people, and suppression by force, i.e. exclusion from democracy, of the exploiters and oppressors of the people," this was the role Lenin, following Marx, laid out for the proletarian state in the period of socialism, and the party stood by that program, though not without making some political errors that proved in the long run very costly.

As for economic relations, Marx and Lenin, in the abovementioned texts, had laid out plainly that the motto of socialist distribution could not yet be "from each according to his ability, to each according to his need." This was for the communist future, when the progress of

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the productive forces permits the abolition of scarcity, and when social consciousness, ingrained desire and sheer force of habit leads all workers voluntarily to participate according to their ability in everyday production, so that distribution of articles of consumption can be a matter of each one taking freely from the public stores according to need.

The motto, rather, was ". . . to each according to the amount of labor performed." This meant not taking freely, but paying money in exchange for commodities; and being paid at work not according to need but according to productivity. It was straightforward commodity-money exchange, such as existed not only under capitalism but even earlier. It necessarily resulted in inequality of wages between workers in different kinds and grades of jobs, and between slow and fast workers on the same job. The gap between the lowest and the highest wages even increased during the 1930s, as an enormous influx of new recruits from the countryside more than tripled the ranks of the industrial proletariat between 1929 and 1940. Yet, while a growing inequality of wages was incompatible with the advance toward communism, wage inequality -- and the commodity-exchange relations in distribution of consumer goods on which it rested -- were not in themselves in violation of the theory of socialism. Marx and Lenin were amply clear on this point. Socialism, as Lenin pointed out, does away with the injustice that consists in the means of production having been seized by private owners, but it "is **not capable** of destroying at once the further injustice consisting in the distribution of the articles of consumption 'according to work performed' (and not according to need)." The socialist order of society, as distinct from the higher, communist order, "**does not remove** the defects of distribution and the inequality of 'bourgeois right' which **continue to rule** as long as the products are divided 'according to work performed.'" (State and Revolution, Ch. 5, Sec. 3.)

As regards the distribution of consumer goods, the advance made by socialism over capitalism therefore does not lie in the abolition of wage inequalities. What it abolishes is rather the class of consumers standing far

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above even the highest-paid workers, who draw stratospheric incomes not deriving from wages but from profits, i.e. not from their own labor but from the labor of others. Such a social layer did not exist under Soviet socialism; it has reappeared today, however, as will be shown.

There was thus a wide sphere of commodity-exchange relations in the USSR, embracing not only the output of the state consumer-goods factories but also much of the food produced by the collective farms. All this was an objective breeding ground for what Marx and Lenin called "bourgeois right [narrow self-interest] which compels one to calculate with the coldheartedness of a Shylock whether one has not worked half an hour more than somebody else, whether one is not getting less pay than somebody else. . . ." to quote *State and Revolution*. These were among the traces left over from the past, obstacles in the path toward communism, potential nuclei, among others, of a restoration of capitalism. But, for all that, Soviet economy during this period was not capitalist, it was socialist.

Marx, in analyzing and comparing different historic forms of production so as to identify the specific characteristics that defined capitalism, noted that money and commodities existed in many other forms of society, to varying degrees, without capitalism arising. "The historic conditions of its existence are by no means given with the mere circulation of money and commodities. It [capitalism] can spring into life only when the owner of the means of production and subsistence meets in the market with the free laborer selling his labor power." (*Capital*, Vol. I, International ed., p. 170.)

Or, as Marx writes later in the same work, "In themselves money and commodities are no more capital than are the means of production and of subsistence. They want transforming into capital. But this transformation can only take place under certain circumstances that center in this, viz., that two very different kinds of commodity-possessors must come face to face and into contact; on the one hand, the owners of money, means of production, means of subsistence, who are eager to

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increase the sums of values they possess, by buying other people's labor power; on the other hand, free laborers, the sellers of their own labor power and therefore the sellers of labor. . . . With this polarization of the market for commodities, the fundamental conditions of capitalist production are given. The capitalist system presupposes the complete separation of the laborers from all property in the means by which they can realize their labor. As soon as capitalist production is once on its own legs, it not only maintains this separation, but reproduces it on a continually extending scale." (*Capital*, p. 714.)

Lenin likewise, in his study of the "[Development of Capitalism in Russia](#)," showed that only "the separation of the direct producer from the means of production, i.e., his expropriation, [signified] the transition from simple commodity production to capitalist production (and [constituted] the necessary condition for this transition). . . . The home market . . . spreads with the extension of commodity production from products to labor power, and only in proportion as the latter is transformed into a commodity does capitalism embrace the entire production of the country, developing mainly on account of means of production. . . ." (*Collected Works*, Vol. 3, pp. 68-69.)

Thus in order to demonstrate that a given society was capitalist, in the scientific sense of the term, it would be necessary to show not merely that articles of consumption were commodities (which was true but proves little), but also and principally that commodity exchange, based on expropriation of the direct producers, embraced and governed the means of production and labor power. If the direct producers, the workers, are not divorced from the means of production, and if consequently neither these means nor labor power function as commodities,

then no survivals of "bourgeois right," nor any amount of other inequities and injustices, can allow of such a society being properly termed capitalist.

Inversely, if the direct producers have been separated from the means of production, and consequently both labor power and means of production are exchanged as commodities, then no amount of social welfare benefits, no nationalizations, no statutory curbs on excess profiteering,

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no ameliorative measures whatever can conceal or modify the capitalist character of such a society. It is important to keep these elementary, but necessary and sufficient characteristics of capitalism firmly in mind in order to grasp the left and right, the forward and backward of Soviet development. There exists an enormous abundance of superficial definitions, half-truths and irrelevant notions in the literature about what is capitalism and what is socialism, all of which either innocently or with forethought serve to mystify or to distort the historical process and the present situation.

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6 New Shoots

The history of the USSR during the 1920s and 1930s was like a long march to reunite the workers with the means of production.

It was a complex and protracted struggle to revoke the great historic divorce arising at the dawn of capitalism, between the peasant and the land, between the weaver and the loom. This schism, constantly reproduced and universalized by the capitalist order, creates and recreates on the one side the millions of empty-handed workers and on the other side the relative handful of owners of the means of production. On this separation are founded the twin markets in commodities that characterize the capitalist order and distinguish it from all others: the market in labor power between the capitalist and the worker, with the workers always the sellers and the capitalist in the buyer's role, and the market in means of production, with the capitalists buying and selling from each other. Once the basic schism is suspended, these markets lose their reason for being; labor power and means of production shed their commodity character and become transformed step by step into social property. Such, in broad outline, was the path of Soviet development toward socialism and in the socialist period.

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What were some of the specific steps that were taken by the Soviet power to reunite the working class with the means of production? Certainly, the nationalization of the means of

production by the workers' state was the political basis for the whole process. But had the process ceased with the signing of nationalization papers, it would have been a paper "socialism." In fact the nationalization decrees in many cases only legalized factory seizures taken by the workers on their own initiative; and from then on, wave after wave of mass initiatives and movements spurred on the socialist transformation of Soviet society and gave it life.

One of the earliest of the innovative mass movements pioneered by the Soviet working class was the practice of subbotniks, or "Communist Saturdays." The first was organized on their own initiative by the workers at the chief repair shop of the Moscow-Kazan railway in May 1919. Working voluntarily and without pay after the regular shift had ended, the workers toiled out of political inspiration alone, in order to save and to strengthen the Soviet power against its foes during the Civil War. Despite end-of-the-week fatigue, the workers' productivity during the subbotniks regularly was two or three times higher than during regular hours.

"Communist subbotniks are extraordinarily valuable as the **actual** beginning of **communism**," Lenin wrote, identifying the subbotniks as one of the "new shoots" pointing ahead of the then existing stage of social development toward the ultimate goal of a classless society. Following the first local initiatives, the party organized nationwide subbotniks with excellent results throughout the Civil War period, and the practice was revived again and again. In the late 1920s, a new form of the subbotnik arose, the *voskresnik* -- voluntary overtime work to raise funds for the great industrialization drive projected by the first five-year plan. Like the subbotniks, these initiatives also were quickly popularized by the party and government press, and mobilized millions of workers.

The "shock-work team" movement, initiated in 1926 by the same railway workshop that had begun the subbotniks, was in part a drive to bring the subbotnik spirit into

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regular working hours. It laid emphasis at the same time on reorganizing the work, discarding the old patterns of division of labor inherited from capitalism and inventing new ones that promoted greater productivity. Led by the Komsomol (Communist youth league) activist Nikolai Nekrasov, the movement produced not only higher production but far greater enthusiasm by workers in participating in production meetings, where all aspects of the existing work methods were criticized and reshaped to bring out the workers' initiative. (Borisova et al., *Outline History of the Soviet Working Class*, pp. 121-124.)

The Stakhanovite movement, beginning in 1935, was the successor of the shock-work teams. Like the latter, it emphasized reorganizing the division of labor, and developing teamwork to achieve higher output. But it contributed also a stress on quality output, and, above all, on improved work technique and technology. The redesign and innovation of machinery and machine processes by the workers themselves -- frequently, as Stalin pointed out in his "[Economic Problems of Socialism](#)" (1952, p. 28), over the objections of conservative engineers and technicians -- was the keynote of the movement. A bourgeois U.S. scholar, David Granick, in his study "The Red Executive" (1960), defended the movement against Western charges that it was mainly a form of speedup. "Primarily, it was aimed at motivating workers to use improved techniques on the job," he wrote, "and to innovate new ones. Its emphasis was thoroughly modern, being on rationalization rather than on sweating." (p. 213.) It too was popularized by the party, not without opposition from engineers and managers, and spread to large proportions of industry, mining and transport.

Such mass initiative brought about extremely rapid increases in labor productivity. During

the first five-year plan, beginning in 1929, labor productivity had risen 41 percent; during the second plan, when the Stakhanovite movement began, it leaped 82 percent; and it grew by another 33 percent on top of this higher base during the third plan period. (Borisova, p. 206.) By this time unemployment, the chief spur to greater worker effort (speedup) under capitalism, and also the chief result under

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capitalism of technological "rationalization," had ceased to exist in the USSR.

An ingenious and telling form of mass initiative that arose during the first plan period was called the "public tugboat." According to Borisova's account, "it commenced in the Donets Basin on the initiative of the workers of the Artem mine. At one of the production meetings the discussion turned to a neighboring mine whose workers systematically failed to cope with the plan. A veteran worker-rationalizer found a way of helping them. Having once served in the navy he recalled that sometimes it was necessary to tug ships and barges which could not sail under their own steam, and proposed to do the same to the workers of the neighboring mine. . . .

"His proposal was approved and shortly afterwards the first 'tugboat team' arrived at the backward mine, only to receive a hostile welcome: 'You've no business to be here. We can get along without your help. So turn around and head for home.'

"'We've come here not to chitchat, but to extend comradely assistance,' the Artem miners replied. 'And we shall stay here until we have fulfilled our assignment.'

"Assisted by the party organization they grouped the foremost workers around themselves and got the socialist competition going. Within a short space of time the backward mine caught up with the plan. At the end of the five-year plan period public 'tugboat teams' were operating at many industrial enterprises." (p. 148.)

A more thoroughgoing form of mass initiative was the participation of workers in criticizing the five-year plan and drawing up revised plans of their own. This was called "counterplanning." Borisova writes that "it was first advanced in the summer of 1930 by the shock-workers of the Karl Marx Works in Leningrad. This was done in response to the address of the shock-workers of the Znamya Truda Factory to the Leningrad shock-workers. The address was published in the Leningradskaya Pravda on April 9, 1930 under the heading, 'Znamya Truda Shock-Workers Are Drawing Up an Extended Counter Industrial and Financial Plan.' At the time the workers of the Elektroavod Factory in Moscow were devising

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counterplans for the enterprise as a whole and for each of its shops and lathes. Through their participation in the elaboration of counterplans thousands of workers became acquainted with the organization and management of production. Many of them acquired an inclination for planning and enrolled at higher educational institutions offering specialized training in this field." (p. 147.)

Counterplanning, even more than the Stakhanovite movement, frequently upset those engineers and managers who had retained or acquired a basically bourgeois outlook. Numbers of them fled to the capitalist countries, where intelligence services and scholars would pump them for inside information on Soviet conditions. One such scholar, Joseph Berliner, gave the following transcript (in his 1957 study, "Factory and Manager in the USSR") of an account of counterplanning by a renegade plant manager:

"All the workers, all are called to the production conference. And then begins the so-called 'counterplanning,' in a very crude form, which quickly ends in a fiasco. They read off the plan. Here, our chief administration has given us such and such information, such and such indices, of course we have to meet them, we all understand that this has to be done. Thus, the agitation proceeds further. This we have to do, we have to fulfill and overfulfill. 'I hope that some of the workers -- this is said by some engineer or a representative of the party organization -- will bring forth counterproposals.' Now everyone wants to manifest his 'activity.' Some 'butterfly,' some milkmaid gets up in her place and says 'I think we should promise Comrade Stalin to overfulfill by 100 percent.' She takes no account of materials, no account of supply. Then a second stands up and says 'We should all promise 100 percent and I personally promise 150 percent' In short, it piles up higher and higher, and the engineers and economists scratch their heads. Nevertheless, this is called 'counterplanning,' a manifestation of the new socialist morality and higher socialist enthusiasm. All this goes to the top and there, you understand, there is confusion, downright confusion, a complete muddle." (p. 275.)

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Dripping with chauvinism, contempt and sarcasm, such a factory manager as the one who furnished this account naturally saw the workers' enthusiasm as contradictory to "efficiency" and "rationality." What about materials, what about supply? It did not occur to such bourgeois minds that if the enthusiasm were to spread to the other factories producing materials and supplies for this factory, and so on in a chain reaction, then a forward leap in production might very well be achieved all around.

This narrow bureaucratic spirit also had its partisans in the office of Gosplan, the central state planning bureau, as the bourgeois Sovietologist M. Lewin, in his 1968 "Russian Peasants and Soviet Power," recounts. "At the outset," Lewin wrote, "Gosplan in a body tried to stem the flood of unreasonable demands. . ." which reached them from the factories below and the Central Committee above -- demands for vastly increased production. But the party leadership had little tolerance for this footdragging. An "atmosphere" was created within Gosplan, Lewin recounts, "such that it would have been an act of 'civic courage' on the part of the planners to insist that there were sectors on which the brake should be applied. . . . The planners were aware of the risks involved in arguing too much, or raising objections on technical or other grounds. In the privacy of their own offices, they remarked that it was 'better to comply with the demand for rapid growth rates than to go to prison for having advocated more moderate ones.'" (p. 346.)

The party leadership, in purging from Gosplan the most outspoken of these "brakemen," sided squarely with the so-called "butterflies" and "milkmaids" who were engaged in counterplanning at the point of production. When the shock-worker team at a Lugansk factory, drawing out the implications of counterplanning for the whole economy, raised up the call to "finish the five-year plan in four years," the Central Committee picked it up and broadcast it throughout the country.

Thanks to such worker initiatives, generalized and popularized by the party leadership, the phenomenal development of the productive forces projected by the first five-year plan was achieved in four years and three

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months. It was a triumph that still has bourgeois political economists and historians scratching their heads, and it was followed by further, almost equally spectacular advances.

But there was really no mystery about it. Such advances in the development of the forces of

social production were the fruit of the reunion between the working class and the means of production. The mass initiatives and movements both reflected and deepened this profoundly new relationship of production, whose political precondition was the dictatorship of the proletariat.

However, not all the elements in Soviet society were as cheered and gratified by the triumphs of socialism as was by all accounts, the great majority of working people and party cadre.

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7 Bourgeois Right

The Soviet Union of the mid-1930s was predominantly a scene of triumph and unity.

Its elementary features were that state power was solidly in the hands of the working class; the major opposition blocs within the party had been exposed and defeated and the unity of the party was strong; the alliance between the working class and the peasantry had been cemented by the collectivization of agriculture; the foundations of socialist economy had been laid; and gigantic forward strides were being made on this basis.

It was this triumphant spirit that animated the party's 17th Congress of 1934, inspired the adoption of the historic Soviet constitution of 1936 and provided the context for extensive measures of democratization in the Soviet government apparatus in 1937 and the strengthening of democracy and centralism in the party at the 18th Congress in 1939.

There was nothing phony or hollow at the basis of the predominant spirit of the time. The victories in the area of political, economic, social and cultural construction achieved by the Soviet power were as real and tangible as the victories being achieved in our own day by the national liberation struggles of the peoples of Indochina. There was

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and is no legitimate ground for a cynical or pessimistic attitude regarding them.

And yet, some 20 years after the landmark adoption of the 1936 Soviet constitution, the elementary features of Soviet society had undergone a complete change of character. State power came into the hands of a bourgeois class; the party changed nature; the worker-peasant alliance came under attack; the foundations of the socialist economy were put to the sledgehammer and wrecking ball; and the bottom began falling out from under the forward strides in the development of social production.

To understand that the USSR was once socialist is not difficult in itself. Nor is it so difficult to see, as will be shown, that it is today capitalist. Not so easy, however, is to grasp these two opposite and contradictory states in their interconnectedness and as a process, to see the seeds of the later in the earlier and to mark the point where an accumulation of gradual, insignificant quantitative changes produced an abrupt turnabout in the whole character of the society.

In this connection, a highly important contribution has recently appeared in the Chinese theoretical journal *Red Flag*. Although it addresses itself mainly to current questions in the Communist party of China, it has direct and clear reference also to the ongoing discussions among Marxist-Leninists everywhere about the transformations that took place in the Soviet Union. Entitled "On the Social Basis of the Lin Piao Anti-Party Clique," by Yao Wen-yuan, the article is a critique of shallow, idealist or vulgar interpretations of the Soviet capitalist restoration and deserves lengthy quotation in the context of the present study.

"It is rather clear," writes Yao, a veteran Communist and a leader in the cultural revolution, "that the Lin Piao and antiparty clique represented the interests of the overthrown landlord and bourgeois classes and the desire of the overthrown reactionaries to topple the dictatorship of the proletariat and restore the dictatorship of the bourgeoisie.

"The Lin Piao antiparty clique opposed the great proletarian cultural revolution and had inveterate hatred

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for the socialist system under the dictatorship of the proletariat in our country, slandering it as 'feudal autocracy'. . . ."

Khrushchev, it will be recalled, upon taking command of the Soviet Communist party in 1956 engaged in similar name-calling against the dictatorship of the proletariat in the USSR under Stalin.

Yao then goes on to recall the intraparty machinations and intrigues of the Lin Piao faction which culminated in "Project 571," an attempt at a military coup, which failed and cost its author his life during his hasty flight to escape to the USSR in 1971. "All this reflects the life-and-death struggle between the proletariat and the bourgeoisie, the two major antagonistic classes, under the dictatorship of the proletariat, a struggle that will go on for a long period.

"So long as the overthrown reactionary classes still exist, the possibility remains for the emergence within the party (and in society as well) of representatives of the bourgeoisie who will try to turn their hope for restoration into attempts at restoration. Therefore we must raise our vigilance, guard against and smash every plot by reactionaries at home and abroad and not permit our vigilance to slacken."

Thus far Yao's article moves on familiar ground. It begins to dig deeper, however, with the following:

"But seeing this much," -- that is, seeing that the remnants of the old bourgeoisie present a danger -- "is still not grasping the whole issue.

"The Lin Piao antiparty clique represented the hope not only of the overthrown landlords and bourgeoisie for restoration but [also] of the newly engendered bourgeois elements in socialist society for usurping power. They themselves had some characteristics of the newly engendered bourgeois elements and a number of them were in fact such elements. And certain of their slogans met and reflected the needs in developing capitalism of the bourgeois elements

and those who want to take the capitalist road. It is precisely this aspect of the question that merits further analysis.

"Chairman Mao points out: "Lenin said, 'small production engenders capitalism and the bourgeoisie

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continuously, daily, hourly, spontaneously and on a mass scale.' This also occurs among a section of the workers and a section of the party members. Both within the ranks of the proletariat and among the personnel of state organs there are people who follow the bourgeois style of life."

"The existence of bourgeois influence and the influence of international imperialism and revisionism are the political and ideological source of new bourgeois elements, while the existence of bourgeois right provides the vital economic basis for their emergence."

The term "bourgeois right" is taken from Marx's "Critique of the Gotha Program," and refers to relationships that are free and equal in form, but unfree and unequal in substance. Thus "from each according to his ability, to each according to the amount of labor performed" is a relationship of apparent equality but in reality generates inequality because different individuals perform different amounts of labor. Similarly, the motto "last hired, first fired," which underlies the capitalist trade union seniority system, promotes a formal fairness and equality of opportunity; but also in substance reinforces and reproduces discrimination and inequality in hiring.

Yao then quotes both Lenin and Mao Tsetung regarding the survival of bourgeois relations in portions of the economic basis of socialist society. (See the fifth article in this series.) It is the accent on the economic basis that is crucial here; for it would be idealist to suppose that a new bourgeoisie can be generated within socialist society solely on the basis of old ideas surviving in people's minds. People's consciousness, Marx held, is a reflection of their social being. This remains true in socialist society as well. If bourgeois ideas not only survive but reproduce and take new forms in socialist society, this is because there is a basis for them in social being. The program advanced by the Lin Piao clique, Yao writes, "neither dropped from the skies nor was it innate in the minds of those who claimed to be 'super geniuses'; it was a reflection of social being."

"The analyses made both by Lenin and Chairman Mao tell us that bourgeois right which is bound to exist as

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regards distribution and exchange under the socialist system should be restricted under the dictatorship of the proletariat so that in the long course of the socialist revolution the three major differences between workers and peasants, between town and country and between manual and mental labor will gradually be narrowed and the discrepancies between [wage] grades will be narrowed and the material and ideological conditions for closing such gaps will gradually be created."

If the opposite is done. Yao says, "the inevitable result will be polarization, i.e., a small number of people will in the course of distribution acquire increasing amounts of commodities and money through certain legal channels and numerous illegal ones; capitalist ideas of amassing fortunes and craving for personal fame and gain, stimulated by such 'material incentives,' will spread unchecked; public property will be turned into private property and

speculation, graft and corruption, theft and bribery will rise; the capitalist principle of the exchange of commodities will make its way into political life and even into party life, undermine the socialist planned economy and give rise to such acts of capitalist exploitation as the conversion of commodities and money into capital and labor power into a commodity; there will be a change in the nature of the system of ownership in certain department and units which follow the revisionist line; and instances of the oppression and exploitation of the laboring people will once again occur.

"As a result, a small number of new bourgeois elements and upstarts who have totally betrayed the proletariat and the laboring people will emerge among party members, workers, well-to-do peasants and personnel in state organs.

"Our worker comrades have put it well: 'if bourgeois right is not restricted, it will hold back the development of socialism and aid the growth of capitalism.'

"When the economic strength of the bourgeoisie grows to a certain extent. its agents will demand political rule, the overthrow of the dictatorship of the proletariat and of the socialist system and a complete change of socialist ownership, and openly restore and develop the capitalist

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system "

Yao also takes note of the particularities entailed in a restoration attempt by newly engendered bourgeois elements, as distinct from remnants of the old bourgeoisie:

"The new bourgeois elements who arise as a result of erosion by bourgeois ideas and the existence of bourgeois right generally share the political features of double-dealers and upstarts. In order to carry out capitalist activities under the dictatorship of the proletariat, they always put up a certain socialist signboard; since their restorationist activities aim not at snatching back any means of production of which they have been dispossessed but at seizing the means of production they have never possessed, they are especially greedy, anxious to swallow at one gulp the wealth belonging to the whole people or to the collective and place it under their private ownership."

In order to avoid such a restoration, Yao concludes, it is necessary in practice to "dig away the soil breeding the bourgeoisie and capitalism," and, in consciousness, "to be able in good time to see through the new bourgeoisie . . . as it appears or is taking shape."

There in a nutshell Yao has put the cardinal mistake made by the Soviet Communist party during the period when Stalin was its leader. They did not dig away fast enough the political-economic-social "soil" that was engendering a new bourgeoisie and did not perceive the danger it posed until the initiative had already slipped out of their hands. A closer look at these problems is in order.

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8 Old Soil

The gradual emergence and maturing of a potential new bourgeoisie within the fold of Soviet socialist society was a silent and largely secret process that can be sketched today only in the barest outlines.

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.

And necessarily so. For the potential bourgeoisie had to emerge under the conditions of the dictatorship of the proletariat. Any open association for or intentional advocacy of capitalist aims was impossible. A highly efficient secret police made even conspiracy -- historically a favorite mode of bourgeois organization -- dangerous in the extreme. It is unlikely that future historians will unearth any reliable documentary record of what passed through the minds of the nascent Soviet bourgeoisie while it was a suppressed class. The content of its secret ideas and of its whispered conversations can only be deduced ex post facto: from the content, for example, of Khrushchev's 1956

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"secret" speech and above all from the character of the measures taken after the accession to power.

What the record does show fairly clearly is that the "remnants" of the old society -- the pre-1917 bourgeoisie and the NEPmen and kulaks pushed out in the late 1920s and early 1930s -- played no leading role in the transformations that took place after the death of Stalin in 1953. Biologically many of these individuals, insofar as they remained in the country, were still young and vigorous enough in the mid-1950s to have played a political role. But conditions under the dictatorship of the proletariat were heavily stacked against this possibility. A bourgeois origin was a handicap in gaining party membership and a virtually absolute disqualifier for party leadership.

The U.S. financial oligarch and diplomat W. Averell Harriman makes this point ironically in a book recounting his journey to the USSR in 1959 ("Peace With Russia?" New York, 1959, p.17), where he met with the party and government leadership. Harriman quotes Khrushchev:

"'I was a humble worker myself,' he said. 'I started life as a shepherd, was promoted to a cowherd and eventually got a job in the mines, where I stayed till the Revolution.'

"As though not to be outdone," Harriman continues the anecdote, "Deputy Premier Anastas Mikoyan, who with Deputy Premier Frol Kozlov and Foreign Minister Andrei Gromyko had joined the discussion, broke in: 'And I was the son of a shoemaker.' Kozlov said, 'And I was a homeless waif.' Even Gromyko, who had sat in glum silence throughout the conversation, spoke up: 'And I was the son of a pauper.' I told them they all sounded like American politicians on the stump boasting of the log-cabin origins. . . ."

The seizure of power after Stalin, in short, was not the restoration of the old expropriated

bourgeoisie. It was the rise of a new bourgeoisie engendered within socialism under the proletarian dictatorship. But where and how was this bourgeoisie engendered?

The classically recognized breeding ground of capitalists under socialism is in agriculture, particularly in the collective farms. Though the Soviet collective farms were no longer characterized by that small-scale production

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which Lenin had noted "engenders capitalism and the bourgeoisie continuously, daily, hourly, spontaneously and on a mass scale," there was still enough of this ground to constitute a danger.

It was not only the private household plots. More problematic was the form of collective-farm property itself. It was socialist property, in the sense that the proletarian state owned the entire land as well as the major agricultural machinery (tractors, combines and the like) used by the collective farmers. But apart from these primary and some secondary restrictions (such as price controls), each collective farm operated relative to the others and relative to the state much as a private profit-making enterprise. However many thousands of persons might be combined in a single collective farm, each such farm still constituted production of a relatively petty and anarchic kind compared to the scale and the planful integration of production in the state sector, particularly industry.

In Stalin's last published writing, "Economic Problems of Socialism" (1952), there are clear warnings regarding the collective farms and about the commodity-exchange relations involved in this form. "It would be unpardonable blindness not to see at the same time," Stalin writes, "that these factors are already beginning to hamper the powerful development of our productive forces, since they create obstacles to the full extension of government planning to the whole of the national economy, especially agriculture. There is no doubt that these factors will hamper the continued growth of the productive forces of our country more and more as time goes on. The task, therefore, is to eliminate these contradictions by gradually converting collective-farm property into public property, and by introducing -- also gradually -- products-exchange in place of commodity circulation." (Peking, Foreign Languages Press ed., p. 70).

We know from subsequent events that the bourgeois elements within the USSR and its communist party did not agree with this estimate of Stalin's. Nor did they agree with his strict injunction (in the same work) against the idea of selling off the machines and tractors to the

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collective farms, a proposal that was bound to lead, Stalin wrote, "to the regeneration of capitalism." (p. 96) (A few years afterward Khrushchev implemented precisely this proposal among others which Stalin had criticized in this work.) It is significant, however, that neither Khrushchev nor any other high party official came out at the time in favor of the proposal, which had been put forward in letters to Stalin by two obscure individuals named Sanina and Venzher. A public discussion of Stalin's book was organized and the entire party was directed to participate but if Khrushchev already in 1952 agreed with Sanina and Venzher and their like, he kept it secret. In public he and his allies agreed with Stalin's ideas enthusiastically -- and a short time later did the opposite. Such methods were characteristic of the ascendant Soviet bourgeoisie.

Despite the tremendous importance of developments in agriculture during and after the Soviet socialist period however, the leading forces behind the events of the mid-1950s came not only from this sector, the most obvious and well-recognized seedbed of capitalism.

Agriculture had been Khrushchev's main speciality. But others of the leading neobourgeois forces that took power after Stalin's death had party careers that involved them rather more heavily in the affairs of engineering and industry.

The position of Soviet engineering and management personnel, particularly that of enterprise directors, was a sharply contradictory one during the socialist period. They had great responsibilities, greater even than those of managers in capitalist society, but vitally fewer powers than their capitalist counterparts.

The Soviet enterprise director (or plant director) under socialism was held personally responsible and accountable for the organization of the production process in its human, technical and bookkeeping dimensions. Responsibility was concentrated in the individual, in accordance with the principle of "one-man management" advocated in the early 1920s by Lenin along with the other measures that made up the first stage of NEP. It was a principle designed to overcome the confusion, evasion of responsibility and production breakdowns that were all too

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frequent in the early period of spontaneous factory seizures and primitive workers' "self-management" and it was preserved and even to a certain extent reinforced in the period of planned economy. The director's responsibility under the system was in fact even heavier than that of a plant manager under capitalism, because the Soviet director was bound both technically and legally by the economic plan which prescribed in considerable detail what was to be produced and when. As Stalin emphasized in a speech at the 15th Party Congress in 1927, "Our plans are not forecast plans, not guesswork plans, but directive plans, which are binding upon our leading bodies. . . ." (Works, Vol. 10 p. 335). This meant that a director who failed to fulfill the plan was violating the law, could be brought before a court and if found guilty of conscious misdoing, sentenced to death as a saboteur.

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 have strong authority, particularly during the great influx of peasants in the industrialization drive of the early 1930s, to assign workers to different roles in the internal division of labor, to punish lateness and absenteeism with fines and otherwise to "run the shop" -- though even this authority could be challenged successfully. But 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.

This was a concrete meaning of the phrase that labor power in the USSR was no longer a commodity bought and sold like any other: its price (wages) was no longer depressed by the existence of a relative surplus army of unemployed and the inalienable right of commodity buyers to refuse to buy -- the right to not hire and to lay off -- was no longer recognized. 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.

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Moreover, the workers had more than one channel by which to get at directors who abused such authority as they had. As the British bourgeois scholar Mary McAuley writes (in "Labour Disputes in the Soviet Union," Oxford 1969), there were special courts to hear industrial disputes to which only workers had access; managerial personnel could appear there only as defendants and were barred from initiating cases (pp. 54-55). Even before matters came to

court, there were ways that the workers on the shop floor could let a troublesome director know who was boss. One of these avenues, the production meeting, is described by the bourgeois scholar David Granick in his book, "The Red Executive":

"Management is operating under severe ideological and practical handicaps in its efforts to keep down worker criticism. One factory director . . . implied that production meetings were a real ordeal for him. But at a question as to whether workers dared to criticize openly, he said, 'Any director who suppressed criticism would be severely punished. He would not only be removed, he would be tried.'" (New York, 1960, p. 230)

The combination of enormous responsibility but relatively little power in the hands of the enterprise directors was not in the long run a healthy one. The way forward would have been progressively to transfer more and more of the directors' responsibilities to the workers themselves, to match their power. But as the party's policy on the question remained basically static, the directors seized the initiative themselves. On the one hand they 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 directors' part, stemming from an identical capitalist impulse, were kept in check and suppressed during Stalin's lifetime. But their source was not eradicated. After his death, once the new leadership had consolidated its grip on the party, the directors' suppressed complaints at their powerlessness and at the onerous burden of the plan were given free play in the press and the demands implicit in these complaints were given full satisfaction.

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9 In the Balance

From the end of World War 2 to the death of Stalin in 1953, the Soviet Communist party and government appeared outwardly strong and unshakable as never before. Behind the solid exterior, however, there were processes in motion that allowed this bastion of socialism -- the embodiment at the time of everything Marxism-Leninism stood for -- to be taken over rather painlessly, as historical changes go, by a group of leaders with an anti-Marxist, anti-Leninist counterrevolutionary program.

The task is to understand how such a turnabout was possible. It is a very difficult task. There are few models for the mind to lean on. Most of the key documents that would shed light on particular events are not available. Much was done in secrecy. Nevertheless, by looking at developments in broad outline, it is possible to identify four main causes that brought about this historic reversal.

The first of these has already been touched on earlier, namely the reflection, up in the highest circles of the party and the government, of the vestiges of bourgeois relations of production that existed within socialist society at the base. In the structure of the collective farms, as was

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pointed out, there remained a certain objective basis for the narrow, self-centered, profiteering and anarchic behavior that is a mark of capitalism. At the point of production in industry, likewise, an excessive concentration of responsibilities in the hands of individual directors and engineers engendered among the latter some feelings of superiority and a desire to gather power into their hands as well. In both these main branches of social production, the leading people at the base necessarily operated with one toe, or even one foot, on capitalist or semi-capitalist ground. The aspiration of moving further in that direction, rather than toward communism, could not but arise in their heads in one or another form. While in the minds of most this notion -- at least in its most obvious dress -- was undoubtedly quickly repressed, it was to be expected that such ideas in disguise would exert a significant influence over many, and become the altogether dominant impulse in the heads of a few.

All this is inevitable in any socialist society -- society as it emerges out of capitalism, carrying with it not only many of the old ideas but also some of the old soil. Even the working class is bound to be touched in its consciousness by the survivals under socialism of what Marx called "bourgeois right"; for the inequalities of the wage scale, supplemented too often in the USSR by individual bonuses and premiums, must have worked counter to the brilliant spirit of collective enthusiasm and the new attitude toward labor which the Soviet working class displayed par excellence.

It is equally inevitable that such remnants of capitalist relationships of production at the base of socialist society will percolate up into the higher levels of party and government, as well as other institutions. It is part of the work of the higher levels to keep in the closest possible touch with conditions below. In the countless meetings, visits and conferences where Soviet cadre of different levels daily rubbed elbows, the backward aspects of reality and thought at the base were bound to be transmitted upward along with the progressive ones. The collective farm manager whose underlying motives were not much different from those of a kulak, the factory director who

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thirsted to hold the whip hand over the workers, the engineer who developed delusions of genius, the lower-level party cadre who wanted privileges -- all were bound to find or to shape, sooner or later, a sympathetic ear on the higher levels, a leader who knew both how to conceal and to advance their interests. Con-men, careerists and, ultimately wreckers such as Khrushchev, turned out to be the natural products of the shady side of socialist society, just as the great builders of socialism, leaders of the working class and teachers of Marxism-Leninism such as Stalin were the natural products of the bright socialist mainstream.

The presence of two-faced, careerist and opportunist individuals in high party and government circles in the USSR was an historically inevitable and constantly recurring condition. So long as society remains in the socialist stage of development such persons will be climbing or trying to climb up the ladder, just as they do in communist parties in capitalist society. The exposure and ouster of one or two of them does not discourage the others, it only teaches them to be more clever. This was the first reason why a bourgeois takeover was possible in the USSR.

In addition to this more or less constant condition, there was in the Soviet Union during this particular period an historically temporary condition, compounded both of objective and subjective elements, which made the work of the rotten apples in the party barrel easier and tilted the scales of chance in their favor.

The Soviet party and government by the late 1940s and early 1950s had achieved an unprecedentedly strong and triumphant position externally and internally. Having stood off,

driven back and smashed the German fascist invasion during the war, the USSR found itself by 1950 no longer an isolated socialist state but the center of a camp of socialist countries embracing the bulk of the Eurasian land mass with about a third of the world's population.

Internally, there was a rapid reconversion and reconstruction of the war-ravaged economy, a technological modernization and expansion that led to significant production advances over the prewar standard

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relatively short time, all without the spasms of unemployment that marked the postwar reconversion in the capitalist countries. Though there was still much to be done, the Soviet party and government had cause to celebrate. Their achievements were spectacular.

This historical conjuncture, however, inevitably gave rise to a certain mood of self-satisfaction among many of the leading cadre who had been involved in the victories. There was a feeling among entirely honest and dedicated cadre that they could now retire on their laurels while remaining at their posts. A penetrating description of this development during the last years under Stalin was published in 1968 by the Albanian party newspaper *Zeri i Popullit*:

"The members of the Bolshevik party, who were led to legendary battles by Lenin and Stalin, were cadres of a class origin and with revolutionary vigor, tempered in revolution, in struggles, in the building of socialism, in battles against Trotskyism, against deviators and other traitors. They were ideologically and politically tempered and had a firm and legitimate confidence in their glorious Bolshevik party, in Lenin and Stalin, in the correct line and norms that they had mapped out.

"To them the party was everything, it was their heart, brain and eyes, that is why they defended it, were educated by it and by their great leader. But while trying to carry out the party's and Stalin's correct line and norms the Soviet cadres, at first not all of them and not in a clear-cut way but gradually, became susceptible to a feeling of stability which is alien, in the revolutionary sense, to development. . . . Successes at work nourished the feeling of self-complacency and, parallel with these successes, the Soviet cadres began to lose their proletarian simplicity, raised unjust claims, which they considered 'politically legitimate' because these people had worked and fought. With their rise to responsibility there was taking shape in them the feeling of ease and complacency and they were ever more infected by bureaucratism, intellectualism and technocratism. . . . Many cadres no longer listened, as they had done previously, to the voice of the masses. Among them the thought began to prevail

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that they knew everything themselves, that they were specialists in everything, that they stood above the masses, above the working class politically and ideologically and were more farsighted than the latter. The authority and prestige which the Bolshevik party and Stalin enjoyed among the masses of the Soviet people and in the working class were confounded by these cadres with their personal authority and prestige. All these antiproletarian features deformed the revolutionary concepts among these cadres. As this also infected the party line and its implementation, the revolutionary norms of the party remained formal, the life of the party itself and its organization as well as the whole Soviet state administration were in the process of becoming sclerotic. . . ." (The Party of Labor of Albania in Battle with Modern Revisionism, Tirana 1972, pp. 419-421.)

In short, the problems within the Soviet party were larger than the presence of a few opportunists. There was a dulling of the fine edge of revolutionary vigilance which would

have uncovered the opportunists and caused their downfall. Sincere and dedicated proletarian cadre failed to unmask the bourgeois elements among them, and even united with them to a certain extent, because they themselves had become infected with bourgeois moods.

These two conditions alone, however, one more or less constant and the other due to temporary historical events, could not by themselves have ensured a revisionist takeover had it not been for a serious political and theoretical error committed by the party leadership, headed by Stalin, nearly two decades before and never corrected. This was the thesis, advanced publicly by Stalin as early as 1936, that the USSR had become "a classless, socialist society." ([History of the CPSU, Short Course](#), New York 1939, p. 329.) Stalin consistently maintained that the USSR ". . . is free of class conflicts. . . ." ([Report to the 18th Party Congress](#), 1939) and that therefore there was no danger, indeed no possibility, of a regeneration of bourgeois forces and of a capitalist restoration from within Soviet society. The danger of restoration came exclusively from the outside via foreign invasion (Letter to Ivanov, New York, 1938). Even in his last published writing, the

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Economic Problems of Socialism (1952), Stalin corrects himself only to the extent of saying that ". . . even under socialism there will be backward, inert forces that do not recognize the necessity for changing the relations of productions," but still asserts that there can be no real danger because "socialist society . . . does not include the obsolescent classes that might organize resistance. " (Peking 1972, p. 52)

Because of this basic gap in Stalin's analysis the long series of educational campaigns, cultural purification measures and party-wide theoretical discussions undertaken at his direction after the war could not sufficiently arouse and mobilize the party and the people and shake up the complacent. The campaigns remained to a great extent formal, lifeless exercises because their point was not aimed at the heart of the question. Stalin's theoretical development on this vital point lagged behind the demands of the practical movement and did not give it the revolutionary leadership that was urgently required. This was the third of the major reasons why revisionism could triumph.

All of this, however, would probably still not have been sufficient to ensure a revisionist victory if there had been among Stalin's closest associates in the party a leader of a stature and ability comparable to Stalin's own. For as long as Stalin himself was alive, the newly engendered bourgeois forces in Soviet society and their incognito representatives in the party and the government dared not take a decisive step. They made progress by inches if at all. They might insinuate their program in minor ways here and there, claim and receive one or another petty privilege that meant nothing and float now and then a tiny, very cautious trial balloon. But there were severe limits. For while Stalin could not or would not recognize the aspiring new bourgeoisie as a class in his theory, this did not prevent him from taking the most vigorous measures against the bourgeois program and its architects in practice.

Just one example among many cases: In early 1949 the powerful chairman of the State Planning Commission (Gosplan), N.A. Voznesensky, undertook apparently on his

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own hook a modest but significant reorganization of the planning apparatus and an upward revision of prices in the state sector. It was a step along the lines of what Khrushchev did later and had the effect of giving greater scope to commodity-money exchange relations and to the operation of the law of value. Voznesensky did not get far. He was promptly arrested, tried as a saboteur and shot. (See Felker, *Soviet Economic Controversies*, Cambridge 1966, Kaser,

Comecon, 2nd ed. Oxford 1967) And he was not the only one to try similar moves and meet a similar end.

Of course in the long run this method of restraining the aspirations of the bourgeoisie could not succeed. It was a harmful method when used on a large scale and it was used too often by Stalin and his subordinates when milder measures would have been more productive. But for as long as he was alive, one thing was certain: the newly engendered bourgeoisie and the capitalist-roaders knew beyond a doubt that they were living under the dictatorship of the proletariat. They might have had a certain status and some minor material benefits, they might sun themselves on festival occasions in the party's praise for work well done -- but let them take one step out of line and they were done for. They did not have and could not achieve the most important thing, political power.

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10 After Stalin

In late October 1952, a few months before he died, Stalin proposed to more than double the number of members of the highest party bodies, from which a successor to his leadership was certain to be drawn.

His plan was approved by the central committee, and Stalin's list of nominees to the expanded party presidium and to the new secretariat was accepted in full. It was a move that made Khrushchev nervous, if his purported memoirs are to be believed on this point. He had not been consulted. Was Stalin preparing to oust him? A number of Western Kremlinologists thought so. But no one could be sure.

Whatever Stalin's intent, he did not live to carry it out. At his death there were some three dozen persons, members of the presidium and the secretariat, who technically could qualify as his successor. The majority of them were probably good Marxist-Leninists. But there were clearly none -- not even the best of them, Foreign Minister V. M. Molotov -- with the towering abilities, the driving energy and a prestige even remotely approaching Stalin's.

Amidst the growth of complacency and opportunism within the party, amidst the unceasing quiet erosion of the

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socialist structures and principles by the newly engendered bourgeoisie, there was only one man then and there, in the leadership, who had the power to save the situation. And that man, Stalin himself, died on March 5, 1953.

His death was mourned by millions of working people from one end of the earth to another and by none more deeply than by the workers of the USSR. He had led the Soviet Communist party and the country for three decades filled with historic achievements. He had waged titanic battles against the "leftist" and rightist factions that had tried to derail the Soviet power from the path of socialist construction. The struggles he led for collectivization and industrialization laid the material basis for the Soviet people's great victory over fascism in World War 2. Whatever his errors and limits, he had been a worthy successor to Lenin. He defended Marxism-Leninism and proletarian internationalism. With him as its leader, the Bolshevik party led the Soviet working class and peasantry from chaos, backwardness and isolation to the construction of a modern socialist state standing at the center of a growing international socialist camp. Despite the mountain of slanders heaped upon his memory by the sinister clown who took over after Stalin, the words of Molotov at Stalin's funeral in Red Square March 9 still express the judgment of Marxist-Leninists:

"Stalin's immortal name will live forever in our hearts, in the heart of the Soviet people and of all progressive mankind. The glory of his great deeds for the welfare and happiness of our people and the working people of the whole world will live through the ages."

Even before the late leader's body had been placed in its coffin, however, a struggle broke out among his potential successors that was to transform the USSR over the course of the next generation as profoundly as it had changed between 1917 and 1937 -- but in the politically opposite direction: from the proletarian dictatorship to the dictatorship of the bourgeoisie, from socialism to state-monopoly capitalism, from proletarian internationalism to social imperialism. Although in essence a struggle between two different classes, it took the form at the

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outset of a rivalry for power between different leaders. It quickly grew into a fight within and between the leaderships of the country's major institutions -- party, government and army -- and spread finally through nearly the whole of the superstructure of Soviet society.

Only the briefest overview can be given here of the extraordinarily complex and twisted path of the power struggle that opened with Stalin's death and concluded with the defeat of the "antiparty group" and the consolidation of Khrushchev's power in June 1957.

Politically, the broad course of events was this: Khrushchev rose in power and influence by posing as the heir and defender of Stalin and of Marxist-Leninist ideology for over two years. He declined very sharply in power when he suddenly turned against Stalin openly at the 20th Congress in 1956. He was rescued from certain overthrow in 1957 only by the intervention of the general staff of the army and air force.

The key events in the struggle were these: the Beria putsch of March 6, 1953; the struggle between Khrushchev and Malenkov during 1953-1955, the 20th Congress in 1956 and the bloodless Khrushchev-Zhukov coup of June 1957.

The most obscure of these turning points is what happened the night Stalin died. By dawn of March 6 the commanders of the army units guarding Moscow were under arrest and their troops confined to barracks by paramilitary state security police units under the command of L. P. Beria. Beria's men had full control of the city and the Kremlin. That night Stalin's private secretary, a Gen. Poskrebyshev -- the only one who may have known Stalin's intentions regarding the succession -- mysteriously disappeared and was never heard from again. By the end of the day, five of the 10 members of the party secretariat and 22 of the 36 members and candidates of the presidium elected by the central committee in October 1952 had been

dismissed from their posts. Of the 52 government ministries, 27 were abolished. In the new list of leaders, Beria's position had skyrocketed to the rank of first deputy prime minister, right behind G. M. Malenkov. Malenkov was also named first secretary of the party, its top post;

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Khrushchev was right behind him. Marshal G. K. Zhukov emerged from obscurity to become codeputy minister of defense.

There are no reliable accounts or explanations of how these drastic decisions were reached. The British Sovietologist Edward Crankshaw wrote that Beria's troops "had been essential for the execution of the coup -- there is no other word for the destruction of Stalin's presidium." (Khrushchev -- A Career, New York 1966, p. 188) Whatever the case may have been, the surviving leadership decided in June that year to get rid of Beria.

According to the account in Khrushchev's purported memoirs, the members of the presidium summoned Beria to appear. They accused him of being a careerist who had wormed his way into the party. A secret button was pressed; the door opened and Marshal Zhukov stepped in from the next room saying "hands up!" and arrested Beria. (Khrushchev Remembers, New York 1970, pp. 364-366) Later Beria was shot. Control over the state security police went to a crony of Khrushchev's.

Malenkov emerged after Stalin's death as the apparent successor, holding both the top party and the top government posts. Within two weeks, however, he resigned the party leadership, leaving Khrushchev in effective control of the party structure. In August Malenkov, still premier, launched his "New Course" policy. He promised sharp and quick increases in the supply of consumer goods; in effect, he campaigned on a platform of "a chicken in every pot."

There were two main weaknesses in this program. One, it involved upgrading light industry at the expense of heavy industry and defense production; two, it was announced without prior approval of the party. Khrushchev skillfully exploited these weaknesses. He posed as the champion of heavy industry, traditionally the leading sector in socialist construction; as the defender of the country's military preparedness against the Cold War capitalist encirclement; and above all as upholder of the leading role of the Communist party over the government ministries where Malenkov had his base. In February 1955, with his ministries openly steering a course different

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from the party's -- Izvestia, the government newspaper, advocated priority for consumer goods; Pravda, the party organ, defended heavy industry -- Malenkov was forced to resign the premiership. It was during this contest that Khrushchev succeeded in pinning the label "antiparty group" on Malenkov and his followers.

Khrushchev triumphed over Malenkov by seeming to defend the old course, the course of Stalin, against Malenkov's rightist deviations. He used the victory to remove from the party large numbers of Malenkov's supporters and install his own people in their place. Thus fortified, Khrushchev tackled Molotov and foreign policy.

Here the situation was different. The foreign minister had embarked on no "new course" or other departures in foreign affairs. He moved squarely along the lines laid out by Stalin. Nor would Molotov be provoked by calculated insults such as his exclusion from negotiations with China in December 1954 and from state visits to India, Burma and Afghanistan a year later and his downgrading in the four-power Geneva talks that winter.

Against this implacable old Bolshevnik, Khrushchev had to reveal himself ideologically: It was he, not his opponent who had to embark on a "new course." In May 1955 came the first step, over Molotov's vigorous objections, in the form of Khrushchev's visit to Yugoslavia, where he blessed Marshal Tito's bourgeois regime as "socialist." Then came Khrushchev's flattery of India's Nehru, the sworn enemy of the Chinese revolution; and, immediately after the four-power summit in Geneva at the end of 1955, Khrushchev put forward his new general theory of "peaceful coexistence" between socialist and imperialist states.

But he had so far said nothing in public against Stalin.

What exactly were the forces and processes that caused Khrushchev at the end of the 20th Congress in February 1956 to launch his "secret speech" remains today a matter of speculation. In his general report at the opening session, which Khrushchev delivered on behalf of the central committee in his capacity as its first secretary (a post he had formally assumed in September 1953), there was nothing but praise for the deceased leader.

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According to the account in Khrushchev's purported memoirs, Khrushchev proposed to the presidium while the congress was sitting that a speech on "Stalin's abuses" be made. Molotov, Kaganovich, Voroshilov protested. It was a stormy session. Finally Khrushchev laid down an ultimatum: "May I remind you that every presidium member has the right to speak at the congress and to express his own point of view, even if it doesn't coincide with the line set by the general report." (Khrushchev Remembers, p. 381) The others had to relent. Thus, if the memoirs are to be believed, the special closed session was arranged where Khrushchev delivered the "secret speech."

In the words of the reactionary publisher William Randolph Hearst Jr., who ought to know, "Nothing anticommunist writers had ever said about Joseph Stalin equaled the charges leveled at him that night by his successor." (Ask Me Anything -- Our Adventures With Khrushchev, New York 1960, p. 85) There is little probability that the full party presidium saw Khrushchev's complete text or knew the whole scope of his intent beforehand.

In the aftermath of this bombshell, any discussion about Khrushchev's theses on "peaceful coexistence," "peaceful competition" and "peaceful transition" -- cautiously advanced in the general report to the congress -- was overshadowed by the inner-party turmoil on the question of Stalin.

Suddenly all those members of the party who had been associated with Stalin in one way or another, directly or indirectly -- and who had not? -- were thrown on the defensive by accusations of complicity in alleged unspeakable crimes and atrocities. Khrushchev, controlling the files of the secret police, selectively released or threatened to release "evidence" to "implicate" his rivals. It did not matter anymore whether a cadre stood for Marxism-Leninism or for "peaceful transition," whether the party was on a proletarian or a bourgeois road. What was made the principal concern was whether this or that individual had, back in 1934 or 1937 or some other time, played a part in the political trials of the 1930s, where

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those accused might or might not have been unjustly dealt with. Instead of questions of political line, questions of moral guilt became paramount; political struggle was made into a morality play; and all those who were "implicated" in one way or another -- and who was not? -- were encouraged, following Khrushchev's own example, to heap the responsibility upon the

dead body of Stalin.

However, it did not quite work out according to the script. Most of the Soviet Communist party cadre were not stampeded so easily. Throughout the remainder of 1956, as the speech echoed and reverberated through the socialist camp and around the world, Khrushchev's standing became shakier and shakier. His new line provoked a string of disasters.

Toward the end of the year he was in full retreat, and was forced to make pro-Stalin speeches. By early 1957 he was all but finished. On June 18, 1957 the presidium voted to oust him from party leadership. But on June 22 Marshal Zhukov and the air force came to his rescue.

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11 Khrushchev's Coup

In June 1957, 16 months after the 20th Congress, the storm unleashed by Khrushchev's anti-Stalin speech reached a dramatic climax, a final showdown between the backers and the opponents of Khrushchev's line within the leadership.

Inside a period of two weeks, Khrushchev was thrown out of party leadership and stripped of his power, and then restored to leadership at his opponents' expense. The story of this showdown, and of the role played in it by the Soviet military hierarchy, throws an important light on the character of current Soviet society.

Virtually the whole of this conflict was played out among a rather narrow circle of people at the highest levels of the Soviet superstructure. While Khrushchev's opponents apparently never thought to take the issues to the masses of the Soviet people -- this was certainly their fatal weakness -- Khrushchev's backers, for their part, did everything possible to keep the Soviet people in the dark.

Even the great majority of the members of the Communist party was kept out of it from the beginning. According to the leaked transcript of the "secret speech," the delegates to the 20th Party Congress in February 1956 received Khrushchev's 20,000-word diatribe against Stalin

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with "tumultuous, prolonged applause ending in ovation. All rose." But, if the description is accurate, such enthusiasm was evidently stronger on the highest party levels than below, because for the first time in the party's history, it was decided to keep a major congress speech by the top-ranking party official concealed from the party membership at large.

What the party press published for all to see after the congress was a fairly innocuous-seeming document that formed the last half-dozen paragraphs of Khrushchev's marathon speech: three theses that called for ending the "cult of personality" and for reviewing unspecified "erroneous views" connected with it. It was a very moderately phrased document, containing no hint of the poisonous invectives -- "treason" was among the milder ones -- hurled at Stalin during the closed session of the congress. Stalin's name was not even mentioned.

Of the full Khrushchev text only 6000 copies were distributed within the Soviet Union, all to high-ranking party cadre. (Paloczi-Horvath, *Khrushchev: Making of a Dictator*, Boston 1960, p. 211.) The party at that time counted nearly eight million members. Thus only a tiny minority, fewer than one member out of a thousand, had the document. It was enough to set the venom dripping into the party's arteries, to generate endless, escalating rumors and horror stories, to create suspicion, confusion and chaos, to undermine unity and poison the atmosphere -- but not enough to give the great majority of cadre, who had learned to respect and to defend Joseph Stalin, a clear and visible target to shoot at.

Among the figures who did have a copy of the full text, and whose own views in his field of specialty were very largely reflected in it, was the then minister of defense, Marshal G. K. Zhukov. Zhukov had been one of the top commanders of the Red Army during World War 2 and had directed a number of the army's most brilliant victories. Success, however, appeared to have made him vain and arrogant toward superiors and subordinates; and after the war Stalin relegated him to secondary roles. The resentment Zhukov appeared to have harbored because of this treatment brought him into alliance with Khrushchev. Promoted to codeputy defense minister in 1953, Zhukov

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was made full defense minister at the time of Malenkov's ouster by Khrushchev in 1955. He was the first professional military man ever to hold that post in the USSR. Khrushchev took the opportunity also to create nearly a dozen new marshals, the highest army rank.

Although Khrushchev posed as the champion of the party's supremacy over the government and other institutions, he encouraged and rewarded for his own benefit the blatantly antiparty attitudes of Marshal Zhukov. Barely a week before the 20th Congress opened, Zhukov had published in the official army organ the following unmistakable advice to the party to stop telling the generals what to do:

"Certain efforts have been made in the district to subject the official activity of commanders to criticism at party meetings. Such efforts are blameworthy. Our task is the comprehensive strengthening of the authority of the commanders. giving support to exacting officers and generals." (Quoted by Paloczi-Horvath, p 190.)

On Feb. 23 while the congress was winding up its regular session, and on the eve of Khrushchev's "secret speech," Zhukov expressed similar sentiments, this time with a more clearly anti-Stalin tendency, in addressing a Moscow gathering of top officers on the 38th anniversary of the Red Army. A week later Zhukov was promoted to candidate membership on the party presidium, an extraordinary advance for a military man.

Khrushchev was later to say of Zhukov (in the second volume of *Khrushchev Remembers*, p. 14) that the marshal had Bonapartist tendencies and had plans in mind for "a South American-style military takeover in our country." That is not implausible from the evidence. He put expertise over politics and clearly had personal ambitions for power. But this bothered Khrushchev only later. Meanwhile Zhukov was much too useful in Khrushchev's own designs.

What the masses of average Soviet workers and collective farmers were thinking and doing politically during the first few months after Khrushchev's speech is difficult to know reliably. According to an account by a clandestine group of Marxist-Leninists that operated in the USSR briefly before being suppressed in the early 1970s,

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the rank-and-file party members "demanded that the central committee make an objective, Marxist evaluation of Stalin's contribution. So insistent was this demand of the membership that the opportunist leadership of the CPSU was forced to resort to attacks and persecutions against many party members and to disband quite a number of party organizations which were known for their militancy." (Program and Principles of the Revolutionary Soviet Communists [Bolsheviks], New York 1967, p. 4)

As for the nonparty masses, not even these indications are available. But, judging from the series of little economic crumbs that were tossed at them during this period -- Khrushchev now freely borrowed from Malenkov's "new course" program that he had earlier denounced -- there must have been a certain measure of dissatisfaction. Paloczi-Horvath speaks of considerable unrest, of spontaneous demonstrations and strikes, though not all of this activity may have been progressive. Large numbers of people detained by the dictatorship of the proletariat years before, among them hard-core reactionaries of all kinds, had been released under a general amnesty decreed by Khrushchev, and were actively stirring. In any case, in the autumn of 1956, Paloczi-Horvath writes, the Soviet armed forces and state security services held their annual maneuvers extraordinarily near the cities and towns, as a precaution and a warning. (Paloczi-Horvath, p. 219)

But the explosions that nearly blew Khrushchev away came not from inside the USSR but from its Eastern European allies. In the summer and fall of 1956 came the Polish workers' uprising and the attempted counter revolution in Hungary. Both events were widely laid at the door of Khrushchev's anti-Stalin line and his preaching of "peaceful coexistence." His handling of these crises brought him further criticisms. By late fall he was in deep trouble; in "imminent danger of being overthrown," according to Crankshaw (Khrushchev: A Career, p. 239). His position "was most insecure," according to Paloczi-Horvath (p. 246). He was rarely seen in public anymore that winter; and when he did make an occasional speech, it was to pose once again as a loyal disciple of

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Stalin and praise Stalin to the skies. (Crankshaw, p. 243) He appeared to have abandoned the keynote theme of his congress performance.

Deeply isolated both in public opinion and in the party presidium, Khrushchev in February 1957 launched his boldest and -- but for Zhukov -- probably his last plan for counterattack. He proposed to the central committee, which he had long since larded with his own followers, a drastic economic "decentralization" package that was really much more than that. Among its measures, to be analyzed later, was the proposal to sell off the state-owned Machine and Tractor Stations to the collective farms, thus giving the collective farms the unique distinction in socialist society of owning their own means of production. 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 hundred regional economic councils (sovnarkhozy), with only loose supervision remaining at the center.

Even Khrushchev's otherwise loyal central committee would not go for this all-out attack on

socialist property and socialist planning institutions. The best Khrushchev could get, after weeks of struggle, was to have the proposal published in the press for public discussion. This took place in the spring of 1957. Khrushchev, perhaps knowing it was his last chance, went barnstorming around the country to drum up support. Crankshaw says Khrushchev, on his campaign, "offered to key men of all kinds throughout the provinces the promise of undreamed of advancement, increased scope and promotion for tens of thousands" of local and regional officials, once the "Moscow bureaucracy" was abolished. (p. 247).

Khrushchev's opponents on the party presidium -- Malenkov, Molotov and Molotov's ally Kaganovich still had their posts there -- meanwhile kept utterly silent on the issue of the proposal. It is probable that they expected to win without an open fight. The program was manifestly unpopular, Paloczi-Horvath writes; even the party press, controlled by Khrushchev, printed numerous criticisms of

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it. (p. 246). But the plan had at least one prominent supporter, who endorsed it on "national security" grounds -- what these were was never clear -- Marshal Zhukov. Crankshaw speculates that Zhukov's support was given because Zhukov believed the army would have less opposition from scattered regional economic councils than from the powerful centralized ministries. (p. 248).

The decentralization scheme, whether intentional or not, was uniquely designed to bring about a showdown. For on the one hand it wrapped up in a single package virtually all the most "advanced" demands of the bourgeois forces in the USSR at their stage of development at the time; and on the other hand it united against Khrushchev not only the Marxist-Leninists but all those who, Marxist-Leninist or not, derived their power and not inconsiderable privileges from their connection with the central economic ministries.

Thus it was that a presidium majority in mid-June 1957 summoned Khrushchev back from a trip to Finland for a special meeting duly convened according to the party statutes. When Khrushchev arrived, according to Crankshaw version of the event, he "found himself isolated. He was attacked with savagery . . . voted out of the first secretaryship by a strong majority of the presidium, [but] then confounded the victors by refusing to resign until this verdict had been confirmed by the central committee in full session. 'But we are seven and you are four,' exclaimed Bulganin, to which Khrushchev retorted, 'Certainly in arithmetic two and two make four. But politics are not arithmetic. They are something different.'" (pp. 249-50).

The account by John Dornberg, a biographer of Brezhnev, gives the added detail that the presidium majority "charged Khrushchev with pursuing opportunist and Trotskyist policies." (Dornberg, Brezhnev, New York 1974, p. 152) Whatever specifically was said, Khrushchev demanded an immediate central committee meeting. A long battle raged in the presidium over procedure. Meanwhile, to return to Crankshaw's account (here Dornberg's is less detailed, though all standard accounts agree on the basic steps), as the argument raged, "the

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Khrushchev faction staged a spectacular operation. With the help of Marshal Zhukov and the army's transport planes, Khrushchev's supporters were rushed into Moscow from the remotest provinces, while those who were already there staged a filibuster until the majority for Khrushchev was assured. . . .

"And then," Crankshaw continues, "according to Polish press reports, Zhukov went a stage

further: he directly attacked Molotov, Kaganovich and Malenkov for their behavior during the great purge years and said that if they did not look out he would prove his point by publishing relevant documents of the period. . . ."

Zhukov's intervention on Khrushchev's behalf drew its significance not merely from the provision of timely transport for Khrushchev's supporters and from the threat to produce "documents." Zhukov, as minister of defense, spoke for the entire Soviet military establishment. His speeches carried more than ordinary weight. They implied the clear warning that the armed forces would not support a Molotov-Malenkov-Kaganovich "antiparty group" government.

In reward for his services when it was all over -- Molotov exiled as ambassador to Mongolia, Malenkov to run a power station in Siberia, the others to similar oblivion -- Zhukov was promoted to full membership in the presidium. Three months later when Zhukov's putschism was no longer useful to Khrushchev, a trap was set for him and he was dismissed.

After June, Molotov-Malenkov-Kaganovich's allies and supporters were one after the other fired from leading posts or expelled altogether from the party and government, while Khrushchev and his group put their followers in all positions. The struggle was over. Khrushchev's program had won.

Though no blood was spilled between the antagonists in the final showdown of June 1957, Molotov, Malenkov and Kaganovich and their allies were put out of power, fundamentally, by military intervention. The takeover was bloodless and completely "legal" according to party rules; but it was nevertheless in essence a right-wing military coup that insured the Khrushchev victory.

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Without a doubt, his power grew out of the barrel of a gun only not the gun of the revolutionary soldiers and peasants, but the gun of a bourgeois officer corps.

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12 Consolidation

The "palace" coup of June 1957 expelled from the pilot house of the Soviet state the only leading group -- Molotov, Kaganovich, Malenkov -- that had some potential, then and there, for grasping the helm and steering back onto a Marxist-Leninist course.

It is an easy matter today, with the benefit of hindsight, to sit back in one's chair and dispense advice as to what Molotov and his allies should have done to prevent their defeat. Without a doubt they should not have allowed the struggle to be cooped up mainly within the highest circles of the superstructure. They should have taken it boldly to the masses. As one Sovietologist records, during the months immediately following the 20th Congress (February 1956), "There were stormy meetings in the factories at which even members of the presidium were howled down as representatives of the new wealthy 'They.'" (Robert Conquest, *Industrial Workers in the USSR*, New York 1967, p. 11.) If Molotov and his allies had linked up with this storm in the factories, joined in the denunciations of the "new wealthy 'They'" and placed themselves at the head of this mass movement, the outcome might well have been different.

It is well to keep in mind, however, when one engages in

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this sort of second-guessing of history, that Molotov or any other leading figure who might have tried to act in this fashion would have had to confront and to defeat not only the speeches and policy maneuvers of Khrushchev but also the military power of the Red Army commanded by Defense Minister Zhukov, not to speak of the state security police, also under Khrushchev's control. The ouster of Khrushchev's group would have required already in 1956-57 the very real risk of a civil war. Would the troops have opened fire on the workers? Which divisions would have remained loyal to Zhukov-Khrushchev, which ones would have backed Molotov?

Obviously no one can give an answer to this sort of question. Yet precisely this sort of question would have been at the top of the agenda for any leadership attempting in 1956-57 to lead a mass movement against the Khrushchev group. Then too there was the international situation to consider: What would have been the effect of a new civil war in the USSR on the Eastern European allies? Would such a development not have encouraged further counterrevolutionary comeback attempts, as in Hungary? Was there not a real danger, given the Cold War climate, of imperialist intervention?

In short, when one looks at the historical situation more concretely, dozens of very difficult and complex questions show up that quickly make a mockery of anyone today who tries, like an armchair quarterback, to tell Molotov and his allies "what they should have done."

What might have happened "if" is a matter for speculation. But what did happen once Khrushchev's group consolidated their position in the highest party bodies is a matter of historical record. In this regard, the British Sovietologist Crankshaw, already quoted earlier, has turned a phrase that deserves repeating here. Khrushchev, he said, "moved backwards into the future." (Khrushchev: *A Career*, p. 270.) While Crankshaw meant it primarily as a description of the Khrushchevian style, it applies even more so to the concrete policies and programs that were put through by the Soviet state once his group had fastened its grip on the helm.

Just as Khrushchev released and/or rehabilitated

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thousands of individuals whom the dictatorship of the proletariat had earlier suppressed as counterrevolutionaries, so he began also to resurrect, piece by piece, the counterrevolutionary political line that the Bolshevik party had, at various points in its history, combated and defeated. This was the inner logic of his attack on Stalin, and necessarily so. For there was nothing in substance new in the Khrushchevian program except the rhetoric. Its concrete

elements, its content, had all been put forward before by other leaders or would-be leaders, most of whose names and ideas could be looked up by any Soviet citizen in the widely-available "History of the CPSU(B) Short Course" written under the supervision of Stalin, or in any number of other documents. (Not surprisingly, one of the first points in Khrushchev's program was the discrediting and suppression of that book and the substitution in 1961-62 of a revisionist party history.)

To resurrect a program that had earlier been defeated, therefore, Khrushchev had to rehabilitate the person who had put it forward, and vice versa, the rehabilitation of the person served as accompaniment to the reintroduction of the policy. Thus, for example, it was no coincidence that Khrushchev's 1957 abolition of the central economic planning ministries went hand in hand with a lavish press campaign in honor of Voznesensky, the former planning director whose own much more timid steps in the same direction had been cut short by arrest and execution in 1949-50 (see [part nine](#) of this series). And it was only the feeling that there were certain limits beyond which he could not go in public that prevented Khrushchev in 1956, as he recounts in his memoirs, from openly rehabilitating Zinoviev, Bukharin, Rykov "and other leaders of the people" who had opposed the collectivization of agriculture in the early 1930s and defended the interests of the kulaks (see [part four](#) of this series). (Khrushchev Remembers, Boston 1970, p. 385.) Unmistakable also in Khrushchev's 1957 barnstorming oratory against the "Moscow bureaucracy" are the echoes of Trotsky's earlier demagoguery from exile; and the silence in Khrushchev's memoirs regarding Trotsky is remarkable.

In order to push through his program, Khrushchev had

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first of all to gain a complete victory within the Communist party. Even after the ouster of Molotov, Kaganovich and Malenkov from the leading party bodies, this group retained a number of sympathizers and allies even on the presidium and on the central committee, who formed pockets of resistance and delay to the Khrushchevian course. Throughout the rest of 1957, right through the 21st Congress in January 1959 and into the 22nd Congress in October 1961 Khrushchev and his group waged an uninterrupted campaign of polemics and vilification against Molotov's so-called "antiparty group" and all associated with it. There was a wholesale removal and replacement of leading party members during this struggle. According to publications by the Chinese and the Albanian parties, who were in a position to know the complete roster of the Soviet party's central committee (Western Sovietologists had to do some guessing as the full list was not always published), "nearly 70 percent of the members of the central committee of the CPSU who were elected at its 19th Congress in 1952 were purged in the course of the 20th and 22nd Congresses held respectively in 1956 and 1961. And nearly 50 percent of the members of the central committee who were elected at the 20th Congress were purged at the time of the 22nd Congress." On the regional and local levels there was a similar turnover. ([On Khrushchev's Phony Communism](#), Peking 1964 p. 29; also the Party of Labor of Albania in *Battle with Modern Revisionism*, Tirana 1972, p. 258.) Down at the rank-and-file level, the clandestine Marxist-Leninist pamphlet quoted earlier reported that in 1957 at party meetings "all those who were known to be critical of the decisions of the 20th Congress" -- i.e., of Khrushchev's line -- "were forced to recant." No figures are available on the extent of the turnover at the base.

The point of these quantitative changes was to produce a change in the character of the party. Cadre who knew that Khrushchev's theory of "peaceful transition to socialism" was contrary to Marxism-Leninism, for example, had to give way to other cadre who would endorse it. Khrushchev's general line of "peaceful coexistence" and "peaceful competition" with imperialism, in order to

become the line of the whole party, had to assert itself by ousting those party members who had read Lenin's critique of Kautsky (in "[Imperialism, the Highest Stage of Capitalism](#)") and sided with Lenin in the argument, rather than with Kautsky, whose views Khrushchev was exhuming in a new guise. In this way, through a series of wide-ranging turnovers in the membership of the party, its ideological character was transformed from a Marxist-Leninist party into a revisionist party.

But Khrushchev went further than these ideological transformations. In 1961 he declared that since hostile classes no longer existed in the USSR (here he was building on Stalin's error), there was no longer a need for the dictatorship of the proletariat over the bourgeoisie. The Soviet state, accordingly, was recast as a "state of the whole people." As a corollary, the Soviet Communist party was declared a "party of the whole people," rather than the party of the proletariat. As far as the party's class composition was concerned, the meaning of the new doctrine was to remove from the party statutes any effective bars to the entry of persons with bourgeois backgrounds or current bourgeois standing. Since there were no classes, a candidate's class stand did not matter -- so went the official reasoning. As several Western writers on this party "reform" note, the effect was to open wide the party's doors to managers, engineers, administrators, high-ranking academics and others with positions far removed from the ordinary workaday life of the Soviet proletariat. Party membership, the historian John Hazard wrote, became "like the British knighthood," an honor awarded to successful administrators and engineers regardless of their ideology and leadership ability. (The Politics of Soviet Economic Reform, in Balinsky, ed., Planning and the Market in the USSR: The 1960s, New Brunswick 1967.)

Along with the new social class composition of the party went a new definition of the party's role: what Khrushchev called the "production principle." Basing himself in part on quotations taken out of context from Lenin's writings in the early phase of the New Economic Policy (see [part three](#) of this series), Khrushchev decreed that party cadre must

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give the task of economic management and the promotion of production priority over political leadership or ideological debate. (See e.g., Carl A. Linden, Khrushchev and the Soviet Leadership 1957-64, Baltimore 1966, pp. 149-52.) The party thus became explicitly -- even too explicitly for appearance's sake -- a party of the managers, whose own powers (see below) had meanwhile been considerably enhanced. To carry the "production principle" to its logical conclusions, Khrushchev then divided the party into industrial and agricultural branches joined only at the very top, and proposed that the salaries of local party officials be tied to the "economic success indicators" of the farms and factories under their authority. (Alec Nove, Economic Rationality and Soviet Politics, New York, 1964, p. 93) This meant, in so many words, that party members should be paid according to how much profit their enterprises make.

Besides its obvious effect on the class composition of the party, Khrushchev's party "reform" had also another consequence, namely the disruption of the alliance between workers and peasants, the basis of Soviet state policy under Lenin and Stalin. To split the party into agricultural and industrial branches meant that party cadre at the local and regional levels could no longer make the preservation and strengthening of worker-peasant and town-country relationships a part of their business. They were either one or the other, divided and counterposed against the comrades in the opposite branch.

All these and other measures in politics and economics were advanced under cover of a

constant barrage of attacks against the "dogmatism" of Molotov and his allies, and with renewed campaigns of slander against Stalin, culminating in the 1961 removal of Stalin's body from its resting place at the mausoleum in Red Square. As the Khrushchevian program advanced in its course, there are more and more indications of unrest and resistance on the part of the Soviet working class. The Sovietologist Conquest, already quoted -- he is by no means a supporter of Stalin -- states categorically that "every relaxation" (meaning every fresh campaign against Stalin launched by the leadership) has been

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marked by strikes and other protests by the working class, including such cases as "major riots" like the one in Novochoerkass in 1962. (Industrial Workers in the USSR, p. 11.) Such acts of resistance, about which much too little is known, were very likely one of the reasons why the leadership after each campaign against Stalin retreated somewhat, paid Stalin compliments and backed off from some of its own proposals, though without changing its basic direction.

About the inner life of the "new" Soviet communist party, after its conversion into a party of the newly engendered bourgeois forces, it is difficult to find much information. That there was and is struggle, faction fighting and disagreements of all kinds we can deduce from history, notably the ouster of Khrushchev himself in 1964 and subsequent events. But it does not seem, at least not since the early 1960s, that any public leader or group in the party has stood in strategic, basic opposition to the line launched by Khrushchev. Such high-level disagreements as have come to the light of day, or can be plausibly inferred, have not been between revisionists and Marxist-Leninists, but rather between one and another bourgeois faction.

What life is like at the lower levels, especially for workers and peasants who remain members of it for whatever reason, can only be imagined. A publication by the Albanian party described the inner life of the Soviet and East European revisionist parties in 1968 as a vicious caricature of Leninism:

"In these parties, they speak loudly of democratic centralism, but that is Leninist no longer. They speak of 'Bolshevik' criticism and self-criticism, but they are Bolshevik no longer. They speak of party discipline, but it is no longer a Leninist, but a fascist discipline; of proletarian morality, but the morality is bourgeois, antiproletarian, anti-Marxist; of free expression of opinions in the party, about everything and everybody, but the expression of thoughts in the party spirit, in the proletarian spirit, in the revisionist countries leads to jail and concentration camps." (The Party of Labor of Albania in Battle . . . , p. 415.) It is at about this time, in the early

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1960s under Khrushchev -- to judge from remarks in the clandestine pamphlet cited earlier -- that the first underground Marxist-Leninist grouplets and clusters began to take shape, necessarily in extreme secrecy and isolation from each other.

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13 Expropriation

After the Krushchev group's decisive victory in the battle for state power (1956-57), an historically unprecedented situation came about in the Soviet Union: a ruling group representing the newly engendered bourgeois forces was in command of an economic system in which socialist, proletarian production relations had the upper hand.

The superstructure of Soviet society, in other words, was now -- at least in its decisive points -- in the hands of bourgeois forces. But the key centers of the infrastructure or base continued to function and to operate more or less as before in the established socialist way.

As far as the elementary relations of property in Soviet society are concerned, the seizure of state power by Krushchev's forces already constituted, in and of itself, the expropriation of the Soviet proletariat and the end of the socialist period of Soviet history. The major means of production remained the property of the state, but the state itself was no longer the "property" of the working class. The bourgeois forces, in the very act of capturing state power, usurped the ownership title to the means of production.

The Krushchev group thus reintroduced the great

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divorce between the working class and the means of production which the Soviet Communist party under Lenin and Stalin had fought ceaselessly to bridge over and to eliminate. The great reconciliation, unification, between the working class and its tools, achieved during the socialist period, was once again ruptured. Khrushchev's seizure of state power in the USSR was the newly engendered Soviet bourgeoisie's "primitive accumulation of capital" described by Karl Marx in "Capital":

"The process . . . that clears the way for the capitalist system can be none other than the process which takes away from the laborer the possession of his means of production; a process that transforms, on the one hand, the social means of subsistence and of production into capital, on the other, the immediate producers into wage-laborers. The so-called primitive accumulation, therefore, is nothing else than the historical process of divorcing the producer from the means of production." (Capital, I, International ed., p. 714)

Like the "primitive accumulation" of capitalism on the basis of feudalism, which Marx discusses, the new (or "second") development of capitalism in Russia, this time out of the socialist basis, was in essence a violent process. As is shown by the role played in the seizure by the bourgeoisified leadership of the Soviet army (see the [11th article](#) in this series), the "methods of primitive accumulation are anything but idyllic," as Marx correctly pointed out. Force played the main part. (Capital, *ibid.*)

The USSR, in sum, ceased to be a socialist country in the full and complete sense of the term already in 1956-57, with the expropriation of the proletariat. In the same sense the Soviet Union shortly after its birth in 1917, with the formal expropriation of the land, the banks and the major industries by the proletariat as ruling class, ceased to be fully capitalist. Ownership

of the means of production was taken over by the working class.

(The fact that the expropriations in 1917 were proclaimed openly, proudly and defiantly, while their reversal 40 years later took place so covertly that no one could clearly and firmly establish that it had taken place until years later, when the consequences surfaced, does not of

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course affect the substance of the matter. Unlike the proletariat, the bourgeoisie historically -- see again Marx -- has shrouded the ways of its great robberies under various guises, even when it expropriated the feudalists. All the more so when it expropriates the proletariat.)

At the same time, however, the transfer of property in the means of production from one class to another, both in 1917 and in the reverse case of the mid-1950s, did not in itself bring about any profound changes in the actual relations of production operative in the economic base of the society. As was pointed out in [parts 2](#), [3](#) and [4](#) of this series, the economic basis of the USSR in 1917 remained predominantly capitalist, and petty-capitalist at that. The new Soviet power had to embark on a long struggle, full of twists and turns, so as to transform the economic basis and lay the foundations of socialist economy. It had to isolate, restrict, then attack and destroy, the key areas of economic life where capitalist principles prevailed, and establish socialist relations of production in their place.

Khrushchev's group had the reverse problem. By seizing state power, they gained legal title of ownership to the means of production. But the transformation of the actual production relations in the infrastructure, the isolation, restriction, destruction of the key strongholds of socialist relations and their replacement by capitalist relations still lay ahead.

The main blows that Khrushchev and his followers struck in the economic field were touched on earlier ([parts 8](#), [11](#) and [12](#)) -- abolition of the central planning ministries and the sale of the Machine and Tractor Stations to the collective farms -- and some details about them can now be given to fill in the picture.

The abolition of the central industrial ministries in Moscow, as several writers on the period have suggested, was in part a purely tactical move on Khrushchev's part, motivated by the immediate needs of his factional struggle against the so-called "antiparty group." For his chief opponents in leadership (Malenkov, Kaganovich and lesser figures; also, after his resignation as foreign minister in June 1956, Molotov) had powerful positions and close ties with the ministries. By abolishing the

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ministries, he deprived his opponents of key power bases. (See e.g., Pistrak, Khrushchev, Grand Tactician, New York 1959, p. 247; Crankshaw, Khrushchev -- A Career, p. 246)

These short-term tactical motivations explain why Khrushchev himself in 1962 and 1963, and even more so his successors in 1965, were able to turn around and reestablish central industrial ministries to a certain extent. The reestablished ministries, as will be shown, had a different personnel and the kind of "planning" they were to do had nothing in common with socialism. Of this, more later. Meanwhile, Khrushchev's blow at the centralized socialist planning ministries -- their functions were taken over by 105 regional economic councils ('sovnarkhozy') -- had the immediate effect of a widespread resurgence and expansion of the sphere of commodity-money exchange relations.

"The minister in Moscow," one bourgeois writer on the period noted correctly, "may have

had his views distorted by narrow departmentalism, but at least he was able to look at things on a national scale. The chairman of the 'sovnarkhoz' at Omsk cannot see beyond the confines of the Omsk province. Whenever he has choices to make he cannot, with the best will in the world, take the national interest properly into account." (Alec Nove, *Economic Rationality* . . . , New York 1964, p. 59) An immediate result of the abolition of the ministries, therefore, was to create in the economic decision-making process a strong element of narrow localism: each little region for itself.

But, while planning could be fragmented into 100 pieces, the material production process could not. Advanced large-scale industry draws its materials from, and sends its output to, many different regions all over the country. Soviet regional planners therefore, and the directors of enterprises even more so, found themselves under the new system faced with an enormous headache in procuring essential raw materials and supplies and distributing their output outside the immediate regional planning area. Such central organs of coordination and forecasting as remained were of little help, as numerous complaints in the press attested. (Nove. p. 104) They were compelled by the setup to rely on their own "enterprise" and "ingenuity."

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Thus arose what another writer describes as "an unofficial network of interenterprise relationships" in which "blat" (personal influence) and "tolkachi" (brokers, "fixers") created the nationwide links formerly provided by central planning. An enterprise director needing materials phoned a crony in another region who had them or contacted a broker who knew where to get them; and this whole system of deals was worked "off the books," informally, under various covers, through person-to-person negotiations. "A veritable army of 'tolkachi' . . . assisted industrialists in dealing with their most difficult problem, that of securing supplies. These specialized middlemen made it their business to know where equipment and materials of all kinds could be obtained on the ubiquitous 'free market.'" (M. Miller, *Rise of the Russian Consumer*, London 1965, p. 33)

This was in fact not yet a free market, hence the quotation marks. It was an illegal market, and both the managers and the specialized brokers could be heavily punished under existing Soviet law if caught making deals outside the plan. But this black market was so necessary under the system, and prosecutions so few, that it should more properly be called a "grey" market.

It is easy to recognize in the figures of the "tolkachi" the reincarnation of the NEPmen of the 1920s. (See [part 3](#) of the series) Likewise the managers' own interenterprise dealings outside the plan revived a relationship that was legal in the early phases of Lenin's New Economic Policy, when enterprises could buy and sell from each other on their own hook. (See e.g., Maurice Dobb, *Soviet Economic Development*, New York 1966, pp. 131-148) But what was temporarily legal in early NEP, as part of the limited retreat to state capitalism at the time, was outlawed and in fact stamped out as the 1920s ended. Just the opposite under Khrushchev. There the rights and powers of the enterprise managers gradually expanded.

A key step here was the abolition of the law on economic sabotage, which had made directors liable to criminal charges for nonfulfillment of the plan; the new regulations, writes Granick, are "much less severe than they once were." Khrushchev, this student of Soviet executives observed, went "a long way toward eliminating

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the trauma previously embedded in Soviet executive positions." (Red Executive, p. 43, 136)

He did so not by giving greater responsibilities for coordinating production to the workers themselves, but by enhancing the powers and legalizing many of the illegal practices of the enterprise directors. Khrushchev's general report to the 22nd Congress of the CPSU in 1961 -- a document which pretends to map out the advance to communism in the USSR by 1980 -- included the "further gradual extension of managerial powers" in the party program, to leave no doubt on this score. (Documents, Vol. 11, New York 1961, p. 98)

At about this time also, there was a rash of court cases in many areas of the USSR where workers protested that managers had dismissed them from their jobs illegally. (Conquest, *Industrial Workers*, p. 20) Most were reinstated at the time; the managers had acted too hastily. Later on, after Khrushchev, the managers achieved the power to fire virtually at will and their private dealings were legalized, as will be shown.

Thus the major Khrushchev "reforms" in industrial organization reveal a definite overall pattern. Step by step they broaden the area in which commodity-money exchange relations -- the breeding ground of capitalism -- govern economic behavior. At first, this extension takes place in the shadows; gradually it is legalized; and the demand for further extension is written into the party program.

In agriculture Khrushchev's attack on the strongholds of socialist production relations was, if anything, more direct and complete than in industry. During 1957-58, as already mentioned, the Soviet state under Khrushchev sold off to the collective farms the Machine and Tractor Stations (MTS). It was a case of the state expropriating itself for the "benefit" of the collective farms, the only avowed and open tampering with socialist property relations that Khrushchev and his successors engaged in. The move gave the collectives, as Stalin had said, the "exceptional status . . . not shared by any other enterprise in our country," of owning basic instruments of production (*Economic Problems of Socialism*, p. 95), but this analysis, together with Stalin's warning that it would lead to the

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regeneration of capitalism, was attacked and discarded by Khrushchev as so much "dogmatism" connected with the "cult of the personality." (Linden, *Khrushchev and the Soviet Leadership*, Baltimore 1966, p. 61).

Along with the sell-off, Khrushchev abolished the plan targets (production quotas) to which the collective farms had been subjected. The farms were thus, more than any other kind of enterprise at the time, "on their own" -- with little relations other than commodity-exchange relations to link them with the towns. It was only a short time thereafter, due in part to the cost of having to maintain their own machinery, in part to the profiteering spirit that seized hold of the farms, that the controlled prices paid to the collective farms by the state had to be increased in a number of product lines. In 1962, as a direct outcome of the new setup, meat and dairy product prices to the consumer were raised 30 percent and 20 percent respectively. (Miller, *op. cit.* p. 235)

The political impact of the sell-off was also considerable. The MTSs had been not only the mechanical backbone of the collective farms, but also played the role of outposts of the industrial proletariat among the peasantry. Their actions in executing state policy necessarily exercised enormous leverage on the collective farms; and among the workers at each MTS there was a party branch whose role was to participate in the collective farm leadership and guide it in a proletarian direction. With the sale of the stations, these roles collapsed and large numbers of party cells on the collective farms ceased to exist. (Nove, *op. cit.* p. 65)

All of these and other Khrushchevian measures, however, did not quite yet amount to a

restoration of capitalism. By the time of the 22nd Congress in 1961, the socialist fabric of production relations was stretched very thin and was full of holes, but the main strands still held. It required a fresh bourgeois offensive -- four more years of demagoguery, wrecking and purges -- before they snapped.

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14 The 'Debate'

If a history is ever written of the great hypocrisies of the 20th century, especially those perpetuated in politics, a chapter of it must go to describing the program for "advancing to communism" put forward by Nikita Khrushchev at the Soviet party's October 1961 22nd Congress.

It was a period of muddle and confusion in the USSR, especially in the economic sphere. The old system, gutted and partly sold off by Khrushchev earlier, no longer functioned as it used to; yet the outlines of what was to replace it had not yet crystallized. As if to give sense and direction to this murky transition, Khrushchev stepped in with the declaration that the USSR would be a fully communist, classless society by the year 1980 and that the period of building communism had now begun.

This declaration seemed to lend consistency and legitimacy to Khrushchev's political theses about the abolition of the proletarian dictatorship (in favor of the "state of the whole people") and of the proletarian political character of the Communist party (in favor of a "party of the whole people"). For if communism were just around the corner, if class distinctions had all but disappeared, if everyone was a proletarian, then "in

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respect to which class can there possibly be a dictatorship? There is no such class," argued Khrushchev. (Documents of the 22nd Congress of the CPSU, New York 1961, Vol. 2, p. 157)

But, on the other hand, even this shallow appearance of formal consistency disappeared when it came to the matter of Khrushchev's proposals in the realm of political economic reorganization. Those who picked carefully through the soup of Khrushchev's general rhetoric for the meat of specific proposals regarding the economy found a peculiar clash of flavors.

Under the rhetorical heading, for example, of the need to "draw upon the creative initiative of the masses and give it ever greater scope," there is the explanation that "this calls for a further gradual extension of managerial powers and of the responsibility of local bodies and enterprises." (Documents Vol. 2, p. 98)

This is sheer doubletalk, where "masses" really means managers and directors, and releasing "creative initiative" means increasing the directors' repressive powers. The same logic-chopping marks Khrushchev's approach to the economic categories:

"In the course of communist construction it is our task to make still greater use of, and to improve, the financial and credit levers, financial control, prices and profits. We must elevate the importance of profit and profitability." (ibid. p. 99)

The "advance toward communism," in other words, is to be achieved not by downgrading and gradually eliminating profit and profitability as drives that regulate economic behavior, but just the contrary by extending and strengthening them. To illustrate more clearly what he meant, Khrushchev observed:

"It would do no harm if we were also to learn from the foremost capitalist models how to speed up construction, initiate and run new enterprises. . . . We should not scorn useful foreign experience, and should critically adopt all technically and organizationally valuable points available in the West, *including the field of speeding the turnover of funds and getting greater returns from capital investments.*" (p. 96, emphasis added)

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Borrow from the West not only technology, Khrushchev was saying, but also the secrets of its economic organization, which allow its corporations to realize maximum profits with the maximum speed.

These passages, to be sure, were wrapped up in so many layers of "communist" reassurances and promises that an inattentive reader might altogether miss their significance. That these passages contained the grain of Khrushchev's program, however, while all the rest was chaff, became clear over the course of the great "economic debate" that was launched directly after the congress and lasted until early 1964, shortly before Khrushchev's own ouster.

The "debate" was in essence a faction fight, conducted -- as far as its visible portion went -- in the pages of economic journals and Pravda (the party organ), between two main camps within the newly emerged bourgeois forces within Soviet society. Very broadly speaking, one side upheld the interests of the economic planning bureaucracy, or what was left of it, over and against the power of the enterprise directors and managers; while the other fought for the supremacy of the enterprises over the remnants of the economic planning structures.

It is significant that neither side fought -- or was permitted, in the pages of the revisionist party-controlled press, to come out -- for the revival of "counterplanning" or other ways of direct mass participation in the planning process. (For counterplanning, see [part 6](#) of this series.) Insofar as Marxist-Leninist points of view occasionally crept into the debate, they were on the side of the "planners," but this planning machinery had grown so distant from the activity of the working class at the point of production that it represented, at the time of the debate, only another form of bourgeois hegemony.

The partisans of "planning" pushed a scheme known as the NVP, for Normative Value of Processing, a mildly novel way of keeping the accounts of enterprises and evaluating their performance under the plan. It was basically a minor adaptation of the old machinery; and it was said that it forced managers to be more economical in the use of raw materials and supplies. Because the intent

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of the new wrinkle was to keep the old planning forms basically intact, the NVPers were dubbed the "conservatives" in the debate.

On the other side, calling themselves "liberals," was a loose coalition of economists whose

best-known spokesman was Yevsei Liberman, professor at a business-management institute in the Ukrainian city of Kharkov. Though there were many differences among them, and they frequently shifted their emphasis as the winds of the debate blew, the main points in their case were to strengthen the role of profits and to enhance the autonomy of the enterprises from the plan.

As regards profits, the "liberal" school denied, a la Khrushchev, that there was anything contradictory between socialism and an enhanced role for profit-maximization in the conduct of enterprises. After all, Liberman argued, society as a whole must show a "profit" -- and excess of production over consumption -- and "what is good for society is good for every enterprise." (See E. Zaleski, *Planning Reforms in the Soviet Union*, Chapel Hill 1967, p. 79)

But while the role of profit was a key storm center in the debate, Liberman and many of his partisans emphasized that this was not the fundamental issue for them. "We find it strange," Liberman wrote, "when people argue: what is better -- the normative processing cost [NVP], for example, or profit?" What they were proposing, Liberman underlined, was not merely a "revision of indices, but . . . a reform of the enterprise's relations with the national economy." It was, he said, the "whole system of relations" that required change. (Felker, *Soviet Economic Controversies*, Cambridge, 1966, p. 87)

There is little doubt that the Liberman-school proposals echoed the views primarily of the enterprise directors and managers who wanted to gather into their hands not only more power over the workers -- on this both camps agreed -- but also more power relative to the planners. What was variously hinted at or spelled out by the "liberal" ideologists was that the enterprise management, in order to be able to pursue maximum profit, must be made free of restrictions imposed from above and allowed to decide more or less where to buy

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supplies and where to sell their output and at what price. Since Khrushchev's 1957-58 "reforms," they had been doing so to a great extent already, but in the shadow of illegality. (See [part 12](#) of this series.) The catch-phrase "new relations between enterprises and the national economy" meant to make it legal. Basically, these managers and directors wanted to set themselves up as classic capitalist entrepreneurs. Liberman, with his sophisms borrowed from Adam Smith -- "what's good for society is good for every enterprise" is almost verbatim Adam Smith -- was their prophet.

Through the first two years of the debate, however, according to several accounts, the "liberals" had very much the worst of it in the press. The NVP-partisans, with their emphasis on the old machinery, had the force of habit and familiarity on their side; and their new wrinkle, the NVP index itself, had been tested experimentally in the Tatar, Donetsk and Lithuanian regions. Good results had been claimed for it. What the liberals advocated, by contrast, was pure, untested theoretical speculation; and even as theory it was dubious to many, because its emphasis on profits smelled of capitalism and it meant an obvious downgrading of the plan. As 1964 began, the "liberals" went on the defensive and grew increasingly silent. A note of triumph crept into the pronouncements of the NVP-partisans. It was then, in early 1964, that Khrushchev personally intervened, making strong official statement in favor of profits, which threw the weight of the party leadership behind the Liberman school.

In summer came the coup de grace against the NVPers. In a series of articles appearing in Pravda, prominent Khrushchevites led by the academician L. Leontyev (not to be confused with the older, Marxist-Leninist A. Leontyev) accused the "antiprofits" school of "Stalinism."

"The problem which we face now in determining if profit should be the basic index in judging the work of the enterprise," Leontyiev wrote, "can be attributed in no small way to the lack of regard for the immutable law of economic construction during the Stalin era. This immutable law, regardless of the system under which it operates, is universal; an economy must produce more

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than is expended on production; and it is this principle, however unheeded it has been in the past, that theoretically provides the foundation for the acceptance of profits today in the Soviet Union." (Quoted in Felker, pp. 77-78)

This breathtaking piece of brazenness -- as if there had been no economic growth in the USSR under Stalin's leadership! -- and of metaphysics ("immutable law") served as a warning signal to the NVP-advocates that, if they persisted, they would go the way of the so-called "antiparty group" into oblivion. Under these circumstances the "liberals" emerged triumphant. They were granted an experimental trial of some of their ideas in a series of light-industrial enterprises producing for the consumer market (the Bolshevichka-Mayak experiments), while the experiments of their opponents were discontinued.

Nikita Khrushchev, however, did not remain in power long enough to tend the fruits of what he had sown. In October 1964 he was out-manuevered and deposed by his colleagues, headed by Leonid Brezhnev and Alexei Kosygin. A harvest failure due largely to Khrushchev's "virgin lands" scheme, the unworkability of some of his tactics such as splitting the party into agricultural and industrial regions, his blunders in foreign policy vis-a-vis Yugoslavia, Cuba, China and Albania, and to a large extent the vulgarity of his style -- notably banging his shoe on the podium at the United Nations -- had made Khrushchev into a figure of scorn and ridicule who threatened to bring discredit on the class he represented.

His successors criticized him for "subjectivism" and for "going ahead too fast;" and made a number of minor adjustments of substance and style in Soviet policy, domestic and foreign. But they were quick to announce, in early November, that his economic reorganization would continue and spread along the same basic lines. (Linden, Khrushchev and the Soviet Leadership, Baltimore 1966, p. 225) At the end of the year they extended the scope of the Bolshevichka-Mayak experiments, injecting the new system for the first time also into heavy industry. (Felker, p.51)

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Things then began to move very quickly. In March, a plenary meeting of the Central Committee of the party declared it was time to "begin devising measures to improve the rationality of the system." In June, an important conference was held in Moscow, bringing together economists, enterprise directors and planners from all parts of the USSR, to actually "devise measures." The consensus of the meeting, according to Pravda's report, was that "the time had come . . . to decrease detailed planning from above and to reduce the quantity of indices assigned to the enterprises, and, in so doing, to provide conditions for operational independence and for developing healthy economic initiative on the part of the enterprise."

The time had come also "when the role of profits in appraising enterprise operations could be elevated to a more prominent position among the set of indicators and that profits themselves should provide the principal sources for the formation of enterprise funds. . . ." There was also agreement that the time had come to tackle what was called "the market problem," which, Pravda said, "exists not only for consumer goods but also for the means of production. There is no end of work in this sphere." (Quoted in Felker, pp. 91-92)

Toward the end of September 1965 the Central Committee met again. At the end of it, Premier Kosygin, in a lengthy speech, announced a series of economic "reforms," which one writer rightly termed "certainly the most prominent [measures] in the economic sphere since Stalin's . . . reforms in 1928 that terminated NEP." (Felker, p.93) These measures, however, went plainly and clearly in the opposite direction. Instead of subjecting the enterprises to planning, they virtually (and eventually, completely) subjected planning to the enterprises; instead of eliminating the market in means of production and labor power, they expanded, legalized and strengthened it; instead of eliminating profiteering, they raised it to a principle -- in short, instead of constructing socialism, the Kosygin reforms restored capitalism.

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15 Slowdown

The speed with which the Soviet party leadership moved in 1965 to reorganize the economy was dictated mainly by a worrisome slowdown in industrial productivity.

In presenting the party's proposals in September that year, Premier Alexei Kosygin was careful to lay the accent on the bright side. He recited a score of statistics showing output increases during the seven-year plan period just ended.

But there was also a cloud to the silver lining, he added; and it was this which brought him to the subject proper of the proposals:

"It should be said that in recent years the volume of national income and industrial output per ruble of fixed assets has declined somewhat. The rates of growth of labor productivity in industry, which constitute an important index of the efficiency of social production, have slowed down somewhat in recent years."

Beyond these vague indications he would not go; and he did not probe more deeply into the probable causes of the slowdown. Fairly detailed statistics were finally made public more than five years afterward, however; and before Kosygin's proposals are looked at it is worth examining this data to gain a clearer idea of the predicament in which the Soviet leadership found itself.

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The USSR's foremost specialist in matters of what is called "investment efficiency" is academician Tigran Khachaturov. "The most general indicator of efficiency of investments in the national economy as a whole," according to Khachaturov, is the ratio between national income and the sum of fixed and circulating assets in the national economy. This ratio is expressed as a certain number of kopecks of income per ruble of assets. (100 kopecks = 1 ruble.) If the number of kopecks of income realized per ruble of assets is rising, then "efficiency" in the economy is rising and this is good; and, in Khachaturov's view, the inverse is also true. Thus in a single ratio it was possible to estimate "how rationally the plan is formulated and how fully the available resources are utilized."

Khachaturov presents the following trend in this general index:

1959:	62.6	1962:	58.2
1960:	61.6	1963:	55.0
1961:	60.5	1964:	54.7
		1965:	53.2

(T. Khachaturov, "The Economic Reform and Efficiency of Investments," in *Soviet Economic Reform: Progress and Problems*, Moscow 1972, p. 159)

Thus the overall indicator of "economic efficiency" showed a consistent year-to-year decline, finishing the period nearly 10 kopecks per ruble down from the starting point. As Khachaturov put it: "A decline of this indicator during the seven-year period (1959-1965) speaks about the existence of unfavorable phenomena in the Soviet economy. . . ."

What were these phenomena, more precisely? In the paper just cited, Khachaturov lays the emphasis on "subjective reasons which depended on shortcomings in planning and management." This is a guarded but clear reference to the Khrushchev system of planning via regional economic councils (see [part 13](#) of this series), which, under the 1965 reforms, was scrapped as unsound.

But in a later paper that goes into the matter somewhat more deeply, Khachaturov tacitly withdraws this line of explanation, without however offering a substitute. Here he compares the rate of increase in the amount of capital

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per industrial worker with the rate of increase in the amount of output per industrial worker.

	Increase 1950-1955	Increase 1955-1960	Increase 1960-1965
Capital per worker	50%	44%	43%
Output per worker	49%	37%	26%
Difference	-1%	-7%	-17%

(T. Khachaturov, "Improving the Methods of Determining the Effectiveness of Capital Investments," *Voprosy Ekonomiki* 1973, No. 3; translated in *Problems of Economics*, September 1973, p. 21.)

Thus, as is shown in the top line of the table, there was a slowdown in the growth rate of capital per worker. Shortcomings in planning and in the coordination of production might very well explain this. Hampered as it was by the localism inherent in regional planning -- one could plausibly argue -- management was unable to put additional means of production and materials into the factories at the stormy rates of the previous period. The same reasoning could be invoked to explain why the output per worker (line 2 of the table) also decelerated.

The sticky point however comes in explaining why the latter decelerated so much more steeply than the former.

During the 1950-1955 period, a 50 percent increase in capital per worker produced a practically equivalent (49 percent) increase in output per worker. This is what one would expect: give the worker more machinery, get correspondingly more output. But in the next five-year period, the output per worker increased 7 percent less than the capital per worker; and during 1960-65, the years immediately leading up to the Kosygin "reform" plan, the gap between capital growth and output growth widened to a rather alarming 17 percent.

More and more means of production were being thrown at the workers, yet proportionately less and less were

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coming out!

Khachaturov does not even try to interpret this thought-provoking data and this is not surprising. For apart from the refutable hypothesis that the new machinery was grossly less efficient than the old, the data points straight to the uncomfortable conclusion that the Soviet industrial working class no longer gave a damn about productivity -- and was getting away with it.

Despite the fact that Khrushchev had ordered a countrywide retiming of industrial jobs, which set significantly higher output targets for machine operatives, the workers were simply not putting into their work the same measure of energy and enthusiasm they had displayed, often with dazzling and heroic results, during the period of socialist construction. (See [part 6](#) of this series.) (On Khrushchev's job retiming, see Mary McAuley, *Labour Disputes in Soviet Russia 1957-65*, Oxford, 1969, p. 89)

Instead of going all out to produce more, better, and faster, the industrial workers shifted their strategy in the battle for production to passive resistance. The potency of the means of production confronting the workers on the shop floor continued to rise. But the workers applied their energy and ingenuity now not to the realization and development of that potential, but to its frustration.

The new, negative attitude toward labor which reflects itself in the statistics of the Khrushchev period stemmed chiefly from the development discussed at the outset of [part 13](#) of this series, namely the expropriation of the working class upon the revisionist seizure of state power in 1956-57. Perhaps rather few workers summed up the situation at the time in terms of expropriation and drew the parallel with the "expropriation of the mass of the people by a few usurpers" at the dawn of the capitalist order which Marx described so vividly in *Capital*. (Vol. I, p. 764) Yet the change, however they might formulate it, could hardly escape even the moderately conscious worker.

-- Under Stalin, the party had been the workers' weapon against factory directors who overstepped their authority. (See [part 8](#) of this series.) Could it escape the attention of the workers that, after Khrushchev's seizure of power, the

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party switched its class stand and called for strengthening the directors against the workers? (See [parts 13](#) and [14](#)).

-- Could it escape the workers' attention that directors who failed to live up to the plan, and who violated the rules regarding the speed, organization and conditions of work, were -- under Khrushchev -- almost never punished or removed from their posts? (McAuley, p. 83)

-- Could the workers fail to be aware of the fact that such directors were not only members but often also officers of the trade unions in the plant? (McAuley, p. 67)

These and similar shifts in power, perceptible to a great many workers at least, were quite sufficient to communicate the essence of the new relationship of property and to breed in response the new attitude toward productivity described by Marx a century ago: Since "the workman finds the instruments of labor existing independently of him as another man's property, economy in their use . . . does not concern him." (Capital, Vol. I, p. 325)

The really striking fact about the Soviet workers' slowdown, however, and undoubtedly the most worrisome aspect of it from the party leadership's viewpoint in 1965, was that the workers were getting away with it.

This was due to the freakish transitional situation in Soviet society at the time. The workers had been expropriated. They no longer held state power or owned the means of production. Hence they resisted at the point of production by slowing down.

But the bourgeoisie, while it owned the means of production and held state power, still had its hands tied by many of the old, socialist relations of production. It did not yet have in its hands the full arsenal of weapons for making the workers speed up.

The ultimate among these weapons, as was mentioned earlier ([part 8](#) of this series) is the power to fire workers, to lay them off for "economic reasons." This power implies that labor power is a commodity to be bought and sold like any other; or, to put it the other way around, wherever labor power has the character of a commodity, there the owner of the means of production has the right to throw the workers out onto the street.

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The necessary mate and companion to this right is the owner's right to sell (or buy) means of production also like any other commodity, e.g., by shutting down unprofitable divisions, discontinuing one type of production in favor of another, etc.

A moment's thought will show these two powers cannot survive separately from one another. The exercise of the one necessitates the exercise of the other.

It is precisely the exercise of these two powers however -- as was pointed out at the conclusion of [part 5](#) of this series -- that convert the owner of the means of production into a capitalist and convert a society's relations of production into relations of production of a capitalist character. (See Guardian, March 19)

In a fully capitalist society, the Soviet workers could not have carried on their slowdown for as long and as effectively as they did. Long before the gap between investment and productivity had reach the dimensions it did under Khrushchev, investment would have come to a halt and a spiral of layoffs would have "stimulated" those remaining within the factories to put out greater efforts.

The "stimulating" effect of the capitalist relations of production can be observed in the advanced stages of each economic crisis, such as the current one. As the lines of the unemployed stretch outside the factories toward the horizon, the regime of speedup, sweating and humiliation on the inside reaches its most brutal extremes.

In this way are produced the "investment efficiencies" and the close correlations and short lags between capital per worker and output per worker which academician Khachaturov, and

Khrushchev before him, eyed with so much envy.

It is a fallacy to suppose that the transition backward from socialism to capitalism in the basic, determinant relations of production can occupy a very long period of time. The seizure of state power by a bourgeoisie and hence, the expropriation of the working class, necessarily provokes among the working class a movement of resistance to increased production. The advance of this movement rather quickly throws the expropriators into an untenable economic position, a crisis of general

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underproduction which is no less real for being covered up.

The more active forms of resistance -- strikes, rebellions, riots -- may be put down and dealt with at gunpoint. Several were, as mentioned earlier. But the bayonet is a notoriously ineffective and impractical prod in the everyday grind of industrial production. The bourgeoisie cannot station a soldier behind every three workers in every factory without provoking open war. To break the workers' passive resistance at the point of production the bourgeoisie requires weapons of a different order. These are the weapons inherent in the capitalist relations of production. The bourgeoisie cannot dally to apply them. However much it might hesitate to turn means of production and labor power into commodities with all the consequences thereof, it must conquer its scruples, if it has any, and march full steam ahead into the capitalist order.

This was the background behind Alexei Kosygin's declaration, keynoting the September 1965 "reform" proposals, that "the existing forms of management, planning and stimuli in industry are no longer in conformity with modern technico-economic conditions and the present level of the productive forces."

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16 The 'New System'

"A complete system of measures is being proposed," Soviet Premier Alexi Kosygin said in his September 1965 speech, "in order to expand the economic independence and initiative of enterprises and associations and to enhance the importance of the enterprise as the main economic unit in our economy."

Presented by Kosygin on behalf of the central committee of the party and the supreme organs of the government, the "proposals" were formally promulgated in short order. Conversion of the then more than 50,000 nonagricultural enterprises to the new system -- a complex and demanding task because of the sweeping nature of the measures -- was

accomplished in a series of steps requiring several years. By the end of 1968, the new system embraced industrial enterprises producing about 72 percent of all Industrial output and contributing about 80 percent of the total profits realized in industry. By the end of 1970, the figures stood at about 92 percent and more than 95 percent, respectively; in other words, the measures were implemented in a full and all-round way (N. Y. Drogichinsky, "The Economic Reform in Action," in *Soviet Economic Reform: Progress and Problems* Moscow, 1972, pp. 200, 202. Drogichinsky is head of the Department of New Planning Methods of the USSR State

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Planning Committee.)

What exactly were the features of the new system? At the risk of wearying the reader with quotations, here is a brief survey of the main specific proposals in Kosygin's words:

"In order to expand the economic incentive of the enterprises, it is proposed to reduce the number of indices that are assigned from above," i.e., by the planning bodies.

"In order to orientate the enterprise toward raising efficiency it is best to use the profit index, the index of profitability. The size of profits characterizes, to a considerable extent, the contribution made by an enterprise to the country's net income."

In this way, enterprises will be "encouraged" to "search for ways of increasing labor productivity."

An end must be put to the system whereby virtually all enterprise profits go to the state. Instead, "it is necessary to leave to the enterprises more of their profits . . . in direct proportion to the effectiveness with which it utilizes the fixed assets assigned to it."

An end must also be put to the state of affairs where "the achievements of the enterprise in increasing profits and the profitability of production do not have any direct effect on the earnings of the staff of the enterprise." To this end, a set of new "funds" must be set up in each enterprise, including a "material incentives fund" and a "fund for the development of production," geared to enterprise profitability.

Furthermore, "The enterprises will enjoy broader powers in the use of their circulating assets, depreciation allowances and also the money from the sale of surplus equipment and other material values. . . ."

"The enterprises will enjoy wider powers in the use of the money saved in the wage fund during the year. . . ."

In this connection, a positive example is the Moscow Transport combine, where the new system was introduced by way of pilot experiment in the previous year, it showed sizable gains in productivity after it ". . . sold superfluous trucks and equipment and discontinued the employment of superfluous personnel."

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In its relations with other enterprises, the "economic responsibility" of each enterprise is to be enhanced. "Direct contacts between manufacturing enterprises and consuming enterprises should be developed more broadly in the sphere of materials supply."

As for prices, "the transition to new forms and methods of economic stimulation of industrial production demands the improvement of the system of price formation. Prices must increasingly reflect socially necessary outlays of labor and they must cover production and turnover outlays and secure a profit for each normally functioning enterprise."

Financial relations between enterprises and the state are also to be put on a different footing: "Financial grants made by the state to enterprises for capital investment must be restricted and the use of credits must be expanded."

Lastly, in place of the regional economic councils (set up by Khrushchev), there will be central ministries again for each major industrial branch; and at the same time, in close conjunction with the ministries, there is to be "a new form of organization: branch amalgamations operating on the cost-accounting principle," to which the ministries are to hand over "many operative functions." The new ministries will "work in entirely different conditions" from the old ones; and to think "that a mere return to the former ministries is being suggested . . . means to disregard a number of new factors and to make a mistake."

So much for the bare bones of the new measures, insofar as Kosygin's less than lucid formulations let them be seen. (Quotations are from *Izvestia*, Sept. 28, 1965, translated in the review *Problems of Economics*, October 1965, pp. 3-28)

How very fine it would have been if Kosygin, in summing it all up, had had the wit to say, "In short, friends and comrades, what it all means is that we are setting up capitalism; and a proper up-to-date capitalism it will be, with trusts and monopolies and all the trimmings, just as quick as we can get it rigged up." He would have spared all the world's Marxist-Leninists enormous amounts of effort.

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A vain dream! In place of such a refreshing ending, Kosygin concludes with an air of complete conviction that the new measures are an essential part of the process by which "socialist property in the USSR is developing into *communist* property." Not only that, but the central feature of the new economic measures allegedly bears the endorsement of the great revolutionary teacher, Lenin himself:

"V.I. Lenin pointed out," Kosygin declared, "that each enterprise must function on a profitable basis, i.e., it should completely cover its expenditures from its income and should make a profit."

In short and in sum, anyone who balks at marching in the direction indicated by the Soviet leadership not only blocks the path toward communism -- and is thus an anticommunist in the most literal sense -- but also presumes to try to give Lenin lessons in political economy!

It is a revealing commentary on the political climate in the land of Lenin in 1965 that the supposedly Leninist press did not run Lenin's actual words and use them to pillory Kosygin and the whole leadership from morning to midnight. (The press, of course, was controlled by that same leadership.) This is what Lenin had had to say about enterprise profits:

"The conversion of state enterprises to what is called the profit basis is inevitably and inseparably connected with the New Economic Policy; in the near future this is bound to become the predominant, if not the sole, form of state enterprise. Actually, this means that with the free market now permitted and developing, **the state enterprises will to a large extent be put on a commercial capitalist basis.** This circumstance, in view of the urgent need to increase the productivity of labor and make every state enterprise pay its way and

show a profit and in view of the inevitable rise of narrow departmental interests and excessive departmental zeal, is bound to create a certain conflict of interests between the masses of workers and the directors and managers of the state enterprises or the government departments in charge of them. Therefore, it is undoubtedly the duty of the trade unions, in regard to the state enterprises as well, to protect the class interests

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of the proletariat and the working masses against their employers." (Collected Works, Vol. 42, p. 376.)

Lenin, speaking for a proletarian state that is compelled by ravages of war and famine to resort temporarily and in a limited way to capitalist relations of production, does not hesitate to call these relations by their name. He insists, moreover, on laying bare the "antagonism of class interests between labor and capital" bound up with these relations, and calls on the workers' mass organizations to "openly put in the forefront" the protection of "the class interests of the proletariat in its struggle against capital."

And Kosygin? This spokesman for a bourgeois state, compelled by the workers' resistance to attempt to impose capitalist relations fully and without time limit, puts out the most ridiculous pretense about the "communist" character of its measures, denies any ground for class antagonisms or even "conflicts of interests," and on top of that has the nerve to invoke Lenin's authority! It would be laughable, except this kind of Big Lie technique commands state power, enjoys an undivided monopoly of the entire legal media, controls the educational system and is backed up by the full apparatus of repression -- police, courts and the like.

The conditions prevailing at the time Lenin proposed the NEP -- the passage just cited dates from January 1922 -- have been outlined earlier on ([parts 2](#) and [3](#) of this series) and there is no need to expand on this theme. Once these conditions were overcome and socialist relations of production became predominant, the role of enterprise profits naturally underwent a fundamental change.

Under socialism, not only certain individual production units but even whole industrial branches were deliberately run, for shorter or longer periods of time, (in some cases permanently) at a "planned loss," that is, in such a way that their account books, even with the best of efforts by workers and staff, could not possibly show an excess of revenue over costs, or any other monetary measure of "profit."

Thus, to give an illustration from Soviet history, the price of raw cotton could be deliberately set quite high so

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as to encourage collective farmers to produce more cotton; while the price of cotton textiles would be set quite low so as to put clothes on the backs of the workers and farmers. The textile industry, charged with turning the cotton into cloth, necessarily showed a loss in its account books. The difference was made good by transferring to the textile industry a portion of the funds generated in other branches that had a profit.

Since all profits generated in any part of the state sector (an insignificant fraction excepted) were directly centralized in the state, their redistribution from "profitable" branches and units to "unprofitable" ones, was regulated by the plan. The plan, in turn, reflected the order of priorities decided upon by the political party of the working class, the Bolshevik Party. In this way the goal of immediate profits in the textile industry was subordinated to the higher

immediate goal of putting food in the mouths of cotton farmers and clothes on the backs of the working people. Or, to put it another way, the "profits" of the textile industry were realized not in the monetary form, but in the form of the satisfaction of people's needs. Later on, as the textile industry was modernized, it too began to generate revenues for use elsewhere.

In this way also the longterm goals of the working class could be given their proper weight relative to the short-term ones. The production of means of production, to give the most important example, generally requires a longer period of time and is less immediately urgent -- and far less immediately profitable -- than the production of consumer goods. Yet the latter depends for its expansion on the former. What is more, the longterm goal of easing and shortening labor, of making the physical work process less onerous and reducing the working day, depends very largely on the expansion of the industrial branches producing means of production. (See, for example, Stalin, Works, Vol. 13, p. 195.)

And what about employment? Should workers be dismissed from plants making socially necessary but unprofitable products, and transferred to more profitable ones producing luxuries, or simply tossed on the street?

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To these and related questions, the bourgeoisie has since the dawn of its consciousness answered with one set of arguments; proletarian thinkers with another. "Profitableness considered from the standpoint of individual plants or industries is beneath all comparison with that higher form of profitableness which we get from our socialist mode of production, which saves us from crises of overproduction and ensures us a continuous expansion of production" -- this was the Soviet socialist answer. (Stalin, [Economic Problems of Socialism](#), p. 57.) The Liberman view, that "what is good for society is good for each enterprise," embodied in the 1965 measures, is its direct opposite and contradiction. It is merely a more "elegant," really an evasive, way of asserting that "what's good for General Motors is good for the economy."

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17 Labor Power

Like certain tribes in the Old Testament who trembled to speak the name of the Omnipotent, the advocates of the new Soviet system recoil from naming labor power a commodity.

Other economic categories and relations, such as profits, interest and rent among others, are freely spoken of in the official Soviet literature; in fact it speaks of little else. It is quite permissible also, even obligatory, to praise in general terms the virtues of commodity-money

relationships in the "socialist" economy. But when it comes to the category labor power (and also means of production, of which more later), the Soviet economists become strangely tongue-tied; and the rhetoric of the political spokesmen, usually so flatfooted, goes on its tiptoes to skirt the Unmentionable.

There is no plank in the Kosygin platform of 1965, for example, which calls for transforming labor power into a commodity. There is not even so much as the explicit demand that enterprise directors be given the power to hire and fire workers for economic reasons. There is just the sideways reference to giving enterprises "wider powers in the use of the money saved in the wage fund during the year." For those in his audience too dense to grasp how money can be saved from the wage fund,

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Kosygin draws a picture: the pilot project of the five transport enterprises, who prospered when they "sold superfluous trucks and equipment and discontinued the employment of superfluous personnel."

A more detailed account of this pilot project in the review *Voprosy Ekonomiki* (Nov. 12, 1965) gives the itemized breakdown. "Costs were reduced by discharging a number of employees. At the Motor Vehicle Combine No. 1 the central garage and construction group was eliminated and its functions transferred . . . , discharging 100 employees. At Department No. 5, the maintenance and repair of vehicles was centralized, reducing the number of repairmen and mechanics. . . . Department No. 9 discharged 101 workers . . ." and so on.

In a similar way, as the new economic system radiated out from the pilot plants in Moscow and Leningrad to fasten itself across the length and breadth of the vast territory of the USSR, the Soviet workers' security of employment -- all that remained to them of the socialist relations of production -- was broken up. They were reduced once again to the status of hired laborers, wage slaves with nothing to sell but their labor power, like their colleagues in the capitalist West.

"The new system of planning and economic stimulation," Kosygin cynically remarked in his sum-up of the pilot results, "increased the workers **interest** in the results of their work" (emphasis added). A 31 percent increase in output per worker was achieved, he noted with satisfaction, and enterprise profits more than doubled. The longer-term results on a countrywide scale, when the data had been gathered a few years later, did not quite live up to these first figures, but the basic trend was the same.

The "investment efficiency" specialist, Academician Khachaturov, observed in 1973 that the widening gap between increases in capital per worker and output per worker during the 1955-65 period narrowed again to a tight 2% during the five-year period after the introduction of the new system. (See [part 15](#) of this series.) The lash of the capitalist relations of production had broken the workers' passive resistance. The slowdown was over. The speedup had taken hold.

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As the early results became known, a section of the Soviet bourgeoisie found its appetite only whetted and began experimenting with methods of supercharging the new economic engine. The most important of these experiments was initiated in 1967 at the Shchekino Chemical Combine.

"The intensive release of personnel is planned at enterprises engaged in the Shchekino experiment," the economist T. Baranenkova writes in a general description of the Shchekino

design. On the average, each of the enterprises participating "released" 10-15% of its work force. Between one-fifth and two-thirds of the layoffs, depending on the enterprise, were made possible, she reports, by the methods of "combining occupations" or increasing the "volume of work performed" by the remaining workers.

In compensation -- and this was said to be the novel side of the Shchekino method -- the workers who were left received as a "bonus," a portion of the funds "saved" in wages by dismissing their colleagues. As a result, absenteeism markedly declined. "Work under the conditions of the experiment has enabled enterprises to achieve positive results in their production activity in a short time." ("Technical Progress and the Movement of Personnel in Industry," *Voprosy Ekonomiki*, 1970, No. 2, translated in *Problems of Economics*, September 1970)

In short, the standard capitalist methods of slave driving (upping the pace, making one worker do the work of two) were supplemented with the cannibalistic touch of throwing the surviving workers some scraps of the "flesh" of their departed comrades. But only scraps; Baranankova says the "bonuses" received by the survivors were an "insignificant amount." Another writer, the fervent Shchekinoite E. Manevich, says the "bonuses" in most plants under the experiment are "very small." ("Ways of Improving the Utilization of Manpower," *Voprosy Ekonomiki*, 1973, No. 12, *Problems of Economics*, June 1974, p. 18) The remainder of the "savings" goes as "bonus" to profits.

The Shchekino system's originality, the evidence tends to indicate, lies not in the sugar coating of the

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"bonuses," but in the stronger dosage of layoffs and speedup. A full 1000 workers were laid off in the original trial at the Shchekino Combine itself, indicating that more than a bit of "pruning" of the work force is involved. The Shchekino principles were endorsed by the CPSU Central Committee in October 1969, and near the end of 1973 had spread to approximately 700 enterprises. (Manevich, *ibid.*) Additional enterprise directors who believe it to be in their interests can "go Shchekino" at any time.

Most of the enterprises that resort to the Shchekino system, says Baranankova, are located in the larger cities, where the skilled grades of workers are in scarce supply. They thus have a good bargaining position. The economic aim of the enterprises in adopting the method, very consciously, is to turn the shortage into an oversupply (reserve).

Manevich quotes an enterprise director in the city of Kirov, V. Zonov, who reports with a tone of triumph: "Before, we did not have enough drivers, metalworkers, lathe operators, mechanics. . . . Well, we have been working a year and a half under the Shchekino system and you know, we are coming to the conclusion that in many cases the shortage of workers was artificial. Having received the right to pay a worker more if he partially assumes the duties of his neighbor, we are, in a manner of speaking, discoverers of a new manpower reserve. As it turns out, the problem lies not in the shortage of people but in the organization of production and in the ability to use economic levers." (*ibid.*, p. 17)

It goes without saying that the worker who is at first "paid more" for "partially assuming the duties of his neighbor" may then, once a reserve is created, be replaced by a new hiree who will do the same work for less. As Marx put it, a century before Shchekino, "The overwork of the employed part of the working class swells the ranks of the reserve, whilst conversely the greater pressure that the latter by its competition exerts on the former, forces these to submit to overwork and to subjugation under the dictates of capital. The condemnation of one part of the

working class to enforced idleness by the overwork of the other part, and the

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converse, becomes a means of enriching the individual capitalists" . . . or enterprise directors as the case may be. (Capital, Vol. I, p. 636).

The new Soviet thinkers, while busy devising further methods of creating a reserve army of labor in the short run, are also not losing sight of the long term perspective. K. Vermishev, among others, advocates the "release of an average of 1 million mothers" from "social production" to allow them to concentrate on producing babies. ("The Stimulation of Population Growth," Planovoe Khoziaistvo, 1972, No. 12, Problems of Economics, June 1973, p. 3)

Soviet workers who are laid off fall into a category that has no official existence. The bourgeois Sovietologist Marshall Goldman wrote in 1971, in a sarcastic tone: "While rummaging through the capitalist tool bag to find ways of accelerating labor productivity, the Russians have come up with still another device -- unemployment compensation. Until February 1970, the Russians steadfastly denied there was unemployment in the USSR. And since unemployment did not exist, there was no need to have unemployment compensation. This reasoning, however, was little comfort to those who found themselves without jobs. . . ." (Harvard Business Review, July-August 1971, p. 160)

True enough, but the professor appears to be mistaken about the unemployment compensation. Already in 1969, the Manevich quoted just above wrote: "In order for releases connected with technical progress [the euphemism for speedup] not to affect the living standards of workers and their families, the question must be discussed of establishing some government material support." (ibid.)

The following year, Baranenkova emphasized that "The Shchekino experiment once more confirms the necessity for practical implementation of the previously advanced proposal on the material support of workers (including the payment of stipends) during the time they are between jobs." But at the end of 1973, three years after unemployment compensation was allegedly instituted, Manevich, again writes, this time insistently: "In order to

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assure the release of manpower and to achieve the rational utilization of manpower it is essential to execute a number of other economic and legal measures. For example, the solution of an **urgent problem of long standing** -- the problem of material support for released personnel -- is extremely important." (Voprosy Ekonomiki, 1973, No. 12; emphasis added.)

It seems clear that the unemployed in the USSR, as in any capitalist country, will not receive unemployment compensation as a gift from the bourgeoisie, not even if a guilt-stricken "liberal" like Manevich pleads for it. The Soviet workers' position is even worse than that of their colleagues in the West in some respects, because of their real position is not officially recognized.

The official position remains firm: there are no unemployed as such, because under "socialism" labor power is not a commodity. Thus 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. The enterprises have no legal foundation for the regime of speedup and economic terrorism they have imposed on the

workers. But the leadership of the revisionist party and of the state treats the Soviet Constitution with contempt. To write a new one, as they have said for nearly a decade they would do, however, appears to present some problems; the revised constitution has been put off several times, and is now due to be unveiled in 1976. Meanwhile the workers' law is a dead letter.

The average worker spends between 25-30 days between jobs, says Manevich in the 1973 article cited above. That average, however, is composed of both the skilled, who are in relatively high demand and have an easier time finding a new place, and the unskilled, of whom there is a much larger "reserve." Their number is swelled by an influx from the countryside, where the parallel restoration of capitalism has made them

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"superfluous." Between 1959 and 1970, more than 16 million people moved to cities from the Soviet countryside, 13 million of them of working age. One of the other reasons for this, the scholar Iu. Eusiukov observes, is that "some enterprises and organizations recruit manpower in rural areas," i.e., the cities raid the countryside of its people, much as in the Tsarist times described by Lenin in his [Development of Capitalism in Russia](#) (1899). ("Migration of the Population From the Countryside to the City," *Planovoe Khoziaistvo*, 1972, No 12, in *Problems of Economics* June 1973, p. 14)

Moreover, this migration does not necessarily end in a stable settled pattern; on the contrary, there are continuous, seemingly unpredictable population movements between different points. The Soviet writers call this "variable migration." "Of late the scale of variable migration has increased with ever greater intensity in the USSR," says the demographer L. Lugovskaia (*Planovoe Khoziaistvo*, 1972, No. 8, in *Problems of Economics*, May 1973, p. 96)

This testifies that the workers and collective farmers, recognizing that their labor power has become a commodity, are actively moving from place to place in search for better, or at least less oppressive, terms for its sale. If they must take their hides to market at least they intend to get the best price. Needless to say, from the standpoint of production lost by this roaming and floating, the social cost of this instability is high. The time lost by "floating" workers in industry during 1972, according to an estimate in *Planovoe Khoziaistvo* (quoted by *Peking Review* Sept. 24. 1974), amounted to about 4 billion rubles.

The conversion of labor power into a commodity has thus brought about a large-scale labor market from one end of the country to the other, with a high rate of "exchanges." The first published study that has attempted to get an estimate of how many workers change their employment how often has found that in the course of one year 59.1% of all personnel in the national economy change their position. The average length of time a worker spends at the same enterprise is only 3.3 years, and every 12-15 years on the average a worker migrates from one

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region to another. "Every year in the national economy several tens of millions of persons make transfers," the author of this study estimates; "their overall number exceeds 100 million. Approximate calculations show that not more than half of this movement is associated with the interests of the development of production and of the work force." (V.S. Nemchenko, "Mobility of Labor Resources," *Vestnik Moskovskogo universiteta*, *Ekonomika*, 1974, No. 1; in *Problems of Economics*, October 1974, pp. 80-88)

In short, while neither the economists nor the political spokespersons will admit that labor

power in the USSR has become a commodity, the reality is clear enough. The workers themselves, to judge by recent Soviet sociological surveys, have no illusions about being the "masters of society" that the official propaganda paints them.

In a 1974 survey in Yaroslavl, 78% of the working-class parents who were questioned said they did not want their children to be factory workers. In families where only one parent was a factory worker, 96% did not want their children to go into that life. A survey of high school students ranked the occupation of steelworker in 28th place in their preference; lathe-operator, 39th place; tractor driver, 51st place and carpenter, 68th place. (Quoted in Christian Science Monitor, Sept. 11, 1974).

Another survey of workers, 18-25 year-olds at a large locomotive plant in Voroshilovgrad in the Ukraine, found that 66% said they were dissatisfied with their pay, 71% were dissatisfied with the equipment and 70% with the plant's sanitary conditions. The rate of dissatisfaction was 18% higher, by the survey index, than five years earlier. The workers were particularly critical of the so-called "socialist emulation" system. "It exists only on paper," one worker said. "It's just fiction," said another. What emulation, asked a third: "There is simply a quota that you have to meet." (Quoted in New York Times, Dec. 2, 1973).

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18 Means of Production (I)

There is a widespread belief that the USSR today, whatever else might be said about it, remains fundamentally a planned economy, as opposed to an economy ruled by the anarchy of production.

This theme is recited seven days a week by every organ of mass propaganda available to the Soviet authorities, and no revisionist primer for "popular" consumption fails to claim it as one of the most important advantages of the Soviet "socialist" system today. Millions of people take this claim as good coin, including many who are critical of Soviet revisionist rule in other respects. Even some people who set out to "expose" how capitalism has been restored in the USSR echo the refrain that under the "reforms" of 1965, central planning -- without quotation marks -- was retained.

Yet this is a fallacy. Among those who know from their practical experience that the fundamental plannedness of the "new" Soviet economy is a myth are not only the Soviet workers who know it most concretely, but also the directors of Soviet enterprises, Soviet economists specializing in the study of the planning process and the most responsible and authoritative Soviet "planners" themselves.

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Writing in the secluded pages of specialized academic or professional publications, behind a protective screen of jargon -- with other economists and "planners" as audience -- the Soviet writers are more or less obliged from time to time to interrupt their recitals of sleep-inducing generalities with remarks that touch on important practical problems arising in the work of their confraternity. At those moments the talk is very different.

In the course of a droning recital of the "progress" of the 1965 "reforms," for example, the head of the Department of New Planning Methods of the USSR State Planning Committee (Gosplan), Y. N. Drogichinsky, cannot avoid touching, however lightly, on the fact -- no secret to his primary audience -- that the eighth Five-Year Plan (1966-70) unfortunately did not come off the drawing boards before the "planned" period was already over:

"The work of drawing up five-year-plans, from the enterprise up to the USSR Gosplan, was not completed in the past five years and, therefore, the enterprises did not have such plans with a breakdown of assignments by years." A bit further on he calls for "the conversion of the five-year-plan into a working program of each enterprise." ("The Economic Reform in Action," in Soviet Economic Reform: Progress and Problems, Moscow, 1972, pp. 211, 224.)

What is a plan if it is not a working program?

Or again, in the course of a discussion on the theme of the relation between planning and prices, the deputy chairman of the State Committee on Prices of the USSR Council of Ministers, A. Komin, voices the complaint that, due to the frequent price changes which have become the practice, "it is practically impossible to compile a five-year plan," as the "potential of modern methodology" cannot keep up with the price fluctuations. ("Problems in the Methodology and Practice of Planned Price Formation," *Planovoe Khoziaistvo*, 1972, No. 9, translated in *Problems of Economics*, May 1973, p. 48.)

Speaking on the same theme, deputy Gosplan department chief V. Kotov admits that "in fact, the planning of distribution never attains completed form. Merging with operational management of production, it is completed only with the end of the planned period." In a

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"considerable and ever-increasing" portion of the economy he admits, there is not even an attempt at planning, but rather "the actual cessation of planning;" and in this situation the plan "essentially loses its meaning" and "an objective assessment of the fulfillment of the plan is impossible." ("Prices: the Instrument of National Economic Planning and the Basis of the Value Indices of the Plan," same source as above, pp. 62, 64, 69, 61.)

Further admissions of anarchy will be quoted later on. They appear, it should be noted, not in a mass-circulation medium but in the professional planners' journal, whose name ironically means "Planned Economy." It is as if chaos had broken out in the building industry of a country where architecture is the state religion: the politicians speak glowingly, as before, of the glories of the national design, covering up; but the architects, among themselves, must somehow come to grips with the stubborn facts such as the failure to complete blueprints before the buildings are finished, the need to convert construction schedules into "working programs" for contractors, the tendency for drafters to design one thing and builders to build another and so on. One of the Soviet "planners'" most frequent complaints, in fact, is that they cannot even find out what actually is happening in the economy, much less foresee what will happen, not even to speak of imposing a consistent design.

How did the Soviet economy arrive at this state? The answer, in a word, lies in the conversion of means of production into commodities. It has already been shown (in [part 17](#) of

this series) that the "reforms" of 1965 converted the Soviet workers' labor power into a commodity. That is, that the relation between the workers and "their" enterprises was put on a purely commercial basis: produce a profit or get out. The subject now is the side of the 1965 measures which imposed the same social character on the means of production and created the same commercial basis for the relations between one state enterprise and another.

The socialist viewpoint on this question was succinctly advanced by Stalin in 1952:

"Can means of production be regarded as commodities

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in our socialist system? In my opinion they certainly cannot.

"A commodity is a product which may be sold to any purchaser, and when its owner sells it, he loses ownership of it and the purchaser becomes the owner of the commodity, which he may resell, pledge or allow to rot. Do means of production come within this category? They obviously do not. In the first place, means of production are not 'sold' to any purchaser, they are not 'sold' even to collective farms; they are only allocated by the state to its enterprises. In the second place, when transferring means of production to any enterprise, their owner -- the state -- does not at all lose the ownership of them; on the contrary, it retains it fully. In the third place, directors of enterprises who receive means of production from the Soviet state, far from becoming their owners, are deemed to be the agents of the state in the utilization of the means of production in accordance with the plans established by the state.

"It will be seen, then, that under our system, means of production can certainly not be classed in the category of commodities." (Economic Problems of Socialism, p. 53.)

To this should be added the fact that in Soviet socialist practice, the enterprises could hardly have "bought" means of production even if they had had the right to do so. The enterprise had no funds at its disposition for such a purpose, not even depreciation funds to replace the worn-out equipment. When the time came to replace or add equipment, or when machinery was transferred from one plant to another -- always on plan orders -- the corresponding sums of money were allocated or transferred from the center as a bookkeeping operation. (See e.g., Dobb, Soviet Economic Development Since 1917, New York, 1966, Ch. 15.)

(By "means of production" is meant here mainly the principal machinery and equipment of industry, specifically in state-owned industry; minor tools and implements, agricultural raw materials, land and foreign trade are separate questions here left aside.)

By the time we come to the 1965 "reforms," the principles Stalin outlined in 1952 had already undergone heavy modifications during the Khrushchev years. As was shown earlier, the state under Khrushchev sold off the

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machine and tractor stations to the collective farms, converting these means of production into commodities. Additionally the central industrial ministries were abolished, along with much of the compulsory character of such planning as remained.

As a result, a widespread "gray market" sprang up, in which enterprise directors illegally traded means of production and other goods among one another. (See [part 13](#) of this series) Thus the conversion of means of production into commodities -- the restoration of a basic capitalist relation of production -- was already quite advanced during the Khrushchev years.

Reference was made earlier also to the June 1965 Moscow conference, which concluded that the "market problem exists not only for consumer goods but also for the means of production." ([part 14](#)) A week later came what the Sovietologist Felker terms "a major departure from traditional centralized controls over heavy industry. It was announced that a number of Soviet machine tool enterprises would be permitted to engage in direct business dealings with their customers; in addition, the performance of the plants would in the future be evaluated on the basis of profits rather than on the fulfillment of extraneous plan targets." (Felker, *Soviet Economic Controversies*, p. 92.)

At that time, however, enterprises wishing to purchase these machine tools and entering into direct ties with the producer enterprises for that purpose, had as yet no funds (at least not legally) with which to make payment; thus special administrative action was required to create an effective demand (paying customers) for the producer enterprises in the experiment. Nor was there yet a lead market in second-hand means of production, as enterprise directors were not yet permitted to sell off the state property entrusted to them. These limitations on the market in means of production, however, did not last long. In September came the "reforms."

Alexi Kosygin's sum-up of the experience of the Moscow Transport pilot plants has already been cited. These enterprises prospered, he said, when they "sold superfluous trucks and equipment and discontinued the employment of the superfluous personnel." The explicit

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right to sell off the means of production on their own judgement of what constitutes "surplus" equipment was granted to enterprise directors under the terms of the new Statute on the Socialist State Production Enterprises, approved by the USSR Council of Ministers that Oct. 4. The new law also provides that, "sums obtained from the sale of material values representing fixed assets will remain at the disposal of the enterprise and are to be used for capital investments in excess of the annual plan." (The statute is translated in *Problems of Economics*, January 1966, p. 11.)

Even more significant than putting funds at the disposition of the enterprise director was the provision of the "reform" which allowed enterprises to retain a substantial portion of the profits they generated. (In the past, virtually all profits, if any, had gone directly to the center.) In the first year of the "reforms" operation, enterprises retained 26%, on the average, of "their" profits; by 1968 this had risen to 33% and by 1969, 40%. (Drogichinsky, work cited above, p. 207.)

The largest and fastest-growing portion of these retained profits went into a "production development fund," earmarked for capital investment by the enterprise. On top of this, enterprises were allowed by statute to retain their own depreciation funds for "complete renewal of fixed assets" and to decide when existing equipment was "to be written off" and new equipment purchased. Finally, enterprises were given the right to borrow from the state bank to finance purchases of means of production.

In this way the enterprises, which had been financial "paupers" under the rules of the Soviet socialist period, became rapidly flush with liquid assets. Their treasuries swelled up particularly after the 1966-67 wholesale price "reform," which was undertaken -- along the lines laid out by Kosygin in his speech -- in order to allow every "normally functioning" enterprise to operate at a profit. And what a profit! By raising wholesale prices in all industry an average of 8% and prices in heavy industry (chiefly producing means of production) an average of 15%, the price "reform" raised average enterprise profitability to a rate of 20%, while several branches of

heavy industry, principally machine-building, established profit rates of over 40%. (L. Maizenberg, "Improvements in the Wholesale Price System," *Voprosy Ekonomiki*, 1970, No. 6, in *Problems of Economics*, Feb. 1971, p. 49.)

The resulting flood of revenues into enterprise funds, while somewhat short of realizing the "principle of total self-financing" that was said to be the goal, came fairly close. (N. Fedorenko, "On the Elaboration of a System of Optimal Functioning of the Socialist Economy," *Voprosy Ekonomiki*, 1972, No. 6, in *Problems of Economics*, Jan. 1973, p. 21.)

In 1969-70, some 80% of total capital investment within the USSR, presumably excluding the military sector, was classified as "centralized," 20% as "decentralized." The latter represents capital investments by enterprises outside the "plan" and derives entirely from the "own" funds. Of the so-called "centralized" investments -- i.e., investments that are classified as coming under the central "plan," despite the actual failure to work out the central plan before the period was over -- some 73.5% (or 58.8% of total USSR investment) also came from the enterprises' "own" funds.

Another 23.5% of the "centralized" investment (or 18.8% of total USSR investment) was centralized in the genuine sense, representing grants out of the national budget for the establishment of new industries (mainly automobile, aircraft and new branches of chemical industry) and the "development" of new regions (mainly the Far East and Siberia). The remaining 3% of the "centralized" investment (or 2.4% of the total investment) was in the form of long-term loans at interest by the state investment bank (Stroibank).

Thus, investment financed out of the enterprises' "own" funds amounted to 78.8% of total (nonmilitary) investment in the USSR. (I. Sher, "Long-Term Credit for Industry," *Voprosy Ekonomiki*, 1970, No. 6, in *Problems of Economics*, Dec. 1970, p. 46, and T. S. Khachaturov, "The Economic Reform and Efficiency of Investments," in *Soviet Economic Reform*. . . pp. 156, 164.)

No wonder, then, that one of the much-discussed consequences of the 1965 "reform" has been the failure of bank loans to grow beyond what the economist V. N.

Kulikov terms an "insignificant" role in capital investment. At the top of the list of generally known "basic reasons" for this situation Kulikov cites "the high profitability of the majority of existing enterprises which makes it possible to make capital investments from their own resources." ("Some Problems of Long-Term Crediting of Centralized Capital Investments," *Finansy SSR*, 1974, No. 5, *Problems of Economics*, Feb. 1975, p. 61) In the Soviet literature, incidentally, the word "own" in this context is not usually put in quotation marks.

The 1965 measures, in sum, wiped out the legal and financial barriers that had kept the emerging market in means of production underground during the Khrushchev years. The exchange of means of production as commodities -- hard to finance; illegal, but widespread, under Khrushchev -- became respectable, universal and amply supplied with liquidity. So well supplied, in fact, that 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 [the central commercial and central bank] for a certain interest fixed by the government." (Manevich, "Ways of Improving. . ." *Voprosy ekonomiki*, 1973, No. 12, *Problems of Economics*, June 1974, p. 11)

Within the enterprises, all power to dispose of enterprise funds is concentrated in the hands of the director. Except for moneys spent for "socio-cultural" purposes, where the trade union officials must be consulted, the enterprise director under the new law brooks no internal interference in decisions regarding how much to invest, when, where and for what. There is no pretense here at "workers' management" or "workers' coparticipation" in investment decisions, as in the Yugoslav and West German variants, respectively.

Evidently the "new economic system" has brought great changes in the role of enterprise directors. Gone is the enterprise director of the earlier period, who could neither fire the workers nor suppress their criticism; who risked jail or worse if the plan was not met. Gone is the mere "agent of the state" who could not "resell, pledge or allow to rot" the enterprise assets and who could lay hands on hardly more investment funds than could a church

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mouse. The old enterprise director was little more than the hired conductor of an orchestra.

Under Khrushchev, many of these people -- willingly or unwillingly -- turned into black-marketeers, embezzlers and other varieties of crooks. The circumstances left little alternative. But this was only a transitional stage in the process of metamorphosis. With the "reforms" of 1965 they emerged as enterprise directors of a new kind. They became not only dictators of the production process iron-fisted industrialists, but also managers of important sums of money, who have to have the eagle eye of investors to succeed.

What is the political-economic character of these directors? This may be seen by tracing briefly the cycle of their activity. The cycle begins with money, with a certain wage fund and a certain fund "for the development of production."

The director's activity starts with the purchase of the corresponding commodities -- labor power and means of production. His task then is to combine and to consume these elements of the production process in such a way that, with the sale of the product, the money spent at the outset comes back expanded and multiplied. How the directors arrange the production process to achieve this, some glimpses have been given in [part 17](#).

A director's task, in a word, is to make the elements of the production process function for him as the component parts of capital, as value that begets value. Should any portion of these elements fail to perform this role for him, the director as has been seen "sells the superfluous equipment and discontinues the employment of the superfluous personnel."

The greater profit of society, or even a steady high rate of profit such as might be assigned to a given enterprise under a social plan, do not interest this kind of director. As Kotov very justly observes, "enterprises are interested not in high profits in general but in increases in profits paid into their funds." ("Prices. . ." article quoted above, p. 60) Not just steady high profit, but ever more profit, unlimited profit -- and above all, profit for them. Then, with the enterprise funds once more replenished (the director personally of course receives a "share"), the cycle begins

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again.

In Khachaturov's words, "an enterprise itself has to decide what investments it is advisable to make for expanding and technically improving production. . . . Of all the alternatives, an enterprise will choose one that provides for the biggest rise in profitability." ("The Economic

Reform and Efficiency of Investments" in Soviet Economic Reform. . . , p. 156)

What is the political-economic character of the director of such an enterprise? Marx pinpointed it a century ago: "The expansion of value . . . becomes his subjective aim" and is "the sole motive of his operations." "The restless never-ending process of profit-making alone is what he aims at." He therefore "**functions as a capitalist**, that is, as **capital personified and endowed with consciousness and a will.**" (Capital 1, p. 152, emphasis added.)

The fact that the director is appointed and removed from above and occupies a definite slot in a bureaucracy does not alter the character of his function. He is a bureaucrat-capitalist, but he is put into his post in order to function as capitalist and, should he fail in this role, the bureaucracy relieves him of his duties. His capitalist side is the decisive, overriding element in his character, on which the other side depends. The proof of this lies not, however, in abstract reasoning, nor even merely in comparisons of the "new" Soviet director with his twins in Western state and private corporations; it lies rather in the shreds and tatters to which the Soviet directors, as capitalists, have reduced the power of the bureaucracy that is supposed to "harmonize" their strivings: the central planning machinery.

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19 Means of Production (II)

"The essence of the reform," writes prominent Soviet academician A. Rumyantsev, "consists in concentrating centralized planning on formulating the most general indicators of national economic development, extending the independence of enterprises, providing greater material stimuli to raising the efficiency of production and developing cost accounting." ("Management of the Soviet Economy Today: Basic Principles," in Soviet Economic Reform. . . , p. 16) Its essence, it might be said in other words, 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.

The new 1965 enterprise law, cited earlier, gives the Soviet enterprise directors (as well as directors of combinations of enterprises or "production associations") written protection against having their plan targets changed by superior authority. "Plan targets fixed for the enterprise," says the statute, "may be altered by the superior body only in exceptional cases. . . ."

The result of this provision is that "planning" not only begins when the enterprise director draws up the enterprise plan, it virtually ends there as well. Even if the

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central planners were able to perceive the "general interest of society" they could impose that

interest against the profit-maximizing plan of the enterprise only with difficulty, in exceptional cases. This is one basic reason why the 1966-70 plans drawn up by the enterprises and sent up to Gosplan (the central planning bureau) did not come back down again in the form of revised working programs for the enterprises, or even for the "ministries."

In the Soviet literature this is termed "planning from below," though this does not mean, to be sure, planning by the workers themselves. In any system where labor power is a commodity and where the workers do not hold state power, they cannot very well participate in any real sense in planning. It means "planning" by the enterprise directors, who are, technically speaking, "below" the central plan, as are the heads of the "production associations" and the heads of the new "ministries" -- "ministries" which themselves operate on the profit-maximizing principle, as will be seen later on.

Under this system, as the French socialist theoretician Charles Bettelheim rightly observes, the central "plan" ends up merely running alongside the path chosen by the enterprises and the combines in pursuit of their maximum profit. "In the extreme case," he writes, "the development of commodity relationships ends in the result that the 'planning' organs leave the enterprises 'free' (formally or actually, it matters little) to work out the main lines of their 'plans' by themselves. . . . In such a case, 'the commanding power of money' ('controle par la monnaie') achieves maximum development and the plan becomes no more than an 'accompagnement' ('accompagnateur') to the commodity relationships. It is this direction that has been taken in the Soviet Union since the reforms of 1965." (*Calcul économique et formes de propriété*, Paris 1970, p. 89) In other words, the plan follows where the profit-maximizing units lead.

A graphic illustration of what this means in everyday practice is supplied by a radical U.S. economist who traveled to the USSR in June 1974 as member of a delegation organized by the revisionist U.S. Communist Party. "In our discussions with enterprise managers," the visitor recounts, "two important features of the planning

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process came out. First, all plans originate at the enterprise level, and are then submitted to higher authorities for review. In no case were we told of an example where higher authorities altered the submitted plan in any important respect. Secondly, enterprises are allowed to keep one-third of their after-tax profits for reinvestment **outside the plan**; i.e., managers are free to invest profits in expanding capacity or buying up other plants in the same branch of industry . . . in any way that seems most profitable. Any productive capacity built or acquired then comes under the plan for production, but these plans again originate with the enterprise." ("Report of a Recent Visit to the USSR," in *Red Papers 7*, *How Capitalism Has Been Restored in the Soviet Union and What This Means for the World Struggle*, by Revolutionary Union, Chicago 1974, p. 141; emphasis in original)

This illustration shows the hollowness of the category of "centralized investments," which was mentioned earlier. For apart from the genuinely central investments undertaken by the state directly, out of its own funds, the bulk of "centralized" investments coming from enterprise funds are really nothing but their outside-of-plan investments of previous years. This year's out-of-plan, planless, profit-maximizing investment by the enterprise is merely renamed next year as "part of the plan" and hence "centralized." In this brilliant fashion even the most socialist public-spirited plan would become corrupted in a few years into a socially-worthless register of opportunism. As Stalin had occasion to say about similar "planning" proposals advanced by the right-opportunist wing of the party in 1929, it is "**not a five-year-plan but five-year rubbish.**" (*Works*, Vol. 12, p. 84; emphasis added.)

The actual planlessness in Soviet economy and, moreover, the use of "planning" by the biggest and most powerful enterprises and combines against the rest, shows up with particular clarity on the Soviet market in means of production. In any society, the manner in which the means of production are distributed both reflects and powerfully shapes the course of economic development. This is why in the Soviet socialist period, as Dobb rightly remarks, the

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planning of the distribution of means of production was given special attention, as it "forms the main artery on which all other branches of the plan depend." (Soviet Economic Development . . . , p. 368)

In the view of Pavel Bunich, a corresponding member of the Soviet Academy of Sciences, the 1965 "reform" is distinguished by its "uniformity" or "sameness of approach," under which, for example, all enterprises without distinction are granted "equal rights . . . to buy means of production by concluding detailed contracts with suppliers, at wholesale centers and in shops." ("Methods of Planning and Stimulation," in Soviet Economic Reform . . . , p. 36) What he means is that the sphere of "bourgeois right," which under socialism still operates in the distribution of articles of personal consumption (see [part 7](#) of this series), has been extended by the "reform" into the sphere of the distribution of means of production. He omits to mention that while enterprises may enter the market in means of production with equal rights, they do not do so with equal resources. Let us see.

"There is every reason to affirm," writes the economist V. Budagarin, "that the present market and the system of material-technical supply in the USSR are more extensively using the commodity-money mechanism in the circulation of means of production." Budagarin estimates that "the market in means of production" -- his term -- accounted in 1970 for about two-thirds of the nation's entire wholesale trade turnover (volume of sales). ("The Price Mechanism and Circulation of the Means of Production," *Ekonomicheskie nauki* 1971, No. 11, in *Problems of Economics*, July 1972, p. 78)

Huge as this market is, however, there is not room in it for "equal rights" in reality for all enterprises. Some are "more equal" than others. Budagarin continues: "At present the customer is not able to participate actively in the establishment of the upper price limit for new implements or objects of labor or to oppose the frequent striving to arbitrarily raise the prices for which the means of production are sold.

"The producer dictates the price, especially in establishing one-time and temporary prices on newly developed types of products, and **frequently uses the**

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existing shortage for a given group or type of resources to bring pressure to bear on the customer." (p. 83, emphasis added)

What Budagarin here describes is the elementary raw exercise of monopoly capitalist market power, such as can be observed as a characteristic feature of nearly any major wholesale industrial market in the West. (See e.g. John Blair's comprehensive study, *Economic Concentration*, New York 1972, Chs. 16-20) In view of this, Budagarin's remark that all these practices take place "on an indispensable planned basis" (p. 78) seems almost like an attempt at humor or else a mere formal bow to the ruling rhetoric. But, as will be seen, it is true in a perverse way: the "planners" step in and sanction these strong-arm market tactics with the "planned" label.

"A special place in the development of wholesale trade and in the application of the price mechanism," Budagarin elaborates, choosing his phrases carefully, "belongs to economic associations -- modern integrated enterprises that conform to the present dimensions of the market for the means of production. On the one hand, as large producers and as customers, these associations have a broader economic base for developing permanent direct relations and for exerting greater influence on the entire price formation process. On the other hand, they possess the economic conditions for influencing production through the system of contractual and economically substantiated accounting prices." (p. 81)

A closer look at these "economic associations" (they are the same as the "production associations," also called trusts and combines by more plainspoken Soviet writers) will be had further on. What distinguishes them here, gives them a special place, as Budagarin says, is their greater ability to set up direct relations with other enterprises or combines, their power to "influence the entire price formation process" and to "influence production" in society in general.

Thus the rule of "equal rights" on the marketplace for means of production leads directly to the conquest and occupation of a "special place" by the most giant profit-maximizing institutions, those whose size and diversity conforms, as Budagarin says, "to the present

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the conquest and occupation of a " special place" by the most giant profit-maximizing institutions, those whose size and diversity conforms, as Budagarin says, "to the present

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dimensions of the market for the means of production."

Further symptoms of the anarchic distribution of means of production -- distribution according to the dictates of increased profit for one or another enterprise or combine -- are touched on by the prominent revisionist ideologue N. Fedorenko. He invites Soviet economists to "elaborate concrete proposals on the further improvement of the entire system of the circulation of means of production in the national economy. Certain forms of the existing distribution of the means of production frequently lead to an artificial shortage and to the formation of excessive inventories in some sectors of the economy and shortages in others and do not serve to improve the quality of production." ("Current Tasks of Economic Science," *Voprosy ekonomiki*, 1974, No. 2, in *Problems of Economics*, Dec. 1974, p. 24)

The system of distributing means of production as commodities, in other words, brings with it also the fact that means of production are "allowed to rot" in the form of "excess inventories" that no one wants or can afford to purchase. At the same time, artificial scarcities are created, which producer enterprises, as was pointed out, exploit to dictate higher prices and bring pressure on customer enterprises. Both Budagarin and Fedorenko qualify these phenomena not as exceptional, but as "frequent."

"Our experience points to the existence of a dangerous trend toward arbitrary price rises," reports the economist L. Maizenberg. ("Improvements in the Wholesale Price System," *Voprosy ekonomiki*, 1970, No. 6, in *Problems of Economics*, Feb. 1971, p. 64 emphasis added.)

A stern lecture against enterprises that increase their profits "by arbitrarily jacking up prices on new equipment" is delivered also by economist M. Rubinshtein. He shows on the basis of comparative statistics that this tendency is a main cause of the "low rate of production of new items" in Soviet machine-building industry, a phenomenon much viewed-with-alarm in the Soviet literature. ("Scientific and Technical Progress and Planned Price Formation," *Dengi i kredit* 1972 No. 9, *Problems of Economics*, July 1973, p.

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22) He omits however to extend his comparison to Western countries, which would have shown him that resistance to technological modernization and low rate of introduction of new machine tools are standard features in branches of Western industry where monopoly is entrenched.

Progress-minded Western engineers, industrial consultants and economists have often remarked on the excessive age and backwardness of the existing stock of means of production in the United States. (See e.g. Blair's *Economic Concentration*, Chs. 9-10; Seymour Melman's *Pentagon Capitalism*, New York 1970 pp. 184-191; Baran and Sweezy, *Monopoly Capital*, New York 1966, pp. 93-97 and others. The phenomenon and its roots are already mentioned by Lenin in his [Imperialism](#), Ch. 8.)

As in the West so in the present-day USSR, the official ideology stands, of course, for rapid technological progress; but the actual economic relations, based on the production of means of production as commodities for monopoly-dominated markets, defy the ideology and dictate restriction of the development of the productive forces.

A most pathetic effort at proving the alleged plannedness of the Soviet market in means of production has been made recently by the head of the Department of New Planning Methods of Gosplan, Y. N. Drogichinsky. He is at great pains to prove that the bulk of Soviet trade in means of production is not "unrestricted free trade" because there is not (and, he emphasizes, will not be) "free choice of suppliers and customers."

He seems unaware that in the Western countries also, the actual "free choice of suppliers and customers" and "free trade" has long been restricted and is daily being more thoroughly stamped out by monopolistic corporations, precisely on the basis of the commodity-money relationship. The "independent" gas station owner, for example, hardly has a free choice of gasoline suppliers; and the so-called "free trade" has long ago ceased to prevail on the majority of industrial markets.

The Western antimonopoly literature is filled with accounts of exclusive dealing arrangements and the so-called "reciprocity ties" between major corporations in

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different branches, by which any "free choice" of suppliers and customers is excluded. In a 1965 survey by Fortune magazine, for example, it was found that all major U.S. heavy-industrial corporations, and 78% of all larger U.S. industrial corporations generally, had this sort of exclusive relationship with at least part of their suppliers or customers, usually with those of major importance to them. (Quoted in Fitch and Oppenheimer, "Who Rules the Corporations -- III" in Socialist Revolution, Nov.-Dec. 1970, p. 84; see also Blair's study, Ch. 14) The mere restriction or absence of "free trade" and "free choice of partners" is anything but a proof of socialist plannedness.

Drogichinsky's sole illustration of "planning" on the market in means of production, significantly, is drawn from the Soviet automobile industry, which -- being a brand-new industry with its starting capital supplied directly and wholly from the state budget -- occupies an exceptional position, like the artificially implanted new industrial centers in the Far East and Siberia. The whole "plannedness" of supplier-customer relations in Drogichinsky's illustration reduces itself to the profundity that the automobile combine is not "free" to buy rolled steel from, for example, the fishing industry or the vodka distillers, but must buy it from the steel combine. Even on this level, Drogichinsky's illustration shows, however, that the auto-steel supply "plan" is not confirmed until after the "plans" of the enterprises concerned have been taken into account -- meaning in this context, after the profit-maximizing aims of all sides have been built into the "plan."

Truly comical is Drogichinsky's attempt to assert general validity for this case. Some 70% of the market in means of production, he says, consists of "large lot wholesale trade conducted directly between supplier and customer." This trade, he straight-facedly asserts, "is based on the five-year plan for the production and delivery of products with an annual distribution of targets of the five-year plan." He then draws an elaborate flow chart with extensive supplementary explanations to show how the "new planning system" works. At the end, however, comes a bit of a letdown. The experience of the 1966-70

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plan period, it seems, unfortunately showed there were some "problems," such as -- **"the fact that there were no five year plans of ministries, associations and enterprises with targets broken down by year."** This is really picking up a rock to drop it on one's feet. ("On Wholesale Trade in the Means of Production," Voprosy ekonomiki, 1974, No. 4, in Problems of Economics, Oct. 1974, pp. 89-107, emphasis added.)

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20 Prices

When the Soviet central "planners" seek out the reasons for their inability to plan, they point the finger mainly at the instability of prices.

The prices which state enterprises charge one another, under the conditions of the "new economic system" established in 1965, change rather frequently. These are wholesale prices, and the changes may or may not directly affect the price level in retail trade. But whether they do so or not, the frequent wholesale price changes are an essentially "new" phenomenon in the Soviet economy -- a phenomenon which deals the mortal blow to the "planners'" efforts.

"There have also been price revisions in the past, even if they were considerably less frequent," writes V. Kotov, the deputy Gosplan chief, in an article quoted earlier. He refers here to the socialist period of Soviet economy. "But with the comprehensive centralization of management, less developed economic relations, stable prices and a formal attitude toward cost accounting, this problem [of price changes] was less urgent."

This is to say, during the period when there was real central planning and direction of the economy, when commodity-money relations were restricted and subor-

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inated to the political priorities of the proletarian dictatorship and when enterprises were not out for maximum profit for themselves, then prices were stable and rarely had to be changed.

It is different since the "reform," continues Kotov. "Now that more complicated management has been partially decentralized and the role of commodity-monetary relations (including their most important element, prices) has been elevated in the economic incentives, its importance [the importance of the problem of prices changes] has increased considerably."

And this is no wonder. Since the goal or "incentive" for each enterprise or combination of enterprises is to increase its profits, there is a built-in pressure in the system for each enterprise, to push up its selling prices and-or to push down the prices at which it buys from other enterprises. As buyers and sellers of commodities, the state enterprises stand toward each other like contestants in an economic tug of war. Those in a stronger position impose the price on the weaker; but the relative strengths of the combatants are constantly shifting, as the fluctuations in prices testify.

At the outset of the 1965 "reform," Kotov writes, it was envisioned that prices in

interenterprise trade would be revised about once every five years. Even this strikes Kotov as too frequent from the standpoint of the central "planners." But in practice, wholesale prices have been "officially" changed annually, and unofficially more often than that, Kotov among others points out.

What happens under such conditions to central "planning"? Kotov, says: "Plans are generally devised in current prices. With the introduction of new prices following the confirmation of the plan, **disparities develop between its targets for value indices and the prices that are actually in force. As a result an objective assessment of the fulfillment of the plan is impossible** and the level and effectiveness of planned management and economic incentive are lowered." ("Prices: The Instrument of National Economic Planning and the Basis-of the Value Indices of the Plan." Planovoe khoziaistvo, 1972, No. 9, in

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Problems of Economics, May 1973, p. 61, emphasis added.)

Another Soviet revisionist economist, the planning specialist I. Usatov, explains apologetically that "under present conditions, at a time when commodity-monetary relations and their most important attribute -- prices -- are being broadly used for the economic stimulation of rapidly growing production, the importance of their influence on the quality of the plan has increased substantially. **As a result of the practice of making partial changes in price -- a practice that has become established in the last few years -- higher-echelon economic organs could not correctly plan and exercise effective control over the fulfillment of plans** or make higher demands on their enterprises. . ." ("The Elaboration of Plans and the System of Prices," Ekonomicheskije nauki, 1972, No. 9, in Problems of Economics, March 1973, p. 54, emphasis added.)

In plainer words, in an economy where commodity money relations prevail between enterprises, central planning is impossible. Kotov says the same thing in different terms when he complains that the current Soviet central price-setting system "is virtually divorced from the planning of production." (same article, p. 65) His colleague A. Komin, who is deputy chairman of the state committee on prices, writes that "it is practically impossible to compile a five-year plan while simultaneously revising wholesale prices and accounting for changes in wholesale prices." For Komin and others, the problem is no longer how to set prices and to plan their evolution, but how to forecast them. ("Problems in the Methodology and Practice of Planned Price Formation," Planovoe khoziaistvo 1972 No. 9, Problems of Economics May 1973 p. 48)

The USSR possesses, of course, an extensive apparatus that is supposed to control prices of all types, including especially those current in trade between state enterprises. A closer look at the activity of these organs shows, however, that their effectiveness is hardly much higher than was that of the "Cost of Living Council" established under Nixon's New Economic Policy in 1971. All the big capitalist states of the 20th century have resorted at one time or another to price controls; but none have

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succeeded for very long in achieving their proclaimed objectives.

What are the Soviet price bodies doing about the instability of prices, a phenomenon whose very existence violates the principles of central planning and control?

In the first place, they are hard at work drawing up survey questionnaires, which they send

out to the state enterprises in order "to obtain average prices for supplies and items expended on the output of various branches," as the statistician Eidelman reports. In other words, the central bureaus concerned with prices are trying to find out what prices are actually in force throughout the economy. They do not know. Since 1959 (the year after Khrushchev eviscerated central planning) the central statistical bureaus have been sending out questionnaires at the end of each plan period, Eidelman reports, adding proudly that in 1972 for the first time all enterprises in some industrial branches (instead of merely a sample) will receive the questionnaires.

In this way the central statistical administration (where Eidelman holds the post of "chief of the administration of the balance of the national economy") hopes to **"elicit the most important interrelations and proportions in the national economy that determine the development of the economy** in the Ninth Five-Year plan and that hold great importance for economic analysis and planning." ("The New Ex-Post Interbranch Balance. . ." Vestnik statistiki, 1972, No. 6, in Problems of Economics, May 1973, p. 23)

Of course it would be unreasonable for the central planners to control or even to have current information about the prices and quantities sold of every last little item and service in every corner of so vast an economy as that of the USSR. But the ignorance of the Soviet "planners" is not confined to these marginal matters. The development not only of details, but - as Eidelman testified -- even of the main proportions in the whole economy proceeds independently of their will and prior knowledge. A necessary result, as will be seen in a moment, is that the main proportions develop "out of proportion."

How can the price-control bodies maintain the pretense that they are controlling prices when they do not even have

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enough current price information to determine the main lines of development? The answer is what the Soviet "planners" call the "normative method" of price-setting. As Komin (of the central price committee) explains, because of all the price changes "there is an annual increase in the volume of work involved in confirming prices." The central bureaus cannot keep up.

For this reason, Komin writes, "it is essential to incorporate extensively the normative method of establishing prices The essence of this method is the centralized confirmation of base prices and their norms, and markups or discounts by price formation organs and the establishment of concrete prices by enterprises or associations themselves." (article cited above, p. 47)

A "fine" method of price control, this! The central organs lay down the theoretical prices and establish prices in the abstract; but as for the concrete prices, the enterprises and combines establish them on their own. This method reduces the price "controllers" to the role of dispensing general formulas to guide enterprises and combines in figuring out how much they ought to be charging.

The content of these formulas, however, could not be more convenient from the viewpoint of the enterprises. For, as Komin explains, "socially necessary expenditures on production are the economic basis of prices in a socialist economy." In other words, "the real content of the process of bringing prices closer to socially necessary expenditures of labor is the coordination of prices with social production costs in money terms. For this reason, in practical terms the economic substantiation of prices amounts to the precise definition of the enterprise cost of production and of the magnitude of the surplus product (profit, turnover tax, rent)." (article cited, pp. 37, 39)

What Komin has actually defined here is nothing else than the elementary theory of prices in a capitalist economy, as set out by Marx in "Capital" and other works. It is the basic method by which capitalist enterprises seeking to maximize their profits establish their selling prices. There is not a shred of socialism in it.

The only modifications of this elementary capitalist

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method that have been introduced in the USSR are the monopoly-capitalist methods of setting prices on the basis of the production-cost-plus-profit of the least efficient enterprise in an industry and of raising prices of given commodities to the level of more costly substitutes. As Komin's colleague Kotov reports by way of example, "industry prices on oil and gas are set in order to raise the low prices on these products to the level of the high prices of coal." In addition, he writes, in some branches there is "the need to construct prices on the basis of 'marginal' enterprises and to charge differential rent." (article cited, pp. 52, 58) If these are socialist pricing principles, then General Motors, U.S. Steel and Exxon are also socialist enterprises.

The role of the Soviet price "control" bodies, in short, appears at least in part to be that of enforcing the capitalist monopoly prices prevailing in certain industries, especially in the raw materials extracting branches. That this is not entirely a coincidence may be seen from an observation by the economist Kuligin, who noted as early as 1969 that the price-control bodies were being infiltrated by those whom they were supposed to control. "With increasing frequency," Kuligin writes, "individual economic elements or their representative organs that have a direct interest in the price level are beginning to take part in work connected with centralized price formation." ("Improvement of Price Formation Under the Economic Reform," *Ekonomicheskie nauki*, 1969, No. 4, *Problems of Economics*, October 1969, p. 32) The foxes, in other words, are taking an ever greater part in running the chicken coop.

Kuligin warns that the continuation of this trend might lead to "Runaway prices," such as have been experienced (he says) in Poland, Czechoslovakia and the German Democratic Republic. He is naive, however, in his belief that the gradual takeover of the control apparatus by the controlees is an aberration in the "new system." The basic design of the 1965 "reforms," as will be shown, is to promote precisely such a takeover, and on the very largest scale.

The thing Kuligin is pointing to has of course its count-

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less parallels in U.S. monopoly capitalism today. The antimonopoly literature in the U.S. shows case after case where federal "regulatory agencies" are staffed by representatives of the industry they are supposed to regulate. The bourgeois state with all of its branches is nothing more than an instrument to serve the most powerful sections among the capitalists. It is no different in substance in the present-day USSR. To imagine that the Soviet central state apparatus today genuinely plans and controls the Soviet economy independently of and even against the enterprises and combines, is, as facts show, an erroneous notion.

Cyclical crises -- the capitalist pattern of "boom and bust" in the economy -- is a feature of revisionist rule in the Soviet Union now being hinted at by Soviet economists themselves.

After surveying the reasons for the absence of genuine planning behind the so-called Eighth Five-Year "Plan" (1966-70), deputy Gosplan chief Kotov makes the following glum observation regarding the ninth edition, which was projected on the basis of 1971 prices:

"Even the new prices will hardly retain their stability during the new five-year plan. As experience has shown, a broad price revision during the effective period of a five-year plan is not advisable, since it **causes changes in national economic proportions and norms**, disrupts the interrelationships and continuity of plans and makes the fulfillment difficult. In such a case, the five-year plan in terms of value indices essentially loses its meaning"

As Kotov had foreseen, a new across-the-board price revision was undertaken at the beginning of 1973, once again scrambling all the initial calculations.

Even more long-faced is Kotov's look into the slightly more distant future, and rightly so. For the "planners'" inability to control the main proportions and interrelations in the national economy as a whole signifies an unstable, unbalanced course of economic development. Kotov admits just that, though in a roundabout way, saying:

"Experience in the elaboration of the prospective development of the national economy until 1980, and of

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five-year plans in existing (at the time of their elaboration) prices, has shown that subsequent price revisions fail to maintain the continuity of long-range and current plans not only with respect to targets in terms of value indices but also with regard to **general value proportions.**" (p. 68, emphasis added)

This is to say, in so many words, that such basic economic properties as (for example) the ratio of the production of means of production to the production of consumer goods or the ratio of production of consumer goods to the effective demand for them, develop the Soviet economy in an erratic, unplanned, basically uncontrolled way. The development of imbalances in such general value proportions, however, is precisely the precipitating cause of general crises in any capitalist economy. The conclusion is inevitable that the pressures making for the alternation of boom and bust, of so-called "prosperity" and general depression, are built into the basic structure of the Soviet economy. It remains to be clearly seen to what extent the Soviet state, like its Western counterparts, is able temporarily to conceal, repress or shift abroad the effects of these underlying imbalances.

Soviet economists so far do not speak directly about the subject of economic cycles in the Soviet economy, any more than they openly refer to labor power as a commodity. The literature shows a great deal of guarded concern, however, about fluctuations in the Soviet economic growth rate, which the revisionists generally blame on the effects of the weather on the harvest.

There is a rash of articles also on the theme of economic "indeterminacy." The economists Babynin and Belousov, for example, explore methods of predicting the uncertain course of Soviet price trends. ("Forecasting Wholesale Prices," *Voprosy ekonomiki*, 1972, No. 4, in *Problems of Economics*, Sept. 1972) Komin says that "the problems of forecasting prices have not as yet been resolved in either theoretical or practical terms" -- a plaint in which the main body of Western bourgeois economists would join him. (article cited, p. 49) The mathematical economist Veger tries his hand at constructing a formula for predicting profit rates on the basis of unknown price trends ("Cal-

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culating Economic Effectiveness Under Conditions of Indeterminacy," *Voprosy ekonomiki*, 1972, No. 2, *Problems*, August 1972).

Academician Romyantsev, finally, observes, in true academic fashion, that "centralized planning in conditions of broad independence of enterprises is also faced with the need of elaborating methods of managing an economy marked by growing indeterminance, probability (stochastics) of its processes." ("Management of the Soviet Economy Today -- Basic Principles," in Soviet Economic Reform. . . . p. 32 .)

Indeterminacy, probability, stochastics -- these are all merely evasive ways of saying that present-day Soviet economy is characterized by the anarchy of production.

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21 Finance

Where are the commanding heights of the "new" Soviet economy? One thing should be plain from what has been said so far: To look for the top command post or even the key instrument of economic power in the Soviet central "planning" bureaus is to go on a wild goose chase.

The Soviet "planners" do not know what happened, what is happening or what will happen in Soviet economic development, and there is not very much they could do about it in any case.

To get a fuller picture of how the "new" Soviet economy is organized, it is necessary also to look more closely at the role played in it by the Soviet state bank.

In external appearances, the Soviet state banking system has changed little since the socialist period. Now as then, there is a single state-monopoly bank combining within its various departments most of the different banking functions that are usually kept at least formally separated in the West.

The nature of its operations, however -- particularly in relation to the industrial enterprises and combines -- has changed profoundly as a result of the 1965 "reform" measures. Kosygin explicitly touched on a key feature of this change when he called for restricting the system of making interest-free grants and expanding, in its place,

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the role of credit, i.e., of lending at interest. (See [part 16](#) of this series.) Prior to the "reform" it was the general rule that industrial enterprises received what they required in the way of short-term funds ("working capital") and long-term funds for the expansion of production ("investment capital") from the respective departments of the state bank on an interest-free,

nonrepayable basis.

This did not mean that the utopia of capitalist dreams had come about: an economy where the bank gives away free money. On the contrary. There was also the other side to it that any idle funds in the enterprise's account instantly came under the control of the bank, not of the enterprise; and, as was pointed out earlier, virtually 100% of all enterprise profits, if any, were directly centralized in the state. Thus the system of interest-free nonrepayable funding did not "profit" the enterprise (in the capitalist sense) one bit. Nor did Gosbank (the state bank; also the name for its short-term funding department) or Stroiobank (the long-term funding department) make a profit on their monetary operations.

Another aspect of the Soviet socialist banking system also essentially distinguished it from capitalist banking. This was that the Soviet state bank with all its departments was both legally and in practice subordinate to the central plan, which expressed the political-economic policy of the proletarian dictatorship led by the Bolshevik Party.

The bank served the central plan by allocating and transferring funds to, from and between enterprises as laid down in the plan, by keeping and balancing the national accounts and by running audits on how the enterprises were using the funds assigned to them. This is why the Soviet socialist state bank was frequently called a "post office" or "messenger service" for the plan.

Such a banking system clearly could not survive unaltered under the economic conditions created and consolidated by the 1965 measures.

In the first place, in the absence of a comprehensively worked out, directive central plan, the bank if unchanged would have floundered aimlessly.

In the second place, it would have been quickly stripped of all its funds had it continued to issue them without charge. For now that enterprises were allowed to retain a

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large portion of "their" profits and their directors had a personal incentive in profit-maximization, nothing could have been more idyllic from the enterprise directors' viewpoint than to get "free money" from the bank. It would have meant "free" and unlimited profits for as long as the giveaway lasted. The old economic quackery of a capitalist system with "free credit" (zero interest), advanced by Proudhon in Marx's day already, and as persistent in petty-bourgeois thought as crabgrass, would have been realized for the first -- and last -- time in history.

In short, once the funds left at the disposition of the enterprise acquired the social character of capital, the funds at the disposition of the bank likewise had to undergo this transformation. The conversion of socialist production units into capitalist enterprises was not possible without the transformation of the socialist state monopoly bank into a state capitalist monopoly bank.

Beginning with a nominal 2 to 3%, the basic interest rate in the USSR was raised after 1967 to a more nearly commercial 6%. A Western bourgeois observer of this development, a correspondent for the Financial Times of London, commented in 1971 that this was still relatively cheap, but that it "represents a great advance compared to the devastating interest-free credits or state budget financing of a few years ago." (A. H. Hermann, "East-West Finance," in *The Banker*, August 1971, p. 872.)

In harmony with these sentiments and to the applause of the Western capitalist banking

world, the Soviet economic literature has devoted extensive space to arguments that the interest rate should be raised even further. (e.g., I. Mamonovax, "The Interest Rate and its Differentiation," *Den'gi i kredit*, No. 3, 1972, in *Problems of Economics*, Nov. 1972; Iu. Shur, "Some Problems in Building Models of Interest," same source.) This may well have occurred.

The ideological acrobatics by which the Soviet revisionist economic "theorists" tried to reconcile the principle of a substantial interest charge with the principles of Marxism make a sometimes amusing but more often repulsive chapter in the Soviet economic debate, which would take too long to pursue in detail here. Apart from the rare strokes of brazenness, such as the

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ultrarevisionist Leontyev's out-front declaration that "a capital charge fixes the commodity nature of capital assets," -- and that this is "good" -- the discussion is marked by a general conspiracy of silence about the clear and thorough analysis of interest found in Marx's *Capital* (e.g., Vol. III, Chs. XXI-XXIV), as well as about Marx's explicit statement that "in the case of socialized production, the money-capital is eliminated." (Vol. II, p. 358.) (Leontyev quoted by Feiwel, book cited earlier, p. 223.)

Lacking this firm, materialistic foundation -- indeed, evading it like the plague -- the Soviet disputants only succeeded in entangling themselves in a Gordian knot of sophistries, which was cut, as in the related debate on profits, by the sword of a party decree. As the economist E. G. Efimova puts it:

"The proclamation of the principles of the economic reform by the September (1965) Plenum of the Central Committee of the CPSU put an end to the discussion of the expediency of introducing charges for productive capital. . . . The question is no longer whether the actual principle of charges corresponds to the principles of socialist management, but rather pertains to the eliciting of the specific economic content of the category of capital charges and, on this basis, to the elaboration of the procedure for determining the size of the charges and the rules for collecting them." ("On the Economic Content of Capital Charges," *Seriia obshchestvennykh nauk*, 1971, No. 1, in *Problems of Economics*, April 1972, p. 49.) In other words, the question is not whether money is to be converted into capital, but by what terminology this conversion is to be disguised and how high the rates should be. Discussion of basic principles is forbidden.

A knotty problem for Soviet ideologists has been how to define the economic relation between enterprises and the state.

In addition to paying interest charges to the state bank, enterprises pay so-called "capital charges" to the state budget. Originally the two types of payments were treated as having the same content; the distinction between

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interest and "capital charges" was treated as broadly identical with the distinction between interest on short-term and on long-term loans.

As the "reform" advanced, however, new long-term investments in expanding the capacity of existing enterprises virtually ceased to be financed out of the state budget. The material basis for the claim that "capital charges" were payments for borrowed capital evaporated away. Yet enterprises continue to be liable for the payment which is figured as the basic interest rate on their total "fixed" capital, adjusted for the rate of profit.

Much fruitless experimentation among the "theorists" for substitute labels resulted. The more logically consistent revisionists in the last few years have been proposing that this payment, together with all the various other miscellaneous and sundry state deductions from enterprise profits, be lumped together and collected under the single heading of: income tax. (E. Manevich, "Ways of Improving the Utilization of Manpower," *Voprosy ekonomiki*, 1973, No. 12, in *Problems of Economics*, June 1974, p. 11.) By what devices of sophistry this category is to be reconciled with the doctrine that the state owns the enterprises (how can it tax its own property?) remains to be seen.

The Soviet state bank, in sum, has been converted by the "reform" to operation on capitalist lines, particularly in its relations to the state industrial enterprises and combines. Since the bank now demands interest on its loans -- and this interest, of course, is nothing but a share of enterprise profit -- the bank's own profitability depends directly on the profitability of the enterprises. The bank becomes an auxiliary lever spurring on the enterprise director to greater efforts in extracting surplus value from the labor of the workers.

The spirit of this relationship was expressed rather plainly by M. Sveshnikov, the chairman of the Soviet state bank, in an article contributed to the London banking review, *The Banker*. "The bank is actively to promote the stepped-up growth of labor productivity," Sveshnikov

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writes. "When crediting enterprises and organizations, it is essential to have them improve capital efficiency, cut production costs, raise the profitability of production and eliminate operation at a loss." ("*USSR State Bank After 50 Years*," *The Banker*, December 1971, p. 1479.) These principles of banking policy could have been uttered just as well, knife in hand, by a Rockefeller or a Morgan.

It would be a serious misreading of the facts, however, to suppose that the Soviet state bank today, by virtue of its control of bank capital, exercises some sort of general dictatorship over the state industrial enterprises and combines. The image of the Soviet state capitalist bank as a giant octopus dominating the industrial scene, which is sometimes conjured up, is the product more of fantasy than of investigation. Altogether ludicrous is the view sometimes advanced that in this supposed dictatorship of the state bank over "industrial capital" lies one of the key parallels between the present-day organization of Soviet capitalism and the organization of capitalism during the Nazi period in Germany. These parallels are indeed striking, but they lie in the opposite of the relationship imagined.

The power of capitalist banks over capitalist industry varies, it is generally agreed, with the degree to which industrial enterprises are dependent on the banks as a source of capital. How great is this dependence in the USSR? As was already indicated (in [part 18](#) of this series) the established Soviet industrial enterprises and combines are very little dependent on bank credit, especially not bank credit for long-term capital investments, the sort which gives banks their greatest leverage.

Only 3.3% of total long-term investments in Soviet industry in 1972 were financed with bank credits, a percentage which Soviet economists themselves rightly regard as "insignificant." As for short term loans for "working capital" -- generally 30-day to 90-day loans to cover shipments, payrolls, inventories and the like -- the bank supplied in 1970 around 44% of industrial requirements, a not very imposing proportion. (V. N.

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Kukikov, "Some Problems of Long-Term Crediting. . .," *Finansy SSR*, 1974, No. 5, in

Problems of Economics, Feb. 1975, p. 61; Iu. Shur, "Some Problems in Building Models of Interest," Den'gi i kredit, No. 3, id ditto, Nov. 1972, p. 73.)

Thus the material basis for speaking of a "dictatorship of bank capital" over industrial enterprises in the USSR at the present time is hardly there, at least not in regard to enterprises extracting an average rate of profit from the workers. Even less are there grounds for speaking of any sort of state bank tyranny over the so-called production associations or combines. These are almost wholly self-financing. In addition to the writers already quoted earlier on this score, here is the economist Boris Gubin:

"Whatever the structure of industrial associations, the income they derive from the marketing of their products is sufficient, in most cases, not only to meet current production costs but also to meet the costs of research, design and other operations connected with technological progress. It also covers to a considerable extent the capital investments needed for expanding production. . . . In the associations, fullest expression is given to the principle of financial self-reliance as the basic principle of cost-accounting." (Raising the Efficiency of Socialist Management, Moscow, 1973, p. 105.)

Financial "self-reliance," of course, which sounds quite good in the abstract, means in this context that each combine makes such high profits from the exploitation of its workers that it is not dependent on the bank or the state budget for capital with which to expand the scope of its exploitation.

In no other major capitalist country today are industrial enterprises, including the biggest monopolies, as a rule so nondependent on bank capital for investment funds as in the USSR. In the U.S., for example, in recent years corporations have obtained roughly a third of their investment capital from banks, and this dependence is increasing, while in the Western European states dependency on banks is generally over 50%, and in Japan more than 70%. One has to go back in history to find a case

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of such extreme self-financing by industrial combines as is the general rule in the USSR today.

Precisely here, and not in some imaginary bank dictatorship, lies one of the parallels between the organization of capitalism in the USSR today and in Germany during the period of Nazi hegemony. Prior to the Nazi ascendancy, it is true, much of German industrial-monopoly capital had cause to complain of a crushing burden of debt to the banks; but the Nazi policy "solved" this problem. Through a series of political and economic measures the Nazi party engineered an increase in the rate of profits in monopolized industry to the point where the combines became emancipated from bank dependency.

In consequence, as Franz Neumann noted in his 1944 study of Nazi economic policy, German industry "is no longer indebted to banks." There has been "a victory of internal financing over the borrowing from banks," thereby establishing "the primacy of self-financing over borrowing." Neumann astutely observes that self-financing "robs the tax offices of taxes and makes a comprehensive investment control impossible." (Behemoth, the Structure and Practice of National Socialism, New York 1944, pp. 319, 318.) In this way, as Neumann points out, the big German banks themselves were saved from the ruin that awaited them in the event that the industrial combines, due to lack of sufficient profits, had gone into bankruptcy.

"Self-financing" under capitalism means that the big industrial combines are their own investment banks. Bank capital as such also flourishes; but banking plays the role of helper

and partner of the established combines, not their master. The material foundation of this financing system is a very high rate of industrial monopoly profit.

German industry in the pre-World War 2 period did not possess vast foreign investments from which to draw superprofits and avoid bank-dependency, or delay it. Neither, of course, did Soviet industry before 1965. The

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Nazi program, while aiming at war and the conquest of foreign wealth, had therefore initially to boost profits through mainly domestic measures. It granted, for example, huge tax concessions which allowed the big industrial combines to retain a larger proportion of their profits. It actively promoted the formation and consolidation of various forms of industrial monopoly associations (trusts, cartels, combines, holdings and the like), and assisted the bigger combines in swallowing up the smaller.

Most basic of all the Nazi measures, of course, was the violent denial of elementary democratic rights to the working class. Strikes were outlawed, as were all unions not controlled by the fascist state labor front. Open terror was used in an effort to smash all workers' resistance, all protest from any source or class whatever, especially if it had a Marxist-Leninist character. By such methods the big capitalist combines were made "self-financing."

One of the functions of the Soviet state bank, when it was a socialist bank serving a socialist economy, was to redistribute revenues from enterprises and branches running a profit to others engaged in socially necessary but unprofitable production. Under the "new economic system," the Soviet state bank helps to channel profits in just the opposite direction, from have-not enterprises to those that are well-endowed.

"During operation under the new conditions," writes Drogichinsky, "some enterprises, and at times even ministries, quite often raise the question that the production development fund, set up in accordance with the operating normatives, cannot be rationally utilized because an enterprise does not need it on such a scale." ("The Economic Reform in Action, in Soviet Economic Reform . . . , p. 218.) In other words, it is not merely that profits are quite high. In some enterprises and branches they are so high that there is a lack of opportunities to invest them according to the profit-maximizing rationale.

Of course there is no lack of opportunities in present-day Soviet society to expend funds on serving the people, for example by improving the miserable conditions in agriculture or reversing the decay of free public services,

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of which more later. But to place money in this way does not yield the enterprises any increase in their profits. By the logic of the system, such expenditures are "irrational."

Thus the economic pressures stemming from a superabundance of capital (relative to existing opportunities to invest at the going rate of profit or better), and hence the pressure to export capital abroad, are very much present in the "new" Soviet system. (See Lenin's [Imperialism, the Highest Stage of Capitalism](#), Peking ed., p. 73.)

At the same time there are other enterprises, as Drogichinsky goes on to note, which do not realize enough profits even to keep going at an adequate standard. Does the Soviet state bank in this case come to their assistance? Hardly. The economist Kulikov, in an article quoted

earlier, draws attention to the existence of "restrictions on granting credit to existing enterprises . . . that are relatively unprofitable." The bank specialist Shur says that relatively unprofitable enterprises are to be "reconstructed" so that they are able to pay interest to the bank; this usually means merging them with bigger enterprises. ("Financial Problems in Capital Construction," *Finansy SSR*, 1972, No. 2, in *Problems of Economics*, Oct. 1972, p. 75.)

The economist Pessel has praise for the "special procedure for granting loans to poorly functioning enterprises and the granting of loans on a preferential basis to well-functioning enterprises," but is still not satisfied with the results. "Poorly functioning enterprises should be placed under still tighter loan restrictions so that they will eliminate shortcomings in their work more promptly." ("Credit and its Development . . ." *Ekonomicheskije nauki*, 1972, No. 9, in *Problems of Economics*, March 1973, p. 90.)

These writers draw no distinction between enterprises that may be said to be functioning poorly due to managerial incompetence and those whose economic situation, no matter how well they are run, will not allow them to reach the standard of profitability. With the rare exception of enterprises that receive a state subsidy (fewer

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than 3% of total output is produced in this way, according to Maizenberg), the mere fact that an enterprise achieves substandard profit is sufficient to qualify it as "poorly functioning."

Such enterprises have a tougher time getting loans and must pay a higher rate; while the bigger and most profitable enterprises, who need bank credit the least, obtain it on a preferential basis. Thus the Soviet state bank, like every other capitalist bank, serves to "intensify and accelerate the process of concentration of capital," as Lenin pointed out in his "Imperialism" (p. 39), and Marx before him in *Capital* (Vol. III, p. 439). Take from the small and give to the big -- this is also the philosophy of Soviet banking.

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22 Trustification

Russian industry, even before the Bolshevik revolution, was the most highly concentrated in the world. "No other country," says Podkolzin, "had such a high percentage of workers employed at large industrial enterprises." (*A Short Economic History of the USSR*, Moscow 1968, p. 59.) This situation, created by and further contributing to the concentration of capital in Tsarist Russia, was undoubtedly one of the reasons why the Russian proletariat, despite the enormous backwardness in all other sectors of economic life, was able to play a vanguard

revolutionary role not only in reference to Russia, but also for the whole world. The concentration of workers speeds the development of class consciousness, facilitates organization and enhances the workers' power to act in their economic and political interests.

From the standpoint of the smaller capitalists, however, the concentration of capital is a constant threat. The complaints of little capital against big capital, of the petty bourgeoisie against the big bourgeoisie, of nonmonopoly against monopoly capital, are an enduring theme of this social order. With the all-round restoration of capitalism in the USSR in 1965, this theme has again emerged.

When the "reform" converted the directors of Soviet

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enterprises into full-fledged capitalists, it handed out "licenses to practice capitalism" to all directors alike, at least in theory. But enterprises are of different sizes.

So, for example, as Drogichinsky says, in Soviet industry as a whole more than 50% of the enterprises during the late 1960s were relatively small ones, each employing fewer than 200 workers. This means that more than half the enterprise directors became small capitalists. ("The Economic Reform in Action," in *Soviet Economic Reform*. . . , p. 219.)

The ground rules of the "reform" have been stacked from the very beginning against these small fry in favor of the biggest. Already the way in which the conversion to the "new system" was handled disadvantaged the petty bourgeoisie, for the biggest enterprises and combines were allowed to enter the new pastures first.

At the end of 1967, as Drogichinsky recounts, some 7200 of the USSR's biggest, most productive and most profitable enterprises were operating in the "new way." The next year a batch of 19,650 enterprises were "transferred to the new system," whose total output and profits as a group was somewhat smaller than the total output and profits of the first 7200 taken together. During the following year, 1969, came another batch of 9000 enterprises, whose output as a group totalled less than a third, and profits less than a fourth of the first group of 7200. The number transferred last, in 1970, was probably no less than 10,000 -- Drogichinsky, interestingly enough, does not give a precise figure -- but these, altogether, accounted for an insignificant share of total industrial output and profit. (Same source, pp. 197, 200, 202.)

By the time they arrived at the new economic trough, in other words, the medium and smaller enterprises found the big hogs already there, gorging themselves, and had to make do with the leftovers.

It is no wonder therefore that they have problems surviving, as Drogichinsky admits. (Same source, p. 217.) While he and other writers prefer to paint these difficulties in terms of physical production process -- larger production units work more efficiently, and similar arguments -- it is nevertheless amply clear that the real source of their

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problems is the small size of their capital. Thus Drogichinsky concedes, straightforwardly:

"Small enterprises are faced with difficulties. Since their economic stimulation funds are not big, they are not always able to build cultural and service establishments and houses and also to undertake measures for the development of production because the size of the funds does

not allow them to do this in one or two years; they have to accumulate resources over a number of years, with the result that at times the contemplated measures lose their meaning." (p. 217.)

That is to say, the workers in small enterprises tend to get even worse housing, fewer services and less access to culture than the workers in the bigger plants. As for the capitalists, they are out of luck and all their dreams to scrimp and save their capital and become big fish someday "lose their meaning." What Drogichinsky describes in his guarded phrases is the substratum of sweatshops and other small businesses that exists alongside and beneath the monopolies in all present-day capitalist countries.

According to the official Soviet ideology it is not possible for a "socialist state enterprise" to go bankrupt. In practice, however, it is otherwise. The new 1965 law on the enterprises, cited earlier, declares that enterprises which cannot pay their debts (to other enterprises or to the bank) may not look to the state to bail them out:

"The state is not responsible for the obligations of the enterprise, and the enterprise is not responsible for the obligations of the state." (para. 9.)

This sounds like a divorce decree, and is difficult to reconcile with the doctrine that the state is the owner of the enterprises. However that may be, enterprises that get into trouble are on their own. The law provides procedures for their merger into other enterprises, or that failing their liquidation. In the latter case, all creditors must be duly notified and "claims against the enterprise being liquidated will be met from its property on which, by law, execution may be levied." (Para. 110.) The official ideology notwithstanding, this procedure bears a striking resemblance to capitalist bankruptcy.

The available Soviet sources do not volunteer any clear

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data on the total number of enterprises existing prior to the 1965 measures and in the years afterwards. It is thus not possible to determine how many of the smaller production units converted into capitalist enterprises by the "reform" have meanwhile been liquidated. The number is probably in the many thousands.

In no other capitalist country today is there so much open promotion and protection of monopoly in all its forms as in the USSR since 1965.

In all capitalist countries, to be sure, monopoly capital in one or another form dominates. The extent to which this is publicly and officially acknowledged varies from country to country, as does the particular form monopoly capitalism assumes. Everywhere in the West currently, however, there is at least the pretense that monopolization (or certain forms of it) is illegal and will be punished and there is the fiction that the state bureaucracy, for example through regulatory agencies, forms a countervailing power to monopoly capital. One has to go back a bit in history to locate a country where monopoly capitalism enjoys such direct, absolute and unbridled power as in the current USSR.

The two key features of the 1965 "reforms" in this regard are the formation of "production associations" and, secondly, the reestablishment of the central industrial branch "ministries" -- but on a profit-maximizing basis. In addition to what has been said in passing about these developments earlier, the following must now be added.

Formation of the "new"-style "production associations" in the USSR began on an

experimental basis in the Ukraine (Khrushchev's base) in 1961. The speed with which they developed may be gauged from the fact that by 1970, there were some 1400 of these associations in operation, incorporating more than 14,000 industrial enterprises.

A landmark decree of April 1973 made it compulsory for every enterprise to join. A total of around 5000 "production associations" of different types now exist. (Gubin, "Raising the Efficiency . . ." p. 86.)

The Soviet economist Boris Gubin describes the main types of "associations" in these words:

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"Soviet associations of the 'trust' type incorporate, as a rule, enterprises manufacturing products of the same kind and having a managerial apparatus isolated from enterprises. . . . Within the framework of a 'trust' type association, a number of modifications are possible in the composition of enterprises, their territorial distribution and organization. Despite the differences in the level of centralization of production and management, the principle on which associations of the 'trust' type are based is the same.

Associations of the 'combine' type incorporate enterprises connected by the sequence of operations in processing raw materials and manufacturing products. In contrast to them, an association of the 'firm' type incorporates, as a rule, enterprises of one industry connected by relations of cooperation in manufacturing products of the same kind. Within a firm, the managerial apparatus of the biggest central enterprise manages the operation of the association as a whole. . . .

"In addition to several basic types of industrial associations, agrarian-industrial, scientific-industrial and industrial-commercial complexes are being set up in the Soviet national economy." (Gubin, p. 90.)

The setting up of these amalgamations, it must be emphasized, in no way touched on the capitalist character of the production relations. As before, workers are hired and fired, means of production bought and sold and the exploitation of the workers' labor continues with the maximization of profits as aim. What the trusts, combines and firms achieve merely is the concentration and centralization of capital, the reproduction of capitalist relationships on a bigger scale.

In almost every case, as the Soviet writers readily concede, an enterprise coming into one or another type of combine thereby sacrifices some of its real independence of action. The degree to which it does so may vary from case to case. The individual enterprise director may lose control over the marketing of output or supply of raw materials to the headquarters of the trust, but may retain leeway to a certain extent over investment decisions. In many cases, however, the individual enterprise director's

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post is abolished altogether, along with the managerial and office staff. In this case the formerly autonomous capitalist enterprise becomes a mere branch plant, and the director is reduced to mere hired manager or superintendent. The office workers are thrown on the street. Among several examples, Gubin cites as praiseworthy the following:

"Great savings were effected by the organization of associations in the oil-refining industry. As a result of setting up the 'Kuibyshevneft' association, the managerial offices of seven oil-

drilling enterprises, 11 oil-fields and 51 oil-producing and drilling sections were abolished. This enabled the release of over 1000 workers and a saving of 1.3 million rubles in the annual labor remuneration fund." (p. 108.)

Even in cases where enterprises retain a certain measure of autonomy within their "association," however, the headquarters of the trust appropriates a portion of their profits and depreciation funds which otherwise would remain at the disposition of the enterprise director. In all cases the "association" heads dispose of central funds. (Gubin, p. 104.) "Association" membership by no means guarantees a given enterprise against liquidation. Just as the bank does, Kulikov points out, the trust headquarters frequently use their centralized funds to favor the most profitable enterprises. ("Some Problems of Long-Term Crediting. . ." p. 61.)

All powers and resources lost by the directors of member enterprises are taken over, as Gubin points out, by the headquarters of the trust, combine or "firm." Typically this headquarters is the previously most powerful single firm in the industry or territory. Powers and resources of the smaller and medium capitalists -- even of some quite big ones -- become concentrated in the hands of the biggest in the given field.

In itself this sort of thing is not exceptional in current capitalist practice. In the U.S., for example, virtually the whole of the steel industry has long been controlled by the biggest firm, U.S. Steel, which thus heads up the informal steel trust. (See e.g. Blari, Economic Concentration, pp. 500-505.) General Motors in a similar way heads up the de

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facto automobile trust, and Exxon the well-organized oil cartel. In most Western European countries and Japan there are similar, usually less hidden arrangements.

In no other capitalist country, however, are all enterprises in a given industry compelled by law to join the trust or cartel; and nowhere else are they required by law to follow the orders of its dominant "leadership." The maverick steel enterprise in the U.S., for example, which dares to disobey U.S. Steel's "leadership" has every legal right to try it.

Not so in the organization of Soviet capitalism. Once it enters a production association -- and since 1973, as already pointed out, all enterprises have been compelled to do so -- it becomes formally (legally) subordinate to the head enterprise and loses all legal autonomy. In practice, as Drogichinsky points out, individual enterprises frequently retain considerable de facto rights and functions, but being "formally deprived of legal autonomy" they exercise their freedom of action only on the tolerance of the trust or combine. ("On Wholesale Trade . . ." Voprosy ekonomiki, 1974, No. 4, in Problems of Economics, Oct. 1974, p. 107.)

In the Soviet Union today monopoly cartels -- run on the basis of profits in command -- both directly dominate the state and legally force smaller enterprises into their combines.

What is the precedent for this practice? While it is certainly part of the bourgeoisie's economic arsenal in all countries, it is not applied at all times and places.

One has to go back more than 40 years in the history of capitalism to find cases where, in similar fashion, membership in cartels is made legally compulsory and where the biggest enterprises enjoy legal authority to buttress their economic power over the others in the "group." Japan in April 1931, Italy in June 1932 and Germany in July 1933 passed similar compulsory cartellization decrees. Franz Neumann comments on the purpose of the German measures:

"The compulsory-cartellization decree is again primarily directed against the small and medium-scale businessmen, who are often reluctant voluntarily to join

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the cartel and thus are now completely subordinated to the demands of the powerful concerns." (Behemoth, p. 266.) Another antifascist writer adds that the compulsory decree, along with the network of controls necessary to enforce it, served "to enhance the power of the great combines by rounding out and supplementing the controls which they require for the full instrumentation of their monopolistic interests." (Brady, Business as a System of Power, New York 1943, p. 43.)

Nazi Germany too, of course, had "price controls." They were based on the principle, however, as Neumann records, that "price agreements must secure sufficient profits to economically necessary plants." (p. 307.) Doesn't this sound familiar? Kosygin also said: "Prices must . . . secure a profit for each normally functioning enterprise." Moreover, there is the same recognition of the "differential profit inherent in every cartel structure, the so-called cartel rent," (Neumann, p. 307) or, in deputy Gosplan chief Kotov's words, "the need to construct prices on the basis of 'marginal' enterprises and to charge differential rent." ("Prices . . ." p. 58.) This system is a source of enormous superprofits for the biggest and most powerful firms.

The formation of the Soviet "production associations" meant the organization of trusts and other capitalist amalgamations in different regions and parts of industrial branches. With the formation of the Kuibyshevneft oil combine, for example, the formerly separate oil enterprises in the Kuibyshev area were formed into a single profit-maximizing monopoly. But there is still the Grozneft association, which groups the oil enterprises in the Grozny region, the Tatneft combine, the Bashneft and others. With the amalgamation of all oil combines all over the country into a single USSR capitalist oil trust we arrive at the real economic content of the central industrial "ministries" which were "restored" by the measures of 1965.

These ministries, it will be recalled ([part 13](#)), were abolished by Khrushchev; and this act was one of the main

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issues which brought about the June 1957 showdown between his Politburo minority and the majority. (See [part 11](#).) The 1965 decision to set up central ministries again, announced by Kosygin, thus appeared to superficial observers as a "concession to Stalinism" or even a partial return to socialist planning. Nothing could be further from the truth.

Kosygin himself was fairly explicit, once his phrases are decoded. "It may seem at first glance," he said in his 1965 speech, "that a mere return to the former ministries is being suggested. To think so, however, means to disregard a number of new factors and to make a mistake. The new ministries will work in entirely different conditions, under which the functions of the administrative management of industry are combined with a considerably greater application of cost-accounting methods and economic incentives, and the economic rights and initiative of enterprises are substantially extended. Within industries a network of cost-accounting amalgamations is being set up and they will exercise direct management of their respective enterprises. . . . The ministries will rely in their work on the cost-accounting amalgamations, handing over many operative functions to them. Moreover, within ministries . . . many of their central administrations must also operate on the principle of cost-accounting. The ministries will concentrate on the main trends of the progressive development of their respective branches."

The phrase "cost-accounting amalgamations" here means profit-maximizing trusts or combines; and the "entirely different conditions" under which the new "ministries" are to work are the conditions of capitalism. To these trusts and combines, the "ministries" are to hand over "many operative functions," and furthermore, ultimately the "ministries" themselves must operate on the profit-maximizing basis, i.e., become converted into capitalist trusts.

What these phrases express, in other words is the principle of the direct takeover of the state of its political-administrative organs, by the biggest capitalist amalgamations. It is what Franz Neumann, in reference to

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the prevalent trend in Germany during the 1930s, called "the delivery of the political organs to the cartels." ("Behemoth," p. 270.)

The Soviet economists themselves clearly express the capitalist character of these so-called ministries, though of course they do not use that term. L. M. Gatovsky, for example, in pointing to the importance of factors such as "the increase in the mass of profit, the level of profitability" in making investment decisions, observes that "it is natural that ministries, too, have to consider this circumstance in determining investments in new equipment. This factor becomes particularly important with the transfer of the central boards of ministries to cost accounting, their conversion into big-cost-accounting organizations." ("The Economic Reform and the Stimulation of Technological Progress," in *Soviet Economic Reform*. . . , p. 173.)

Komin, the deputy price chief, declares that "in the practice of price formation, one of the most urgent problems is the problem of profitability. While in the past the profitability index was viewed only from the standpoint of the enterprise, . . . at the present time the profitability index interests associations and ministries . . . the extension of this principle to all ministries will require an increase in profitability norms and will lead to a rise in the level of wholesale prices in industry." ("Problems . . . ," p. 41.)

Gubin gives a graphic example of illustrating the "effectiveness" of the new principles for the running of ministries in the case of the Ministry of Machine-Tool and Instrument-Making, one of the first to be reconstructed. "During the 1969-70 period alone, the ministry released more than 12,000 employees from the managerial apparatus and curtailed annual managerial expenditure by 24.5 million rubles." Profits rose. (*Raising the Efficiency* . . . , p. 107.)

Here are two examples from light industry working directly for the consumer market. In this branch, the "ministries" are organized on a republic basis, i.e., each of the "federated republics" of the USSR has its own:

"The Ministry of the Meat and Dairy Industry of the

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Tadjik SSR [a national minority area], in the quest for high profits for its enterprises, in 1970 and 1971 reduced the production of inexpensive products that were in stable demand among the population and unjustifiably increased the production of more expensive products. As a result, the enterprises of this ministry obtained millions of rubles of profit in excess of the plan." (Starostin and Emdin, "The Five-Year Plan and the Soviet Way of Life," *Planovoe khoziaistvo*, 1972, No. 6, *Problems of Economics*, Feb. 1973.)

The behavior of the "Ministry" of Light Industry in the Russian SFSR (Soviet Socialist Federated Republic), the biggest, is guided by the same principles, as another writer testifies:

"Another factor frequently underlying the nonfulfillment of orders submitted by trade is the low level of wholesale prices on ordered items, which does not provide industrial enterprises with the necessary profit. In such cases, industrial enterprises try to curtail the production of relatively unprofitable and especially totally unprofitable items despite the fact that they enjoy high consumer demand. For example, enterprises in RSFSR light industry satisfied only 70% of orders submitted by trade for jackets made from a certain fabric for the second half of 1971, whereas it offered a quantity 2.3-fold greater than demanded of men's raincoats of the same fabric, an item enjoying limited demand." ("Economic Incentives for Meeting Consumer Demand," *Voprosy ekonomiki*, 1972, No. 4, in *Problems of Economics*, Oct. 1972.)

It would be possible to multiply such quotations and illustrations. These so-called ministries represent nothing more than the concentration of capital and consolidation of capitalist monopoly, on a higher and bigger scale.

This development goes far beyond the gradual infiltration of state agencies by enterprises and combines, which the Soviet economist Maizenberg, quoted earlier, naively observed in 1969. (See [part 21](#).) It is the outright, complete, direct and official seizure of the state management bodies by the capitalist monopolies, the reconstruction of the state bureaucracies on monopoly capitalist lines.

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The 1965 restoration of ministries, therefore, was anything but a step toward closer state "regulation" of capitalism, such as is dreamt of by "liberal" bourgeois thought. It was the realization, rather, of the most reactionary capitalist design, implemented by the bourgeoisie usually only in times of the most dire historical emergency, when its very survival is at stake: the direct and open regulation of the state by the most powerful monopoly capitalist combines.

In every capitalist country at the present moment, of course, the state as a whole, and all of its parts, is the instrument of the monopoly capitalist class. All of its economic-regulatory bodies ultimately serve the very "special interests" they are supposed to control. They are either infiltrated, corrupted and bribed, or else their powers are restricted and their budgets reduced. (See e.g., Blair, pp. 372-402.)

In this way the monopolistic interests either bend them to their will or render them ornamental. It is ludicrous to expect any organs of the bourgeois state to act otherwise. In bourgeois-democratic states, however, the rule of the monopolies is exercised indirectly, and a facade of impartiality is kept up. The monopolies use the state, they use the law; in the fascist and current Soviet setups, they are the law, they are the state.

Take the chairman of the US Steel Corp. and appoint him minister of ferrous metallurgy, with full power to run the iron and steel industry; take the chairmen of Con Edison, Pacific Gas & Electric and the two or three other biggest power monopolies and make them the governing board of the ministry of power; give the chairman of Exxon the title of minister of petroleum, petrochemicals, coal and atomic power with statutory authority to fix prices, set quotas, assign markets and the like -- and there you have the political-economic organization not only of fascism but also of the present-day Soviet economy.

"The complete subjugation of the state by the industrial rulers," says Neumann, "could only be carried out in a political organization in which there was no control from below, which lacked autonomous mass organizations and freedom of criticism. It was one of the functions of National

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Socialism to suppress and eliminate political and economic liberty by means of the new auxiliary guarantees of property, by the command, by the administrative act, thus forcing the whole economic activity of Germany into the network of industrial combinations run by the industrial magnates." (p. 261.)

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23 Who Benefits?

Who benefits from this "new economic system?" In view of all that has been said, the answer will not be surprising. The "new" setup is not, and cannot be, anything other than a gigantic machinery for generating extremes of wealth on the one side, in the hands of the few, and extremes of poverty on the other side, among the many.

In a "testament" written shortly before his death and published abroad afterward, the prominent Soviet revisionist academician E. Varga deplored "the contrast between the excessive material well-being of the ruling aristocracy and the extremely low wages of the majority of the workers, employes and collective farmers." He sermonized the "bureaucratic aristocracy" for its "arrogance" and its "conceit," which drive it to "sell off [the French is 'brader' -- literally, to hold a garage or sidewalk sale] and to appropriate for themselves the property of the state, to satisfy unbridled passions which sometimes lead them to crime. . . ."

At the same time Varga observed that "the precarious material situation of the workers . . . results in all kinds of reprehensible phenomena: drunkenness, ill-treatment of spouses and children, domestic quarrels, the refusal to

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work, delinquency and sometimes crimes of desperation." (Le Monde, 12-13, September 1971, quoted in "Sur la restauration du capitalisme en USSR" by Andre Pommier in Communisme, Paris, September-October 1974, pp. 56, 77.)

For this revisionist, who on his deathbed is seized by moral scruples, the working class exists only in the role of victim of the system. He does not see their resistance, their fighting spirit, the numerous strikes and other acts of rebellion. Thus he paints an image of the USSR that recalls the bourgeois novelists' depictions of Old Russia, Russia under the Tsars, with the unbridled greed and limitless corruption of the big officials at the top and a vast panorama of suffering, frustration and desperation below. Precisely in this parallel, however, lies the core of truth in Varga's deathbed confession.

"There are in the USSR about 13,000 millionaires, i.e., top bosses whose bank accounts amount to seven digit sums," according to an estimate, necessarily imprecise, by Roy Medvedev, one of the more prominent members of the petty-bourgeois "dissenter" circles, whose frustrations take a sometimes "left" form, but more frequently an arch-reactionary form as in the case of Solzhenitsyn. (Quoted by Zev Katz, "Insights From Emigres and Sociological Studies on the Soviet Economy," in Soviet Economic Prospects for the Seventies, Joint Economic Committee of the Congress of the United States)

Is the gap between the rich and the poor in the Soviet Union today growing, as it is in other capitalist countries, or is it being restricted, as it is in socialist countries?

On the basis of a study of Soviet sociological surveys as well as interviews with Soviet emigres, the U.S. bourgeois sociologist Katz arrives at the following summary:

"The Brezhnev-Kosygin administration . . . provides various high-cost material incentives to those who can afford them (or gain access to them): private cars, imported goods, tourist trips abroad, luxurious entertainment facilities at home, condominium (cooperative) flats, high-cost modern services (restaurants, hotels). Available now only to a small minority, such items become a mark of status, a Soviet equivalent of conspicuous

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consumption. . . . Some measures such as the economic reform, incentives for technological progress, the campaign for improved business management, the creation of trusts and firms, as well as the 'Shchekino experiment,' the new policies in regard to agriculture, apparently reinforce income differential, benefiting first and foremost those who already have high incomes and better work conditions." (Katz, article cited, p. 112.)

A prejudiced assessment perhaps, by a source with an obvious axe to grind? Perhaps. But the Soviet economists themselves -- to be sure, in more cautious language -- but tress and confirm this conclusion on every point. Despite official claims of a "progressive equalization" the evidence points plainly and overwhelmingly to the rise and the sharpening of polarization between wealth and poverty.

Take, for example, the matter of conspicuous consumption -- sheer waste by the rich -- which the economist Thorstein Veblen, decades ago, satirized as a trait of nouveaux riches. The whole of the Soviet bourgeoisie, as a class, is of course of this kind. In this regard, the Soviet economist N. Buzliakov writes:

"At the present time, families with maximum per capita incomes are consuming certain types of food and nonfood commodities at a level recommended by rational norms or at an even higher level. There is no doubt . . . that with a further rise in incomes, the consumption of such families will grow quantitatively and qualitatively in the next 15 years, and with respect to a number of goods and services will significantly exceed the rational norms. In such a case can there be a discussion of 'irrational consumption'?" ("Rational Long-Range Income and Consumption Norms," Planovoe khoziaistvo, 1974, No. 6, in Problems of Economics, November 1974, p. 84.)

It is difficult to say which is more striking in this testimony: the coy inquiry whether or to what extent the hoggish living of the rich may be discussed in legal publications or the admission that consumption of food and nonfood commodities "at a level recommended by rational norms" is possible in the present-day USSR only for "families with maximum per capita incomes." The rest

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evidently are restricted to consumption at sub-"rational" levels.

The growing extremes of poverty and wealth make a touchy subject for the Soviet revisionist writers, for obvious reasons. Like unemployment and anarchy of production, this is not supposed to exist, and therefore cannot be legally discussed in a direct, straightforward way. At the same time, however, the practical work of certain institutions cannot proceed unless the existence of this reality is recognized and taken into account. This is the case in particular with the management of the quantity and speed of monetary circulation in the national economy, which in the USSR as in the Western countries is a responsibility of the state bank. Poor people spend money as quickly as they get it; they have no choice. The wealthier strata tend to spend only part of their income immediately and to put the rest in the bank as savings to be spent later. The speed of monetary circulation is slower in their case than with the poor. Thus, in any economy where the polarization of incomes reaches any considerable extent, the banking authorities charged with management of the quantity of money in circulation must take this fact into account, no matter what the official ideology may say.

And in fact this is what the Soviet money managers have had to begin doing. As early as 1964, a number of articles appeared stressing the need to know the differentiation of incomes in order to carry out central bank functions. (For example: O. Rogova, "The Effect of the Level and Differentiation of the Population's Incomes on Money Circulation," *Dengi i kredit*, 1964, No. 11, in *Problems of Economics*, May 1965; A. Remmenik, "The Material Conditions of Family Life," *Ekonomicheskie nauki*, 1964, No. 5, in the same; and others.)

Upon full implementation of the "reform," the problem became more urgent. Thus, in a list of "improvements" called for in the "planning" system, the economists P. Koylov and M. Chistiakov write: "Up until recently, the living standard was planned for two basic groups: for workers, employees and collective farmers. Today it is also necessary to calculate the rise in the standard of living for population groups with different income levels."

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("Problems in Improving the Methods of National Economic Planning," *Planovoe khoziaistvo*, 1972, No. 1, in *Problems of Economics*, Aug. 1972, p. 33.) This is a cautious admission, or pale reflection, of the increasing polarization of incomes, a necessary consequence of the restoration of capitalism.

Here is a direct admission -- though from an oblique angle -- of the widening gap between the higher and lower classes: "The analysis showed that in population groups that differ in terms of income level, the savings norms (vis-a-vis income) are not uniform. As a rule this norm is more important in the more affluent population groups. **Analysis of trends in the development of Soviet economy indicates a gradual change in the character of the differentiation of the population with respect to income level. Inevitably there is a rise in the share of those groups that have relatively high incomes. At the same time there is a reduction in the share of families for which a comparatively low savings norm is characteristic.**" (T. Ivensen, "Problems in Forecasting the Monetary Savings of the Population," *Ekonomicheskie nauki*, 1973, No. 11, in *Problems of Economics*, June 1974, p. 66, emphasis added.)

In other words, inequality is growing; rich and poor have emerged and the rich are becoming richer and the poor poorer.

Here are some supplementary facts about the economic situation of Soviet workers, compiled from Soviet sources by a recent issue of Peking Review:

"The revisionist chieftains and their journals have to admit that there are a considerable number of 'families in economic difficulties' in the Soviet Union today. The Soviet journal Socialist Labor interprets the term 'families in economic difficulties' as those whose per capita incomes are below the level required to 'ensure the minimum standard of living.' These 'families in economic difficulties' 'involved 25 million people,' Tass disclosed last November. It can be assumed that the figure is greatly watered down and that, in fact, the situation is far more serious. Soviet press reports estimate that such families make up some one-fifth of the urban population. The

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standard of living of a large number of 'collective farm' members is far below that of low income urban workers and staff. . . .

"Inflation and soaring prices have brought more difficulties to working people in the lower income category. According to the obviously understated figures in the yearbooks of Soviet national economic statistics, state retail prices of meat and poultry rose 29% in the 1960-73 period, animal oils 28% and vegetables 23%. In this period, the retail price of flour went up 48% in Moscow's state-run shops, beef 33% and cabbage 66%. There are also concealed increases in prices of many goods. . . .

"Prices on the free market rocketed even faster. Free market retail food prices were 35% higher than in the state-run market in 1960 and 63% higher in 1972.

"Living standards among the non-Russian working people in the Soviet Union are still lower owing to the Great-Russian chauvinist policy of national oppression pursued by the Soviet revisionist renegade clique. [The publication titled] "The Soviet Union and the Union Republics in 1973" disclosed that the average monthly wage of the workers and staff in most non-Russian republics is lower than that in the Russian Federated Republic. For instance, it is lower by 16% in Byelorussia, 20% in Georgia and 21% in Moldavia. The non-Russian republics are also discriminated against in consumer goods supply, housing, culture and education and medical and health services. The 1973 "Yearbook of Soviet National Economic Statistics" revealed that the 1973 per capita retail sales of consumer goods in Uzbek, Azerbaizhan and Tajik Republics were less than 60% of those in the Russian Federated Republic. The number of doctors for every 10,000 people in the central Asian republics was one-third less than in the Russian Federated Republic." ("Soviet Working People's Plight Under Revisionist Clique's Rule," Peking Review, May 16, 1975, p. 19.)

This data is entirely consistent with the general trend of growing polarization. Following the old maxim of "divide and rule," the Soviet state-monopoly capitalist

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bourgeoisie has done everything in its power to try to break the unity of the different nationalities, particularly between the Great-Russian plurality and the minorities and has concentrated its forces of oppression and exploitation with special force against the latter so as to try to deprive the Russian workers of their nearest allies.

The tactic of "divide and rule," of setting one worker against another, in fact, is applied rather consciously, in all the "new" management methods. This is not only implicit in the enterprise director's arbitrary power to hire, fire, promote and demote workers, which opens

every opportunity for playing favorites and practicing discrimination. It is raised to the explicit level of theory in the Soviet policy for distributing the petty "bonuses" which workers receive at the director's whim. The "efficiency specialist" Gubin gives the whole philosophy away by writing:

"The efficiency of any system of incentives largely depends on differentiation between the workers encouraged. Therefore, the decisive factor is not the absolute size of incentives funds but the relative size per worker." (Raising the Efficiency . . . , p. 79.)

In other words, "efficiency" is achieved not by paying all workers equally a ruble more, but by dispensing 10 kopeks (cents) as a "bonus" to this individual, seven kopeks to another, 12 kopeks to a third and no kopeks to the rest, hoping in this way to arouse mutual jealousies and to prevent the workers from uniting in common resistance. This is the essence of "efficiency" - from the capitalist standpoint.

It would be an error to imagine that the growing polarization between wealth and poverty in the USSR mainly arises from this sort of "bonuses" or from inequality of wages between different grades or skill levels of workers. Its chief source, rather, lies in the gap between the wages of the workers, on the one side, and income received by nonworkers -- income which is not wages -- on the other side. This is disguised in the form, also, of "bonuses," but at least the Soviet revisionist writers no longer pretend that the bonuses paid to the directors and their immediate underlings are a form of wages. The fact

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that they are a share of the profits is routinely admitted; indeed, it was proclaimed as a principle in Kosygin's 1965 speech.

Who gets the "bonuses"? From the earliest beginnings of the 1965 "reforms," the lion's share of this income, all sources agree, has gone to the handful of top personnel in each enterprise or combine. Already, in the Moscow Transport experiment, the pilot project mentioned earlier, it was admitted that "inequitable differentials" in payments arose, with "large increases for top management." (Kaledinova & Tomsy, in *Voprosy ekonomiki*, 1965, No. 12, quoted by Feiwel, *The Soviet Quest* . . . , p. 243.) So large were the increases for the directors that something of a scandal was raised and the authorities had to promise to exercise restraint, as Feiwel reports.

At another early group of enterprises transferred to the "new system," according to the same source, it was found that 46.6% of the "material incentives fund" went for monthly managerial premiums, 15.5% for monthly workers' premiums and the rest was distributed as end-of-year "bonuses." The directors and their immediate staff received bonuses from the "material incentives fund" amounting to 22.7% of their base salaries.

The same source notes also that the size of the bonuses from this fund is keyed directly to base salaries; the higher the base pay, the bigger the bonus.

Thus in sum, the average income of industrial workers at a sample of the first enterprises under the "new system" increased by the pittance of 4.7%, considerably less than their productivity rise under the impact of the new speedup methods. Managerial bonuses from the "material incentives fund" increased by 35%. (Feiwel, pp. 298, 300, 313.)

The following figures are given by Drogichinsky for all enterprises shifted to the "new system" in 1966. The material incentive fund was split almost exactly "evenly" between workers and those classified as "engineers, technicians and other employees," with the former

getting 50.7% and the latter 49.3% of this fund. The workers, however, made up at least 85% of the total personnel at

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the enterprises. An "even" split of the material incentives fund is thus already a gross inequity.

If the scope is narrowed to the category of "current bonuses," i.e., extra payments on a weekly and monthly basis, the breakdown is this: 15.7 million rubles went to the workers and 72.7 million rubles to the engineers, technicians and "others." Of the bonuses proper, in other words, 18% went to the 85% majority of the workers, while the 15% minority of the top personnel took 82% of the money. ("Economic Reform in Action," in *Soviet Economic Reform . . .*, p. 194.)

To round out the discussion of the role of bonuses, however, it must be noted that the material incentives fund at each enterprise is merely one among scores of sources of bonuses which, as a result of the 1965 "Kosygin reforms," is controlled by the directors.

According to Manevich, who as a Shchekinoite has a special interest in the subject, the material incentives fund is not even the most important of the bonus sources. In a 1973 article, he writes:

"At the majority of enterprises, the material incentives fund has not yet become the basic source of bonuses for personnel, since there are more than 30 bonus systems in operation simultaneously. Frequently the so-called special bonuses are considerably higher than the total bonuses that personnel receive on the overall performance of the enterprise, i.e., from the material incentive fund." (*Ways of Improving . . .*, p. 13.)

Unfortunately, after the early stages of transfer to the "new system," the legal Soviet economic literature simply clams up on the matter of more or less exact statistics of who appropriates how much of the profits left at the enterprises and combines. Even general hints, such as Manevich's, are infrequent. It is as if a lid of censorship had been clamped on the question, perhaps for reasons of state security. With the successive waves of concentration of capital and of trustification, the "bonuses" pocketed at the very top by the chiefs of the various industrial-financial empires must have risen to truly obscene dimensions, whose publication might well constitute incitement to riot.

To round out this brief survey of the distribution of

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incomes under the "new economic system," it is necessary to look at the main trends in the sphere of social services, inasmuch as these can represent a form of income which is consumed collectively rather than individually.

Static comparisons on this question, for example comparison of the availability of medical care in the USSR and in the U.S. today, prove nothing. The existing level and scope of public services in the USSR is very largely an inheritance taken over by the Soviet bourgeoisie from the previous, socialist era, during which the Soviet working class, led by the Bolshevik Party, built itself the finest and most comprehensive public service system in the world at that time.

Static comparisons also have a way of backfiring on those who press them. Those who argue, for example, that the existence of a comprehensive free medical care system is proof that a country is socialist thereby shoulder the burden of proving that contemporary England

for example is a socialist country. It is obviously nothing of the sort, despite the vast superiority of the British public medical care system to that of the U.S. The level and scope of public services in a capitalist country reflects chiefly the history of organized working-class struggle in that country and is a fruit of that struggle -- albeit not always the fruit that was aimed at, but more often a "bone" tossed to the movement to delay its advance toward political power.

What has the new Soviet bourgeoisie done with the magnificent inheritance of social services which it usurped?

Two main trends clearly stand out from the Soviet literature on the subject. They are:

One: the "services" which make a profit are being strongly developed. Two: free services, those which do not show a profit, are being neglected and let slide.

The Soviet revisionist writers always distinguish between the "paid" services and the "free," i.e., those for which the user does not pay directly. Among the "free" services are education and culture -- which however serves the Soviet bourgeoisie as a weapon of

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indoctrination in reactionary ideas -- as well as health, medical and physical services, and subsidies for housing construction and maintenance.

The relative importance assigned to the "free" services by the Soviet bourgeoisie may be clearly read from the following figures on the growth of enterprise funds 1966-70, supplied by Drogichinsky:

The enterprise funds "for the development of production" -- i.e., funds for capital investment, for increasing the intensity and expanding the scope of the exploitation of the working class -- increased sixfold. The "material incentives fund" -- i.e., the elementary fund for personal enrichment of the directors and their cohorts -- rose fourfold. The fund for free services, titled "socio-cultural measures and housing construction" (which includes factory-built hospitals, child care facilities and other such services increased only two-fold.) ("The Economic Reform in Action," in *Soviet Economic Reform . . .*, p. 207.)

The distribution of enterprise revenues, in other words, shows a marked uneven development to the detriment of the free services. An ever greater proportion of enterprise profits is being diverted for padding the personal pockets of the director and top staff, and for ensuring an expanded flow of profits into their pockets in future years. An ever smaller proportion of enterprise profits serves the needs of the workers.

The lag in the development of the free services is clearly recognized in the Soviet literature and is expected to continue. (B. Khomelianskii, "The Sphere of Social and Economic Services and the Reproduction of Aggregate Labor Power," *Ekonomicheskie nauki*, 1972, No. 4, *Problems of Economics*, June 1973, p. 55.) The 1972-75 "plan" in the euphemistic words of the economist Komarov "calls for the relatively more rapid growth rate of paid services."

The paid services include passenger transport and communications, entertainment, organized recreation, tourism and others. The reason why their "development" is proceeding at a brisk clip may be easily deduced from Komarov's observation that "as a rule, all basic branches

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of paid services . . . are highly profitable and there is an early return on investment in their development." They are for the state, and for their directors, "an additional source of accumulations." ("The Service Sphere and Its Structure," *Voprosy ekonomiki*, 1973, No. 3, in *Problems of Economics*, July 1973, p. 9.)

In other words: Profits in command! -- including in the sphere of "services." Such "services," however, are plainly nothing more than additional means for pressing surplus value out of the workers. They are "services" that most of all serve the bourgeoisie to get richer.

A significant new development within the sphere of services in general is the appearance of new "paid" facilities parallel to the lagging free sector. The economist Rutgaizer, in this regard, points to the growth of "paid polyclinics operating on a cost-accounting basis," i.e., hospitals that charge fees and on this basis make a profit. Rutgaizer does not go into details; but these can only be hospitals that serve bourgeois patients. Workers could not afford them. ("A Comprehensive Plan for the Development of the Service Sector." *Planovoe khoziaistvo*, 1973, No. 2, in *Problems of Economics*, Sept. 1973, p. 49.)

There is thus a definite emergence in the USSR of "class medicine," of one health care system for the bourgeoisie and another for the workers. Since the number of doctors and other medical personnel and equipment is limited, the establishment of a hospital to serve the bourgeoisie is tantamount to a relative reduction in medical services for the people. It is another form of robbing the working class.

Viewing this trend, which characterizes the development of services in the USSR as a whole under the "new system," Rutgaizer is struck, however dimly, by the inequity it represents:

"The reduction of the sphere of free services and the satisfaction of the expanding range of the needs of people in paid form are possible only up to a certain limit, beyond which the undesirable differentiation of the enjoyment of services by individual groups of the population with a different level of per capital income in the family may take place." (p. 49.)

This pale, sickly anxiety about "the undesirable

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differentiation" which "may take place" -- when it has taken place and is increasingly glaring - is all that remains, within the authorized thinking of the USSR, of the great principles of scientific socialism.

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24 Conclusion

There is much more that could be said, but it is time to sum up and to conclude this series of articles on the recent developments in the USSR.

One general point emerges from the investigation: a retrograde change in character, from progressive to reactionary, can take place not only in individual persons but also in the social systems of whole countries, at least for a time. In the long run the emancipation of oppressed classes and nations is inevitable, but in the short run there are bound to be twists and reverses.

Frederick Engels' observations on the end of the Middle Ages in Germany are instructive on this point. In the 13th and 14th centuries, Engels wrote, the German peasants had almost totally stripped off their bondage and serfdom and become "free men." But after the middle of the 15th century they suffered a reverse. There came "the rise of a second serfdom." "Serfdom appeared in a second edition," Engels wrote, adding that this "new serfdom" was by no means milder than the earlier one. Only later did the peasants reemancipate themselves. (Letters to Marx, Dec. 15 & 16, 1882, quoted in *Pre-Capitalist Economic Formations*, E. J. Hobsbawm, ed., pp. 145-147.)

In this connection Engels criticized the bourgeois

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historian Maurer for clinging to the ". . . prejudice that since the dark Middle Ages a steady progress to better things must surely have taken place -- this prevents him from seeing not only the antagonistic character of real progress, but also the individual retrogressions." Similarly today, the view that Soviet history since October 1917 has been steady progress to better things -- a view which fails to see the recent retrogression -- must be criticized without qualification as a mere prejudice, not a scientific judgment.

The Soviet working class, the evidence here presented tends to indicate, is living no longer under socialism, but under a second edition of state-monopoly capitalism, much as in the days of the czars. Of course, history does not literally repeat itself. We should not expect to see the present-day authorities promenading in brocade robes and holding court amidst clouds of incense. The costumes and forms have changed, and not only they. The Soviet proletariat today is immensely stronger in absolute and relative numbers, in concentration and cultural level, than it was at the turn of the century. Its subjugation, but also its resistance and its revolutionary development proceed on a higher basis.

Nonetheless, when all the differences are weighed and set aside, the essential sameness is clear. Once again the Soviet proletariat is a ruled class rather than ruling. It is deprived of property in the means of production, as it was before the socialist revolution. Once again the fruit of its labor goes mainly to fatten an army of parasite functionaries and officials, whose main contingent are indistinguishable from the "personifications of Capital" Marx described.

Does this mean that the nearly 40 years during which the proletariat held state power in the USSR were an illusion, or a mistake, or a waste of time? On the contrary. To be sure, the period held its share of illusions and mistakes. How could it be otherwise, being the pioneer venture of its kind? The struggles of this period brought immense progress to the Soviet people, and made immeasurably great contributions to the worldwide struggle against imperialism and all reaction. The Soviet

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workers and peasants, led by the Communist Party, lit up the road ahead for all the oppressed and exploited of the world. This can never be depreciated or forgotten.

The present-day Soviet authorities claim to be the successors and heirs of the revolutionary deeds of the Soviet people. Any careful examination of this claim will show, however, that the only continuity lies in some of the words and phrases the revisionists repeat. They have in fact made a complete, sharp break with the revolutionary line of development and attacked one after another of its principal strengths and achievements. Beginning with a vicious slander of the leadership of Stalin, the revisionists went on to put the Soviet state property on the auction block, to wreck the central coordinating offices of industry, to purge Marxist-Leninists from the party, to break with the central teachings of Marxism, to break up the unity of the socialist camp and other actions of an anti socialist, anticommunist character. Khrushchev's and Brezhnev's true political lineage goes back not to Stalin and Lenin, but to the leaders of the right- and "left"-opportunist factions whom the party defeated earlier and who became renegades and sell-outs.

The Soviet revisionists' real class character comes out most clearly from the measures they introduced to transform the relations of production in the Soviet economy. We have seen how the revisionist leaders hypocritically label this "new economic system" of theirs an "advance to communism," and how they turn Lenin on his head in an effort to justify their move ([part 16](#)).

What actually are the basic features of the "new economic system?" The Soviet workers' labor power is turned into a commodity again; the scourge of unemployment is reintroduced; there is unrestricted intensification of labor and speedup. The workers are deprived of all rights at the point of production and of all means of support when they are "released" to join the reserve army of the unemployed.

This is no advance toward communism. It has nothing in common with socialist relations of production. It is the restoration of the basic production relation that defines the capitalist system and gives it its character as a system of

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wage slavery and exploitation.

Right along with that, the revisionists converted the principal means of production in industry from social property into commodities again. Instead of a planful allocation of means of production in accordance with the political priorities of the working class and its allies, there is the chaotic, anarchic countrywide commerce in means of production according to the narrow, conflicting interests of buyers and sellers. This is nothing but a second edition of the main line in the original development of capitalism in Russia, which Lenin analyzed the first time around in 1899.

These fundamental changes gave free play to the drive by the management of each enterprise to increase "its" profits to the maximum. The revisionist rulers of the USSR have thrown away socialist motives and socialist incentives and have enthroned maximum profits as the mainspring and highest goal of production, distribution, investment and the provision of services.

No wonder the revisionists' "new economic system" is plagued by crises, no wonder the future appears indeterminate and unpredictable to them, no wonder their national economic "planning" has become a dead letter as they are forced to admit! No matter how thoroughly capitalist monopolies take over all areas of economic life no matter how far the capitalist state merges with them -- and nowhere in the world is state-monopoly capitalism more completely

developed than in the USSR! -- the system remains capitalist through and through, and cannot conquer the anarchy of production; it can only reproduce the chaos on a higher level.

These basic features of the revisionists' "new economic system" were not framed by their architects as a temporary tactical retreat required by circumstances, as was the case with the first phase of the New Economic Policy of Lenin. They are meant, on the contrary, to be permanent. Nor do these "new" relations hold sway in a strictly limited, isolated pocket of economic life, so that they could be characterized as untypical. On the contrary: they are the main lines of a comprehensive system that was deliberately and with aforethought imposed on the

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entire USSR. and whose implementation was more than 70% complete already at the end of 1968 -- the year, not coincidentally, of the Soviet invasion of Czechoslovakia. Capitalism has been fully restored; there can be no doubt about that.

The new Soviet bourgeoisie, whom the system enriches at the workers' expense, did not drop from the sky. It was spawned by the objective survivals of capitalism -- "bourgeois right" -- within socialist society. It took form under the conditions of the dictatorship of the proletariat and was outwardly completely assimilated to its environment. For decades this bourgeoisie had neither power nor property, but it was therefore all the hungrier and more ruthless in pursuit of them. How the different bourgeois elements found each other, how they organized and evolved a common consciousness and program are matters we know little about. Even without being privy to the details of their conspiracies against the revolutionary government, however, we can gain some insights into their particular features from their life history as a class.

The bourgeoisie of all countries lies, cheats and deceives. This is the "second nature" of this class. The Soviet bourgeoisie, however, surpasses almost all others because it lies even about its own basic identity as a class. U.S. imperialist ideology, by comparison, encrusted in deceit as it is, usually contains at least the frank admission that they are capitalists running a capitalist system. But the Soviet bourgeoisie, having grown up under the conditions of the dictatorship of the proletariat, has from the beginning denied its own name. In this it imitates the last-ditch disguises adopted by the most reactionary sect of the bourgeoisies of Germany and Italy 40 years ago, who likewise pretended that they were not capitalist but "socialist" to try to fool the masses.

Such demagogy is not only "second nature" for the present Soviet bourgeoisie, it has been its nature from the start. In its lexicon capitalism is "communism," revisionism is "Leninism," imperialist invasion is "solidarity," exploitation is "aid," bullying is "peace making," lackeys and compradors are "patriots" following an "independent policy," right-wingers are

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"leftists," fascism is "democracy" and reaction is "progress." There is no more despicable hypocrisy in all the world than the systematic Soviet revisionist inversion of the basic principles of Marxism-Leninism.

A second point follows directly. The basic amendments which the Soviet revisionists led by Khrushchev introduced into Marxist-Leninist theory all have a smooth, harmonious ring. There is the "state of the whole people" and the "party of the whole people," as if class society were one big happy family; and Khrushchev's three "peacefuls" (peaceful coexistence, peaceful competition, peaceful transition) touch the same melody. But this did not prevent that

same Khrushchev in June 1964, when a majority of the leadership of the "party of the whole people" voted him out, from resorting to classic gorilla tactics of military intervention. The revisionist rule was clinched by force and is maintained by force. To understand that the "new" Soviet theories of the state and of international relations are false, anti-Marxist, social-pacifist and revisionist is to see only half the picture, and to miss the essential part at that. The Soviet revisionists' "harmonious" and "peaceful" fallacies are a cover for a class that employs violence to advance its reactionary interests, both domestically and abroad, as freely as any other class of its kind. It has a less bloodspattered image than U.S. imperialism today partly because it conceals itself more effectively, partly because it has stepped more recently onto the scene.

Despite its newness on the imperialist stage, however the Soviet finance-capitalist bourgeoisie is not a more "youthful" class, in the sense that youth means a fresh revolutionary spirit and the hope of the future. True, the Soviet socialist-talking imperialists (social-imperialists for short) are gaining ground and influence in a number of areas of the world as U.S. imperialism weakens and declines. Soviet social-imperialism is engaged in a strategic offensive, while U.S. imperialism is going down. The vicious thrashings-about of U.S. imperialism are those of a hardened mass murderer on his deathbed. But the present Soviet rulers represent a class that was already dead and disposed of by the revolutionary Soviet people

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nearly 70 years ago and which has crept up out of its intended tomb to establish a second empire over the living.

Unlike the bourgeoisies that now rule in other countries, who began their present reigns typically by a revolt against a more reactionary class, the rule of the current Soviet bourgeoisie has never had a progressive content. Having usurped power from a more progressive class -- indeed from the most revolutionary class in world history -- the Soviet bourgeoisie of today is more than merely an obstacle to progress; it is a leap backward, a momentous historic reversal. Its rule inspires with hope only the most moribund sections of the world's other bourgeoisies, who pray and scheme that they will obtain somehow a similar second lease on life. It is more "advanced" than U.S. imperialism only in the ultrareactionary sense that Hitler and Mussolini represented a more "advanced" stage of imperialist, state-monopoly capitalist decay and desperation.

What will be the consequences of the retrogression in the USSR for the world situation is a question which this is not the time or place to explore. One thing is certain, however, if history teaches anything. This is that in one way or another, sooner or later, the monstrous revival of wage slavery and imperialist tyranny that has fastened itself on the USSR will be swept away again by a second edition of the great October Revolution. The restoration of the capitalist order in this era of proletarian revolution can be no more solid and permanent than was the effort to restore the "thousand-year Reich" in Germany.

"'Tis the final conflict" -- so runs the first line of the chorus of the Internationale. If it is interpreted in a narrow, literal sense, this idea, applied to the proletarian seizures of state power in this century, is premature. As the Soviet experience has so starkly and tragically

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demonstrated, the conflict between the two antagonistic classes continues throughout the socialist period and will not be finally settled for a long time. No tragedies, no setbacks, no episodes of restoration, however, can dim the literal truth and power of the climactic lines of

Eugene Pottier's anthem of the working class:

"Let each stand in his place! The international working class shall be the human race!"

From Marx to Mao	Other Documents	Reading Guide
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