

THE SOCIALIST EXPERIENCE

The So-called Socialist Countries

A Marxist Analysis



No. 5

INTERNATIONAL SOCIALISTS

IN A SERIES OF EDUCATIONAL REPRINTS DESIGNED TO BRING TO TODAY'S SOCIALISTS THE LESSONS OF THE PAST

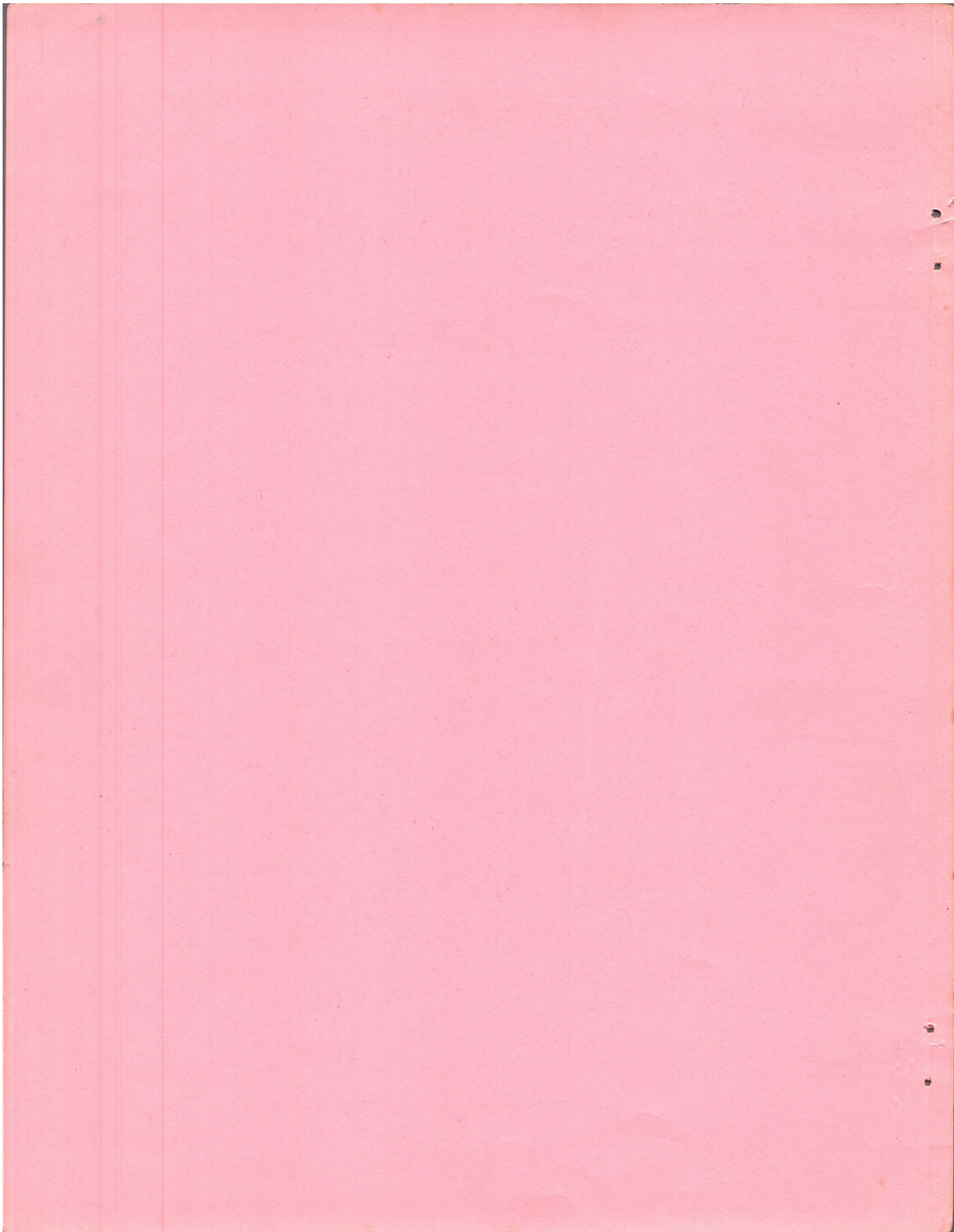


TABLE OF CONTENTS

The New Russian Imperialism	1
Source: The New International, April, 1946.	
Stalinist Imperialism and the Cold War Crisis	5
by Hal Draper	
Source: International Socialist Clippingbook, No. 1, 1963.	
The New Turn in Kremlin Policy	9
by Abe Stein	
Source: The New International, July-Aug., 1953.	
The East German Workers' Revolt	13
by H.F. Stille	
Source: The New International, May-June, 1953.	
The Nature of State Capitalism	21
by Tony Cliff	
Source: A Socialist Review, March, 1957.	
Russian Economy & The Marxian Law of Value and Theory of Capitalist Crisis	25
(Economic Determinism in the Stalinist Regime)	
by Tony Cliff	
Source: Russia, A Marxist Analysis	
The Imperialist Expansion of Russia	37
Source: Russia, A Marxist Analysis	
The Future of the Russian Empire: Reform or Revolution?	43
by Tony Cliff	
Source: A Socialist Review, Dec., 1956.	
Background to Hungary	52
by Tony Cliff	
Source: A Socialist Review, July, 1958.	
Russia: 'Reforms' and Reality	56
Source: International Socialism, # 44, July-Aug., 1970.	
Cuba; The End of a Road?	59
Source: International Socialism, # 45, Nov.-Dec., 1970	
Poland: Workers' Revolt	63
by Chris Harman	
Source: International Socialism, #46, Feb.-March, 1971.	
Hungary: Failure of Economic Reform	65
by Chris Harman	
Source: International Socialism, #52, July-Sept., 1972.	

This page is blank in the original.

THE NEW RUSSIAN IMPERIALISM

Its Relation to the War Danger Its Economic Policy and Aims

The bad blood in Big Three relations that came to public view during the London Conference of Foreign Ministers in September, 1945, reached its boiling point last month as the world lived through a war of nerves reminiscent of the Munich days.

If the man in the street did not react with the frenzy of fear that swept the world during the Munich crisis, it was only because humanity is still too numb with the pain of six years' torture in total war to be sensitive to the new danger. A new world war less than a year after the end of the last one seems too monstrous to be possible. Man's mind, which has recorded almost limitless human misery for the last decade, rebels at the prospect of a new war—above all in the awesome shadow of the atomic bomb—and refuses to encompass it.

Yet the pattern that emerges out of every day's news shapes the terrible reality that World War II was not the last and drives it into man's consciousness. Russian troops march and counter-march in Iran. The American General Staff demands an extension of conscription. The American State Department supports Chinese efforts to force the Russians out of Manchuria. Russia announces a new Five-Year Plan which features tremendous outlays for armaments. The Americans proceed with "Operation Crossroads," the first realistic maneuvers for the age of atomic warfare.

With such concrete developments as the background, the war danger cannot remain vague and ill-defined. It is not "a war" but "the war" which looms. For the first twenty years following World War I the actual line-ups remained uncertain and Russia switched sides at the very outbreak of the war and then again during the course of it. However, today when the "little man" whispers the fear that will not be suppressed he does not ask about war in general but says, "Will we fight Russia?"

A World of Two Real Powers

The relentless struggle for survival through destruction of rivals that has characterized the monopoly capitalist epoch has produced a world which contains but two *real* powers. The second, third, tenth and eleventh rate powers find themselves tied to one or the other sphere. The lines are sharply drawn and the elbow-room for maneuvering between the power combinations that prevailed in the past is almost non-existent. France's threat to "seek aid elsewhere" (i.e., in Russia) if the United States does not grant her the request loan, is harmless bluster and will be treated as such by Washington. How could it be otherwise when even Britain, which still *does* have an empire, finds it has neither the economic nor the diplomatic chips with which to bid against the American colossus? Some antiquated Lords who still see the world through Victorian spectacles may rise from their seats in the House to fume about "Yankee greed" that dictates a hard bargain in making a loan to Britain, but even they will be gently informed by solicitous friends any day now that "Britannia Rules the Waves" is merely a sentimental song that no longer corresponds to the facts.

The key to understanding the change which World War II has wrought in balance-of-power politics is to be found in the fact that, if the socialist revolution were set aside for the

moment, the main question before the war was "Which of the capitalist powers will survive?" whereas today the question is "Will the world of capitalism or the world of bureaucratic collectivism survive?" Laval could journey to the Moscow of 1934 to sign a defense pact with Stalin against Hitler and achieve a diplomatic coup for France. But when the impetuous de Gaulle journeys to the Moscow of 1945 to sign a pact, he makes a meaningless gesture which leaves London and Washington unmoved. For in his less dramatic moments even the new Joan of Arc had to realize soberly that the fate of France was in the last analysis tied to the fate of the capitalist world of America and the British Empire. The capitalist class of France could be divided in the pre-war period between a pro-Axis orientation and a pro-Anglo-American orientation. But today the French capitalists cannot think twice when the choice is Moscow or Washington. The international line-up is not merely one of power combinations arising from the most advantageous economic and military alignments but basically one of a division into two hostile social orders—private capitalism versus bureaucratic collectivism.

The New Source of the Russian Power

It is this fact that gives to the emergence of the new Russian empire a significance much more fundamental than merely the recrudescence of *Russian* power. Bureaucratic collectivism is Russian just as early capitalism was English. And, conversely, bureaucratic collectivism is the source of the new Russian imperialist power as early capitalism was the source of British imperialist power.

The new Russian empire occupies a strategic geographical position as a tremendous land mass that dominates Eurasia. No combination of European and Asiatic powers can counter-balance her. Beginning on the Arctic at the Finnish-Norwegian border, its boundaries run south to include Finland and the Baltic states, bisect Germany and Austria, encompass Poland, Czechoslovakia, Yugoslavia, Albania, turn east along the northern frontier of Greece to include Hungary, Rumania and Bulgaria, cross the Black Sea and dip south to include northern Iran and press upon the frontiers of Turkey and Iraq, proceed east across Asia to include Sinkiang, Mongolia, parts of Manchuria, northern Korea, Sakhalin Island and the Kuriles chain. This expanding land mass presses upon the world of Anglo-American imperialism in Central Europe, the Near and Middle East and the Orient. Specifically it gives rise to three exceedingly sensitive trouble zones—Manchuria, Iran and Germany. Russia chose these three spots, Germany by way of covert political machinations to gain control through a fusion of the Communist and Social Democratic parties and Manchuria and Iran through open military and diplomatic pressure, to test and prove her newly acquired strength vis-à-vis the United States.

Anyone acquainted with the history and economic theory of capitalist imperialism knows what motivates the obstinacy with which the British and Americans hold fast in Iran, the fabled kingdom of the "black gold" out of which Royal Dutch Shell and Standard Oil erect even more fabled kingdoms of the pound sterling and the dollar. Anyone acquainted with the "Manifest Destiny" of American imperialism to convert a billion Asiatics and the resources of a continent into a tremen-

dous source of cheap labor, markets and raw materials knows what motivates the American State Department in giving such firm support to its Chinese vassal state in demanding that the Russians withdraw from Manchuria. Anyone who knows what Europe means to world capitalism will understand why the British and Americans play such a sharp game in the internal politics of the Central and Eastern European nations.

But what about the Russians? What do they want?

Here the most widespread illusions exist. We do not refer to the illusions that blind the devout and faithful adherents of the Kremlin Church. This malady is not new and we have dealt with it before. However, the war has unloosed a tremendous pro-Russian sentiment among the masses everywhere which is not to be accounted for on the basis of direct Stalinist influence. In part it rests upon the rôle which Russia played in helping defeat Germany. But it finds its supplement in the vague feeling that "Russia is different," a feeling born out of the loss of confidence in the statesmen and diplomats of the old powers who continue to reveal their total impotence before the task of organizing a peaceful world. Just as humanity finds it hard to force itself to regard a Third World War as a real possibility despite all the alarming symptoms, so it cannot force itself to believe that millions of lives were sacrificed to strike down the German "aggressor" only to be confronted with a Russian "aggressor." Having shed their last tear in the prolonged nightmare that has not yet ended for most of the war-weary peoples, many cling to the desperate hope that somehow "Russia is really different." Out of this hope against hope arise rationalizations about Russia's aims, efforts to construe them in the best possible terms and attitudes of withholding judgment because "it's all so unclear."

Yet, once the facts are faced objectively, without fear or prejudice, Russia's actions leave no room for rationalization; they leave no grounds for construing in the best possible terms, nor are they even unclear.

Facing the Facts About Russia

The best way of facing the facts and, thereby, answering the question "What do the Russians *want* in the occupied countries" is to ask "What do the Russians *do* in the occupied countries?"

Enough data has now been collected to establish the following outline of Russian economic policy in the occupied countries:

1. Russia strips the industries of machinery and other equipment and transports it to Russia. (Germany, Austria, Hungary, Rumania, Korea and Manchuria.)

2. Russia imports large masses of slave laborers to add to the slave labor armies of Russians who make up a sizeable percentage of her labor force. (Germans, Poles and political opponents from every nation in which the GPU has a free hand.)

3. Russia expropriates the capitalists to varying degrees and establishes a state-owned industry operated by native satraps of the Russian rulers. (Poland, German zone, Czechoslovakia, Baltic states.)

4. Russia carries through "agrarian reforms" which wipe out the large landowners and seeks to establish a small peasantry whose property stake ties them to the new régime. (Poland and East Prussia.)

5. Russia forces economic concessions and spheres of influence from states that remain politically independent of her. (Oil concessions in Iran.)

6. Russia maintains commercial outposts for purposes of trade in countries less developed economically than herself. (Manchuria.)

This listing of economic phenomena related to Russian

occupation policy poses a formidable task of analysis and codification before we can definitively describe the *general laws* that regulate Russian economic policy beyond her own borders. However, a mere listing of these bare summations of policy permit us to conclude that in the over-all and basic aim Russia is *not* "different," i.e., Russian policy is motivated by the same aim of economic aggrandizement that has characterized every past exploiting class in history in its relations with subject peoples and which has come to be known as *imperialism*.

An analysis of the specific policies of Russian occupation will reveal, it is true, a considerable difference from the policies which Marxists have associated with the rule of finance capitalist imperialism. The basic economic needs out of which the imperialist policy of bureaucratic collectivism and the imperialist policy of finance capitalism spring are radically different. However, imperialism did not begin with finance capitalism. The British Empire spread from Hudson Bay to the Ganges during the period of mercantile capitalism. Feudal Spain appropriated half of the new world and ruled the Lowlands. The imperialism of the Czarist state carried the Russian flag over the vast expanse of Siberia, across Manchuria, across the Pacific to Alaska and the coasts of California. In the South it pushed the Turks over and beyond the Caucasus, contested their hegemony over the Balkans. It swallowed up the major part of Poland and drove Sweden out of Finland. Ancient times have known the imperialism of Rome and Carthage, based upon a slave economy. The most active imperialist force in the United States in the several decades preceding the Civil War was the land-hungry slaveocracy, constantly pressing for annexation at the expense of Mexico. In the light of these many historical forms of imperialism, how ridiculous is the injunction that we refrain from describing Russian economic expansion as imperialist because it is different from finance capitalist imperialism!

The imperialist policy of the bureaucratic collectivist state, for all that it has in common with all historical imperialisms, is one that is peculiar to its own social order. However, what is distinctive is not the emergence of imperialist methods never before known to history but rather the combination by the Russians of phases of imperialist policy associated with all previous forms of imperialism, from that of ancient Rome to Wall Street. In this sense the exploitation of foreign resources by Russia reflect the exploitive societies, i.e., slave labor, serfdom and wage labor, yet combines them in such a manner upon the basis of a nationalized economy as to create an economic system qualitatively different than any previously known.

A Troublesome Problem of Theory

The fact of Russian economic aggrandizement has created a most troublesome problem of theory for those who continue to cling to Trotsky's outlived theory that Russia is a "degenerated workers' state" merely by virtue of the existence of nationalized economy. Russian expansion into Poland and the Baltic states in 1939-40 raised this problem in the Fourth International and led to the split in the American section. Trotsky and the majority of the Socialist Workers Party denounced the invasions by the Russians but supported Russia's rôle in the war as progressive because it represented the "superior" economic order. This was an extension of the theory that the "régime" was reactionary but that the "economic order" was progressive. Consequently, the invasions were a reactionary method of serving the needs of a progressive economy; consequently, the simultaneous denouncing of the method and support of the aim. (To comment on how this division be-

tween means and ends contradicts Trotsky's well-argued case for the interrelation of means and ends in his articles on "Their Morals and Ours," would carry us too far afield.) In 1940, the outline of Russian economic policy in the conquered territories was still too indefinite to generalize upon the nature of Russian imperialism. Its reactionary consequences in the *political* sphere were sufficient for the minority tendency, later to organize the Workers Party, to renounce the policy of "unconditional defense" and characterize Russia's rôle in the war as reactionary.

However, today we have the imposing evidence of Russian *economic* policy accumulated in a dozen countries under varying circumstances. The arguments of the "workers' staters" in 1939-40, particularly those which linked Russian policy to the military-strategic exigencies of the war, still had some degree of plausibility. Today, however, in the light of the vast evidence of Russian *economic* policy in a dozen countries under varying circumstances, the arguments of the "workers' staters" have not only been robbed of any shred of plausibility but have emerged in full flower as a thoroughly reactionary political line. It is only the internal contradictions of the theory that permit its adherents, by means of bad logic, to save themselves from being swept openly into the position of defenders and apologists of Stalinism. (The emergence of the pro-Stalinist faction of defenders of the "bureaucratic social revolution" theory among the French Trotskyists, led by an old militant, is a warning of what happens to "workers' staters" who seek to iron out the contradictions between their theory and politics. We will comment on this phenomenon at another time.)

The "workers' staters" have denied the existence of a class of exploiters in Russia by describing the bureaucracy as a "privileged stratum" which lives a parasitic existence by "cheating and robbing" the workers. Stories of looting and robbing still had an incidental character. But how explain the systematic appropriation of the means of production by the Russians in every country they have entered, that feature of Russian occupation policy that has been most consistently applied, whether in Berlin, Vienna, Bucharest or Harbin? If this is mere looting carried on by the bureaucracy in the same manner in which it "cheats and robs" the Russian workers, to what use do the bureaucrats intend to put this equipment? Is it merely as a trophy of the war that a lathe or forge is transported from Berlin to Moscow? Perhaps it will be placed in his cellar or his garage by some bureaucrat to be admired by his friends along with such other booty as cameras, pianos, or billiard tables? Of course not. It will be installed in a factory and used in production. How does the bureaucracy benefit from such "cheating and robbing" of the occupied countries? It is not the mere possession of the lathe from which he benefits but rather that which is produced on the lathe. But who produces it? The Russian worker. So, you see, the lathe is a means for the added "cheating and robbing" of the Russian working class by the "privileged stratum"! What odd language to describe the appropriation of means of production for the purpose of exploiting labor! Logic has ever taken its revenge upon those who sought to do it violence.

The ludicrous end of the attempt to describe Russian imperialism in terms of "looting" (just like they "rob and cheat" at home) has forced the "workers' staters" to seek a more basic explanation. They have now discovered that the economic basis of the Russian expropriations abroad is rooted in the attempt to carry through the fourth Five-Year Plan. "The régime sees no way out in the economic field save through the realization of the fourth Five-Year Plan, which cannot be achieved by the devastated country without the resources of

the 'buffer zones.'" (*Fourth International*, March, 1946, page 103.) If the régime sees no way out except through the fourth Five-Year Plan and if the fourth Five-Year Plan can only be achieved with the resources of the "buffer zones" (how delicate), is this not saying that that régime sees no way out except through the resources of the "buffer zones"? The economic policy of the Russians in the occupied countries is not, therefore, merely the "excesses" of the bureaucracy, not mere "looting," not the "cheating" and "robbing" by a "privileged stratum," but something which is fundamental and necessary to Russian economic operation and survival. Yet this very fourth Five-Year Plan was hailed by the same magazine in September as evidence that Russia is... a workers' state! ("The very projection of the fourth Five-Year Plan constitutes the latest corroboration of the correctness of our analysis of the class nature of the USSR as a workers' state, although badly degenerated under Stalinist rule.") It is a workers' state because it needs a plan which requires the economic exploitation of its subject nations! How those who swallowed the "counter-revolutionary workers' state" gag over the "*imperialist workers' state*"!

The dilemma in the realm of theory always appears, in one form or another, sooner or later, in the realm of politics. A theory which serves no political ends, which is not a guide in politics, is pretty much of academic interest at best; at worst, it is a substitute for politics. In the long run—it may even be said—the dispute over the class character of the Stalinist state (workers' state, degenerated workers' state, badly degenerated workers' state, workers' state which has degenerated to the point where it is no longer a workers' state, capitalist state, bureaucratic-collectivist state) can thin down to an extremely ethereal business unless it is linked up with politics—the political program and the political struggle that follows from it. Indeed, what other real test is there of theory except "praxis," the political struggle?

Let us take an example, and it is anything but an unimportant one: What political line do the "workers' staters" propose for the occupied countries? They say, with a notable lack of vigor, that they condemn the Russian occupation and looting of the means of production which leaves workers jobless and hungry and without any perspective of economic rehabilitation. From which it follows? From which—so far as they are concerned—nothing follow...

What *should* follow, it would be thought by anyone moderately well acquainted with Marxian politics, is the demand for the ousting of the Russian troops (as well as the Anglo-American, it goes without saying) or at least for the withdrawal of the Russian troops, and the demand that the looted machinery and the kidnapped workers be returned to their homeland.

Right here is the dilemma, however. Not only don't they make these demands, which are the *elementary* duty of every revolutionary socialist, but they can't make them. Give up the "buffer zones" that guarantee the success of the fourth Five-Year Plan (in English: that guarantee the further exploitation of the masses and the economic consolidation of the bureaucracy)? Give back the means of production that have become part of the property of the workers' state (in English: the workers' prison)? Impossible! If it is a workers' state (of any kind), then the newly-acquired means of production, including the slave laborers, have become the chattels of the workers' state and thus enhanced its economic strength; and how can "we" demand that anything be done to weaken the economic strength of the workers' state? Obviously, "we" cannot. If we make these demands upon the Stalinist bureaucracy,

we may—God forbid—be implying that it is the state and that the property belongs to it and not in any sense to the Russian workers. Just as obviously, we cannot do that either. It conflicts, as it were, with our theory of Russia as a workers' state. And if the means of production belong to the workers in Russia, it is after all, pretty difficult to work up a lot of steam over the workers finding some property before it has been lost.

The "workers' staters" are tied by a long rope to the chariot of the "bureaucratic counter-revolutionary socialist revolution," and the faster that chariot moves the shorter the rope becomes.

Bureaucratic-collectivist imperialism, or Stalinist imperialism for short, can no longer be considered an accidental or incidental phenomenon. It is rooted in the needs of the Russian economy. It springs from Stalinist Russia's irrepressible need to remake the world in its own image as the only means of establishing security for its own social form; the need to satisfy the pressing requirements of the state economy by extending the "primitive accumulation" from the "internal" field to the "external," from the expropriation, first, of the Russian proletariat and, then, of the large "remnants" of the bourgeoisie" (kulaks), to the expropriation of the bourgeoisie of other nations (Germany, Hungary, Rumania) and of whole nations in the period of the Second World War and now of the fourth Five-Year Plan.

The existence of Stalinist imperialism, its rapacious and utterly reactionary character, are indisputable. Anyone who requires more evidence than has been supplied by the last few years, and most recently in the Baltic and Balkan countries, in Poland and Germany, in Iran and Manchuria, will probably be satisfied only if he himself is converted into a slave-laborer under the lash of the Stalinist empire.

It does not follow, in our view, that the future of this empire is in any way assured. Far from it. There has been such overwhelming evidence in our own days that this is the period of the agony and collapse of empire, that there is no warrant for the view that the Stalinist empire, based upon what is still one of the backward countries among the big powers, has the prospect of either consolidating its expansion or even of maintaining itself for long. The long overdue crisis inside Russia—broad hints of which are reluctantly revealed in Stalin's own recent speech—cannot be repressed by state force for very much longer. Not only that. The peoples conquered by Stalinism, and they now number tens of millions, suffer under a multiplication of class oppression and exploitation by national oppression. Far from strengthening the oppressor class and nation, the establishment of this condition only serves to undermine it and in good time to destroy it. What the bureaucracy may look upon as a conqueror's wreath around its brow will not be long in slipping down to a noose around its neck. The "national question"—that is, the rebellion of the millions of peoples enslaved by the Wehrmacht and the Gestapo after the German conquest of Europe—proved to be just such a tightening noose around the neck of all the Hitlers. The neck of the Stalinist bureaucracy will not prove to be any stouter. The mortal blow may very well be delivered first from the outer periphery of the Stalinist empire, for substantially the same reasons that Marx so many decades ago declared that capitalism would be struck fatally from its extremities, where it is weakest.

To wait passively for this to happen is to guarantee that it will at the very least be delayed. The interests of the working class and of socialist internationalism demand an *active* policy of political struggle against Stalinist imperialism. To "condemn" Stalinist "expansion" without a program of demands and struggle against it, is Gandhism. To "condemn" the annexations without actively fighting for the national freedom of the subjugated lands is, as Lenin said of Luxemburg and Pyatakov in another connection, "inconsistent annexationism." That at best; at worst, it is Stalinist apologetics.

The struggle for the victory of socialism is inseparably and increasingly bound up with the struggle for national freedom in the *advanced* countries, as we have repeatedly argued. This profoundly important truth is no less valid in the fight against Stalinist imperialism today than it was and remains in the fight against the imperialism of finance capital.

Stalinist Imperialism And The Cold War Crisis

There is a paradox—only an apparent one—in the development of Stalinist imperialism.

Stalinism arose out of the counter-revolution in Russia under the slogan of building "socialism in one country" as against the perspective of "world revolution" represented by the Bolshevik left wing under Trotsky. An historic internal struggle took place within the party under these different banners, in which, as everybody knows, the Stalinist wing won out. To the Stalinists, the theory of "socialism in one country" which they put forward meant: Let's keep our eyes fixed on our problems at home; let's not worry about extending our influence or winning support abroad; that is a will o' the wisp; we want only to build our economic and social strength within our own borders and to hell with conditions outside of it. And (as Stalin put it later): We don't want an inch of anyone else's territory but let the capitalist countries keep their snout out of our Soviet garden. . . .

The fierce drive of Stalinist expansionism that blossomed especially after the Second World War seemed like a sharp reversal of this home-bound ideology. To many of the latter-day "Russian experts" (the numbers of whom also blossomed after the war) this new policy seemed like the adoption by Stalin of the Trotskyist "world-revolutionary" perspective.

The Russian-Nationalist Virus

But the new post-war Stalinist imperialist expansionism was not a break with, but a logical development and continuation of, the theory of "socialism in one country"; and by the same token it was still the antithesis of a working-class revolutionary policy.

For that famous dispute of the Stalin-Trotsky struggle was never really based on the mostly-academic question of whether it was actually possible to "build socialism" within the borders of a single country (and a backward one at that). This was mainly the ideological form that the clash took between the social forces of the counter-revolution and the movement which stood for the liberating ideas of the 1917 revolution.

Behind it was a tendency much easier to understand: it represented the turn-away of Stalinism from internationalism to a Russian national-chauvinist outlook. Russia-First, they said, and the usefulness of the Communist Parties and pro-Soviet sympathizers abroad was to be gauged by the extent to which their activities contributed to strengthening Russia; for since this Russia was "socialist," strengthening Russia meant strengthening this "socialism." Thus the interests of the world's workers were to be subordinated to the national interests of the "one country" where socialism was being "built."

It is this conception which is the fundamental link between the early Stalinism of the counter-revolution and the Stalinist imperialism of the present day. We have seen in the course of our generation two related truths exemplified: that in trying to build something called "socialism" on the ruins of workers' democracy and all democracy, the Stalinists in actuality built a new system of exploitation which is the enemy of socialism; and in trying to build "socialism" on a national-chauvinist basis, they likewise built a new exploitive system which today has all the features of a virulent imperialism.

In its internal aspects, the crushing of democracy in order to build "socialism in one country" led to a process of bureaucratization which has flowered in totalitarianism. In its external aspects, the national-chauvinist ideology of the Stalinists led to imperialism, once this reactionary regime was strong enough to assert itself as a competitor for world power.

For were they not militantly pressing their power beyond their own borders? Weren't they doing what Trotsky had demanded, only in their own way and so much more effectively? So it was said not only by the "authoritative" bourgeois commentators but even by the disoriented "official-Trotskyists" of the Fourth International, who have drifted in the direction of pro-Stalinism.

"Imperialism"? There is a point here which has to be cleared up for many people. For this new oppressive and exploitive class society which developed in Stalinist Russia is not based on a capitalist form of exploitation, as another part of this issue explains. Well then, isn't it true that modern imperialism is an outgrowth of the drives of capitalism? Wasn't it Lenin who defined imperialism as a stage of capitalism? Isn't one of the fundamental drives of modern imperialism, for example, the need of capitalist economies to export their surplus capital; and where do you see this as an economic basis of what we call Russian imperialism?

Is It "Imperialism"?

If it were not for the widespread character of this "deduction" from a formal acquaintance with Marxist writings on imperialism, it would not even be worth-while mentioning. For it is a useless play on words. For people who need quotations, the same Lenin who spoke of imperialism as a stage of capitalism also time and again referred (like all other educated people) to the imperialism of the pre-capitalist societies, the Roman empire for instance. Capitalism is not the only social system which has given birth to its peculiar form of imperialism; on the contrary, there was such a thing as imperialism based on the ancient slave-states, as well as the type of imperialism which developed under feudalism. Lenin was analyzing the specific imperialism of the then-dominant social system, capitalism, and laying bare how it generated its own need to mobilize the nation-state for the conquest and domination and exploitation of peoples abroad.

The imperialism of Stalinist Russia is not the capitalist imperialism which Lenin brilliantly analyzed in a famous work; but that is simply saying that Stalinist Russia is not capitalist, and that we already know.

But in many cases, when objection is made to even using the term "imperialism" in connection with Stalinism (by Fritz Sternberg, for example, and others), there is more than word-juggling or ignorance behind it. There is a political idea involved which suggests to them their otherwise-sterile play on words. They are often willing to speak of Russian "expansionism," but "imperialism" no. The thought that is often behind this fine distinction is the following: Moscow may indeed be following an expansionist-adventurist policy, deplorably, and this is a bad thing; but this policy, which is being followed by the men in the Kremlin is simply a POLICY of bad or mistaken men, and is not rooted in the "Soviet" social system; it is not inherent in the economy, which must be considered "progressive" because it is not capitalist; it is simply a more-or-less accidental exuberance of the system, or a very temporary and dispensable stage of it.

or the fortuitous result of Stalin the man's personal predilections, etc. It is only under capitalism that imperialism is ROOTED in the social system as such; under Stalinism it is something that wiser rulers will dispense with, especially if capitalism ceases to threaten the country. . . .

This notion of such an important difference between capitalist imperialism on the one hand and of Russian imperialism on the other is a notable stock-in-trade of Stalinoids the world over, but not only of Stalinoids! All of the powerful "neutralist" currents of Europe and Asia — anti-Stalinist elements included — are shot through with it, including even the Bevanites of England. It represents a very dangerous illusion about Stalinism even among many of its would-be opponents, who succumb to its lies.

The Economic Root

Well then, how is Stalinist imperialism rooted in its exploitive social system?

First of all, there is an important though simple generalization to be made about the connection between imperialism and a social system, *any* social system. It is true, as we said, that each class society (ancient slavery, feudalism, capitalism) has had its specific drives to imperialism; but there is obviously something common to all of these imperialisms too, with regard to societal origin.

That which is common to the root of all imperialism, in spite of vast differences in the social system, is this: The ruling class is driven by inexorable necessity to foreign conquest, exploitation and looting in one form or another in order to make up for the inevitable deficiencies of its social system itself, rent-through as that system is by its gangrenous contradictions: the exploiters of the society are pushed in this direction as a matter of life-and-death for their system because of their inability to create a harmonious economy capable of satisfying the needs of the people and, most especially, capable of solving the fatal diseases which arise out of the system of exploitation itself. For every class society generates its own self-poisons, which, as they accumulate, threaten to bring down the whole economic structure, unless a transfusion of fresh blood is obtained; and it is in the cards that a ruling class will be impelled to seek this new supply of economic blood in the squeezing of wider and wider circles of people, first inside its own borders (where the process is perhaps easiest or the victims at least more accessible) and then outside.

Now, designatedly this presents very generally the economic root of imperialism in *all* class societies which have been known, but it is enough to raise the basic question about the roots of Stalinist imperialism.

Only those can see Stalinist imperialism as merely a regrettable excess, which is not inherent in the system, which is unrooted, who also see in the Stalinist system itself the basis for (at least an eventual) harmonious and progressive development of the forces of production and social relations; that is, who see no inherent deficiencies and contradictions which imperialism has to compensate for; that is, who look on the Stalinist system as being genuinely on the road to socialism in some real sense; that is, in short, who regard the Stalinist system as genuinely socialist in nature, even if still pockmarked with defects.

This view of Stalinist imperialism as a dispensable policy of bad men in the Kremlin is tied up with a basic illusion about the whole nature of the Stalinist economy: Since the economy is state-owned and planned, there are no limits to its possible increase in productive level. . . . Since it is not rent by the contradictions of capitalism which Karl Marx expounded in Capital, there is no inherent bar to the attainment of such a level of wealth that plenty-for-all becomes possible at last. . . . Since here is a society, whatever its other distasteful features, which is not held back from economic advance by [capitalist-type] crises, it is possible for increasing productivity to lead to the abolition of the bureaucratic dictatorship which was necessary for a time in order to attain this wonderful aim; the bureaucratic distortions of this "socialism" will be able to disappear, etc. . . . Such is the illusion.

Basic Contradiction

It is bound up with the rosy view that this Stalinist regime will be—indeed, must be—reformed from above, democratized from above, if only the present rulers are not kept scared to death by outside opponents. This is the basis for the pro-Stalinism of a man like Isaac Deutscher, on the theoretical side, and of anti-Stalinists like Aneurin Bevan, on the less-than-theoretical side.

This whole structure very largely depends on the overwhelming demonstration that this Stalinist system is not beset by the contradictions that bedevil capitalism—and sure enough that is true, just as capitalism is not being strangled by the poisons which put the Roman Empire to death. The contradictions of Stalinism are of its own kind.

At bottom what the Stalinist illusion ignores is the fundamental contradiction peculiar to a completely state-aided economy under the rule of an uncontrolled bureaucratic master class: the contradiction between (1) the absolute need of the economy to be PLANNED, since in a state-aided economy only the Plan can perform the role in the society which under capitalism is the function of the market and market relations; and (2) the impossibility of workably planning a modern complex society

from the top down under conditions of bureaucratic totalitarianism.

It is this contradiction between Planning and Totalitarianism which is the most basic factor in making for chaos and anarchy in the Russian economy, enormous inherent wastes and inefficiencies, which are in part compensated for by the gigantic expenditure of human labor in the slave camps as well as in the mercilessly driven factories—and which was also in part compensated for by the wholesale looting of the conquered territories of East Europe after the war, a looting which still goes on in forms of exploitation subtler than open rapine.

Motive Drives

This opens a much broader subject than the limited topic of this article,* but enough has been said to indicate the line of analysis which we propose for one's thinking on this matter. When one asks the question, "What are the roots of imperialism in the Stalinist social system?" one is really asking the question: "What are the inherent contradictions of Stalinist bureaucratic collectivism which lead to its downfall?"

In a more immediate way, then, the motive drives of Stalinist imperialism stem from the need of this horribly exploitive system, which drives its own workers, like cattle, to plug the gaping holes in its economic and social armor.

Of course, certain drives it shares with its rival imperialisms on the capitalist side: the impulsion to corner raw materials, especially raw materials for our industry; the usual imperialist need to grab "buffer" lands and military-strategic points of vantage; the need to grab territories if only to prevent others from grabbing them first, to use against oneself. All these come into play once an imperialist tug-of-war is under way, and in turn they intensify and sharpen the struggle.

One other drive is held in common in a sense: the Russian rulers' inherent inability to indefinitely continue to live in coexistence with a system where, in any way at all, a free labor movement exists just across a border. This is a permanent political danger to them. It cannot go on forever. As long as free labor exists in

*For a valuable insight into the "mechanics" of the contradiction between planning and totalitarianism in the Stalinist world, see "The Contradiction of Stalinist 'Planned' Economy: A Case Study" in LABOR ACTION for June 1, 1953. (The case is that of Czechoslovakia.) For descriptive material bearing on the same subject, see Zavalani's book *How Strong Is Russia?* and the article on Russian business management in *Workers* for February 1953.

the world, there is a dynamite fuse extending from the outside to inside the Iron Curtain. But an analogous need exists also for the capitalist world: to get rid of this rival upstart system, which, in its own way, is a living threat to capitalism; which shows a whole social world jiving without capitalism—contrary to the professors who have conclusively proved time and again that capitalism is so rooted in human nature that even the pre-Neanderthal ape-ancestors of man lived under capitalism....

Aims of Conquest

But of the drives more particular to the Stalinist system itself, the basic one is the need to exploit more and more labor on an ever-widening scale. The needs of this system have driven its ruling class into methods and forms of exploitation of the workers at home which are matched in brutality and violence by few pages in the history even of capitalism; and this same reaving need drives it to the exploitation of peoples abroad. Just as within its own state, the ruling bureaucracy sucks its class privileges and revenue out of the surplus labor which it extracts from its slaves and semi-slaves, so also it needs more human laborers to milk; the more workers controlled, the more the surplus labor extracted, and the greater the wealth available both for the ruling class and for the state-girding-for-war.

Moreover, precisely because it is not a capitalist-type exploiting system, it has available a method of foreign exploitation which is excluded for capitalist imperialism: *direct looting of goods and products*. This phenomenon took place on a very large scale for a whole period in all the lands overrun by the Russian army after the Second World War: whole factories and their machinery were dismantled and moved bodily to Russia, etc. This would not make economic sense for the capitalist economies of the West, the U. S. for example, whose chronic problem under normal circumstances is a surplus of production which gluts the market if not disposable through the purchasing power of the masses. The chronic problem of capitalism is not how to get production up, but what to do with the products if it gets too high up!—and Stalinist bureaucratic collectivism suffers from no such embarrassment. Therefore, its capacity for direct looting and robbery of production wholesale.

Thirdly, it is worth mentioning also that, in a social system which dispenses bureaucratic privileges as the reward for its ruling class and aspirants thereto, imperialism creates a wider base for bureaucratic posts, an extension of the numerical basis of the "atoms" of the ruling class through the bureaucratic structures in far-flung stations of an empire.

Struggle of Systems

And so this Stalinist world confronts its rival in the world, capitalism, not merely as a contender in an imperialist struggle but as a contender in a struggle of rival systems over which, if either, shall exploit the earth.

This is a distinctive feature of the present-day war crisis and its cold war which is decisively new, as compared with the First and Second World Wars which were fought primarily between imperialist rivals within the capitalist camp. An analogous situation has not obtained since the days long ago when the armies of Napoleon, born out of the Great French (bourgeois) Revolution swept over Europe in combat with a feudal continent. But two great differences exist today as against that historic conjuncture:

(1) In those days one of the camps objectively represented the interests of a new and rising class, the bourgeoisie, which was then *progressive*, standing for the needs of society as a whole to throw off the shackles of serfdom in favor of the social system which was destined to raise the productive forces to the level required for further progress, for the development of the technological forces that could finally provide plenty for all and lay the economic groundwork for the classless socialist society.

This has now been done. The economic prerequisites for socialism exist.

Modern industry has reached the point where it is entirely feasible to put an end to all systems based on enforced scarcity, where man can produce an abundance of goods if industry is run for use and not for profit. The Stalinist-tyranny is not a progressive alternative to the moribund system of capitalism, but a neo-barbaric relapse which feeds on the decay of capitalism as long as the working class has not unleashed its own forces to abolish it in favor of a real workers' democracy.

(2) In those days when the rising bourgeoisie stood arrayed against the old order, there was not yet any other social class fully developed which offered a force for effective social leadership as against the two locked in conflict. Today the working class offers the social alternative, the third corner of the triangle of forces that the picture presents. It has the need and the power to build its own world, and it faces only intensified oppression and misery from the continuation of either the Stalinist or capitalist orders.

In this struggle of the two war blocs today, we socialists are enemies of both camps of exploiters and imperialists. That is the basic fact about our "Third Camp" policy.

No Appeasement!

In a previous special pamphlet-issue on Socialism and War, we have analyzed in some detail the bases of our opposition to capitalist war and its policies today. But our opposition to capitalism does not drive us into support of the monstrous alternative represented by Stalinist totalitarianism or into illusions about it. That way lies no exit, no hope, no livable future.

We say that Stalinism must be crushed, defeated, overthrown everywhere before the working class can achieve its democratic socialist future. We are not for conciliation with it, or appeasement of it. We do not share in one iota the common "neutralist" notion that the interests of peace and democracy can be served by trying to convince the rival camps to live in "harmony"; we know that "peaceful coexistence" of these dog-eat-dog exploiters is a mirage; we do not take a stand that is "in-between" them.

Stalinism must be crushed! But it is an integral part of our indictment of capitalism that this CANNOT be done by the capitalist world in any progressive way or with any progressive consequences. The Western bloc can possibly defeat the Russian power in a military Armageddon, if indeed victory and defeat will retain any meaning in World War III even for the imperialists, but this can be done only at the expense of the downside of a militarized, bureaucratized capitalism itself toward the same type of tyranny of which Moscow represents the acme today.

This degenerate capitalism of our world today is the very ground on which Stalinism feeds. If Stalinism is a dynamic force in much of the world, it is because—and only insofar as—it can take advantage of the justified hatred which millioned masses feel for the system which has exploited them so long, and which they refuse to support against a demagogic Stalinist appeal which at least seems to offer something different.

As long as, and in proportion that, the enemies of Stalinism base themselves on support of the capitalist alternative, Stalinism is bound to grow strong and stronger.

The "Secret" of Stalinism

Wherever Stalinism can pose as primarily the enemy of capitalism (which it is, in truth, in its own interests),

and not as an equal and even more deadly enemy of the working class and the masses who aspire to freedom, if only the revolutionary energies that capitalism's crimes have unleashed in the world. This is the "secret" of its strength and its dynamic upped.

This is why it still can count on the active or apathetic support of millions in France and Italy and other West European countries; on millions among the colonial masses of Asia; on strategic points of support in U. S. imperialism's backyard, Latin America. This is why the Western capitalist statesmen are at the end of their rope in Indochina, where they are fighting in the name of French colonialism against a Stalinist-controlled Vietnam which is able to clothe itself in the garb of a national-liberation movement. This is why Korea was a trap for thousands of American dead.

Being anti-capitalist in reality, in the sense that it stands for a rival system of oppression and exploitation, Stalinism can hope to and seek to use a disoriented working class wherever it finds one, as its battering-ram against the old system. Where the U. S. can find only the most discredited of reactionaries and tyrants to be its semi-reliable allies—a butcher like Chiang Kai-shek or Syngman Rhee, fascists like Hitler's friend Franco or the neo-Nazi who flooded the administration of its pet German, Chancellor Adenauer—the Stalinists are not tied to the old discredited classes and cliques in the countries of the Near or Far East, or in Europe. They can stage the act of offering a fundamental social transformation to throw out the landlords who oppress the peasant masses, whereas the U. S., bent by its capitalist status-quo ideology, cannot even find a demagogic word to say.

No one who stands for, or who is suspected of standing for, the retention of mystery by the capitalist imperialism—even if he epistemologically explains that he supports the capitalist bloc only because it is a "lesser evil"—can hope to stem the expansionist dynamic of Stalinism.

Forward from Revolt

That is why we look to the gathering of the forces of the "Third Camp"—those who wish to fight in the name of an independent struggle against both camps of exploiters—as the only road to defeat both war and Stalinism, both the old and the new imperialism.

But that works the other way too. Wherever it is Stalinism that has established itself as the master, where it has already overthrown capitalism and had time to show its own hand, its own cloven foot, there the revolt against the bureaucratic-collectivist despotism grows fast. But the masses who turn against Stalinist power in disillusionment do not want to go back;

they want to go forward. The most dramatic proof of this was given in the great June 1953 revolt of the East German workers, in their heroic first assault against the Eastern conqueror. No pro-West or pro-U. S. or even pro-Adenauer slogans appeared among them; that on the one hand; and on the other, the representatives of the Western camp in Berlin showed themselves as leery of the aroused workers in revolt as the Stalinist masters.

Within the Stalinist empire, where it has consolidated itself, disaffection grows. Only a primitive stage was represented by "Titoism," where a satellite regime turned national-Stalinist—that is, rebelled against Moscow domination as foreign oppression while retaining the forms and social content of the same system, totalitarian bureaucratic collectivism. "Titoism" in various forms shook the Russian empire, and we naturally cheer it on to do so; but it is not this nationalist (anti-Moscow) form of the same system which represents the future for us.

The Revolutionary Goal

The next stage of the revolt within the Stalinist empire is signaled by the masses' aspiration for freedom against their new bureaucratic masters who have replaced the capitalists as rulers, the revolt prefigured by the East German rising.

It is the revolt of the workers in the name of a democratic government which will overthrow the Stalinist horror. Revolt for democracy under Stalinism—what does it mean? In a completely statified society, where the means of production are already in the hands of the state (while the state is in the hands of a tyrannical bureaucratic class), the road to genuine socialism lies in winning the state power for the democratic rule of the people. In this kind of society, democracy is not merely a political form (as it is under capitalism at the best); it is the sole instrument whereby the workers can really build their own society, and convert the statified economy from the preserve of a privileged class to the foundations of socialism. Democracy is a revolutionary goal.

Capitalism cannot unleash the revolutionary energies of the people behind the Iron Curtain any more than it can do so with the colonial masses of Asia. That will take a struggle which offers an anti-capitalist alternative to these people who have had their bellyful of both the old system and the new tyranny, and this is a struggle which can blow the Stalinist power up from within.

This is the "secret weapon" which can defeat Stalinism without plunging the world into a world slaughter

to a bitter atomic end, to the greater glory of capitalism.

This is the political weapon which the Stalinists fear. It can be swung into action only by a consistent and fearless democratic foreign policy which has broken with the limitations imposed by capitalist class interests and alliances.

We are for the war against Stalinism to the death—not appeasement, deals, compromise or partitions of the world with it—but we are not for capitalism's war against Stalinism. Our allies are not Franco and Bao Dai, but our comrade-workers of the British Labor Party who are trying to find an independent road for their movement that stands against both war camps, and who are therefore smeared as "anti-American." Our allies are not Rhee or Chiang, but the lion-hearted East German workers in revolt. Our political blood-brothers are not the Stalinoid neutrals who want to appease Stalinism but the workers who want to find the way to fight both blocs. Our aim is not the peaceful coexistence of two varieties of exploiters but a socialist world where all peoples can be free.

The New Turn in Kremlin Policy

Background and Implication of Russia's "Soft" Policy

The speech delivered by Malenkov before the Supreme Soviet on August 8th marked an historic moment for the totalitarian dictatorship. Malenkov, the spokesman for the new regime, addressed himself not only to the assembled representatives of the privileged bureaucracy, but to the silent, disfranchised Russian people as well. The burden of his discourse transcended the limits of a mere discussion on the current year's budget. In describing the transformation of the economy in the last 25 years from one based on a backward agriculture, into an economy resting on a powerful heavy industry, Malenkov was summing up the Stalin era and seeking to justify it.

Between 1925 and 1953 the output of steel rose from 1.8 million metric tons to 38 million tons. Coal production expanded from 16.5 tons to 320 million tons. The output of electric power multiplied from 3 billion kilowatt-hours to 133 billion kilowatt hours. That is, the output of steel multiplied 21 times, coal by 19 times and electric power by 45 times. If we supplement these figures by the statistics on the creation and growth of such industries as aviation, machine-building and tractor, we arrive at a fairly adequate picture of the expansion of Russia's heavy industry.

However, while the output of the means of production in the last 28 years grew by about 55 times, the production of consumers goods in the same period increased by only 12 times. Malenkov tells us that the share of the production of heavy industry in total industrial output amounted to 34 per cent in 1925, 58 per cent in 1937 and now stands at the figure of 70 per cent. To complete the picture of the decline of the consumers industries, both absolute as well as relative, one must add the fact that agricultural production, which is the basis for the food and consumers industries, declined absolutely in certain spheres, especially the breeding of livestock which the following table (in millions) summarizes:

	1928	1935	1953
Cattle	70.5	63.2	61.8
Cows	30.7	25.2	27
Sheep and goats	146.7	102.5	130
Horses	36.1	17.5	15.8

In approximately the same period of time, from 1926 to 1953, the total population grew from 147 to about 210 million, and the number of urban dwellers increased from 26 to 80 million. If we correlate the growth of the population with the increase in output of food and manufactured consumers goods, we find that per capita production has barely kept pace with the growth in population, and in some instances, dropped sharply.

	Annual per capita production		
	1928	1937	1952
Cotton textiles (sq. metres)	15.2	16	24
Wool (sq. metres)	.5	.6	.9
Leather shoes (pairs)	.4	1	1.2
Sugar (kilograms)	7.7	14	14
Meats and fats (kilograms)	27	21	17.8

(The Kremlin does not publish figures on the output of such important products as eggs, milk, vegetables and fruit, because the poverty stricken diet of the Russian masses would be exposed in all its clarity. In 1938, for example, the annual output of eggs would have allowed for a per capita consumption of about one egg per week. If no figures have been published in the post-war period, this can only mean that output is lower than the pre-war level.)

The deterioration in the living standards of the masses, and this means in the first place the working-class in the urban centers, is not completely indicated by the statistics given above. One must include the serious shortage of living space in the cities which has reached the proportions of a real crisis, and is openly admitted by the regime. Although the Kremlin does not release adequate statistics, there is no doubt that the average living space per person has declined below the pre-war figure, which in turn was below that of 1928. This means that the ordinary worker and his family must still crowd into one room and share kitchen and other facilities with several other families in one apartment on a communal basis. In 1939, urban dwelling-space averaged between 4 and 5 square metres per person. The goal set in the Plan for 1951-55 would allow 6 square metres per person. This is about one-third to

one-fifth of the living space per person in most West European countries.

Finally, one must add that a statistical picture of average production per capita of consumers goods does not tell us how these goods are actually distributed. One must take into account the process of social and economic differentiation which began to take on an extremely aggravated form after 1928. A growing, and very privileged layer of the population—the bureaucracy, began to claim a larger and larger share of the meager yearly output of consumer goods, while the share going to the workers declined. A Stakhanovist can make anywhere between 2,000 and 10,000 rubles a month; an engineer in a steel plant, 3,000 rubles plus bonuses that equal his salary; and a factory director, a great deal more. The average worker's monthly wage today is estimated to be between 500-600 rubles. This means a considerable section of the working-class makes less. The worker does not stand on an equal plane with the Stakhanovist, the engineer or the factory director in the acquisition of scarce goods. A good wool suit costs, for example, 800 rubles, one and a half times a worker's monthly wage. In addition, the bureaucrat has "connections" when it comes to securing what he wants.

AFTER TWENTY-FIVE YEARS of industrial expansion, with its four Five Year plans, Malenkov now declares it is possible to provide the Russian people with a decent standard of living. With his oblique admission that "the Soviet consumer," that enigmatic figure, has been faring badly, Malenkov destroyed twenty years of propaganda about the "happy life" in Russia. And the rising standard of living, it should be noted, is still the music of the future. As Malenkov makes clear, it is conditional on the resolution of the crisis in agriculture, which has lagged far behind heavy industry in both gross production and productivity per worker. To provide "the consumer" with more and better food, and with a larger supply of manufactured consumer goods, the light industries must receive from agriculture in as short as possible a time, a swelling stream of raw materials and food to be processed.

To this end, Malenkov declared, the regime has adopted a completely new attitude toward the collective farms and the private holdings of the individual collective farmers. The state will encourage production by permitting the collective farms to keep a somewhat larger share of what they produce. How much more we are not told. In addition, the supply of farm machinery will be increased in the next few years. As for the private holdings of the collective farmers, punitive taxes designed to wipe them out have been cut in half, and the individual peasant encouraged to raise livestock and vegetables. What was yesterday a crime against the state, today becomes civic virtue.

Is the regime sincere in its desire to raise the living standards of the masses? Lenin once dryly remarked that there exists no scientific method by which to measure sentiments. In Western Europe and the United States, the most popular explanation for this new turn in Kremlin policy is sought in the weakness of the regime and its fear of the masses. As far as it goes, there is a great deal of truth in this explanation. The new clique in the Kremlin is well aware of its isolation and the vast gulf which separates it from the masses. And without a doubt, it is ready to pay a temporary price to gain some popular support.

However, this is not the whole truth, and if taken as such, is altogether misleading. Not only subjective (political) needs have pushed the regime along the road it is now taking. There are powerful objective (economic) forces which compel it in this same direction.

The regime is aware that the power and privileges of the bureaucracy and its further domination, rest on the continued growth of the economy. But the regime can no longer successfully employ its old accustomed methods of forcing the development of production at the expense of consumption, of industry at the expense of agriculture; of aggravating social and economic inequality as the motor force of economic expansion. The basic "errors" of bureaucratic planning, the chief of which is the lack of proportion in the rates of growth of the different branches of the economy are not "errors" at all. They are the consequence of these methods, which in their sum total can be described as a process of "primitive accumula-

tion." Their inevitable result has been the impoverishment of the masses at one end of the social scale and the creation of a thin but extremely privileged layer of the population at the other. The social antagonisms generated by this process can only be regulated by total suppression, the exertion of an all-embracing system of state compulsion. The reason these methods can no longer work is that the historic conditions which permitted their use have vanished never to return. In this lies the permanent and deep-seated crisis of the economy. And the crisis of the regime is its natural product because the bureaucracy is organically wedded to these methods and can use no other without destroying its class domination.

THE CRISIS IN RUSSIAN agriculture has, of course, an independent reality of its own. But in a sense, the attention being paid it by the regime is an optical illusion. The anxieties which the regime is now manifesting about the lag in agriculture have their origin elsewhere; to be precise, in the relationship between the bureaucracy and the working-class. That enigmatic figure, the "consumer," whose needs have become a major theme of the official propaganda, is none other than the worker. In general, the regime maintains a death-like silence about the miserable conditions of the workers and their demands, and we are only permitted this distorted reflection in the official propaganda. Yet it is clear, that the regime is motivated by a more than passing anxiety and demagogic desire to pacify the workers temporarily. The attacks on the lower ranks of the bureaucracy for the shoddy quality of consumer goods, for nepotism and petty corruption are too persistent.

Malenkov's insistence on the need to improve the diet of the "consumer," and to end dependence on an impoverished fare of bread and cereals is symptomatic of the problem. In the course of his speech before the Supreme Soviet, Malenkov made a statement which has a great deal of interest for us. In speaking of the agricultural crisis, he noted that there would be enough grain to satisfy the needs of the population this year. And yet, in the thirties, the "struggle for grain" was the chief concern of the Kremlin to which everything else was subordinated. So far as the Kremlin was concerned, when it had guaranteed the year's supply of grain for the

urban population, it had achieved a real victory. What has changed the outlook of the regime?

The answer certainly is not that Malenkov and Khrushchev are more cultured than Stalin. It is due to the fact that the old method of expanding production—by expanding the labor force at a very rapid rate has been exhausted. The regime must now rely more and more on increasing the productivity of the existing force for increases in gross production—and this can't be done on a poverty diet whose main staple is bread and potatoes. An increase in productivity cannot take place unless there is a considerable improvement in the living standards of the main body of the working-class, and not merely of its privileged layers, the Stakhanovists and the Ukarnikia, the shock workers.

A BRIEF REVIEW of the period between 1928—1950 will show what has happened. According to the First Five Year Plan (1928-32), the labor force (workers and employees) was to increase from 11.3 million to 14.7 million. Instead the urban labor force increased by the sum of 12.5 million between 1928 and 1932, and reached the figure of 23 million. *The chief source of this tremendous pool of new labor was the surplus population in the countryside. Of the 12.5 new workers, 8.5 million alone were former peasants.*

Whereas the growth of the urban working population between 1929 and 1932 far outstripped the schedules of the First Five Year Plan, the increase of the labor force in the next period fell below the more modest goals set in the Second Five Year Plan (1933-37). Instead of the anticipated increase of 6 million more workers and employees, the number of employed only rose by 4 million. If we allow for the additional increase necessary to offset retirements and deaths, the real addition to the labor force adds up to 9.4 million new employed. But the regime found it could no longer depend on the countryside as the chief source of its labor supply. Only 3.2 million new workers came from agriculture. The rest were drawn from the urban population. And the major share of this new increment to the labor force was contributed by women. Between 1933 and 1937, the number of women workers in the city rose from 6 to 9 million. In 1937 women represented

35 per cent of the urban labor force.

The revolution that had been wrought in the relation between town and country, industry and agriculture, can be seen from the following statistics. The total labor force, that is both industry and agriculture combined grew by only 5 million between 1926 and 1939, from 86 million to 90.6 million. But in that same period the agricultural population declined from 120 million to 114 million while the urban population grew from 26 to 55 million, an increase of more than 29 million. *This vast internal migration from countryside to town was the primary condition for the rapid growth of the new industry, and in turn depended on the existence of a large surplus population in agriculture. By 1939, however, this chief source of new labor power had been exhausted.*

IN MANY RESPECTS, the Fourth Five Year Plan resembles the First. There is the same over fulfillment of the ambitious goals set for heavy industry, and the underfulfillment of the very moderate ones set for light industry and agriculture. And, as under the First Five Year Plan, the labor force grew far beyond the limit set by the Plan. Between 1946 and 1950, the number of wage and salary earners was supposed to increase by 6.25 million and reach a total of 33.5 million. Instead, the number of employed reached about 38 million, and the actual increase of the labor force came close to 10 than to 6 million.

Again, we find a close correlation between the actual expansion of industry and the labor force. The growth in labor productivity was a negligible factor, since the need to expand the labor force so far beyond the goal set by the Plan could only mean that not even the over-all pre-war rates of productivity had been reached. In individual cases, this was admitted by the official Russian press. In the case of so important an industry as coal mining, an economist writing in the economic magazine, *Voprosy Ekonomiki*, No. 8, 1941, declared that per output wage earner was less than in 1940.

The new supply of labor came from three sources. The first consisted of demobilized veterans, a majority of them peasants, who stayed in the cities instead of returning to the collective farms. This meant that agriculture again, although in indirect form, was

making a large contribution to the growth of the labor force. The second source was the **Juvenile Labor Reserves**, which had first been instituted in 1940 as a war measure, but remains in force to this day. **According to the Fourth Five Year Plan, these vocational schools were supposed to deliver 4.5 million young workers, drawn from agriculture and the city, by 1950, with 1.2 million young workers going into industry in that year alone.** The last source of labor power was to be tapped by squeezing the urban population—in particular by forcing more women—and this meant married women with children—into industry. If in 1937, the women represented 37 per cent of the working population, by 1950 they made up at least 50 per cent of the urban labor force. (Although the subject lies outside the scope of this article, it is worth noting that women are the mainstay of the agricultural labor force, contributing about 70 per cent of the workers.)

The demobilized veterans could not remain a permanent source of labor. The effect of their influx into the labor pool was most sharply felt in the very first post-war years, especially 1945, when the number of new urban workers increased by 3 million. Thereafter they steadily decreased in importance. As for the compulsory labor recruitment of young people, their number has steadily declined. The largest number contributed by this source to industry was one million in 1948. Since then, this source of labor power has dried up in spite of all the ambitious plans of the regime. Instead of the projected 1.2 million, the vocational training schools only provided industry with less than half a million new workers in 1950. By 1952, their annual contribution had dropped to 326,000. As for women, the deflationary policies of the regime, which resulted in a sharp drop in average wages right after the war, were guaranteed to force those who were employable into industry.

The regime is quite aware that it can no longer depend on a very rapid growth of the labor force to ensure the continued expansion of industrial output. This is revealed both by the actual rates of growth since 1950, as well as in the projected goals for the Fifth Year Plan which runs from 1951 to 1955. The following table indicates the annual rate of increase in per cent

over the preceding year for different goods. The declining rate of growth is very noticeable:

	1950	1951	1952
Pig iron	17	14	14
Steel	17	15	10
Coal	11	8	7
Metal working machines	12	11	3
Cotton fabrics	8	22	6
Sugar	23	18	3

The Fifth Five Year Plan, which was not announced until late 1952, that is, until the Kremlin had a very real notion of the actual rate of growth it could expect of the economy and the labor force, is quite remarkable in one respect, which distinguishes it from all previous Plans. As under previous Plans, the main emphasis is on the continued expansion of heavy industry, which is to expand by 80 per cent. Gross industrial output is to increase by 70 per cent. However, *this increase is to be primarily achieved by a sharp rise in labor productivity and not by a large increase in the labor force.* According to Saburov, the Minister of Heavy Industry, reporting to the 19th Party Congress in 1952, three-quarters of the increase in gross industrial output was to be achieved through a rise in productivity. The productivity of labor in industry was to rise by 50 per cent, in building by 55 per cent, and in agriculture by 40 per cent. The labor force was to increase by only 15 per cent over 1950, that is, by the remarkably small figure of between four and a half and five million persons. The average annual increase of the labor force would therefore be somewhere below one million additional workers and employees, as compared with the average annual increase of more than two million between 1946 and 1950.

The goal of an annual over-all increase of ten per cent in productivity in industry that has been set by the regime is impossible of attainment. In the United States, for example, an annual increase in the rate of productivity of slightly more than one per cent took place from 1939 to 1947. Between 1948 and 1952, the annual increase of productivity in American industry rose to 3.3 per cent.

However, what is significant is that the Kremlin recognized it could no longer depend on the growth of the labor force as the chief means of expanding output. This shift of emphasis to increasing the productivity of

the existing labor force indicates that the Russian economy has entered a new, and for the present regime, critical stage of development.

STALIN'S DEATH WAS, in a sense, one of those rare historic events in which accident combines with necessity. The weakness of the regime, an inevitable result of Stalin's demise, compels it to take a road dictated by the organic tendencies of the economy. However, the regime is caught in a series of contradictions from which it cannot escape. To improve the real living standards of the workers is an absolute necessity. Not even the totalitarian regime in the Kremlin can believe it can spur a sharp rise in the productivity of labor on a diet of poverty. The first step in this process, since it is not strong enough to squeeze more out of the peasantry, is to grant considerable concessions to it as a means of increasing the output of food. But in terms of the national income, this means yielding a larger share of the national income to the collective farmers. At the same time, it must maintain the living standards of the urban workers on a higher plane, if it is to attract any number of additional workers from the countryside into industry. Taking both claims together, this means a completely different division of the output of industry, between means of production and consumer goods in the immediate period ahead. A redistribution of the national income in favor of the masses must now take place.

Without arguing dogmatically, that this is impossible, it raises extremely serious difficulties for the regime. Let us examine briefly some of the alternatives. It must choose between reducing the share of industrial output going into war preparations, and this involves the prestige and privileges of an important social grouping within the bureaucracy—the officer caste, or, restricting the rate of growth of heavy industry to a degree it has never done before. But this would mean abandoning the struggle to “catch up with the West,” and would mean the gap between Russia's industry and that of the United States would increase in the latter's favor. In addition, if it is to raise the general standard of living of the masses within a short period of time, it must curtail the range of inequality in income. This means cur-

tailoring that share of the national income which goes for the consumption of the bureaucracy as a whole. And in general, it would have to carry on a serious campaign against the wastefulness of the industrial bureaucracy, which nullifies a considerable portion of the annual increase in gross output of industry. Both these aims cannot be accomplished by economic measures alone, and require more than supervision from the top. It would mean nothing less than the application of political measures to restrain and control the appetites and wastefulness of the privileged strata. That is, Malenkov, Khrushchev and com-

pany, would have to call upon the workers and peasants to exercise control over the bureaucratic apparatus! This would be reform from above with a vengeance, and we do not believe it is possible.

Within the limits of this article, it has been impossible to deal specifically and at length with the new policy the regime is pursuing with regard to the collective farm peasantry. We leave this for a future article to show that the methods being employed by the regime to increase agricultural production are calculated to lead to a crisis in this sphere in the next period.

Abe STEIN

The East German Workers Revolt

Background and Implication of the Uprising

The June uprising of the workers in East Germany is one of the great events in modern history. What actually happened may be observed by biased or official reports. The implications of the events will not be liked by most governments in the Western world though the inner weaknesses of the Russian empire were openly revealed by the German uprising and will therefore greatly improve their bargaining position in future dealings with Moscow.

The uprising in Germany will open up new historical opportunities which seemed to have vanished with the defeat of the European labor movements during the last twenty years and the emergence of the Stalinist state.

Two world wars, a defeated proletarian revolution in Germany and a "successful" proletarian revolution that failed in Russia, finally the victory of fascism in Germany coincided with the decay and destruction of the old traditional labor movement in Europe. It seemed to be impossible to escape from new wars and the rise of totalitarian states. The hopes which the Russian revolution of 1917 had raised among the radical wing of European labor movements after the first world war had faded away. Already during the Thirties most members of radical labor movements had convinced themselves that the revolution which in Russia had freed the peasants and workers from the rule of an absolute semi-feudal capitalist state had created a new type of oppressive totalitarian monster.

The nature of the new regime in Russia was not recognized by those who were responsible for political settlements after the second world war in the Western world. It seemed to be possible to arrange a peaceful division of the world in the old style of international cartels. It was believed that "socialist" state planning would make the Russian imperial government more peaceful and self-sufficient than was old Czarist Russia. In such a world—divided up among two or three big powers—there was no place for a German industrialism. Europe was destined to become a subordinated section of the Russian and American empire, permanently divided.

Such plans had to be thrown overboard because they were politically unworkable. The Russian system of state-capitalist planning had produced the most aggressive type of modern militarism and therefore became an acute threat to the survival of all other nations and national states. It seemed to be impossible to defeat such a regime except by forming a counterpart to Russian imperial militarism—a huge centralized state-planned militarism which could fight the new totalitarian power with its own means and methods. But such a struggle between two totalitarian giant powers will extinguish the best achievements of Western civilization and the opportunities to use them for new social progress. A third way out of our social world crisis appeared no longer to exist. The only alternative seemed to be appeasement of the Russian totalitarian system of enslavement.

Adherents of such an appeasement policy became defeatists in the new struggle of liberation from the totalitarian state-capitalism. A third way out could only be considered an abstract idea or as a speculative possibility which seemed to be contrary to the realities of the situation.

The historical meaning of the uprising in East Germany is that it opens up the vista of a third way out. It is a historical warning that a new era of revolutionary liberation movements is possible. It is directed not against an old feudal or semi-feudal regime which has not yet "completed the bourgeois-democratic revolutions." It is a liberation movement against the latest type of state capitalist enslavement which makes use of extreme methods of nationally centralized planning. Therefore it opens up new vistas also for all countries which have been subjugated by totalitarian state-capitalist regimes.

The historical meaning of the events in East Germany may be defined as the first act of a new social and national revolutionary liberation movement. Its historical meaning overshadows the historical rôle of the first Russian revolution (1905) which shook the Czarist empire without leading to its downfall. Lenin and his closest disciples often reminded

their comrades in later years that the events of 1905 were a necessary experience without which the revolution of 1917 would not have succeeded. The June, 1953, struggle of the East German proletarians may turn out to be a necessary introduction to a greater revolutionary struggle which will be political and social dynamite for similar societies all over the world.

A comparison with the Russian Revolution may easily lead to false conclusions. Internal and external conditions differ greatly and make a useful comparison difficult. In both cases it was the proletariat, and among the proletarians mainly the industrial workers, who led the entire movement, with the silent or open approval of the peasants and whatever it may have meant or may mean again—of the urban middle classes.

But the differences are just as important and may give us an even better insight into the nature of the new movement than the similarities:

Eastern Germany has become one of the most proletarianized areas in the world. A tiny totalitarian bureaucratic hierarchy, the obedient tool of a foreign imperialist power, stands on top of a social organism which consists mainly of three social categories: "free" proletarian workers, slave workers similar to the type of slaves of ancient despotic regimes, and the absolute paupers who have sunk to the deepest level of the economic-social struggle for survival.

The percentage of industrial labor is relatively great, and most industrial workers are concentrated in a few areas. Furthermore, the workers still are affected by the old traditions of the Western labor movement. They consist largely of skilled and intelligent workers. Advanced elements of these workers had opportunities to absorb the lessons of the most advanced labor movements of the nineteenth century in the course of the experiences of the great social revolutions at the beginning of this century, of the totalitarian Nazi regime, of the final collapse of society after the second world war, and finally of the new totalitarian colonial regime. It is ironical that the new proletarian revolution started in one of the most proletarianized areas of the world and im-

mediately clashed with a power which was a fruit of the first "successful" proletarian revolution in modern times.

Without a class of national capitalists as the ruling class, with a state-capitalism under control of a foreign power, the major part of the "national income" must be spent in accordance with the policies of the foreign imperialism.

In addition, the new German bureaucratic hierarchy has to rely on an apparatus which is very costly, which intervenes and interferes with productive efforts to such an extent that an effective control of production becomes impossible. Absolute scarcity of many kinds of goods and materials or man-power coincide with large-scale economic waste. The economic costs of mistakes of the planners must be paid with sweated labor, wage cuts and the hanging of "saboteurs."

We may summarize the social and political conditions which were basic for the emergence of a new type of social revolutionary liberation movement as follows:

(1) High degree of proletarianization of the people.

Most members of the middle classes had either vanished or had become mere proletarians. As proletarians they were not working for a private capitalist but for the state which had become a more fierce and more brutal exploiter than the worst type of private capitalist at the time of early capitalism. A similar experience was undergone by the old type of industrial worker, and also by the white-collar workers.

The entire social class structure tended to become very simple compared with the old one. Instead of a large layer of various types of middle classes and an upper class which had strong traditional and native roots among a vast sector of the population, with a working class where some kind of labor aristocracy seemed to emerge among the best-paid sectors of labor, only three social classes now survive. At the bottom of the social ladder there are the slave laborers who work for the state without monetary compensation. Then there is the rest of the population, most of whom belong to the completely proletarianized type of working class, controlled, oppressed and exploited by the state-capitalist bureaucracy. The latter relies on a new social hierarchy—the

upper ranks of the party and state bureaucracy and of the armed forces. They are a tiny minority among the people, divorced from the rest of the population, without native or social roots among other sectors of the people, relying directly on the bayonets of their police forces and those of a foreign power.

(2) Thus a real native ruling class has been missing. There were—and there are—new rulers and a new social hierarchy which tends to become a new ruling class. But it lacks basic elements of a ruling class. It is too small in number. It has not been able to create a sufficient stratum of members of the party or of the state-bureaucrats who may be considered as "reliable" for the regime. The social produce which the new rulers have at their disposal does not make it possible for them to extend the rise of a new social hierarchy into a new social class which has real national roots.

(3) The weakness of the social and political structure is greatly increased by the foreign imperialist enslavement. The Russian overlord has not established himself as a victor who intended to take his loot and go home. He may want to retire but only after having secured permanent rule over the new satellite regime.

(4) The methods of centralized state bureaucratic planning under the guidance of a totalitarian bureaucracy, together with the delivery of a large percentage of the industrial produce to the foreign imperialist overlord, have created a higher degree of economic anarchy and waste of the social produce than there ever existed under private capitalism.

(5) The weaknesses of the regime are multiplied by the high degree of centralization of industrial labor and by the fact that the tradition of the German labor movement—a high degree of social consciousness among individual workers, and of social class discipline and solidarity—has not yet been eliminated by the experiences of the Nazi regime nor by the new pseudo-communist dictatorship.

(6) The new regime of totalitarian isolation of the individual could not be organized effectively. Immediately neighboring areas are populated by people of the same nation, living under relative personal freedom. Their area, too, is occupied by a foreign power, and the latter also imposes its own political control system. But it

still represents a power where private capitalism is being defended as a system superior to state-capitalism. The absolute power of the state cannot be sustained by one-party totalitarian rule. Furthermore the new international power struggle has made it necessary to promote or at least to encourage opposition movements within the totalitarian Eastern Reich.

(7) Finally, the upper crust of the new ruling hierarchy in the Eastern zones is not a firm unified mass following one specific direction. It consists of "leaders" and underlings who belong to cliques which are in an acute stage of confusion and of personal rivalries. At the center, i.e., in Moscow itself, since the death of Stalin—and before—leading bureaucrats were purged or were in disfavor. The leaders of the satellite states felt secure in their positions only if their personal ties with the new cliques in the Kremlin were secure and if they were supporting the right man in the Russian party leadership.

THE NATURE OF THE RUSSIAN REGIME and the prospects of liberation movements in the Eastern German areas have been discussed by small intellectual circles, former students and ex-officers, and in particular by former members of the labor movement. But a genuine underground movement able to withstand the pressure of a totalitarian regime could be built up only by the industrial workers. What helped them was the fact that they had daily contact with each other through their work and their working and living conditions. Furthermore, there were many workers experienced in underground work. Finally they were unwilling to become the tool of another power and declined advice and in most cases even contact with circles or parties outside of their own area. Members of foreign intelligence organizations were carefully ignored as far as possible.

The situation was different for members of the old middle classes and members of academic professions. They had lost their old social status and had declined to the bottom level of social stratification. There were no comrades and no social milieu where they felt that they were members of a group or of a circle to which they felt responsible and which may have helped them in an emergency. As des-

perate, isolated individuals they felt frustrated unless they were given new **hope for a change by a foreign power. It was easy for organizations which had been given money and moral support by foreign occupation powers in Western Germany after the deterioration of East-West relations to establish underground contacts in 1947-50 with former members of the old middle classes or expropriated members of the old upper classes. They were desperate, personally isolated or helpless and looking for a "strong power" to help them. But the net of underground contacts which relied on such social elements was completely smashed by the new regime in 1951-52 when the East-German satellite regime had the task of restoring industrial production and the industrial capacities of East Germany. It therefore had to increase the social and political weight of the industrial workers.**

Something should be said about the political rôle of industrial labor in East Germany:

East Germany includes areas with highly concentrated industrial labor, where masses of industrial workers have been concentrated for several generations, with proud traditions of social-revolutionary struggle and socialist-communist organizational influence. We refer in particular to the industrial centers in Saxony, Thuringia, the area of Halle-Merseburg (incl. Leuna). The old political and organizational split between socialist and communist workers seemed to play a minor rôle at the end of the Nazi regime, at the end of the second world war. There was a spontaneous movement to overcome the old division. At first, the new Communist (and S.E.D.) party apparatus tried to exploit this spontaneous drive for unity among the workers. But the new experience under the Russian-controlled regime completed the process of unification **of the workers. "Old Communists" among workers who would support the new regime were almost non-existent. The same applied to former members of the Social-Democratic party. At the beginning some success was recorded by the appeal of the new S.E.D. (Socialist Unity Party or official State Party) among young workers. But this appeal virtually vanished after several years of practical experience with the Ulbricht apparatus.**

A new kind of underground has

emerged. It is a combination of loosely and also tightly knit organization.

Only a minority of politically experienced workers, mainly former communists who had already been disillusioned by their experiences with the German CP, had realized the nature of the transformation of the Russian revolution when the second world war ended and the Russian armies marched into Germany. Most social-democratic workers and also ex-Communists who had joined the CP only a short time before the rise of Hitler to power sincerely believed, until the end of the war, that Moscow would become some kind of social liberator. But these hopes faded away within the first 24 hours of Russian occupation. Thereafter a personal struggle for survival started. Such conditions were extremely unfavorable to any political thinking and movement.

Some "sincere" Communists still believed that after the initial transitional period from war to peace a new German democracy would emerge and the foreign terror regime would end. But the German party chiefs who had been called from their Moscow headquarters, Walter Ulbricht & Co., in coöperation with a clique of Social-Democratic "leaders" who were easily absorbed by the Ulbricht-clique, **sought to copy the pattern of the Russian state in Germany. The historical rôle of these cliques was necessarily based on a policy of keeping Germany divided and of preventing a unification of Germany except through war, i.e., with the direct aid of the Russian army. For any other kind of unification would have been incompatible with the rôle of Ulbricht & Co. as "leaders" of the new totalitarian state. They had to build up their totalitarian party under the protection of a foreign army. It was not possible for them to follow the pattern of the Russian revolution or even of the Nazi movement. They could not create their totalitarian party in competition with other political parties and conquer the state administration of a parliamentary government "from within" or with the aid of popular mass movements. Therefore the fate of Ulbricht & Co. depended on the foreign policies of Moscow. They were sure that Moscow would need them as long as the Russian government was for a continued division of Germany and opposed to any kind of peaceful unification. For the same**

reason, it was completely out of the question for Ulbricht & Co. to play the rôle of a Tito. Moscow did not have to fear such a danger in East Germany among the leading members of the East-German Party bureaucracy. But other and even greater dangers emerged.

One of them is the underground organization of the labor opposition. It does not consist of a real mass organization. Experienced underground workers in totalitarian countries will agree that a mass organization or an organization which is part of a mass organization—perhaps organized from abroad—will not survive for any length of time. What is possible in countries or areas which cannot be shut off air-tight from the rest of the world is the emergence of underground circles of a small number of oppositional workers. They may establish a few personal contacts with men who belong to key sectors of labor and who are a major influence among them. Such groups of workers who, because of their position, are able to act more independently than other workers, will be able to use their particular group of workers as a kind of advance guard which at a critical moment will be followed by other sectors of labor.

The government spy system was not able to penetrate the underground of industrial and skilled workers effectively because the latter were able to detect unreliable elements from working and living experiences, and also because the underground was made up to a great extent of a net of contacts which were not a closely knit organization but which relied on personal experiences with those who were willing to resist the new regime. What helped was the fact that the government has superseded the old private capitalist boss. The government does not appear as a physical person.

Essential and helpful for a real underground center was the fact that it had the coöperation and more or less active support of numerous sympathizers, and active helpers among members of the bureaucracy, within the S.E.D. hierarchy and even among the highest ranks of the S. E. D. hierarchy. Through them, a few contacts also existed with old-time members of foreign Communist Parties in Eastern countries, and also with a few Rus-

sian bureaucrats. As a result there was not one single decision of the government which did not become known to the underground opposition. Warnings of planned arrests of old-time communists or socialists were sometimes given in time. This was done on the highest levels, as well as for rank-and-file members and through contacts with the Administration.

It was known that the position of Ulbricht and his clique was undermined and collapsing immediately after the death of Stalin, and after the apparent eclipse of the position of Malenkov within the ruling "inner circle" in Moscow. Ulbricht was careful to follow a "wait and see" line, at the same time closely watching the personal attitudes of the individual bureaucrats toward his own group and toward Moscow.

Something should be said about the special status of Berlin and the new role of the Berlin labor movement. This applies to West Berlin as well as to East Berlin. In spite of the Iron Curtain which goes straight through Berlin, there are, of course, many contacts between both sectors of Berlin which do not exist in other East-West border areas. These special ties have been very important for the struggle in Eastern Germany. At the same time, East and West Berlin represent two different worlds.

In West Berlin the Social Democratic Party dominates the political life of the city. The West Berlin Social Democrats are under the leadership of highly experienced members of the old pre-Hitler labor movement. West Berlin is the only part of West Germany where the local organization of the Social-Democratic Party is under the leadership of a political group which derives from a real fusion of former left-wing young socialists ("Jung-Sozialisten") and anti-Stalinist ex-Communists. Some of them once played a prominent rôle in the Communist Youth Movement during the Twenties and joined various oppositional Communist groups thereafter.

Leaders of the West Berlin S.P.D. are used to considering their own situation as different from the situation in any other part of Germany and as directly related to foreign big-power politics. Nowhere in the world are foreign policies and world-wide political shifts of so much immediate concern to the local leaders and to the population as in West Berlin.

The labor movement in East Berlin is also unique. East Berlin is the only area in the Behind-the-Iron-Curtain world where an anti-Communist party is officially permitted and actually tolerated. At the beginning of the East Berlin regime, attempts were made to liquidate the Social-Democratic Party in East Berlin, too, and to terrorize individual party members. But the West Berlin Social Democrats answered with effective counter-measures and threats of retaliation. As a result, some kind of unofficial *modus vivendi* developed.

The underground organization in East Berlin relies more or less on former trade unionists, largely ex-Communists (sometimes still official members of the S.E.D.) and former members of the S.P.D. Contacts exist between the S.P.D. organization in West Berlin and the labor underground in East Berlin. But such contacts rely on a few personal ties. A distinctive feature of the underground in East Berlin and East Germany is that it relies on groups of workers who have common traditional ties and who do not acknowledge any center "abroad," not even in Western Germany, including the S.P.D., as their leadership. There is a strong feeling that their problems are not sufficiently considered and understood by the political leaders of the S.P.D. in Western Germany and that "something new" will have to be created. In the meantime, they have to form their own "independent" leadership.

A small circle of "underground leaders" had been concerned for some time with the desperate mood of the workers and also of the peasants and the urban middle classes. It was also known that the Ulbricht clique tried to create a *fait accompli* for Moscow, in alignment with and in support of Malenkov's position: the creation of a totalitarian satellite state of East Germany. The entire state edifice would crumble if an attempt were made to reform it in such a way that it would be fit for an arrangement with a non-totalitarian West Germany. Therefore an East German Five-Year Plan was revised in such a way that a greater share of the "national income" was to be devoted to the extension of heavy industrial or armaments projects. The remnants of non-Communist "bourgeois" parties were to be liquidated. The state was to become "monolithic." The independent status of the church was to

end, thus creating an even wider rift between East and West Germany. It was perfectly clear to the Ulbricht clique that it would be sacrificed if a unified sovereign Germany would emerge, and that the Russian dictators would have to throw the Ulbricht clique overboard if ever Moscow would make a serious effort to support the creation of a unified sovereign German nation.

It was known that influential circles in Moscow were for a Russian withdrawal from Germany and Central Europe under certain conditions: Simultaneous withdrawal of the United States armed forces from Germany, and the formation of a neutralized Germany and, if possible, also of Western Europe.

A mere attempt to test such a policy would require the end of the political rôle for Ulbricht and his clique. The latter tried to liquidate any social or political force which might have made it possible to find a successor to his regime immediately after having received news about Stalin's serious sickness and especially after the death of Stalin. But shortly thereafter, it was felt that Ulbricht was bankrupt in the eyes of the new supreme masters of Moscow. Ulbricht himself knew it and he himself tried to open up a way of retreat, hoping against hope that he could ride out the tempest which was blowing from Moscow.

But personal rivals of Ulbricht within the apparatus suddenly gained influence and power. The Ulbricht clique tried to make a hasty retreat. Promises were made to permit open criticism of the regime.

During the 12 months which preceded the uprising, the living standard of the workers in particular had fallen off, though, officially and according to government statistics, living conditions had improved. Consumer goods had been de-rationed. Practically all consumer goods had to be purchased at "free" prices. The latter had declined but they still were higher than prices for rationed goods had been before. Thus items which could be bought only by the small privileged new aristocracy had become cheaper while bread, margarine, potatoes, etc., had become more expensive.

In the early Spring, practically already in March, near-famine conditions developed in many areas of the Eastern zone. In most towns, even in Berlin, rationed meat, fats, butter, su-

and vegetables could not be supplied. Many people waiting in queues wasted their time and had to go home empty-handed and hungry. At the same time, it became known that the government was building up huge stocks of foodstuffs, apparently for political reasons and "on orders from Moscow."

The complete record of the historical events of the uprisings cannot be written now. There are many details which are only locally known. There were no "central leaders" who directed or organized the uprisings in such a way that they were able to anticipate the events and to keep themselves informed about the actual situation at all major industrial or population centers. But an underground center in Berlin does exist. It relies on groups of workers who have unchallenged authority among new colleagues. They followed a wait-and-see policy and resisted the temptation of heroic actions which would not make sense, or which would expose them, their families and "innocent" oppositionists, to the new super-Gestapo.

Then, in early Spring, something happened that stirred all oppositional workers and that was much discussed among the underground circles: Ulbricht and his personal adherents were no longer in favor with Moscow. His protector in Moscow, Malenkov, seemed to be losing his battle as the successor to Stalin. The new man whom Moscow had sent to East Berlin (Karlshorst), Semyonov, apparently was a follower of Beria. The failure of Malenkov's policies in the satellite countries was to be revealed. A new policy was to be introduced. Moscow wanted to shake off the shadow of Ulbricht, the most hated man in East Germany. At the same time, a campaign of criticism of the old party leadership was to prove to the West Germans that a real change is occurring in the East and that the East Germans enjoy a high degree of freedom and independence. Trade-union representatives were told that the workers would have the right to make demands for better working conditions.

When the underground circles were advised about these new directives of Moscow, experienced former Communist Party members were skeptical about the change. Would the new party line only be a short-term, temporary affair? What would happen

afterwards, after having revealed the identity of the members of the opposition? Would the party bosses provoke the oppositional or potentially oppositional workers to reveal themselves only in order to purge them thereafter? Experienced former Communist Party members also suggested that an attempt should be made to turn the semi-legal movement for improved work and wage conditions into a political struggle which would spread among all industries and also other social classes in East Germany. There was much reluctance among former active Communist party members and among socialists, to appear openly as leaders of the movement or to take the initiative for the call for strikes and demonstrations. Much thought had to be given to the aftermath, and to the need of survival during the terror period which could be anticipated as a sequel to any attempt at open resistance against the regime.

Everybody, the underground leaders as well as the leading members of the S.E.D. or of the East German government, and in particular the Russian representatives, were surprised at the scope and intensity of the oppositional movement which soon gained the character of mass uprisings, though there was not one single underground leadership which believed that the situation was "ripe" for a real revolution.

The underground leaders of the opposition had often talked about the risks of open opposition. One of the great difficulties was the inability of the participants of any movement which defies the Party or the Party leaders and therefore also the entire regime, to protect themselves against the terror regime. A small-scale group action for improved living conditions exposed the participants to almost the same risks as an open political action against the regime. The workers themselves were fearful of isolated small-scale actions of resistance. "If all workers of all industries would rebel. . . ." This "if" was repeatedly talked about by the workers, as an excuse for not being able to act themselves, but also as a ray of hope.

It was easy for the building workers and the workers of the Hennigsdorf Steelworkers to convince themselves that their resentment over the higher work norms and lower wage schedules would be useless and even dangerous if they merely launched a

small-scale group struggle for better economic conditions for themselves. They had to get out the workers of other factories, the women and men of the working class districts, in one big mass movement against the government, against the entire regime. What was secretly discussed and expected as the only chance, had to become true. The professional pride of the building and steel workers turned into a political pride to be at the helm of a movement which was acclaimed by practically the entire population, except the Party élite and the new aristocracy.

Working and foodstuff conditions became so desperate that many acts of spontaneous resistance occurred in many industrial towns. But the Party leadership somehow welcomed the justification for intensified terror. It also may have believed that the Malenkov clique in Moscow would use the signs of hostility of the East German masses in order to justify the very policies which would widen the gulf between East and West and which would increase the need of Moscow to use Ulbricht as its tool.

It seemed that Malenkov could not assert himself in Moscow. Instructions were sent to East Germany through the new Russian Commissars that the methods of Ulbricht must be changed and that Moscow must retain a higher degree of maneuverability toward West Germany than would be possible with the crude terror methods of Ulbricht. The latter seemed to feel that the magic power which radiated from Moscow was slipping away from him.

But the old anti-labor instructions and orders for 10 per cent more work without more pay were not cancelled. They could not be rescinded also because of the shaky economic foundation of the state economy, and because of Moscow's unwillingness to give up the claims for large tribute or preferential supplies from the exhausted economy.

Yet, a softness in dealing with rebellious workers became apparent. The drive against the independent peasants and for collectivization was suddenly called off. The entire Five-Year Plan policy was omitted from public appeals and admonishments of the leaders of the regime. In addition, real famine conditions spread in some areas. Living conditions sharply declined. Many rationed goods were not distributed at all, or they were re-

placed with inferior goods which were offered at greatly increased prices.

Under such conditions the workers felt encouraged to discuss their grievances openly. It was obvious that the top leaders of the regime were unable or unwilling to act ruthlessly and with totalitarian terror methods against the critics of the regime.

Then the leading members of the underground had to deal with the issue: "What to do next?" There were contacts with some leading members of the Social-Democratic Party in West Germany, but the latter was not directing or controlling the movement in East Germany. Contacts were minimized as much as possible, for personal safety reasons, also for political reasons. But it was known that Dr. Adenauer's position would greatly depend on his ability to prove to the people in Western Germany that Eastern Germany must be written off for all practical purposes for a long time.

So, the decision to call the workers out for strikes and open demonstrations against the regime was made in view of the following factors:

(1) The people were hungry and desperate but the regime had imposed new additional burdens, including new increased work norms without extra pay.

(2) The peasants were desperate and would support any action against the government in the towns.

(3) The terror apparatus of the regime was not fully effective, for the government was dependent on a foreign overlord who was dissatisfied with the government. Its members were confused about the further course of action.

(4) Important international behind-the-scene negotiations were being held in Eastern and Western capitals where the fate of Germany was to be decided. These negotiations could be favorably effected by an open act of defiance of the regime.

(5) The political parties and the government in Western Germany were to be aroused about the urgency of the problem of unity and liberation of East Germany from the Eastern totalitarian state and the unbearable conditions imposed by it on the people.

On June 7, the building workers of the Stalin-Allee project in East Berlin for the first time received their weekly wage on the basis of the newly-introduced work-norms, i.e., at greatly re-

duced rates. The bureaucrats of the trade unions and of other official agencies refused to listen to the complaints of the workers and threatened police action against "sabotage" and "resistance" against the state authorities. Then, on June 9 and 10, the official decrees about a change of the party line were made known. Now there seemed to be confirmation of what had been said in the whisper-campaigns: The Ulbricht-apparatus will find it difficult to use methods of physical terror in order to suppress open mass resistance. The workers will have a chance if they express their dissatisfaction with the bureaucrats. Moscow will hesitate to appear in the rôle of the mass liquidator of the industrial workers of East Germany. On June 15 and 16, the building workers of the Stalin-Allee project openly demanded withdrawal of the new work-norms and wage cuts. Ulbricht's apparatus still refused to give in. Then the workers stopped working, left their jobs and marched into other workers' quarters, especially to other plants, in order to spread the movement. Many thousands of workers marched to the East German government and Party headquarters. This action was still relatively peaceful. Two members of the government, Rau and Selbmann, who had the reputation of not being especially close to Ulbricht, personally tried to pacify the masses. They were frequently interrupted when they talked to the workers but they were not personally attacked. Then, on June 17, the order for new work norms and wage cuts was withdrawn. It was too late. In the evening, the slogan spread among the workers in all East Berlin districts: The next morning, all workers of East Berlin would go on strike and march against the government. The next morning, the workers of the municipal utilities (gas, water and electrical power plants) joined the strike and marched against the government headquarters, too. In a matter of minutes Russian tanks intervened and saved the S.E.D. and government headquarters from destruction by the infuriated workers. Without the last-minute intervention of the Russian tank division, the workers would have seized party and government headquarters with little chance of escape for the S.E.D. leaders.

The workers did not run away when the guns of the Russian tanks were turning against them. They

faced them with desperate courage and iron discipline. Politically conscious workers advised their colleagues not to engage in an open and unequal fight with the Russian forces. One step further, and the tanks would have been used against the unarmed workers. It was too early to attempt a revolutionary coup against the government and against the Russian armed forces.

The action had started under the leadership of workers who were especially reliable and courageous in their defiance of the regime. They were skilled workers traditionally known for their personal willingness to take risks in the struggle against oppressive authorities. The building workers of Berlin and the steel workers of Hennigsdorf were known for their support of revolutionary actions during the pre-Nazi era 1918-1933. They were strongholds of the Communist movement in Berlin during that period. Under the Nazis they defied the regime wherever possible. They certainly did not become adherents of Nazism. These workers were called out for an open act of defiance of the regime, but under slogans which at first concerned their own economic interests: against the new work norms and for better living conditions. The economic demands were fulfilled by the regime almost within a few hours after the start of the strike. But an immediate "transition of the economic into a political struggle" took place in the best tradition of the old tactical experiences of revolutionary action. The advance guard of the Berlin working class had called out the other workers and the entire working class population to defy the regime and to march to the centers of the administration with the demand: immediate resignation of the government.

Spontaneously, in towns and villages where the underground did not have direct contacts but where local underground leaders existed, too, or where such leaders arose during the action itself, workers went on strike and local populations, often openly supported by peasants, marched to the prison buildings where political prisoners were kept or where the ~~local~~ ~~administration~~ ~~was~~ ~~located~~. ~~Overnight~~ ~~the~~ ~~net~~ ~~of~~ ~~underground~~ ~~organizations~~ ~~was~~ ~~multiplied~~ ~~and~~ ~~a~~ ~~new~~ ~~revolutionary~~ ~~organization~~ ~~was~~ ~~born~~.

There was a serious danger that lo-

But heads would go too far and the government would provoke a revolutionary uprising or an all-out struggle under conditions which spelled defeat for the movement. An underground leadership which existed in nucleus-form intervened. The spontaneous demand for a general strike was declined. For such an extension of the action would have been an attempt to seize political power and would have involved the movement into an open premature struggle against the foreign occupational power. There was no chance to win against the Russian tanks and machine guns, while open support from the West was not available. The local leaders of the movement were warned to avoid any clash with the representatives of the Russian occupational powers. When Russian tanks and guns controlled the streets and further mass action would have resulted in an open clash with the Russian forces the action as such was called off.

But in many towns and industrial centers open mass resistance still continued. The leaders of the underground discovered that they had unknown sympathizers and active supporters. The basic weakness of the police machine of the regime became apparent: it was acting on behalf of a foreign power and it relied on "security forces" recruited largely from young workers who did not want to act against their own people. Many acts were seen of heroism and evidence of disintegration of the regime. The only elements who were really reliable from the viewpoint of the Ulbricht clique and of the Russian commander were the former S. S. members or Nazis who had joined the S.E.D. and the new Security Forces of the regime. But the old Communist party members who had joined the new administration were in most cases "unreliable" and except for a few top leaders bore within themselves the germs of disintegration.

In one town, the mayor, an old-time Communist, personally knocked down with his fists the policeman, a former Nazi, who was shooting at the anti-government people. The Communist mayor was later arrested and condemned to death.

There was one great disappointment: The response in West Germany, especially in Bonn. The Adenauer government protested but it did

not do as much in support of the uprising as it might have done. The order of the commandant of the occupational forces in West Berlin not to hold an open mass rally against the terror in the East and against the East German Administration was registered as a sign that the Western powers were afraid of the consequences of further struggle. It was considered as a gesture by the West German administration to Moscow for negotiations and an agreement which would perpetuate the division of Germany and its dependence on foreign powers.

The uprising improved the bargaining position of the Western powers. But the desperate masses would have to pay the price. Would it mean the physical liquidation of anyone who had turned out to be an opponent of the regime or who was potentially an enemy of the regime?

THE LIQUIDATION of entire social classes and of large sectors of the population in order to solidify a totalitarian state regime has become common. Any underground leader and active member of the resistance movement had to be aware of the possibility that the regime would take vengeance on him if it could ever gain absolute power. For all practical purposes, the Ulbricht clique would want to physically liquidate them and organize a purge on the scale of the Russian liquidation of the peasant class or of the purges against the "old Bolsheviks" during the Thirties in order to solidify their power. But does Moscow want to return the Ulbricht clique to absolute power and will the Russian regime support such purges? This is a foreign policy issue for Moscow. It presents itself as a dilemma either to rule the satellite countries with the iron fist of the ruthless dictator, or to make concessions in the hope of winning support at least among some sectors of the population and therefore foreign political maneuverability.

The Russian leaders are experienced in administrative rule and oppression of oppositional movements. But they are not too experienced with such movements in satellite countries especially in areas forming the border line between East and West, and especially not in highly industrialized countries with proletarian leaders who are trained in the tradition of the old labor movements and with workers who also have a tradition of defiance against their exploiters and

oppressors.

Oppression of these social elements tends to create political dynamite. A drastic solution would be the liquidation of such elements in the style of the action against the "kulaks" or the peasants. Moscow did not intervene when the Ulbricht clique acted in this way against the middle classes and the peasants. East Germany is only part of the German nation, and purge actions against the East German workers are apt to create such hatreds in West Germany that Moscow's hope of neutralizing Germany and Western Europe would never be realized. Furthermore Beria did not want Malenkov's adherent, Ulbricht, the Russian Pro-Consul and his German underlings who wanted to repeat the purge actions in the old Stalinist style, to remain in control of the S.E.D. and of the German satellite regime.

The Russian masters are now following two opposite courses. They are taking vengeance against the revolutionary opponents. Large-scale punitive actions are planned in order to liquidate the opposition. They also seek to pacify the aroused masses and to pave the ground for a new appeal in Europe in order to "neutralize" Germany and Western Europe.

Moscow may follow either course, or it may seek to combine the two courses. The freedom of action of the Russian overlord will depend mainly on his relations with the Western powers. Will he get enticing offers of agreements which if accepted would seal the fate of the national and social liberation movements in Europe and in Asia? Or will the pressure of such movements be used in order to proclaim the task of the restoration of free and independent nations which will work together in order to solve the social and economic problems of their time?

A violent suppression of the anti-totalitarian national and social liberation movement in East Germany and other Russian satellite countries, with the silent or indirect consent of the Western powers, would liquidate the only force which makes it possible to avoid a third world war. For the Russian overlord will see to it that the suppression of such movements will be used in order to propagate the idea of betrayal of any progressive movements by the Western powers and in order to build up a stronger police

and military machine than ever existed before. It would be used in order to wage war against the Western powers at a later stage, under conditions where the Western powers would be unable to use the means of political warfare effectively in Europe.

This is the international background to the events in East Germany. They are either the beginning of a new era of revolutionary national and social liberation movements, or they will seal the fate of any social liberation movement in our time. The Western powers are in greater

danger of being defeated in Germany if they refuse to support such movements because the final consequences of such a struggle are much more far-reaching than it may appear to the casual observer. H. F. STILLE
Germany, June, 1953.

The Nature of State Capitalism

We have received a number of critical letters from readers—two of the most important being from John McLaren, Glasgow and Ken Coates, Nottingham—dealing with problems raised by our contributor Tony Cliff in his use of the concept of State Capitalism in articles in this journal and especially in his book, "Stalinist Russia, A Marxist Analysis." Lack of space prevents us reproducing these letters in full, but the main points of disagreement seem to be the following:

1. *The motive of capitalism is profit. Where is the profit motive in a State Capitalist society? Where is it to be found in Cliff's example of a State Capitalist country, Russia?*
 2. *An important characteristic of capitalism is the concentration of economic power in the hands of individual property owners who have the right to transfer their power, for example, inheritance. This is not true of Russia.*
 3. *Capitalism is a declining society and certainly cannot compare with Russia in its rate of economic growth. Doesn't the latter's rate of economic progress show that it is on a higher plane of social evolution, that is a workers' state?*
- Tony Cliff replies to his critics in this article. Rejoinders will be welcome.

Let us deal first with the profit motive under capitalism. What do Marxists mean when they say that profit is the basic motive of capitalist production? Do they mean the capitalists' consumption? If so, the present Western economy can hardly be called capitalist. Look at a few figures. In Britain in 1949 property incomes were only 11 per cent. of the net (after tax) income (Dudley Seers in *Bulletin of Oxford Institute of Statistics*, Vol. 12, No. 10); dividends alone were only 3 per cent. Stated differently, the real value of dividends fell by 49 per cent. between 1938 and 1939. If the motive power of capitalism is simply the consumption of the capitalists, the great Ford Corporation is unquestionably much less of a capitalist enterprise than is a small shop. The owner of the latter consumes probably 90 or 95 per cent. of his profit, while Ford consumes only a fraction of that.

Now compare these figures on dividends with the amount put into reserves by companies in Britain: in 1953 this amount was 4½ times larger than in 1938, or if the rise in prices is taken into account, more than double. In other words we can say that the more capitalist the economy, the less important is the role of capitalist private consumption, the more is consumption in general subordinated to accumulation.

There is no doubt that Russia is an extreme case of the subordination of consumption to accumulation. This is shown quite clearly, among other things, in the targets of production of con-

sumers' goods compared to capital goods in the different Five-Year Plans (as seen in the table):—

The motor of capitalism is not the consumption of the capitalists but the accumulation of capital. As Marx says: "Except as regards to . . . historical existence . . . So far, therefore, as his actions are a mere function of capital—endowed as capital is, in his person, with consciousness and a will—his own private consumption is a robbery perpetrated or accumulation . . . Therefore, save, save, save, i.e., reconvert the greatest possible portion of surplus-value into capital! Accumulation for accumulation's sake, production for production's sake. . . ." (Marx, *Capital*, Vol. I, pp. 48-52).

It is not an accident that in the whole of Marx's *Capital* there is hardly a reference to the consumption of the capitalists. Unlike the "popular" agitation against capitalism (and also against the Russian regime) that makes such a lot of the luxuries of the capitalists (or the bureaucrats), Marxist revolutionary criticism of capitalism centres on exposing the contradictions in capital accumulation. I emphasize, *accumulation of capital*, not consumption of surplus value. To quote *Capital* again, the consumption of the capitalist is "robbery perpetrated on accumulation." If capitalists did not consume any of the surplus value the economy would not be less capitalist, but more so. In other words capitalism trends towards *capital accumulation without dividends*. (Of course, capitalism can never reach this state. Even in the biggest corporations the consumption of the capitalists will make a certain dent in the surplus value.)

Invariably one of the questions asked by those who argue that Russia is not capitalist is: Where are the dividends? But why don't they argue then that Britain today is much less capitalist than it was 100 years ago, that capitalism is, in fact, practically dead here? After all, dividends at only three per cent. of the net national income constitutes a very small factor in the economy.

The Reasons

Why is accumulation for accumulation's sake specific to capitalism? For two reasons: (1) the separation of the workers from the means of production; (2) the existence of competition between the capitalists. Without the separation of the workers from the means of production the subordination of consumption to accumulation would be out of the question. (If the workers controlled the means of production, they would not condemn themselves and their families to misery in the interests of capital accumulation). Again, without competition between the capitalists, the subordination of consumption to accumulation would be inexplicable. If Ford only wanted to consume certain luxuries he could do so practically for ever without needing to accumulate or increase the wealth of his huge concern. But competition forces him to accumulate or else give way to, say, General Motors.

These two conditions are absolutely necessary for the subordination of consumption to accumulation. They both exist under capitalism and under capitalism only. The separation of the toilers

from the means of production, whether individual or state, is a modern phenomenon.

Russian Reasons

What makes the Russian bureaucracy accumulate? What makes Russia subordinate consumption to accumulation? There are two factors, one being the internal division of labour. This factor, important today, will become more and more prominent in the future. The Russian economy, in which agriculture is stagnating while heavy industry is expanding tremendously need to enter into the world market more and more. In doing so, she will have to face the competition of American, German, Japanese and other capitalists. The rate of accumulation in Russia will then be determined by the rate of accumulation among her competitors. Originally, however, this pure economic factor has been relatively less important than the military factor.

There is no doubt that today in the West the permanent war economy enhances the impact of the military factor on the rate of accumulation. When half the surplus value (this is my own estimate) goes directly and indirectly into armaments there can be no other conclusion. If this is true of America or Germany, it is even more true of Russia. If not for the fact that she had in ten years to build a steel industry which other countries built over 30 or 40 years, the subordination of consumption to accumulation would not have been so extreme.

In Russia the workers have no control over the state, which "owns" the means of production. The workers are thus divorced from the means of production. Secondly, Russia competes (militarily and economically) with the Western capitalist countries. To this end consumption must be subordinated to accumulation. The motor of Russian economy is thus the accumulation of profit.

TARGETS OF PRODUCTION FOR THE END OF THE FIVE-YEAR PLANS

Some Means of Consumption	First	Second	Third	Fourth	Fifth	
Cotton goods	...	4.7	5.1	4.9	4.7	6.1
Woolen goods	...	270	227	177	159	257
(Million metres)	...	500	600	385	—	—
Linens (million metres)	...	—	725	—	580	—
Socks (million pairs)	...	2.6	2.5	3.5	2.4	4.3
Sugar (million tons)	...	80	180	258	240	318
Shoes (million pairs)	...	—	1,000	870	925	—
Soup (million tons)	...	900	1,000	—	1,340	1,740
Paper (thousand tons)	...	1,100	750	850	880	1,372
Vegetable oil (thousand tons)	...	—	—	—	—	—
Some Means of Production	...	22	33	75	82	162.5
Electric current (milliard kwh)	...	75	152.5	243	250	372
Coal (million tons)	...	10.4	17	28	25.4	44.2
Steel (million tons)	...	10	17.4	22	19.5	34.1
Pig iron (million tons)	...	21.7	46.8	54	35.4	69.9
Oil (million tons)	...	—	—	—	—	—

Now to the second point and individual property rights and economic power.

Does the individual capitalist in the West really hold decisive power?

Many of those who argue that Russia is a workers' state, paint a picture of present-day Western capitalism as it existed 100, 50, or 30 years ago. They appear to have slept for more than a generation at least. According to them private owners in the West have a power of decision over the basic pattern of production and distribution, which no single manager of a factory in Russia possesses. In Russia it is in the hands of the centralised state. What are the facts, however?

Britain less capitalist ? !

Look at Britain today. 25 per cent of industry is state-owned; the state takes a third of the national income in taxation; half the annual capital investment is state investment. How then can anyone speak as if the autonomous decisions of the individual capitalist are decisive? When, for instance, the state imposes a high income tax on distributed profits and a very low one on undistributed profits it raises the ratio of accumulation to consumption. When it appears as the biggest single customer, especially in wartime, it makes a deep imprint on the production channels of the whole economy.

In the Nazi economy the state was the direct purchaser of more than half the national product. It regulated raw material distribution, the labour market, capital investment, etc., etc.

Does this mean that the British economy today is less capitalist than 100 years ago because basic production and distribution decisions are in the hands of the state? Was the Nazi economy not capitalist because the basic production decisions were in the hands of the state? The protagonists of the theory of Russia as a workers' state would have to come to this absurd conclusion if they were consistent.

Crystal gazing

Speaking theoretically, there is no doubt that if Western capitalism continued for another generation or two and the war economy became, inevitably, more and more important, it would progressively approach a position where all decisions on production and distribution were in the hands of the state. Private ownership would be very much curtailed, if not negated.

The state would be seen clearly as the embodiment of national capitalism without, however, being the simple representative of the individual capitalists.

The factory manager

Then again let us look at the individual factory. The protagonists of Russia as a workers' state say: "In the individual factory there are no private owners to decide about production and distribution. While the state has general powers of decision in the West the private owner manages his factory or company as he wishes. The picture is totally different in Russia."

To some extent this is true. In the West there is some managerial power in the hands of the individual capitalist. But the tendency is against this.

In the 19th century the private owner was also the manager. He had an absolute power of decision. Since then more and more managerial decisions have fallen into the hands of salaried managers who are not shareowners. The shareowner has become more and more of a parasite and hardly takes any part in production or distribution decisions. Thus, for instance, in England in 1937 in the "medium large companies" (the average of industrial companies with a capital of £3 million or more) the boards of directors owned only 14 per cent of the issued capital (Sargent Florence, *The Logic of British and American Industry*, p. 209). Does this mean that the modern British corporation is less of a capitalist enterprise than the small manufacture of 100 or 150 years ago?

In a nutshell

To sum up, modern Western capitalism has the following basic characteristics: (1) The transference of basic production and distribution decisions to the state; (2) The pushing aside of capitalist consumption (dividends) by capital accumulation and armaments; (3) The separation of management as a special function and its transference into the hands of highly salaried people. These three characteristics, combined with the separation of the workers from the means of production, and competition between capitals agglomerations (in the main between blocs of different states) are the basic characteristics of modern Western capitalism. It is quite easy to see that the goal existing yet unattainable of this development is a picture of the Russian economy.

Facts such as the existence or non-existence of the right of inheritance of property, the existence or non-existence of dividends, etc., are relatively unimportant and irrelevant compared with these broad similarities between the Russian and Western economies of today.

The rate of growth

Now to the third argument—The rate of economic growth in Russia as compared with that of the West.

On the face of it, this is a strong argument. The trouble is that its protagonists would not hesitate to argue that Yugoslavia too is a workers' state notwithstanding her slow rate of growth. Between 1950 and 1953, while Russia's output of industry rose by 46 per cent., Czechoslovakia's by 52, Bulgaria's by 57, Poland's by 75, Rumania's by 76, Yugoslavia's rose by only 6 per cent. (At the same time West Germany's industrial output rose by 39 per cent, Austria's by 17, Belgium's by 12, etc.). Does this mean that Yugoslavia is not a workers' state, or that the argument about the rate of growth is to be used only when it fits the speaker's conclusions? Again, does the fact that Japan's rate of growth was three-quarters of Russia's during the whole period of the 20's and 30's and also during the last 6 or 7 years, mean that Japan is three-quarters of a workers' state or something similarly ridiculous.

The argument that Russia's rate of growth proves that Russia is a workers' state shows its hollowness when one tries to investigate why Russia's rate of growth was as big as it was and, on the other

hand, why Yugoslavia, which is much more liberal and does not subordinate consumption to accumulation to the same extreme extent, had a much lower rate of industrial growth.

The great plough-back

Let us see what are the concrete factors causing the quick rate of industrial growth in Russia.

Firstly, capital accumulation made up a bigger portion of the national income than in the West. While in Britain in 1860-9, 16.6 per cent of the national income was accumulated; 1900-10, 12.2 per cent; in U.S.A., 1900-10, 14.3 per cent; in Japan 1919-24, 21.9 per cent; 1925-30, 19.8 per cent; 1934-7, 21.9 per cent. (Colin Clark, *Conditions of Economic Progress*, London, 1940, p. 406); in Russia it was planned to have a rate of 22.6 per cent, in the first year of the First Five-Year Plan, and 33.6 per cent in the last year. (*The Five-Year Plan*, Russian, Moscow, 1930, Vol. II, part 2, p. 38). The actual figures were 22.6 per cent and 24.2 per cent. (*The Second Five-Year Plan*, Russian, Moscow, 1934, Vol. I, p. 427).

To house or not to . . .

Secondly, a much smaller portion of investments in the West went into industry and a much bigger one into other non-productive channels such as housing, than was the case in Russia. The share of housing in total capital investment in Russia was 9.2 per cent during the First Five-Year Plan, 9.1 per cent during the Second, and 8.2 per cent (target) during the Third. For comparison, in the United States it was 6 per cent in 1880-1912; 24.6 per cent in 1920-29, and 13.5 per cent even during the 1930's to 40's which were largely years of depression. (N.M. Kaplan, "Capital Formation and Allocation," in A. Bergson, editor, *Soviet Economic Growth*, Evanston and White Plains, 1953, p. 61).

Heavy vs. light

Thirdly, a much greater portion of the capital invested in industry in Russia went to heavy industry than was the case in the West. The production of a machine helps industrial growth much more than the production of shoes (of the same value) added, as the first adds to capital wealth while the second does not. Thus, in Britain in 1851 the output of consumer goods was 4.7 times bigger than the output of producer goods. In 1924 the ratio was 1.5:1; in France the ratio was the same as in Britain; in Germany in 1925 it was 1.1:1; in the U.S. 1920 it was 0.8:1. In Russia, although it is very difficult to calculate from the official statistics, it seems to be 0.5:1. (Source for Russia: Cliff, *Stalinist Russia*, p. 23; for other countries, W.S. and E.S. Woytinsky, *World Population and Production*, New York, 1953, pp. 415-6).

Now if these are the main reasons for the great rate of growth of industrial output in Russia, what have they to do with Socialism? They have a lot to do with the exploitation of the working class: housing neglected, consumption cut to the bone, emphasis laid on heavy industry, etc., if British workers were ready to reduce their standard of living as drastically, there is no doubt that the rate of accumulation and rate of growth would increase comparably.

Some other reasons

There are of course other reasons for her quick rate of growth, but they are secondary. Being a late-comer, Russia could copy the last word in technique. (Similarly Japan went from the stage of manufacture straight to electrification without passing through the steam engine stage.) State ownership plus big enterprises encourages standardisation. (This also applies to a comparison between the US economy and Britain.)

Another factor is the fact that existing productive resources are fully used, and Russia did not suffer from the slump. I do not want to enter into the question of perspectives; I think it can be shown that the processes that lead to contradictions in the permanent war economy—subordination of means of consumption to means of destruction, the appearance of crises of underproduction, of disproportions between branches of the economy, lack of raw materials, etc. etc.—are equally applicable to Western capitalist countries and to the "Socialist" third of the world.)

India and China

As a result of combined development, state capitalism shows itself extremely clearly as the normal form in the case of a number of backward countries. Take the case of India. No Marxist, I hope, will deny that India is a capitalist country. Yet look at its present Five-Year plan. According to the Plan 61 per cent of net capital investment will be in the state sector of the economy, and only 39 per cent will be in the private sector. Again, the emphasis is on investment in heavy industry: 83.7 per cent of all net capital investment in industry will be devoted to capital goods industries. The result expected is a quick rise in industrial output. Steel output, for instance, is expected to rise by 231 per cent as against the rise of 205 per cent envisaged in China's present Five-Year Plan. Coal production is expected to rise by 58 per cent, as against 78 per cent in China; electricity by 100 as against 118; cement by 202 as against 110. (Source for India: Government of India, *Second Five-Year Plan*, 1956; for China: Li Fu-Chun, *Report on the First Five-Year Plan*, Peking, 1955). However because of the existence of trade unions which to some extent defend workers' rights, and because the Indian peasantry is not going to be expropriated and its products syphoned into the state granary, in all probability the Indian Five-Year Plan will be achieved to a lesser extent than the Chinese.

March, 1957.

RUSSIAN ECONOMY AND THE MARXIAN LAW OF VALUE AND THEORY OF CAPITALIST CRISIS (ECONOMIC DETER- MINISM IN THE STALINIST REGIME)

Introduction

According to Marx and Engels the fundamental law of capitalism, as distinct from all other economic systems, the law from which all the other laws of capitalism derive, is the law of value. "The value form of products therefore already contains in embryo the whole capitalist form of production, the antagonism between capitalists and wage workers, the industrial reserve army, crises."⁽¹⁾ The Law of Value is, therefore, the basic law of Marxian political economy.

In the introduction to their text-book of political economy, two leading Soviet economists, Lapidus and Ostrovitianov, asked "... does political economy study all productive relations between people?" and they answer: "No. Take for example the natural economy of the primitive patriarchal peasant which satisfies all its needs from within and enters into no exchange relations with other peasants. Here we have a peculiar type of relations of production. They consist, let us say, in a collective organisation of labour ... in certain subordination of all to the head of the family ... Notwithstanding the tremendous difference between peasant natural economy and communist economy, they have one common feature: both are organised and directed by conscious human will ... There are, no doubt, certain laws regulating the unorganised relationship of capitalist society. But these laws are spontaneous, independent of the conscious and directed will of the participants in this process of production ... And it is these elementary, spontaneous laws ... that are the subject of political economy."⁽²⁾

... Next they asked "In what ways and to what extent do the

capitalist laws of political economy influence the Soviet economy? What is the relation between spontaneous activity and planned activity in the economy of the Soviet Union? What is the specific weight of these elements, and what is their tendency of development?"⁽³⁾ They come to the conclusion that political economy applies only to spontaneous processes and not to a planned economy such as socialism, and that it applied in Russia only to the extent that the Russian economy was not yet socialist but merely in a transition stage towards socialism. All other Soviet economists concurred with this argument at the time.

At that time Soviet economists unanimously replied in the negative to the question of whether the Law of Value has a place in socialism. Any traces of its existence in the Soviet Union were explained as the outcome of her transitional position, of her not yet having fully arrived at socialism. Thus Lapidus and Ostrovitianov wrote: "If the question were posed before us: Is Soviet economy capitalist or socialist we should, of course, reply, that to answer, 'capitalist' or 'socialist' is impossible, since the peculiarity of the Soviet economy consists ... in the very fact that it is of a transitional nature, passing from capitalism to socialism. In exactly the same way we should have to answer anyone who demands from us:—either or—whether the law of value operates fully here, or whether it has ceased altogether to operate and has been replaced by conscious regulation. To assert that 'either the one or the other' is correct, is impossible, because neither one postulate nor the other is correct, but a third: that we are living through a process of transition from the one to the other. The law of value has not yet withered away but continues to operate in our conditions; but it does not operate in the same form in which it operates in the capitalist system, since it is passing through the process of withering away ..."⁽⁴⁾

The same argument was used by Preobrazhensky: "The law of value and the element of planning whose basic attribute is expressed in socialist accumulation, are struggling with one another in the transition period from capitalism to socialism, and with the victory of the latter 'the law of value will wither away.'⁽⁵⁾ Another economist, Leontiev, wrote: "The law of value is the law of motion of capitalist commodity production," the germs of all the "contradictions of capitalism are inherent in value."⁽⁶⁾

The Soviet economists could draw extensively on the works of Marx and Engels in support of their arguments. The extract from *Anti-Dühring*, quoted above, confirms their viewpoint. Elsewhere in the same book, Engels ridicules Dühring's conception that the Marxian law of value applies to socialism: Under socialism, he writes, "people will be able to manage everything very simply, without the intervention of the famous 'value'."⁽⁷⁾

It would be sheer absurdity, he argued, "to set up a society in which at last the producers control their products by the logical

application of an economic category [value] which is the most comprehensive expression of the subjection of the producers by their own product."⁽⁷⁾ Or to quote Marx: "Value is the expression of the specifically characteristic nature of the capitalist process of production."⁽⁸⁾

On yet another occasion, on criticising A. Wagner's *Allgemeine oder Theoretische Volkswirtschaftslehre*, Marx ridicules "the presupposition that the theory of value, developed for the explanation of bourgeois society, has validity for the 'socialist state of Marx'."⁽⁹⁾ Such arguments as these were almost axiomatic for all Soviet economists during the first decade and a half after the Revolution.

After a decade of almost complete silence on the question, a bombshell was dropped in 1943. The theoretical organ of the party, *Paxl Znamenem Marksizma*, published a long, unsigned article entitled "Some Questions of Teaching Political Economy," which made a complete break with the past.⁽¹⁰⁾ The reader was informed that "the instruction of political economy in our colleges has been renewed after a lapse of several years. Before this interruption, the teaching of political economy, as well as the existing textbooks and curricula, suffered from serious defects." "With respect to the economic laws of socialism, many fundamental mistakes and faults often crept into the curricula and textbooks of political economy." "The main mistake" of the former teaching, "the article alleged, "... [was] in denying the operation of the law of value in socialist society." All Soviet economists immediately took the new line.

This *volte face* can be explained by a new readiness of the authorities to declare openly then much that in the past had been accepted in practice but publicly denied as characteristic of Russian life, such as Great Russian chauvinism, the glorification of Tsarist traditions, and many other things of a similar character.

It does seem, however, that the Soviet economists have become so involved in contradictions with the writings of Marx and Engels that the problem has had to be tackled over and over again. Even as late as February, 1952, Stalin himself found it necessary to write: "It is sometimes asked whether the law of value exists and operates in our country, under the socialist system.

"Yes, it does exist and does operate."⁽¹¹⁾

Contrary to all Marxian teaching on the subject, Stalin states "Is the law of value the basic economic law of capitalism? No."⁽¹²⁾ Marx states that where labour power is a commodity, the natural, inevitable result of its sale is the appearance of surplus value, of exploitation; Stalin finds it convenient to declare that while the law of value prevails in Russian economy, there is no sale of labour power, and therefore no surplus value. He writes: "Talk of labour power being a commodity, and of 'hiring' of workers sounds rather absurd now, under our system: as though the

working class, which possesses means of production, hires itself and sells its labour power to itself."⁽¹³⁾ (The tacit, if untenable, assumption of Stalin's argument, of course, is that the state that owns the means of production and buys labour power is actually "owned" and controlled by the workers and not by an omnipotent bureaucracy.) Furthermore, he writes: "... I think that we must ... discard certain other concepts taken from Marx's *Capital*—where Marx was concerned with an analysis of capitalism—and artificially pasted on to our socialist relations. I am referring to such concepts, among others, as 'necessary' and 'surplus' labour; 'necessary' and 'surplus' product, 'necessary' and 'surplus' time."⁽¹⁴⁾

It is, of course of the utmost importance to discover the true relationship between the Marxian law of value and Russian economy, while remembering that Marx saw a close connection between this law and all the contradictions of capitalism.

The Marxian Law of Value

Marx's Theory of Value may be explained briefly as follows.

Under capitalism, and only under capitalism, "all or even a majority of the products, take the form of commodities."⁽¹⁵⁾ For products to become commodities a division of labour must exist within society. But this alone is not enough. There was a division of labour within primitive tribes, but commodities were not produced. Nor were they in the system of society based on the ancient Roman latifundia with their slave labour and self-sufficiency. Within any one capitalist factory, too, there is a division of labour, without the fruit of each worker's labour becoming a commodity. Only between primitive tribes, between latifundia, or between one capitalist factory and another, are products exchanged, and thus take the form of commodities. Marx writes: "Only such products can become commodities with regard to each other, as result from different kinds of labour, each kind being carried on independently and for the account of private individuals,"⁽¹⁶⁾ or "groups of individuals."⁽¹⁷⁾

Value is defined as the characteristic common to all commodities on the basis of which they are exchanged. Only as commodities do products have exchange-value; exchange value being an expression of the social relations between producers of commodities, that is, of the social character of the labour of every producer. It is, in fact, the only expression of the social character of labour in a society of independent producers. Marx writes: "Since the producers do not come into social contact with each other until they exchange their products, the specific social character of each producer's labour does not show itself except in the act of exchange. In other words, the labour of the individual asserts itself as a part of the labour of society, only by means of the relations which the act of exchange establishes directly between the products, and in-

which settles their proportions into a regular system, and that system one of spontaneous growth; and, on the other hand, the law of the value of commodities ultimately determines how much of its disposable working-time society can expend on each particular class of commodities. But this constant tendency to equilibrium, of the various spheres of production, is exercised, only in the shape of a reaction against the constant upsetting of this equilibrium. The *a priori* system on which the division of labour, within the workshop, is regularly carried out, becomes in the division of labour within the workshop, is regularly carried out, becomes in the division of labour within the society, an *a posteriori*, nature-imposed necessity, controlling the lawless caprice of the producers, and perceptible in the barometrical fluctuations of the market prices. Division of labour within the workshop implies the undisputed authority of the capitalist over men, that are but parts of a mechanism that belongs to him. The division of labour within the society brings into contact independent commodity-producers, who acknowledge no other authority but that of competition, of the coercion exerted by the pressure of their mutual interests . . . "(21)

Thus in spite of the lack of central planning within a society of commodity-producers, the law of value creates order out of disorder, by the continuous change in demand and supply produced by competition. A certain equilibrium is established in the production of different goods, in the division of the total labour time of society between the different branches of the economy, and so on. Within the individual factory, on the other hand, it is not impersonal anarchy, but the conscious will of the capitalist which determines the division of labour and the quantity of different goods to be produced.

It is obvious that in all the different forms of society, from the primitive communism of the ancient past to the future socialist society, there must be a certain division of the labour time of society among the different branches of the economy in order to produce suitable quantities of the goods which are needed. But the way in which this division is carried out have varied with every form of society. "Every child knows," wrote Marx, "that a country which ceased to work, I will not say for a year, but for a few weeks, would die. Every child knows too that the mass of products corresponding to the different needs require different and quantitatively determined masses of the total labour of society. That this necessity of distributing social labour in definite proportions cannot be done away with by the *particular form* of social production, but can only change the *form it assumes*, is self-evident. No natural laws can be done away with. What can change, in changing historical circumstances, is the *form* in which these laws operate. And the form in which this proportional division of labour operates, in a state of society where the interconnection of social labour is manifested in the *private exchange* of the individual products of

directly, through them, between the producers." (19)

When he writes that a commodity is value, Marx is asserting that it is materialised abstract labour, that it is the result of a certain portion of the total productive labour of society. "Magnitude of value expresses a relation of social production, it expresses the connection that necessarily exists between certain articles and the portion of the total labour= time of society required to produce it." (20) Why is the exchange value the only expression of this connection, and why cannot this relation be expressed *directly*, instead of through the medium of things? The answer is that the only social connection between independent producers that there can be is through things, through the exchange of commodities. In a society of independent producers the law of value determines:

- a. the exchange relation between different commodities,
- b. the total quantity of commodities of one kind which will be produced compared with commodities of another kind, and therefore
- c. the division of the total labour time of society among different enterprises.

Hence it determines the exchange relation between labour power as a commodity and other commodities, and so the division of the working day into time spent on "necessary labour" (in which the worker reproduces the value of his labour power) and "surplus labour" (in which he produces surplus value for the capitalist). The law of value also controls the proportion of social labour devoted to the production of producer and consumer goods, that is, the relation between accumulation and consumption (a corollary of a.).

Marx contrasted the division of labour in capitalist society as a whole (which is expressed in the appearance of values) and the division of labour within a single factory (which is not): "Division of labour in a society is brought about by the purchase and sale of the products of different branches of industry, while the connection between the detail operations in a workshop, are due to the sale of the labour-power of several workmen to one capitalist, who supplies it as combined labour-power. The division of labour in the workshop implies concentration of the means of production in the hands of one capitalist; the division of labour in society implies their dispersion among many independent producers of commodities. While within the workshop the iron law of proportionality subjects definite numbers of workmen to definite functions, in the society outside the workshop, chance and caprice have full play in distributing the producers and their means of production among the various branches of industry. The different spheres of production, it is true, constantly tend to an equilibrium: for, on the one hand, while each producer of a commodity is bound to produce a use-value, to satisfy a particular social want, and while the extent of these wants differ quantitatively, still there exists an inner relation

labour, is precisely the *exchange value* of these products.”⁽²²⁾
 A necessary condition for exchange value to be the manifestation of the division of the total labour time of society between the production of different goods, is that the activity of people in the process of production should be “purely atomic,” there must be free competition between independent producers and between the owners of different commodities, including the sellers of labour power. The relation between the members of society in the course of production must not be determined by conscious action.

The Applicability of the Law of Value to Capitalist Monopoly

In *Capital*, Marx took as the norm of capitalism a system of absolutely free competition. The only Marxian economist who discussed in detail the law of value in relation to monopoly capitalism was Rudolf Hilferding in his book, *Das Finanzkapital* (Vienna, 1910). He states that it is impossible to deduce from Marx's Theory of Value any general law by which to explain the quantitative effect of monopoly on the exchange relations between different commodities.

He writes: “What is undetermined and immeasurable under the rule of monopolies is demand. How this reacts on the raising of prices cannot be ascertained. Monopoly prices can be determined empirically, but their level cannot be determined theoretically. . . . Classical economy [in this Hilferding includes Marx] conceives prices as the form of appearance of anarchical social production, their level as dependent on the social productivity of labour. The objective price law is realised only through competition. When the monopolist associations abolish competition, they remove with this the only means by which an objective price law can be realised. Price ceases to be an amount determined objectively, and becomes a problem of calculation for those who determine it with will and consciousness; instead of a result it becomes an assumption, instead of being objective, subjective, instead of being inevitable and independent of the will and consciousness of the actors it becomes arbitrary and accidental. The realisation of the Marxian theory of concentration—the monopolistic merger—seems to lead to the invalidation of the Marxian theory of value.”⁽²³⁾

It is equally impossible to determine what quantities of different commodities will be produced, and how the total labour time of society will be divided between different branches of the economy. But it is possible to estimate what the *tendency* of the above factors will be under monopoly conditions in comparison with what they would have been under conditions of free competition. Under conditions of equilibrium, the exchange value of commodities produced by monopolies will rise in relation to others; fewer of them will be produced compared with non-monopoly commodities, hence the proportion of the total labour time of society absorbed by the monopolised industry will be smaller. It can be asserted that under

conditions of monopoly the exchange relations between commodities, the quantities produced and the division of the total labour time of society are modifications of the same factors as they would appear under free competition. The law of value is partially negated, but appears in modified form in essence to continue to exist. Competition, even though it is not absolutely free, exists, and, therefore, Marx's thesis is still correct, viz., that “. . . the behaviour of men in the social process of production is purely atomic. Hence their relations to each other in production assume a material character independent of their control and conscious individual actions.”⁽²⁴⁾

Because of the competition between different monopolies either in the same branch or in different branches of the economy, the relations of exchange between commodities are related to, even if not exactly equivalent to, the labour time spent on their production or their derived cost of production ratios. Although the division of labour within society as a whole is not absolutely independent of the conscious actions of individuals or groups (such as monopolies) this division can be varied only within relatively narrow limits from what it would have been under completely free competition. In spite of “planning” by monopolies, the division continues to be arbitrary and quite different from the division of labour *within* a factory, “. . . not only in degree, but also in kind.” Monopoly capitalism means a partial negation of the Marxian law of value but on the basis of the law of value itself. But “*determinatio est negatio*.” The partial negation of the law of value borders on its total negation.

State Monopoly Capitalism and the Law of Value

How does the law of value operate when the state intervenes in the economic system by regulating the price of commodities, buying a substantial part of the products of the national economy, allocating raw materials, and regulating capital investment?

According to Lenin, “When capitalists work for the defence, *i.e.*, for the government treasury, it is obviously no more ‘pure’ capitalism, but a special form of national economy. Pure capitalism means commodity production. Commodity production means work for an *unknown* and free market. But the capitalist ‘working’ for the defence does not ‘work’ for the market at all. He fills the order of the government, and in most cases for money that had been advanced to him by the treasury.”⁽²⁵⁾

Does this mean that the supply of products to the state by capitalist enterprises is outside of the law of value? In Nazi Germany where the state bought more than half the total national product, concentrated in its hands the allocation of raw materials, regulated the flow of capital into the different branches of the economy, fixed the prices of commodities, and regimented the labour market, it was not left to the blind, automatic activity of

the market to regulate the exchange relations of different commodities, the relative quantities of different goods produced and the division of the total labour time of society among the different industries. It is true that the Nazi state did not take *all* the decisions regarding production, but it did take the more decisive ones. In the Nazi economy the state fixed the quantity of consumer goods produced; there was no freedom in selling labour power, and the division of the total labour time of society among the different branches of industry was determined not by the automatism of the market, but by the state's allocation of orders and raw materials and by its control over capital investment. A very narrow field remained for the *autonomous* activities of different entrepreneurs within Germany.

As Hilferding wrote: "In Germany . . . the State, striving to maintain and strengthen its power, determines the character of production and accumulation. Prices lose their regulating function and become merely means of distribution. The economy, and with it the exponents of economic activity, are more or less subjected to the State, becoming its subordinates." (R. Hilferding, "State Capitalism or Totalitarian Economy?", written 1940, published in *Left*, September, 1947)

The term "state capitalism" can denote both a capitalist war economy and the stage in which the capitalist state becomes the repository of all the means of production. Bukharin, for example, used it to denote both. Although, as will be seen, there is no basic *qualitative* difference between the two as regards their effect on (a) the exchange relation between commodities, (b) the relative quantities produced, and (c) the distribution of the total labour time of society, we think that it will be preferable to distinguish between the two in order to avoid confusion. The term "state capitalism" will be used only to denote the stage in which the capitalist state becomes the repository of the means of production, while a capitalist war economy will be termed "state monopoly capitalism."

State monopoly capitalism is, in the last analysis, at the mercy of blind economic forces, and is not governed by the conscious will and decisions of any man or men. For example, government orders are allocated according to the relative strengths (expresses in production capacity) of the different companies tendering for them. Hence each company has to try and achieve a certain rate of capital accumulation. They are driven to raise profits at the expense of wages. They create an increased demand for means of production relative to the demand for means of consumption and so on. In Germany, under Nazi rule, the division of the total national product between the different social classes, and the distribution of the total labour time between the production of consumer and capital goods, was not determined by an arbitrary decision of the government, but by the pressure of competition. The same resulted from the competitive pressure—economic and military alike

—of the Powers against which Germany fought.

Notwithstanding, therefore, the distortions of competition and of the law of value under state monopoly capitalism, this law is, in the last analysis, all-decisive.

The Marxian Law of Value and the Russian Economy, Viewed in Isolation from World Capitalism

At first sight the relationship between the different enterprises in Russia appears to be the same as that between different enterprises in the traditional capitalist countries. But this is only formally so. In a society of private producers the essential difference between the division of labour within a workshop and the division of labour within society as a whole, is that in the former the ownership of the means of production is concentrated in the hands of one man or one body of men, while in capitalist society as a whole there is no centre of decisions, but only the "blindly working average," which determines how many workers shall be employed in different enterprises, what commodities shall be produced, and so on. No such distinction exists in Russia. Both individual enterprises and the economy as a whole are subordinated to the planned regulation of production. The difference between the division of labour within, say, a tractor factory and the division of labour between it and the steel plant which supplies it, is a difference in degree only. The division of labour within Russian society is in essence a species of the division of labour within a single workshop.

Formally, products are distributed among the different branches of the economy through the medium of exchange. But as the ownership of all the enterprises is vested in one body, the state, there is no real exchange of commodities. "Only such products can become commodities with regard to each other, as result from different kinds of labour, each kind being carried on independently and for the account of private individuals" (26) or "groups of individuals." (27)

In a society of private producers, connected with one another only through exchange, the medium regulating the division of labour in society as a whole is the monetary expression of exchange value—price. In Russia there is a direct connection between the enterprises through the medium of the state which controls production in nearly all of them and so price ceases to have this unique significance of being the expression of the social character of labour, or regulator of production.

If the demand for shoes exceeds the supply in a traditionally capitalist country, the price of shoes will automatically rise relatively to the price of other commodities; profits in the shoe industry will increase, capital and labour will pour into it and more of the total labour time of society will be spent in shoe production. The law

of value tends to equalise supply and demand, a situation in which price is equal to value, or more correctly, is equal to price of production.*

If in Russia the demand for shoes exceeded the supply although there would be a rise in the price of shoes either officially, or on the black market, there would be no increase in the production of shoes, nor, therefore, in the labour time devoted to their production.

To take another example. In the traditional capitalist countries, the ratio between the production of producer and consumer goods is determined by the law of value. If the supply of shoes is below demand and the supply of machinery is above, the price of shoes will rise and the price of machinery will decline; capital and labour are transferred from one branch of the economy to the other until the correct balance is restored. But in Russia the state owns *both* sections of industry, and, therefore, a high rate of profit in the production of consumer goods will not attract capital and labour into that section and out of the other, and *vice versa*, because the ratios existing between them are not derived from the uncontrolled mechanism of the Russian internal market.

The relationship between the production of the two departments (the production of producer goods, and of consumer goods) is directly dependent on the relationship between accumulation and consumption. While in the traditionally capitalist countries competition between different factory owners causes them to accumulate and increase the organic composition of capital, in Russia this factor does not exist as all the factories are owned by one authority. Here accumulation and technical improvement are not undertaken as measures of defence against an attack in the competitive war with other enterprises.

We have seen that price is not the medium through which Russian production and the division of labour in Russian society as a whole are regulated. It is the government which regulates. Price is only one of the weapons the state uses in this activity. It is not the motor, but the transmission belt.

This does not mean that the price system in Russia is arbitrary, depending purely on the whim of the bureaucracy. The basis of price here, too, is the cost of production. (The large-scale use of subsidies on the one hand, and the turnover tax on the other, do not contradict this). Nevertheless there is a fundamental difference between this price system and the type operating in traditional capitalism. The latter expresses the autonomous activity of the economy (which is freest under free competition, less so under monopoly); the former is a sign that the economy is not self-propelled at all. The difference between these two kinds of price will probably be

* The relation between the value and price of production is a very complicated one, and cannot be dealt with here. (See *Capital*, Vol. III, Part II.)

clearer if an analogy is made with a less complex society, for instance, that of the Pharaohs in ancient Egypt.

Pharaoh had to calculate how to divide the total labour time-- which is the real cost of production in any society--of his slaves among the needs of his society. His method of doing so was direct. A certain number of slaves was put to the production of food, a certain number to the production of luxury goods, others to the construction of the irrigation system, yet others to the building of the pyramids, and so on. As the process of production was relatively simple, there was no necessity for any checks beyond seeing that the number of slaves was distributed according to plan. In Russia, too, the state directly makes an almost* complete plan of the division of the total labour time, but as the process of production is much more complicated than it was a few thousand years ago, it is not sufficient simply to check the number of workers engaged in the different branches, for the economy to run according to the plan. Certain rations must be fixed between the employment of machinery and workers, the use of machinery of one sort or another, the quantity produced, the raw material and fuel used, and so on. For this task it is necessary to have a measure common to all costs and all products. Price serves as this common measure. The difference between the division of labour without a price system under the Pharaohs, and that with a price system under Stalin is a difference in degree, but not in essence. Similarly, whether Ford directs all his enterprises as one administrative unit, or breaks them up into smaller units in order to make it easier to calculate and direct, the difference is only in degree, so long as the same will directs production.

There is one thing in Russia that appears on the surface to fulfil the requirements of a commodity: labour power. If it is a commodity, then the consumer goods that the workers receive in exchange for their labour power are also commodities, being produced for exchange. We should then have, if not a highly developed circulation of commodities, a huge truck or barter system comprising the total consumption of the workers. But Marx argues that "The circulation of commodities differs from the direct exchange of products (barter), not only in form, but in substance."⁽⁵⁾ He goes on to point out that with the circulation of commodities, "exchange . . . breaks through all local and personal bounds inseparable from direct barter, and develops the circulation of the products of social labour; . . . it develops a whole network of social relations

* "Almost," because there are some border cases in which the control of the state is not complete. The labour time of the kolhoz member on his private plot is an example of this. Likewise the labour of the artisan. But even if these are not consciously planned by the state, they are not quite free of control. Through the levers of prices, taxes, and especially the state's planning of the *main* field of production, these peripheral activities are also drawn into channels desired by the state.

spontaneous in their growth and entirely beyond the control of the actors." (29)

In order to see whether labour power in Russia is really a commodity, as it is under traditional capitalism, it is necessary to see what specific conditions are necessary for it to be so. Marx states two conditions for this: first, that the labourer *must* sell his labour power as he has no other means of subsistence, being "free" of the means of production; secondly that the labourer *can* sell his labour power as he is the sole owner of it, that is, he is free to do so. The freedom of the worker on the one hand, his bondage on the other, are shown by the "periodic sale of himself, by his change of masters, and by the oscillations in the market price of labour power." (30) Marx therefore, says that in order for labour power to become a commodity it is necessary "that the owner of the labour-power should sell it only for a definite period, for if he were to sell it rump and stump, once for all, he would be selling himself, converting himself from a free man into a slave, from an owner of a commodity into a commodity. He must constantly look upon his labour-power as his own property, his own commodity, and this he can only do by placing it at the disposal of the buyer temporarily, for a definite period of time. By this means alone can he avoid renouncing his rights of ownership over it." (31)

If there is only one employer, a "change of masters" is impossible and the "periodic sale of himself" becomes a mere formality. The contract also becomes only a formality when there are many sellers and only one buyer.

There is no doubt that "oscillations in the market price of labour power" take place in Russia, perhaps more so than in other countries. But here, too, the essence contradicts the form. This point needs some elaboration. In the traditional capitalist economy, where there is competition between sellers of labour power, between buyers of labour power, and between sellers and buyers, the price of labour power is determined by the resulting anarchy. If the rate of accumulation is high, there is extensive employment, which, under normal conditions, raises the nominal wages. This increases the demand for consumer goods, the production of which duly increases, raising the real wages. (Under normal conditions of free competition this is a true picture of development; monopolies distort it somewhat.) This rise of real wages adversely influences the rate of profit, which, in turn, slows the rate of accumulation, and so on. In contrast to this, in Russia the total amount of real wages and salaries is fixed in advance by the quantity of consumers' goods planned. It may—and usually does—happen, that because of defects in the working out and realisation of the plan, the quantity of money distributed as wages and salaries is larger than the total price of the consumers' goods produced. If the difference is not taken by the state, it will cause a rise in prices (either on the official market or the black market) but not a rise in real wages. The

only way it could cause a rise in real wages would be by causing the state to increase the production of that branch which experiences a rise in prices. The Russian state, however, does not do this. (There is a point below which real wages cannot fall for any length of time. This is the physical minimum, which applies to Russia just as much as to any other society, whether based on slave labour, serf labour, or wage labour. The fact that real wages are not distributed equally among the Russian workers is, apropos of the problem under discussion, of secondary importance to the fact that the total real wages are directly fixed by the state.)

Hence if one examines the relations within the Russian economy, one is bound to conclude that the source of the law of value, as the motor and regulator of production, is not to be found in it. In essence, the laws prevailing in the relations between the enterprises and between the labourers and the employer-state would be *no different* if Russia were one big factory managed directly from one centre, and if all the labourers received the goods they consumed directly, *in kind*.

The Marxian Law of Value and the Russian Economy Viewed in its Relations with World Capitalism

The Stalinist state is in the same position *vis-à-vis* the total labour time of Russian society as a factory owner *vis-à-vis* the labour of his employees. In other words, the division of labour is planned. But what is it that determines the actual division of the total labour time of Russian society? If Russia had not to compete with other countries, this division would be absolutely arbitrary. But as it is Stalinist decisions are based on factors outside its control, namely the world economy, world competition. From this point of view the Russian state is in a similar position to the owner of a single capitalist enterprise competing with other enterprises.

The rate of exploitation, that is, the ratio between surplus value and wages (s/v) does not depend on the arbitrary will of the Stalinist government, but is dictated by world capitalism. The same applies to improvements in technique, or, to use what is practically an equivalent phrase in Marxian terminology, the relation between constant and variable capital, that is, between machinery, building, materials, etc., on the one hand, and wages on the other (c/v). The same therefore applies to the division of the total labour time of Russian society between production of the means of production of means of consumption. Hence when Russia is viewed within the international economy the basic features of capitalism can be discerned: "... anarchy in the social division of labour and despotism in that of the workshop are mutual conditions the one of the other..."

If Russia tried to flood the world market with her products, or if other countries flooded the Russian market with theirs, the Russian bureaucracy would be forced to cut the costs of production

by reducing wages relatively to the productivity of labour or absolutely (increasing s/v), improving technique (increasing c/v), or increasing production of producer goods relatively to consumer goods. The same tendencies would manifest themselves if world competition took the form of military pressure instead of normal commercial competition.

Up to now, Russia's economy has been too backward for her to be able to flood foreign markets with her goods. Her own markets are protected against the possibility of being flooded with foreign goods by virtue of the state's monopoly of foreign trade which can only be destroyed by military power. Hence the commercial struggle has so far been of less importance* than the military. Because international competition takes mainly a military form, the law of value expresses itself in its opposite, viz., a striving after use values. This point requires elaboration. In so far as value is the only expression of the social character of labour in a society of independent producers, a capitalist tries to strengthen himself against his competitors by increasing the total values which he owns. As value is expressed in money, it makes no difference to him whether he invests, say a million pounds in shoe production and receives a profit of £100,000 or in the production of armaments and receives a profit of £100,000. As long as his product has some use value, he is not concerned with what particular use value it is. In the formula of the circulation of capital, Money—Commodity—Money ($M—C—M'$), C appears only as a bridge between commodity—Money ($M'—C—M''$). C appears only as a bridge between larger than M').

If Russia traded extensively with countries outside her empire, she would try to produce commodities which would fetch a high price on the world market, and to buy the cheapest possible commodities from abroad. Thus she would be aiming, like a private capitalist, at increasing the sum of values at her disposal by producing some use value or other, regardless of what it would be. (This factor has great bearing on Russia's trade with her satellites.)⁽¹⁷⁾

But as competition with other countries is mainly military, the state as a *consumer* is interested in certain specific use values, such as tanks, aeroplanes, and so on. Value is the expression of com-

petition between independent producers; Russia's competition with the rest of the world is expressed by the elevation of use values into an end, serving the ultimate end of victory in the competition. Use values, while being an end, still remain a means.

A similar process takes place in the countries of traditional capitalism also, although in a less obvious way. It makes no difference to the individual armament manufacturer whether he invests his capital in the production of guns or butter, provided he makes a profit. But the state to which he belongs is extremely interested in the use value of his products. His relations with the state are those of seller and buyer, the former being interested only in value and the latter in use value. But in fact these relations of exchange are only formal. The state does not offer another commodity in exchange for armaments. It pays for them out of taxes and loans levied on the whole economy. In other words, the burden of armaments is spread more or less over the whole economy. (This becomes crystal clear when the state, instead of collecting taxes and raising loans in order to buy arms from private firms, produces them itself). The slogan "guns before butter" means that competition between the capitalist powers has reached the stage where the international division of labour is disrupted, and competition through buying and selling is replaced by direct military competition. Use values have become the aim of capitalist production.

Further evidence of this is the difference between technical advance in war and in peace. In a war economy there is virtually no limit to the market, nor any need to cut costs of production in the interests of commercial competition. The overwhelming need is to increase the quantity of goods available. Hence during the Second World War technical improvements were introduced which had been opposed in peacetime by the monopolies and cartels.

The fact that the Russian economy is directed towards the production of certain use values does not make it a socialist economy, even though the latter would also be directed towards the production of (very different) use values. On the contrary, the two are complete opposites. The increasing rate of exploitation, and the increasing subordination of the workers to the means of production in Russia, accompanied as it is by a great production of guns but not butter, leads to an intensification, not a lessening of the oppression of the people.

The law of value is thus seen to be the arbiter of the Russian economic structure as soon as it is seen in the concrete historical situation of today—the anarchic world market.

Can there be World State-Capitalism?

If the production of the whole world were controlled by one

* Import and Export of U.S.S.R. in Current Prices (32)

	Exports (million roubles)	Imports (million roubles)	Turnover
1913	6,596.4	6,022.5	12,618.9
1924	1,476.1	1,138.8	2,614.9
1928	3,518.9	4,174.6	7,693.5
1930	4,539.3	4,637.5	9,176.8
1937	1,758.6	1,341.3	3,099.9

Thus during the period of the Five-Year Plans, when industrial production multiplied many times, imports and exports both declined in a most phenomenal manner.

authority, that is, if the Stalinist bureaucracy could unite the world under its rule and the masses were forced to accept such a régime, the resulting economy would be a system of exploitation not subject to the law of value and all its implications. Examining the problem --in hypothetical form at that date (1915), of course--Bukharin reached this very conclusion. In his book, *World Economy and Imperialism*, he explains that if the national state were to organise the national economy, commodity production would remain "in the first place [in] the world market," and the economy would be, therefore, state capitalist. But if "the organisation of the whole world economy as one gigantic state trust" took place (which, incidentally, Bukharin did not believe possible), "we would have an entirely new, unique, economic form. This would be capitalism no more, for the production of commodities would have disappeared; still less would it be socialism, as the domination of one class over the other will have remained (and even grown stronger). Such an economic structure would, most of all, resemble a slave-master's economy, with the absence of the slave market."⁽¹⁹⁾

(Because of national and social conflicts, it is very unlikely that such a world empire could ever in fact exist.)

Marx's Theory of Capitalist Crisis

It is impossible within the framework of the present work to deal adequately with Marx' analysis of the capitalist crisis of overproduction. We shall have to limit ourselves to a short summary.

Unlike all pre-capitalist forms of production, capitalism is forced to accumulate more and more capital. But this process is hampered by two complementary, and yet contradictory, factors, both arising out of the system itself. One is the decline in the rate of profit, which means the shrinking of the sources of further accumulation. The other is the increase in production beyond the absorptive capacity of the market. If it were not for the first contradiction, the "under-consumptionist" solution of the crisis--to raise the wages of the workers--would be a simple and excellent answer. If it were not for the second contradiction, fascism could, by continuously cutting wages, have staved off the crisis for a long period at least.

Dealing with the second horn of capitalism's dilemma, the low purchasing power of the masses, Marx wrote: "The entire mass of commodities, the total product, which contains a portion which is to reproduce the constant and variable capital as well a portion, representing surplus-value, must be sold. If this is not done, or only partly accomplished, or only at prices which are below the prices of production, the labourer has been none the less exploited, but his exploitation does not realise as much for the capitalist. It may yield no surplus-value at all for him, or only realise a portion of the produced surplus value, or it may even mean a partial or complete loss of his capital. The conditions of direct

exploitation and those of the realisation of surplus-value are not identical. They are separated logically as well as by time and space. The first are only limited by the productive power of society, the last by the proportional relations of the various lines of production and by the consuming power of society. This last-named power is not determined either by the absolute productive power nor by the absolute consuming power, but by the consuming power based on antagonistic conditions of distribution, which reduces the consumption of the great mass of the population to a variable minimum within more or less narrow limits. The consuming power is furthermore restricted by the tendency to accumulate, the greed for an expansion of capital and a production of surplus-value on an enlarged scale."⁽²⁰⁾ And he adds: "The stupendous productive power developing under the capitalist mode of production relatively to population, and the increase, though not in the same proportion, of capital values (not their material substance), which grew much more rapidly than the population, contradict the basis, which, compared to the expanding wealth, is ever narrowing and for which this immense productive power works, and the conditions, under which capital augments its value. This is the cause of crises."⁽²¹⁾

Elsewhere he expressed the same idea in these words: "The last cause of all real crises always remains the poverty and restricted consumption of the masses as compared to the tendency of capitalist production to develop the productive forces in such a way, that only the absolute power of consumption of the entire society would be their limit."⁽²²⁾

In the final analysis, the cause of the capitalist crisis is that a greater and greater part of the income of society falls into the hands of the capitalist class, and a greater and greater part of this is directed not towards buying means of consumption, but, instead, means of production, that is, it is directed towards the accumulation of capital. But, as all means of production are *potentially* means of consumption--that is, after a certain lapse of time, the value of the means of production becomes incorporated in means of consumption--the relative increase in the part of the national income directed to accumulation compared with the part directed towards consumption, must lead to overproduction. And this is a cumulative process. The increase in accumulation is accompanied by rationalisation, resulting in an increased rate of exploitation. The greater the rate of exploitation, the greater is the fund from which accumulation is drawn, as compared with the wages of the workers and the revenue of the capitalist. Accumulation breeds accumulation.

If "the poverty and restricted consumption of the masses" were the only cause of the capitalist crisis, the crisis would be permanent, because the wages of the workers, on the whole, *always* lag behind a rise in the productivity of labour. We should then

not have known the one-time catastrophic equation of different elements, but a permanent slump.

But there is the other horn of the dilemma, the decline in the rate of profit. The process of capital accumulation is accompanied by a rise in the organic composition of capital, that is, there is a substitution of dead labour (embodied in machinery, etc.) for living labour. Since the latter produces surplus value and the former does not, there is a constant tendency for the rate of profit to decline. This decline in its turn makes competition between the capitalists keener, for each must try to increase his total profits at the expense of his rivals. Competition leads to rationalisation, and so to an ever greater rise in the organic composition of capital. From this vicious circle there is no escape.

This tendency is not by itself the cause of the cycle of revival, boom, crisis and depression. Marx explains that the decline of the rate of profit is a very *slow* process,⁽¹⁰⁾ which is subject to many counteracting forces. Nevertheless it constitutes the background of the economic cycle. The *immediate* causes of the cycle are changes in the wage rate resulting from the changes in the demand for labour power which accompany the process of accumulation. On the decline of the rate of profit Marx wrote: "It promotes overproduction, speculation, crises, surplus-capital along with surplus-population."⁽¹¹⁾ "The barrier of the capitalist mode of production becomes apparent . . . In the fact that the development of the productive power of labour creates in the falling rate of profit a law which turns into an antagonism of this mode of production at a certain point and requires for its defeat periodical crises."⁽¹²⁾

On the rise of the level of wages following on increased employment during a boom, he declared that if it were said "that the working class receive too small a portion of their own product, and the evil would be remedied by giving them a larger share of it, or raising their wages, we should reply that crises are precisely always preceded by a period in which wages rise generally and the working class actually get a larger share of the annual product intended for consumption."⁽¹³⁾

On the connection between the trade cycle, the rate of profit, the level of wages, and the extent of employment, when this last factor is of decisive importance as marking the end of the boom and the beginning of the crisis, Marx wrote: "the whole form of movement of modern industry depends, therefore, upon the constant transformation of a part of the labouring population into unemployed or half-employed hands . . . As the heavenly bodies, once thrown into a certain definite motion, always repeat this, so is it with social production as soon as it is once thrown into this movement of alternate expansion and contraction. Effects, in their turn, become causes, and the varying accidents of the whole process, which always reproduces its own conditions, take on the form of periodicity."⁽¹⁴⁾

According to his analysis, the rate of profit determines the rate of accumulation, the rate of accumulation determines the extent of employment, the extent of employment determines the level of wages, the level of wages determines the rate of profit, and so on in a vicious circle. A high rate of profit means a quick accumulation, hence an increase in employment and a rise in wages. This process continues to a point where the rise in wage rates so adversely affects the rate of profit that accumulation either declines catastrophically or ceases altogether.

The cycle of the rate of profit and the cycle of accumulation and the cycle of employment, is the life-cycle of fixed capital (i.e., machinery, buildings, etc.): "To the same extent that the volume of the value and the duration of the fixed capital develop with the evolution of the capitalist mode of production, does the life of industry and of industrial capital develop in each particular investment into one of many years, say of ten years on an average. If the development of fixed capital extends the length of this life on the one side, it is on the other side shortened by the continuous revolution of the instruments of production, which likewise increases incessantly with the development of capitalist production. This implies a change in the instruments of production and the necessity of continuous replacement on account of virtual wear and tear, long before they are worn out physically. One may assume that this life-cycle, in the essential branches of great industry, now averages ten years. However, it is not a question of any one definite number here. So much at least is evident that this cycle comprising a number of years, through which capital is compelled to pass by its fixed part, furnishes a material basis for the periodical commercial crisis in which business goes through successive periods of lassitude, average activity, overspeeding and crisis. It is true that the periods in which capital is invested are different in time and place. But a crisis is always the starting point of a large amount of new investments. Therefore it also constitutes, from the point of view of society, more or less of a new material basis for the next cycle of turn-over."⁽¹⁵⁾

This theory explains why, in spite of the antagonistic mode of distribution and the tendency for the rate of profit to decline, there is not a permanent crisis of overproduction, but a cyclical movement of the economy. During the period when fixed capital is being renewed and added to, the introduction of new means of production does not result directly in an added supply of finished goods. But after a time, maybe a few years, the value of the new means of production begins to be incorporated in new products, in the form of both means of production and means of consumption. This takes place without any, or with only a relatively small amount of capital being invested at that time. In other words, for a few years investments in the construction of new industries or the expansion of existing ones are very large compared with the increase in the output

of finished goods. These are the years of boom, and they are followed by a period in which the output of finished goods expands considerably, almost simultaneously with a decline in the rate of accumulation. This is the crest of the boom and the harbinger of the coming crisis. Then comes the crisis: production declines catastrophically while investment stops or even gives place to disinvestment.

There is another factor which must be considered in this connection—the disproportion between different industries. This may be the direct result of the anarchic character of capitalist production. The capitalists of one industry may over-estimate the demand for its products and therefore over-expand its productive capacity. As there are many capitalists, it is only *after* the goods are produced that the capitalist becomes aware, through the market, that supply has exceeded demand. This leads to a fall in prices, decline of profits, restriction and a decline in the demand for labour power, raw materials and machinery produced by other factories, and so on. This restriction is not necessarily compensated for by the expansion of production in other industries. On the contrary the contraction of production in one industry can lead to similar results in other industries which are directly or indirectly dependent on it. If the industry which suffers first from over-production is an important one, a *general crisis* may result. "That a crisis (and hence also overproduction) be general it is enough that it seize hold of the leading articles of commerce."⁽¹⁷⁾

In this case the disproportion between different industries is the *cause* of the decline of the rate of profit and the decline of the consumption of the masses, and these three factors together bring about the crisis.

But disproportion between different industries may be the *result* of the decline of the rate of profit or the underconsumption of the masses as well as, in its turn, their cause. If on the basis of a certain rate of profit there is a certain rate of accumulation, the rate of profit determines the demand for means of production and leads to a certain relationship between the demand for producer- and consumer-goods. A decline in the rate of profit, by causing a decline in the rate of accumulation, immediately changes the pattern of demand, and so upsets the balance of the demand for the two types of production. A similar relation exists between the underconsumption of the masses and the proportion or disproportion between the different industries. "The 'consuming power of society' and 'the proportionality of the various branches of production'—these are absolutely not individual, independent, unconnected conditions. On the contrary, a certain state of consumption is one of the elements of proportionality."⁽¹⁸⁾

One of the symptoms of disproportion between different industries is a change in the relation between the output of raw

materials and the demand for them. Generally at the beginning of the revival the supply of raw materials exceeds the demand, and their prices are therefore low. As economic activity increases, these prices rise, thus increasing the cost of production, which adversely affects the rate of profit.⁽¹⁹⁾ During a boom the prices of raw materials usually rise more than those of finished goods, and during a crisis fall much more steeply; the reason for this is that the supply of raw materials is far less elastic than that of finished goods.

Another indication of the same disproportion, which is a result rather than a cause of the economic cycle, but which has nevertheless an important reflex influence, is the rate of interest. The capitalist entrepreneurs do not receive the whole surplus value produced in their undertakings, but only what remains after the deduction of rent, taxes and interest. At the beginning of a trade revival, there is generally an excess of credit over the demand for it. Hence the rate of interest is low, and this in turn encourages the revival. During a boom the rate of interest continues to be low, until shortly before its end, when it rises sharply, reaching its maximum with the onset of the crisis. After this it falls very sharply.⁽²⁰⁾ Thus, while the curve of the general rate of profit and the economic cycle as a whole roughly correspond, the rate of interest curve shows much greater zig-zags which cut across the curve of the economic cycle. The changes in the rate of interest spur the revival on at an ever wilder pace on the one hand, and on the other plunge the economic system into ever-deepening crises.

Credit has made it possible for capitalism to develop at an unprecedented tempo, but it also increases the instability of the system. It blinds the industrialists to the real condition of the market, so that they continue to expand production beyond the point at which they would have stopped if all payments were made in cash. This postpones the onset of the crisis, only to make it more serious.

One further factor contributing to the onset of a crisis is the existence of a chain of middlemen between the industrial capitalist and the consumers. Owing to their activity, production can, within certain limits, increase without a corresponding increase in the sale of products to consumers. The unsold products remain as stocks in the hands of merchants, making the crisis, when it comes, more severe.

This, in brief, is Marx's theory of the capitalist crisis.

State Capitalism and the Crisis—the Posing of the Problem

It is obvious that some of the causes of crises of over-production in traditional capitalism would not exist in a system of state capitalism. For instance, middlemen not only would not exist under state capitalism, but even in private enterprise can be eliminated by the industrialist selling his product directly to the consumer through his own trading network. Again, credit would cease

to be a factor if all payments were made in cash. Also, under state capitalism, the rate of interest would not contribute to the fluctuations in the tempo of production. As the state would own all the capital, the use of credit would be no different from the use by each capitalist of his own capital. Yet again, the disproportion between different branches of the economy likewise would not act as the initial cause of the crisis. Although there might be miscalculations in investment, and the supply of a certain product might exceed the demand, the fact that the state would plan production and demand makes any serious disproportion impossible. Moreover, as the state would own all the industries, there would not be a cumulative process of decline in prices and a decline of the rate of profit spreading from one industry to another, but the effect of a partial over-production would be spread *directly* over the whole economy. When the next cycle of production began the production of certain goods would be decreased and equilibrium restored.

These factors would, it is true, cease to have an effect only if the state capitalist economy were self-sufficient. If it were to produce for the world market, to receive credit from other countries, etc., the factors would then have a certain influence.

But what of the fundamental dilemma which faces traditional capitalism? How can a high rate of profit be achieved while surplus value is realised? How can capital be quickly accumulated without undermining the market which it requires? In a certain phase of the cycle—the boom—traditional capitalism temporarily solves the problem: a high rate of profit leads to quick accumulation, that is, a big increase in the production of means of production compared with production of means of consumption. Hence a big part of the surplus value can be realised in the industries manufacturing means of production, that is, in the system of production itself. (This alone is a sufficient explanation why the underconsumption of the masses does not cause a permanent crisis, and prevent any expansion of production under capitalism). If capitalism could transform the boom from a temporary phase to a permanent condition, there would be no overproduction. Can state capitalism do this? Can it ensure a high rate of profit, a high rate of accumulation, a high level of production, while yet preserving the antagonistic way of distribution. "the poverty and restricted consumption of the masses"?

Production and Consumption of Means of Destruction

A unique feature of the consumption of the capitalists, according to Marx, is that it does not constitute part of the process of reproduction. The "consumption" of means of production (depreciation of machinery, etc.) leads to the creation of new means of production or new means of consumption, the consumption of the workers results in the reproduction of labour power, but the products consumed by the capitalists do not contribute at all to the new production cycle. There is, however, one form of consumption which, although possessing this characteristic, is nevertheless

less a means to acquire new capital and new possibilities of accumulation, "to conquer the world of social wealth, to increase the mass of human beings exploited." This is war production.

Like the crisis of overproduction, the war economy, while being an integral part of capitalism, throws into relief the obstacles to the capitalist mode of production, which are present in the system itself. Furthermore, a capitalist war leads not only to a stoppage of accumulation and a destruction of capital on such a scale that there is a tendency towards the complete negation of capitalism and a reversion to barbarism.

In spite of superficial resemblances, however, a war economy and a socialist economy are opposite poles. In a war economy, as in a socialist economy, the state takes control of the economy and plans production and distribution. In a war economy, as in a socialist economy, there is the maximum possible production. But if the relations of distribution are antagonistic, and if the enormous accumulation of the past impedes new accumulation, maximum production is possible only if a large proportion of the products is not exchanged, that is, is not produced as values, but as use values. In a socialist economy, the aim of production is the creation of use values; the main aim of a war economy, too, is the production of use values. But in a socialist society use values are those needed by the people, while in a war economy they are guns, military equipment, and stores—use values inimical to the interests of the people.

A war economy is inevitably accompanied not by a crisis of overproduction, but by a crisis of underproduction, because the demand for goods outstrips the productive capacity of the economy. Inflation, on a large or small scale, always accompanies a crisis of underproduction.

Given the world situation today, it appears that the war economy "solution" is the only expedient of the Russian bureaucracy until such time as either socialism or barbarism will render a "solution" to the contradictions inherent in capitalism—orthodox or state—superfluous.

THE IMPERIALIST EXPANSION OF RUSSIA

Empires existed before the monopolistic stage of capitalism, and even before capitalism itself. The imperialism of every period, however, is different in its motives and results, and the use of the one word, imperialism, to describe the different phenomena is therefore liable to bring about more confusion than clarity. Lenin used the term for the highest stage of capitalism, for capitalism in decline, when the proletarian revolution is on the order of the day. But the empires of even this one period have very different characters. Zinoviev says in his article, "What is Imperialism?":

"In doing this [defining what modern imperialism actually is] we must not forget that there are various types of imperialism. British imperialism differs from German imperialism, etc. There is a European imperialism, an Asiatic imperialism and an American imperialism; there is a white imperialism and a yellow imperialism. Japanese imperialism doesn't resemble the French type; Russian imperialism is of quite a unique type, because it is a backward (it is not even possible any longer to say an Asiatic) imperialism, developing on the basis of an extraordinary backwardness."⁽¹⁾

If, as Lenin explains, the typical feature of imperialism is the search for fields for capital export, while for youthful capitalism the typical feature was the search for markets, it seems wrong to have called Tsarist Russia imperialist. But all the Marxists, including Lenin and Trotsky, did call it imperialist. And they were correct. For in the context of world economy, and the relations prevailing between Tsarist Russia and the highly developed countries, which is the criterion for its definition, Tsarist Russia was imperialist in the Leninist sense.

Lenin's definition of imperialism gives

"the following five essential features:

- (1) The concentration of production and capital developed to such a stage that it creates monopolies which play a decisive role in economic life.
 - (2) The merging of bank capital with industrial capital, and the creation, on the basis of "finance capital," of a financial oligarchy.
 - (3) The export of capital, which has become extremely important, and distinguished from the export of commodities.
 - (4) The formation of international capitalist monopolies which share the world among themselves.
 - (5) The territorial division of the whole world among the greatest capitalist powers is completed."⁽²⁾
- State capitalism certainly bears the first feature, as it consists of one general state monopoly. As regards the second feature, the merging of bank and industrial capital reaches the highest stage when the state is the industrial and banking capitalist together. As

regards the fourth feature the increasing competition between the imperialist powers drives the state—especially emphasised in Germany and Japan—to cut across international capitalist monopolies. It is clear that the economic invasion of an international capitalist monopoly is nearly excluded in a state capitalist economy. (Some foreign concessions are, of course, conceivable). The third and fifth features—the relation of Russian state capitalism to the export of capital, and to the territorial division of the world, need further elaboration.

The Motives for the Expansion of the Stalinist Bureaucracy

The privileges of the Russian bureaucracy, as those of the bourgeoisie, are conditioned by the unceasing advance of accumulation. But, unlike the bourgeoisie of the West, Russian state capitalism in its "Tugan-Baranovsky stage" suffers neither from a "superfluity" of capital, i.e., from a restriction of the possibilities of accumulation which the antagonistic mode of distribution causes in traditional capitalist countries, nor from a rise of wages which would threaten the rate of profit. In these respects Russian state capitalism is more similar to Japanese imperialism before its defeat in the Second World War than to the Western imperialist countries. Seeing that nearly all the means of production in Russia belong to the state, the industrial development of her colonial regions, i.e., the areas of the nations oppressed by the Russian bureaucracy, is directly a part of the general industrial development of Russia herself. The Japanese state saw in Manchuria "an extension of the homeland." The Stalinist state looks upon the Ukraine, the Caucasus, Rumania, Bulgaria, etc., in the same way, and, because of her monopolistic economic position, her development of these regions is and will be more efficient than Japanese imperialism's development of Manchuria. In the same way as Japanese imperialism looked upon the development of Manchuria as a necessary step to bridge the distance between it and the advanced powers of the West, so the Stalinist bureaucracy is driven to an imperialist policy for the same reason.

The railway network of Manchuria increased by nearly three times between 1932 and 1943—and outstripped the whole net-work of China proper.

Sternberg remarked:

"The given historical conditions in which Japanese imperialism developed caused it to encourage and force the development of industrialisation in its empire, whilst different historical conditions caused the European imperialists to prevent or retard industrial development in their empires.

"In the ten years between Japan's invasion of Manchuria and her entry into the Second World War (1931-41) she so accelerated the industrialization of Manchuria that although Manchuria's population is only about 10 per cent of British India's, as much, if not more, industry was created there in one decade as was created in India in a century of imperialist rule."⁽³⁾

The same relative backwardness drives Russia towards the establishment of industries in the countries of the oppressed nations, and as the obverse of the same, to loot capital wherever she can lay hold of it. Japanese imperialism carried out large-scale plunder in China. As regards Germany:

"In the conquered territories, German firms have taken over the assets of resident concerns by right of conquest, not through business as usual." (7)

Stalinist Russia looted the countries of Eastern Europe and Manchuria. She did so by transferring factories to Russia, and as Nazi Germany did, by concluding barter agreements with her vassals which were ruinous to them.

The concentrated monopoly capitalism of Japan and Germany and the state capitalism of Russia thus reveal another feature characteristic of the period of the primitive accumulation of capital -- that trade and plunder were indistinguishable. If Alfred Marshall could say of that time that "silver and sugar seldom came to Europe without a stain of blood," today the looted property is much bloodier; and it is not silver or sugar that is plundered, but means of production.

Another factor motivating the expansion of Russia is the need for new-labour power. In highly developed countries the export of capital is a reaction to the rise of wages which cuts into the rate of profit; it is directed to areas where labour power is cheap, and thus increases the amount of labour exploited by the same quantity of capital. The same result was achieved in a different way when Nazi Germany brought millions of workers from the conquered countries, particularly of the East, into Germany. Cheaper labour power than that of the Russian worker, especially of the slave labourer, is not to be found in Europe, however, so that the annexation of new areas to Russia cannot be motivated by the need to find cheaper labour power. But this does not mean that it is not motivated by the necessity to find an additional *quantity* of labour power. Even though the quantity of capital relative to the population in Russia is very small, she still suffers from a lack of labour power. This is to be explained by its wasteful use caused by the lack of capital, so that side by side with the lack of capital appears the lack of labour power; hence slave labour and the low productivity of labour in agriculture. Every factor that impedes the productivity of labour-- the bureaucracy itself included-- will increase the waste of labour power. Thus in spite of the gigantic population of Russia, the government finds it necessary to take special measures to increase it, such as the prohibition of abortion, fines for bachelors, and prizes for families with many children. So a vicious circle is created: lack of capital causes a waste of labour power which makes it difficult to accumulate sufficient quantities of capital, and so on. The addition to Russia of 100 million people from the countries of Eastern Europe is therefore an important motive for

the expansion of Russian imperialism, corresponding to the export of capital from the countries of advanced capitalism.

Another motive for the expansion of Stalinist Russia is strategic considerations.

The Record of Imperialist Expansion--Russian Ingestion of Eastern Europe

The traditional imperialist countries exploited their colonies in three ways: by buying the products of their colonies for low prices; by selling them the products of the "mother" countries for high prices; and by establishing enterprises owned by the capitalists of the "mother" country and employing "natives." Russian state capitalism uses the same three methods to exploit its colonies. What was the situation under Stalin?

There are numerous statistics proving that Russia pays very low prices for the products she buys from her satellites. To give a few examples: The Russo-Polish Agreement, dated August 16th, 1945, stipulated that from 1946 onwards, Poland was to deliver to Russia at a special price (said to be 2 dollars per ton) the following quantities of coal: 1946--8 million tons, from 1947 to 1950--13 million tons each year, and subsequently 12 million tons annually, as long as the occupation of Germany continued. This coal is of Germany by Russia. As far as is known, Poland did not get anything on this account. Anyhow 12-13 million tons of coal at 2 dollars a ton, when the price of coal on the world market is 12-15 dollars a ton, gives a net profit to Russia of 10-14 dollars a ton, or altogether 120-180 million dollars a year (a sum comparable with the maximum annual profits of British capitalists from their investments in India). "Borba," the Yugoslav daily of 31st March, 1949, writes that a ton of molybdenum, an essential ingredient of steel, that cost Yugoslavia 500,000 dinars to produce, was sold to U.S.S.R. during the Stalin-Tito honeymoon period for 45,000 dinars. The former Bata plants of Czechoslovakia had to supply Russia with shoes (the leather for which was supplied by Russia) for 170 Czech Crowns, although the actual cost price per pair was 300 Crowns. A particularly flagrant case of capitalist exploitation was that of Bulgarian tobacco: bought by Russia for 0.5 dollars, it was resold by her in Western Europe for 1.5-2.0 dollars.(8)

What applies to Russia's trade relations with her European satellites, applies equally to her trade relations with China. Chinese pig bristles and tung oil, which constitute a large proportion of Chinese exports, are offered at present in the Western European markets at prices below those in Shanghai and Tientsin, the main ports of export of these products. Russia is the exclusive agent selling Chinese products in the Western markets, and the fact that she can afford to sell them at prices below those prevailing in China

itself—and there is no question that Russia makes a profit on the transaction—indicates clearly that she pays exceptionally low prices for them. It partially also explains why Peking is making such efforts to open direct trade relations with the West, thus eliminating the Russian intermediary.

So much for underpayment. As far as overcharging the satellites for Russian products is concerned, we shall cite the following blatant examples: Russian charges China much higher prices for its goods than are charged, for instance, in nearby Hong Kong by Western capitalist sellers. Thus, for instance a Soviet Zis 4-ton truck in Tientsin was sold by Russia for a price equivalent to 50,000 Hong Kong dollars, while a comparable 6-ton truck of Western make is sold in Hong Kong for 15,000 Hong Kong dollars. Czechoslovakian saccharine, imported via Russia, is sold in Tientsin for a price equivalent to 106.40 Hong Kong dollars per lb., while German saccharine of the same quality is sold in Hong Kong for 6.50 Hong Kong dollars.⁽¹⁾

The position of Russian-owned enterprises in Eastern Europe shows up most blatantly the third means of capitalist exploitation carried out by Russia: exploitation of the "natives" employed in enterprises owned by foreign capital.

In the Russian Occupation Zone of Germany, the Russian state took outright as its property about a third of all industry. This is owned by what is called "Soviet Shareholding Companies" (S.A.G.s). The importance of the S.A.G.s is very great. Nearly all the large-scale enterprises are owned by them. Every S.A.G. employed in 1950 on the average 2,400 workers, as against 139-146 in the L.E.B.s (enterprises owned by the so-called German Democratic Republic) and about 10 in the private industries. The importance of the S.A.G.s will be even clearer if we take into account that they control heavy industry entirely. In the S.A.G.s German workers produce surplus value taken by the Russian bureaucracy.

In Rumania, Hungary and Bulgaria there are Mixed Companies, in which Russia owns 50 per cent., and which are in reality completely under its control. Thus, for instance, such a company controls the richest oilfields in Rumania; others control steel, engineering, coal-mining, shipping, air communications, timber, chemical production, tractor production, the building material industries, the exploitation of natural gas deposits, banks, insurance companies, etc.—altogether making up far more than half the industries, transport, banking and insurance of Rumania. In Hungary and Bulgaria there are also Mixed Companies, but their importance is much smaller.

Taking up half the profits of the Mixed Companies, while all the workers are "natives"—is not this a clear case of colonial exploitation?

Moscow's Administrative Control over non-Russian Peoples in U.S.S.R.

Russians constitute about half the population of U.S.S.R. On paper the different republics of the Soviet Union are sovereign. However, while the Soviet state apparatus is organised on federal lines, the Communist Party of the Soviet Union, the "leading core of all organisations of working people, both public and state" (Article 126 of the Soviet Constitution), "is not a federation of separate parties, but a unified centralised party with a single Central Committee in charge of all the work of the Party in the territory of the U.S.S.R."⁽¹⁾

The Republican Communist Parties, for their part, exist merely as regional organisations of the CPSU. They carry out all directives of the higher organs of the party under the principle of "democratic centralism," which underlines Party and Government organisations alike.

As early as 1923, a Georgian delegate, Makharadze, in a speech to the Twelfth Congress of the Russian Communist Party, made their position very clear: "There has been talk here of independent and sovereign republics. On this point it is necessary to exert the greatest caution so as to avoid any kind of exaggeration whatsoever. Comrades, it is clear to all of us what sort of sovereignty, what sort of independence this is. We have, after all, a single Party, a single central organ, which in the final analysis determines absolutely everything for all the Republics, even for all the tiny Republics, including general directives right up to the appointment of responsible leaders in this or that Republic—all this derives from the one organ, so that to speak under these conditions of sovereignty, of independence, reflects to the highest degree an intrinsically incomprehensible proposition."⁽²⁾

The most powerful figures in the national Republics are appointed by Moscow through the Party Central Committee's "Department of Party Organs for the Union Republics." Thus in each of the five Central Asian Republics, the head of the Political Police (Chairman of the Committee for State Security) is a Russian or Ukrainian. So is the Chief Prosecutor, the most important legal official who is constitutionally responsible only to Moscow, and exempt from the control of any republican organs. So are the Military Commandants of the chief cities. In addition usually a European deputy is attached to any Asian official of any importance. Thus during Stalin's time, the Second Secretaries of all Party Central Committees in the Central Asian Republics were Europeans, as were many of the Deputy Prime Ministers and Deputy Ministers.

Apart from the formal nature of their "sovereignty," the independence of the non-Russian Republics is largely restricted by the centralised nature of economic management in which financial regulations, economic plans, etc., for USSR as a whole, are dictated

from the Kremlin.

Russification

On March 13, 1938, a decree was passed making obligatory the teaching of Russian in all national minority schools. One result of this decree was the revision of the hitherto accepted Latinisation policy. In the twenties, Arabic, Mongol, and other alphabets of non-Russian people's in the USSR were replaced by the Latin alphabet. In the years 1938-1940, all nationalities that had recently used Latin alphabets, now had to use the Russian (Cyrillic alphabet) (Some allowances, it is true were made for Armenians, Georgians and Jews, and for people who had had Latin alphabets before the Latinisation drive, like the Latvians, Lithuanians, Estonians and Finns.)

Stalinist linguistic policy also "Russianised" the languages of the Soviet Union by changing their syntax and orthography through the extensive introduction of Russian words and by purging these languages of elements held in common with tongues outside the USSR. Arab, Turkish and Persian words were replaced by Russian. Even where the Russian word introduced was originally borrowed from West European languages, the Central Asians had to accept these words in Russian garb, and spell and pronounce them in Russian ways. Thus it was stated that the percentage of Arab and Persian words in a sample of Uzbek newspapers had fallen from 37.4 in 1923 to 25 in 1940, while the percentage of Russian words had risen from two to fifteen.⁽¹¹⁾

It is made quite clear to the non-Russian people that proficient knowledge of the Russian language is a necessary ticket to higher positions: "If one does not know the language of the great Russian people well, it is impossible to pass successfully through a higher education establishment and become a fully-fledged Soviet specialist."⁽¹²⁾

Actually the cleavage between those children who go to Russian schools and those who go to the national schools is largely congruent with the division in the national Republics between the bureaucracy on the one hand and the workers and peasants on the other. Thus we are told: "In the Russian ten-year school in Alma Ata all the Kazakh children interrogated (some twenty-five) were children of professionals and spoke Russian at home) although they study Kazakh at school as a second language). By contrast, in the Kazakh school in Alma Ata, as well as in the Tatar school in Kazan, the majority of the children seemed to have come from working-class and peasant homes. Nationality policy has thus unintentionally come to mean the Russification of the socially mobile, while the cultivation of ethnic nationality feelings tends to emerge as a barrier to opportunity."⁽¹³⁾

Deportation of Whole Nations

National oppression showed its worst excesses in the dissolution of a number of national Republics of USSR and the deportation of their entire populations.

A year before the war, when there was tension between Russia and Japan on the Manchurian border, the entire Korean population on the Russian side of the border was transferred to Kazakstan and Uzbekistan.

On 28th August, 1941, the entire population of the Volga German Republic was transferred East of the Urals. This German Republic was one of the oldest national republics of Russia. As early as 19th October, 1918, the Workers' Commune of Volga was constituted, and on 19th December, 1923, it was reconstituted as the Autonomous Soviet Socialist Republic of Volga Germans. It was one of the first republics to achieve almost complete collectivisation. The Comintern paper said:

"The German Soviet Republic on the Volga is a living proof of the cultural and national progress which follows on the victory of socialism, and a living disproof of the lies and slanders spread by the fascist enemies of the proletariat."⁽¹⁴⁾ Just two years before their expulsion an article appeared in *Moscow News* called: "Volga German Republic, a Vivid Illustration of Soviet National Policy in Practice."

In the 1938 elections to the Supreme Soviet, 99.7 per cent(!) of the Volga Germans voted for the regime. Then, after the Volga Germans had for so many years been commended for their unanimous support of the regime, came the decree of the dissolution of their republic, with the following explanation: "According to reliable information received by military authorities, there are thousands and tens of thousands of diversionists and spies among the German population of the Volga region who are prepared to cause explosions in these regions at a signal from Germany. No Germans (living in the Volga districts) ever reported to Soviet authorities the presence of such great numbers of diversionists and spies. Therefore, the German population of the Volga regions are covering up enemies of the Soviet people and the Soviet power."⁽¹⁵⁾

The 400,000 Volga Germans together with the million Germans who lived elsewhere in the USSR—whoever was not overrun by the Nazi advance—were duly exiled in 1941.

In the areas of the USSR formerly occupied by German troops, a number of additional republics were dissolved. The Kalmyk Autonomous Soviet Socialist Republic was liquidated by a decree of the Supreme Soviet dated December 27, 1943, and the whole population of about 250,000, were deported to Siberia. In June 1946 a decree of the Presidium of the Supreme Soviet of RSFSR on the "abolition of the Checheno-Ingush Autonomous Soviet Socialist Republic and the reorganisation of the Crimean Autonomous Soviet Socialist Republic into the Crimean Province" was

published. The decree said: "During the Great Patriotic War when the peoples of the USSR were heroically defending the honour and independence of their homeland in the struggle against the German fascist invaders, many Chechens and Crimean Tatars, at the instigation of German agents . . . engaged in an armed struggle against units of the Red Army . . . In connection with this, the Chechens and the Crimean Tatars were resettled in other regions of the USSR."⁽¹⁾

There were 700,000 in the Chechen-Ingush ASSR! Compare the words quoted above with what the *Izvestia* said seven years before: "Under the sun of the Stalin Constitution has flowered luxuriantly the culture of the Chechen-Ingush people, national in form and socialist in content."⁽²⁾

Another three peoples shared a similar fate. The 250,000 Crimean Tatars, the 190,000 Karachi, and the Baikars—all small Mohammedan nations. The disappearance of the last two nationalities was shrouded in great secrecy and was not even the subject of a government decree. The fate of these was revealed by the absence of their autonomous republics and regions from post-war Soviet maps, and their exclusion from the list of Deputies to the Soviet of Nationalities. While in 1940 the Soviet of Nationalities counted 10 deputies from the Volga German ASSR, 5 Chechen and 1 Ingush from the Chechen-Ingush ASSR, 4 Balkats and 3 Karacha, none was represented in the Soviet of Nationalities after the 1950 elections.⁽³⁾

In Ukraine, Khrushchev, then head of the Ukrainian government, declared in August, 1946, that half the leading personalities of the Ukrainian Party had been expelled during the previous eighteen months. It would be too much even for the Great Russian bureaucracy to expell 30 million Ukrainians and dissolve their "republic."

The Idealisation of the Tsarist Empire

The Stalinist bureaucracy cannot but give its approval to its forerunners in empire-building—Tsarist imperialism. For generations Russian socialists and democrats thought Tsarist Russia a "prison of the peoples" and Tsarist imperialist oppression of the Poles, Finns, Lithuanians, Estonians, Ukrainians, Georgians, Armenians, Uzbeks, Kazakhs, etc., a most reactionary force. Stalinist Russia teaches differently.

Thus a Russian journal wrote:

" . . . annexation by Russia represented the only path of socio-economic and cultural development and also the salvation of the national existence of the peoples of the Caucasus and Transcaucasus . . . annexation by Russia was the only means of saving themselves, preserving their ancient cultures and developing economically and culturally . . ."⁽⁴⁾

Another journal wrote that from the 16th century onwards, the feudal monarchies of Turkey and Iran conducted a long and stubborn struggle to seize various territories in the Caucasus. Many Caucasian people, unable because of their dispersed character, to withstand foreign aggression, "sought salvation and intercession

from the Russian tsar, turning to it for assistance and patronage."⁽⁵⁾ In the middle of the 16th century the Circasian (Kartvedian) prince appealed to Ivan IV to give them the Russian citizenship and to protect them from the raids and plunderings of Turkey and the Turks, the Crimean Khan. The Transcaucasian people established ties with Russia towards the end of the 15th century and those ties were strengthened in proportion as the military danger presented by Turkey and Iran. Russian troops often saved the peoples of the Caucasus from military danger. How well put! The Tsarist troops which occupied the Caucasus saved it from military danger!

A Russian literary journal wrote:

"The annexation of Kazakhstan by Russia, which took place in the 18th century, was of profoundly progressive significance. This historic act was conditioned by economic and political causes, by the entire course of historical development of the Kazakh people tormented by incessant raids from the feudal states of the Moslem East. It created the conditions for the mighty impact of Russian economy and culture in Kazakhstan. The Kazakh people made their historic choice wisely and correctly. At that time, besides Russia, the Kazakhs could have fallen into the bondage of Central Asiatic Khanates backed by Britain. Not rejecting any means, British capital crept up on Kazakh lands and resources, calculating on rich gains."⁽⁶⁾

" . . . the working people [of Kazakhstan] through their daily experience, comprehended the advantages of life in a mighty state, Russia."⁽⁷⁾

The Kazakh people chose to be annexed by Tsarist Russia! They preferred to be in "a mighty state"! *Pravda* underlined the point.

"The Kazakh working people were vitally interested in the annexation of Kazakhstan to Russia."⁽⁸⁾

The Struggle for National Freedom—"Titoism"

The nations oppressed by Great Russian imperialism, or threatened directly by it, react with a struggle of ever-growing intensity for national independence.

The most numerous non-Russian people in the U.S.S.R. are the Ukrainians. Their national aspirations have constantly been suppressed by a series of purges. In 1930 the Ukrainian Academy of Sciences was dissolved and members of it arrested for "national deviations." In 1933, Skrypnyk, the most prominent leader of the Ukrainian Communist Party and a member of its Central Committee and Political Bureau, committed suicide in order to avoid arrest. At the same time Kostubinsky, the Vice-President of the Council of People's Commissars of the Ukraine (the Ukrainian Government), Kovnar, the Commissar of Agriculture, and a few score of high officials were shot as nationalists. To prevent further deviations, Postyshev was sent to Ukraine from Moscow in 1933 to reorganise the party and the state administration. He was given dictatorial powers. At the 12th Congress of the Ukrainian Com-

munist Party in 1933, he said:

"In Ukraine our leading Party members and Comrade Stalin himself are specially hated. The class enemy has been to a good school in this country and has learned how to struggle against Soviet rule. In Ukraine have settled the remnants of many counter-revolutionary parties and organizations. Kharkov has gradually become the centre of attraction for all sorts of nationalists and other counter-revolutionary organizations. They have all been drawn to this centre and they have spread their web all over the Ukraine, making use of our Party system for their own ends. You remember, Comrades, when twenty Secretaries of Party Regional Committees dared to declare that it was impossible to fulfil the Harvest Plan."^(*)

Postyshev expelled more than a quarter of the members of the Ukrainian Communist Party. Three years later he himself suffered a similar fate. He was expelled and arrested. In his place came Kosior, from Moscow. He also was arrested in due course. In 1937, Lyubchenko, Chairman of the Council of People's Commissars of Ukraine, committed suicide in order to avoid arrest. The Commissars Petrovski and Eiche were liquidated. Lyubchenko's successor was arrested two months after his appointment for "nationalist" tendencies; his successor was liquidated a few months later. In April, 1937 there were 13 members on the Ukrainian Political Bureau; by June, 1938, not one of these was left.

Other republics have a similar history. Goloded, who for ten years was Chairman of the Council of People's Commissars in the Republic of White Russia, was arrested as a Trotskyist in 1937. Some months later his successor as chairman, Cherviakov, committed suicide to avoid arrest. He had been Chairman of the Central Executive Committee of White Russia (i.e., President of the Republic) for seventeen years.

In Tadzhikistan, the Chairman of the Executive Committee was purged as a nationalist in 1934. His successor held the position for three years and then suffered a similar fate.

The following is a short list of some of the foremost people in the national republics who were liquidated as "nationalists" in the Big Purges of the 30's:

Presidents

Petrovsky
Chervyakov
Kung
Luft
Gyllig
Arkupov
Khodzhibacv
Shotemur
Maksum
Dolgat
Samursky
Lordkipanidze

Prime Ministers

Lyubchenko
Bondarenko
Chubar
Goloded
Welsch
Rakhimbayev
Rakinov
Mgalobishvili
Khodjaev
Abdurakhmanov
Ovakabelashvili

Republic

Ukraine.
Ukraine.
Ukraine.
White Russia.
Volga German.
Tadjikistan.
Tadjikistan.
Georgia.
Uzbekistan.
Kirghizstan.
Transcaucasia.

These are just a few of the victims. Altogether in the big purge of 1937-8 the whole or the majority of thirty national governments were liquidated. The main accusation against them was their desire for secession from the U.S.S.R.

The strongest proof that Russia's national policy does not create harmonious and fraternal relations between the different people is the dissolution of a number of national republics.

After the Second World War the national struggle against Russian imperialism spread to the newly created Russian colonies of Eastern Europe. The most prominent instance was the successful revolt of Yugoslavia against the Kremlin. The other "People's Democracies" in Europe also had "Titoist," i.e., nationalist, resistance movements against Russian rule, but mainly because of the pressure of Russian troops these movements did not succeed. Proof of the broad scope of these national resistance movements is the fact that most of the leaders of the Communist Parties of the "People's Democracies" were accused of being "Titoists" by the Kremlin. Of the six people who filled the post of General Secretary of the Party immediately after the establishment of the "People's Democracies," the following four were accused of Titoism: Tito, General Secretary of the Yugoslav Communist Party; Kostov, General Secretary of the Bulgarian Party (executed); Gomułka, General Secretary of the Polish Party (arrested) and Slansky, General Secretary of the Czechoslovakian Party (executed). Of the six Foreign Ministers, the following four were accused of the same crime: Karelj of Yugoslavia, Anna Pauker of Rumania (arrested), Clementis of Czechoslovakia (executed), Rajk of Hungary (executed). The list could be lengthened considerably.^(*)

The struggle for national independence against Russian imperialism is sure to continue as long as Russian imperialism does. It is one of the most important factors which could seal the fate of the Stalinist regime.

Republic

Ukraine.
White Russia.
Volga German.
Volga German.
Karelian.
Karelian.
Tadjikistan.
Tadjikistan.
Tadjikistan.
Daghestan.
Daghestan.
Adjar.

The Future of the Russian Empire: Reform or Revolution?

I. A Page from History

In 1855 Tsar Alexander II succeeded to the throne of Russia on the death of his father, Nikolai I. One of his first pronouncements was a declaration of his intention to abolish serfdom, which in 1861 he duly carried out.

Two main factors impelled the tsar along this path.

First, serfdom had become a serious impediment to the development of the economy, and the big landowners, especially those in the South, whose crops were beginning to enter the field of international trade and bring in handsome profits, had become more and more convinced that serf labour was inefficient and inferior to that of wage-workers.

That this actually was so became apparent after emancipation had been in force some years. At the end of the forties, a few years before emancipation, the average annual yield of four principal crops (wheat, rye, barley and oats) was some 430 million cwts; after it, in the seventies, it was 630 million cwts. The great Marxist historian M. N. Pokrovsky stated that without doubt "free labour did prove far more productive than forced labour." (*Brief History of Russia*, London, 1933, Vol. I, p. 116.)

The second main cause for the emancipation was a steady rise in the number of outbreaks of localised but violent peasant revolts.

There were 400 in the ten years 1845-55 and 400 more in the five years 1855-60. Fearful of the outcome, the tsar, at a meeting of Moscow nobility, uttered his startling and famous phrase: "It is better to abolish serfdom from above than to wait until the serfs begin to liberate themselves from below."

However, the emancipation of the serfs was carried out half heartedly, and it did not turn them into really free wage-workers, but in fact left the peasants with less land and a heavier economic burden to bear.

Following upon the emancipation of the serfs Alexander

implemented some other reforms.

- On January 1, 1864 he granted local government to the provinces and districts of European Russia.

- On November 20, 1864, he reformed the judicial institutions: trial by jury was introduced for all criminal cases and court proceedings were made public. (And there is no doubt that freedom of expression in the court-room and the publicity given to trials helped greatly in the formation of democratic anti-tsarist public opinion.)

- April 6, 1865 saw the partial abolition of preventive censorship. (One of the results of this was the legal publication in Russian a few years later of Marx's *Capital*.)

That all these democratic reforms were very restricted was soon made quite clear. Thus, for instance, while the press was freed from preventive censorship, it was not allowed to publish accounts of any meetings of societies and clubs without special permission from the Provincial Governors; the Ministry of the Interior was empowered to inform editors of papers what subjects were "unsuitable" and were of "State significance."

The tsarist police soon showed its iron hand. Many a radical was incarcerated. Thus in July 1862 N. G. Chernichevsky was arrested and condemned to prison and eventually exiled for life to Siberia. He remained there until 1883, and was not allowed to return to his home town of Seratov until 1889, where he died a few months later.

Deutscher's Ancestors

In the first flush of Alexander II's promises of reform, many were eager to believe in his words. Thus the two leaders of Russian radicalism, the moderate Alexander Herzen and the revolutionary democratic socialist Chernichevsky, in 1857-58 praised the tsar when he announced his intention of abolishing serfdom. Herzen went so far as to write letters full of admiration to the tsar.

Both suffered a rude shock a few years later when the terms of the emancipation of the serfs were made known. But the political conclusions that they drew from the new situation were poles apart.

Herzen, whose following had dwindled to nothing, continued to believe in the reforming zeal of the tsar and to place his faith in the desire and ability of the "enlightened nobility" to persuade the tsar to carry his reforms further. (Was he a Deutscher?) Chernichevsky and his increasing number of followers concluded that the tsar was, in fact, the chief representative of the exploiting landowners, and that only the overthrow of tsarism could clear the road for social and political progress.

The rude awakening led a number of radicals to issue illegal anti-tsarist leaflets. Thus one of them entitled "To Young Russia" (May 1862) called for an "immediate revolution, a bloody and merciless revolution, which must radically change everything, all the foundations of society without exception." It ended with the

words: "Long live the social and democratic Republic of Russia!" (Pokrovsky, page 178.)

But the tsar "Liberator" showed himself most anxious in his attitude to the Poles.

Tsar Nikolai's brutality, his method of governing by means of the rod, had earned him the hatred of the Poles. His son, who was not a fool, realised this and started his rule wooing Polish public opinion. He mitigated the severity of Russian rule over Poland, and curtailed somewhat the powers of the tsarist viceroy in Warsaw. He even replaced him with a new "liberal" face.

But it was obvious, even in the early days of his reign, that Alexander II intended to curb his "reforming zeal" even more strenuously in Poland than in Russia. He made it quite clear when he said laconically to representatives of the Polish gentry and bourgeoisie at their first meeting in 1856: "No dreams!"

How Reforms waken Revolution

Yet the reforms carried out by the tsar, however shadowy they were, inspired many a Pole, and their dreams of liberty grew wings. The people in the Polish towns, who had attained a far higher degree of political consciousness than in Russia, could not but hope to see in this first ray of light piercing the black clouds of tsarist oppression the approach of a new dawn.

More and more societies were founded in Poland, illegal leaflets were issued, and demonstrations took place. And immediately the Cossack's *riagaika* and gun played their usual part. Already in February and March 1861 mass demonstrations in Warsaw were shot down.

Two years later, in January 1863, a Polish national insurrection broke out. The insurrection was doomed to defeat.

The Poles did not possess a regular army and the whole of the country was garrisoned by Russian troops. But even more serious for the fate of the insurrection was the fact that only a minority of Poles supported it actively; the Polish peasants were quite indifferent to a movement led by the nobility. Out of a population of some five million persons, only ten thousand badly armed and inexperienced insurgents joined the armed struggle.

The rebels managed to hold on for eighteen months in a guerilla war. This was partly due to the lack of enthusiasm that many of the Russian garrisons showed for their job of killing. A number of officers expressed sympathy with the Poles, and were court-martialled; others escaped to the insurgents and even assumed command over their detachments.

Again the "revolutionary contagion" spread, even if not very widely, beyond the borders of Poland. In March 1864 insurrection spread to Lithuania, and the same year saw an incipient rising in Russia, near the Volga—but this was nipped in the bud.

Alarmed, the government made some concessions. It granted the serfs in the so-called Northern Provinces—Lithuania, Latvia and Estonia—exclusive property rights in the land they held.

The Polish national revolution ended in defeat. But the blood of Poland did not flow in vain. Two years after the defeat of the insurrection, on April 4, 1866, the first revolutionary attempt on the life of the tsar was made, by the Russian student Karakozov. He failed and was executed, but his was the first act in a revolutionary drama that ended with the overthrow of tsarism, half a century later.

Even this brief historical outline shows quite clearly that under autocracy reforms from above necessarily tend to waken revolution from below.

One cannot cross the abyss separating autocracy from democracy in a number of small steps. (Of course the autocracy does not want to make that crossing.) Any concession from the top, instead of averting the revolution from below, kindles the flame of liberty; and in the final analysis armed autocracy has to face the armed insurgent people.

The similarity between the first years of rule of the "Tsar Liberator" Alexander II and those of the First Secretary "Democratizer" Khrushchev is indeed great. And one can learn a number of important lessons from a comparison of the two.

The analogy, however, must not be pursued too far:

- Russia of the horse age moved far more slowly than Russia of the jet age.
- Poland of the nobility was a weakling compared to the mighty Polish mass peoples' movement.
- The different oppressed nationalities, isolated from each other geographically, economically and spiritually, in the past, are now bound closely to one another.
- The social content of the revolt against autocracy in the twentieth century differs enormously from that of the nineteenth century.

● The mighty working class of all the nationalities oppressed by the Russian autocracy (and above all the Russian working class) is a waking giant which is bursting asunder the chains of social and national oppression.

II. The Post-Stalin Reforms

Stalin's method of approach to each new failure or difficulty was to increase pressure and terrorism. But this rigid method became not only more and more inhuman but also more and more inefficient. Each new crack of the whip increased the stubborn, even if mute, resistance of the people.

population is engaged in agriculture and it supplies enough food not only for the whole of the American people, whose level of consumption is much higher than that of the Russian, but also for export. In Britain the farming population makes up only 5 per cent of the total population, but it supplies half the food consumed in the country.

Crisis on the Land

The low productivity of agriculture alarms the Kremlin for three basic reasons:

- First, it impedes the rise of productivity in industry—hungry workers cannot be expected to work well.
- Secondly, it makes it impossible to syphon off labour power from the countryside to the town. (The loss directly and indirectly of some 30-40 million lives during the Second World War makes such syphoning particularly difficult.)
- Thirdly, the low productivity combined with the state's pillaging of the kolkhozniks lowers the morale of the rural population, a corroding influence which is liable to spread throughout the land.

It was not accidental that the crisis in agriculture came to a head just after the post-war rehabilitation of the Russian economy. During the thirties Russian agriculture was mechanised on a large scale; this made possible, if not an increase in the absolute size of agricultural output (a development sabotaged by the passive resistance of the peasantry), at least a decrease in the number of people employed in agriculture. The number of people in the countryside declined from 121 million in 1926 to 115 million in 1939. The 6 million so released, plus the natural increase in population was syphoned off into the towns, where the peasants, and especially their sons and daughters, were turned into industrial workers.

With the annexation in 1940 of Lithuania, Latvia, Estonia and Western Ukraine and Byelorussia, the actual population of the USSR increased by 21 million—which gave further opportunities for mechanising agriculture in the new areas and syphoning off millions of people from the countryside to the towns.

During all this period agriculture was in stagnation if not in decline. As *Pravda* of October 4, 1955 had to admit:

“A total of 5 per cent fewer grain crops were planted on the collective farms in 1953 than in 1940. This reduction was even greater for individual crops: 11 per cent for winter rye, 35 per cent for millet, and 6 per cent for corn. At the same time the proportion of grain crops for forage dropped. These crops accounted for 29.6 per cent of the total area under cultivation in 1913, for 24.1 per cent in 1940 and for only 19.0 per cent in 1954.”

With agriculture stagnating, and without the annexation of new areas with a large population (not to speak of the tremendous loss

Where serfdom under Tsar Nikolai hampered the productive forces in agriculture, rigid Stalinist oppression became a brake on all modern agricultural and industrial progress.

Two and a half decades after the inauguration of the forced collectivisation, it became clear that Russian agriculture was stagnating.

Nothing could highlight this crisis better than Khrushchev's report to the plenary meeting of the Central Committee of the Communist Party of the Soviet Union delivered on September 3, 1953. He painted the situation in sombre colours.

He stated that while in 1916 there were 28.8 million cows, in 1953 there were only 24.3 million. At the time of the tsar there had been six persons for every one cow; in 1953—nine!

Khrushchev went on to say that “districts which had long been famous as butter suppliers are now producing less butter than before. Siberia, for instance, produced 75,000 tons of butter in 1913 and only 65,000 tons in 1952.”

Vegetable farming, another intensive branch of agriculture, shows the same trend.

Agriculture in the satellites fared no better. The cause is not to be sought in the lack of agriculture machinery or fertilisers.

Indeed, the mechanisation of agriculture and supply of fertilisers was sharply stepped up: Thus the number of tractors in Poland rose from 15.5 thousand in 1949 to 49.3 thousand in 1954; in Hungary from 9.2 thousand to 15.4 thousand; the other satellites showed similar rises. (UN, *Economic Survey of Europe in 1954*, Geneva, 1955, page 273.)

The amount of fertilisers supplied per hectare of land in Poland in 1948-9 was 17.7 kg. (of pure content); in 1953-4—30.8 kg.; in Czechoslovakia—31.1 kg. in 1948-9 and 51.0 kg. in 1952-3; and so on (*Ibid.*, page 274)

In spite of the better supply of machines and fertilisers, grain output in every one of the Eastern European satellites has not risen, but has declined since the beginning of collectivisation.

In the 1934-8 period they produced 42.8 million tons of grain annually; in 1951-3 they produced only 37.5 million tons. (*Ibid.*, page 120), a decline of 12.4 per cent.

Eastern Europe, which was a big exporter of grain, has become a net importer.

The very low level of productivity in Russian agriculture is clear from the following facts: it was estimated that in April 1956 not less than 56.6 per cent of the Russian population lived in the countryside (*The National Economy of U.S.S.R.*, Russian, Moscow, 1956, page 17), nearly all—i.e., practically all the total population—engaged in agriculture. And this half hardly manages to produce sufficient food to feed both itself and the urban population.

As against this, in the United States only 13 per cent of the

of life during the war) and with the added crisis of agriculture in the satellites, where output was considerably lower than before the war, the agricultural crisis reached alarming proportions. (Perhaps the Lysenko sleight-of-hand, and the much trumpeted but now totally forgotten "Stalin Plan for the Transformation of Nature," were but opiates to calm the nerves of the Russian rulers.)

Crisis in the Factories

The industrial workers in Russia and her satellites do not show any greater enthusiasm for production than the peasantry. The best proof is the fact that the productivity of labour in industry lags far behind the technical level of its equipment.

Russian industry, being quite new and built in very large units, has equipment which on the whole does not fall short of the level of American industry, if indeed it does not surpass it, and certainly is far more advanced than that of the countries of Western Europe. Despite this, the productivity of labour in Russian industry in 1950 was calculated to be only 40 per cent of that in United States industry or about the same as that in Britain and Western Germany. (W. Galenson, *Labour Productivity in Soviet and American Industry*, New York, 1955, p. 236.)

To raise labour productivity in industry, great efforts have been made to improve the skill of the workers through better technical education. But the more cultured and skilled the worker, the greater is the feeling of frustration and resentment against the exploiting bureaucracy and the poverty and drabness of his life. How oppressed must an engineer engaged on building jet planes feel when he returns from work to the one-room "apartment" in which he and his family live!

The longer the time since the industrial revolution the longer the worker is "cooked in the factory," and the greater his skill, the more resentful, if not rebellious, does he become.

Bureaucrats vs. the Kremlin

The third largest class after the peasants and workers in the Russian empire is the bureaucracy.

One of the paradoxes of the Stalinist regime is that even the socially privileged bureaucrats are not at one with it. Of course they are glad to know that the Kremlin protects them. But alas, too often the MVD, besides arresting workers and peasants, also lays its hand on the exalted bureaucrat himself! (Thus it was estimated that in 1938-40 some 24 per cent of the technical specialists were imprisoned or physically eliminated—see N. De Witt, *Soviet Professional Manpower*, Washington 1955, p. 231.)

The less zeal the toilers show in labour, and the greater the desire of the Kremlin to push production forward, the more does the whip lash at the individual bureaucrat who has to make the former carry out the wish of the latter.

Towards the end of Russia's industrial revolution, from 1936

to 1938, the vast mass purges were carried out. Then came the war with its terrible destruction. At the end of the period of reconstruction, in 1949, the campaign against "cosmopolitanism" was launched, directed mainly against members of the ruling class; the "Titoist" show trials took place, which culminated in the "discovery" of the "Doctors' Plot" and the stage was set for an unparalleled mass purge. Stalin was just about to crown his life's work, when he died.

Many sons of the tsarist nobility rebelled against the tsar, a number of them turning to terrorism to overthrow him. Many a bureaucrat and his children must have become embittered against the later tsar, Stalin. Stalin was certainly the most hated man in his empire.

Tension in the Satellites

In the satellites during the later years of Stalin's rule, the tensions became even more acute than in Russia herself. A number of factors contributed to this.

First, national oppression was added to social. One aspect of this is the economic exploitation of the satellites by the Russian states.

Thus, for instance, the Polish-Russian agreement dated August 16, 1945 stipulated that from 1946 onward Poland was to deliver to the USSR at a special price the following quantities of coal: 1946—8 million tons; from 1947 to 1950—13 million tons each year; and subsequently, 12 million tons annually as long as the occupation of Germany continued. This coal was to be paid for not by Russian products but by reparations taken from Germany by Russia and transferred to Poland.

According to Professor W. J. Rose, the price agreed on was said to be \$2 per ton. (*Poland Old and New*, London, 1948, p. 290) As far as is known, Poland did not get anything on this account.

Anyhow, 12-13 million tons of coal at \$2 a ton was extremely cheap. At the time of the signing of the Polish-Russian agreement, Denmark and Sweden were offering Poland \$12 per ton, subsequently to be raised to \$16.

The robbery of Poland through this transaction alone amounted to over \$100 million a year. (To get some idea of this amount, it is worth mentioning that British capitalists never got such a large annual profit out of their investments in India.)

In 1948 Russia cut her demands for Polish coal to 7 million tons a year; even so, this is a heavy commitment for Poland. (Y. Gluckstein, *Stalin's Satellites in Europe*, London, 1952, pp. 66-67).

The presence of Russian garrisons in the satellite states could certainly not help to foster a love of Moscow. Moreover, some of the satellites at least had higher living standards than those existing in Russia, and therefore could not take happily to Russian rule.

In addition, whereas in Russia Stalin had to deal mainly with a backward peasantry and new raw workers at the beginning of his

rule, some of the Eastern European countries—mainly Eastern Germany, Czechoslovakia, Hungary and Poland—had a relatively large and not so raw working class, with its own socialist traditions.

The social and national tensions in the satellites became unbearable. A distorted expression of this was the anti-“Titoist” purges.

III. In Fear of Revolution

To meet the economic, social and national difficulties, Stalin's heirs carried out a number of reforms.

For lack of space we will not describe the reforms from above carried out in the different parts of the Russian empire. In general, it can safely be said that the reforms went further in the peripheral provinces than in its centre.

Also in the different satellites the extent of the reforms varied. In Poland and Hungary they went further than in Czechoslovakia, Bulgaria and Rumania.

This is probably mainly because the Communist Parties in these two countries are very weak and unpopular, having risen to power on the ruin of the considerably stronger socialist parties; under such circumstances the local Stalinist rulers had to make greater efforts to ingratiate themselves with the people.

However, the reform has its own logic.

The more concessions given, the greater becomes the pressure of the people for new ones. The rulers who were formerly hated and feared are now not feared so much as despised. This is especially the case with the quislings leading the satellites.

Hence after the concessions are given from above, an attempt is made from below to wring more. The further the rulers go on this path the more difficult they find it to withstand the popular ire. The process is cumulative.

The People demand More

A few examples from Poland will demonstrate this process.

A short while after the death of Stalin, the Polish leaders made it clear that the Plan was exceeding the country's resources, overtaxing its capacity and depressing the standard of living. The first step was a small cut in the rate of capital investment.

While in 1949 21.8 per cent of the national income was invested, the rate rose to 26.9 per cent and it was expected to reach 28.0 per cent in the last year of the Plan (1955). Actually the rate was cut in 1953 to 25.1 per cent, in 1954 to 21.2 per cent, and in 1955 to 19.8 per cent. (Bierut's Report to the Central Committee, October 9-30, 1953, *For a Lasting Peace, For a People's Democracy!*, November 20, 1953.)

Whether this cut was enough to satisfy the people is another

question: after all in 1938 the rate was only 12.7 per cent (Institut National de la Statistique et des Etudes Economiques, *La Pologne*, Paris, 1954, p. 214).

The original Six-Year Plan imposed by Moscow had provided that of all the capital invested in industry 76 per cent should be devoted to the means-of-production industries, and only 24 per cent to the consumer-goods industries. (H. Minc, “The Six-Year Plan for Economic Expansion and for the Laying of the Foundations of Socialism in Poland,” *Nowe Drogi*, July-August, 1950.) But shortly after the death of Stalin, Bronislaw Minc (brother of the vice-premier) stated: “There must not be too great a discrepancy between the manufacture of producers' goods and consumers' goods.” (*Gospodarka Planowa*, March 1953.)

The Six-Year Plan provided that in 1955 producers' goods would make up 63.5 per cent of all industrial output. (H. Minc in *Nowe Drogi*, July-August 1950.) In November 1953 the Central Committee of the United Polish Workers' Party (the name of the Communist Party) announced that they had revised the target of the Plan so that in 1955 only 50 per cent of all capital invested in industry would go to the producers' goods sector. (*Trybuna Ludu*, November 4-5, 1953.)

On November 14, 1953 and in May 1954 two price cuts were announced on certain industrial articles and food products. Promises were made that by the end of 1955 real wages should rise by 15-20 per cent above the 1953 level. Again, on April 6, 1956 Edward Ochab, First Secretary of the party, declared that from May 1, 1955 the minimum wage would be raised from 364 zlotys per month to 500 zlotys, some 37 per cent. (*Polish Facts and Figures*, issued by the Polish Embassy in London, April 14, 1956.)

While on the one hand promises became greater and greater, on the other hand the frantic efforts to shed the responsibility for the present suffering of the people impel increasingly frank admissions that all the promises and declarations of the past meant little or nothing.

For instance, we quote two versions of what happened to the standard of living of the people:

(1) On December 23, 1955 Vice-Premier Minc stated that in the six years 1949-55 real wages rose by 27.6 per cent. (*Trybuna Ludu*, February 23, 1956.)

(2) In July 1956, after the mass workers' strikes and demonstrations in Poznan, First Secretary Ochab admitted in a speech to the Central Committee that there had been a rise of only 13 per cent in real wages in the five years 1951 to 1955 and that an “important part of the working population is no better off than in 1949!” (*Trybuna Ludu*, July 20, 1956.)

But promises alone, or even recantations of past mistakes, are not enough. If the concessions in the economic field and the increasingly glowing promises of future reforms are to carry any weight, the

Apparently the purge so decimated the Polish Communist Party leadership that the Russians found it necessary officially to dissolve the party (1938), using as an excuse the "infiltration of Trotskyites and police agents into the party." It was this purge which opened the door to the rise of Gomulka (an obscure trade-union official who was also practically unknown in the party) to the Central Committee. (The killing by the Nazis of the Secretary General Marceel Nowotko and his successor Paul FINDER hastened Gomulka along the road to supreme power in the party.)

They Remember his Record

Again, during the Warsaw uprising, one of the most magnificent chapters in the history of the Polish people, Gomulka showed himself to be a traitor and a Russian quisling.

On July 30, 1944 the Russian army under the command of Marshal Rokossovsky came to within 10 kms. of Warsaw. Next day mobile patrols of the Russian army had advanced as far as Praga, a suburb of Warsaw on the eastern bank of the Vistula. German troops began to be evacuated en masse from the city and its environs. Radio Moscow called upon the people of Warsaw to take to arms. But when the people of Warsaw, organised and led in the main by the Polish Socialist Party (PPS), rose up in arms against the German Army of Occupation, the Russian troops stopped their advance and waited on the eastern side of the Vistula until, after 63 days of struggle, Warsaw was in ruins, 240,000 of its inhabitants were killed and 630,000 deported by the Germans.

Gomulka, as First Secretary, that is, chief of the Polish Communist Party, never raised his voice against Stalin for this murder and did not hesitate to smear the Warsaw insurgents.

Finally, it will not be easy to forget that Gomulka played a leading part in the liquidation of the Polish Peasant Party and the Socialist Party.

The people of Poland will remember Gomulka's past.

IV. On the Razor's Edge

Eight years ago, in 1948, Tito broke with Moscow. In the process of defending the national independence of the country from outside, while preserving the rule of his own bureaucracy inside, he was pushed into carrying out a number of reforms.

The logic of the struggle against the domination of Moscow, which compelled the Yugoslav leaders more and more openly to ex-

rule the rulers of the satellites must clothe the iron fist in a kid glove.

As late as April 1955 five Jehovah's Witnesses were accused in court in Warsaw of "Opposing conscription" and spreading "propaganda for a third world war." Three of them were condemned to 12 years imprisonment, one to 8 years, and one to 6. (*Polish Facts and Figures*, April 9, 1955.) A year later after the Poznan riots, the condemned got a maximum of 4 1/2 years. A few weeks later a general amnesty to Poznan "rioters"—excluding those connected with murder and robbery—was announced.

With every breath of air, the lungs demand more!

New Heads for Old

As the pressure of the people increases so that it can no longer be contained in the channels of concessions, promises and recantations, the regime, in a last attempt to divert the stream (before resorting to armed force) changes its figurehead. "New chiefs for old" becomes the slogan of the day.

When Alexander II came to the throne, he was known as the Tsar Liberator. Following this pattern why should not Gomulka or Nagy assume the laurel wreaths of Liberators? They are ideally placed, as for many years these persons were not responsible for running the country, nor for all the exploitation, terror and suffering.

Were not they themselves among the ranks of the persecuted? Thus Gomulka, after five years of imprisonment by Stalin's gaolers, can surround himself with the aura of martyrdom.

"After all, Stalin and his agents are the enemies. Gomulka was Stalin's enemy. Hence he is our friend. The enemy of our enemy is our friend!"

While such illusions about Gomulka and his ilk exist, they must quickly disappear under his rule. Indeed, such illusions can scarcely be spread at all, as Gomulka has a past which is not calculated to endear him to the people. And the Eastern European peoples, especially the Polish people with their centuries of struggle against Russian oppression, have good memories.

When Gomulka lost power in 1948, Poland was already a totalitarian one-party state, and Gomulka had played an important role in bringing this about.

Gomulka did not protest at, and actually benefited from, the purges of the leadership of the Communist Party of Poland carried out by Stalin. As Poland lay on the Russian border and the Polish Communist Party was illegal, the most important leaders of the party were usually in the USSR, and were thus involved in the big purges of the thirties. Many of them were executed or perished in forced-labour camps—Domski, Sofia Unslicht, Warski-Warszawski, Kostrzewa-Koszutka, Prochniak, Huberman (brother of the violinist), Winiarski, Sochacki, Lenski, Rval, Zarski, Wandurski and Jasienski.

pose the real character of Stalin's regime, forced them to renounce, or at least to pretend to renounce, its more obnoxious features. The struggle, by making it a question of life and death for the Yugoslav government to enlarge its mass support, forced it to "liberalise" the dictatorship. "The economic difficulties connected with the isolation of Yugoslavia from the Russian bloc of countries, and even more, the very severe drought of 1950, pushed the government in the same direction.

As a counter to Stalin's "bureaucratic centralism," Tito attempted to implement "socialist democracy." The administration was decentralised, beginning with the economy. The federal ministries of Electricity and Mines were abolished by a decree of February 17, 1950, and responsibility for the management of these branches of the economy handed over to the governments of the component republics of Yugoslavia. On April 11, another six ministries of the central government were abolished—agriculture, forestry, light industries, commerce and supply, and state supplies. At the federal level the departments are headed by councils, and the decrees grant wide autonomy to the governments of the republics.

On June 26, 1950 the Yugoslav Federal Assembly passed the "Basic Law on Management of State Economic Enterprises and Higher Economic Associations by the Workers' Collectives."

The Yugoslav leaders do not try to explain how decentralisation of the administration can be compatible with the existence of a monolithic, highly centralised, one-party system, managed by the Political Bureau; nor how "workers' management" of an enterprise can be compatible with a central economic plan determined by the same nine people in the centre of political power.

What autonomy can a workers' council have when it is elected from a list of candidates put forward by the trade union, which is centralistic and controlled by the party?

Again, what autonomy can it have when the economy is planned and the vital decisions on production, such as real wages (the amount of consumers' goods to be produced and distributed nationally) are made by a central government independent of the people?

How can there be genuine local self-government in a situation where everything, from factories to papers, from people to machines, is in the hands of the centralised, bureaucratic party?

The Limits of Titoism

To illustrate the limited rights the Yugoslav worker has in "his" factory, it need but be mentioned that not a single strike took place either before or after the law on workers' management of June 26, 1950; that the labour-book (the *karakristika*, a scaled record of the workers' political reliability which has to be shown every time he takes on a new job) continues to exist; and that the most severe punishments are meted out to workers who break

discipline or pilfer, even if they do so only to ease their hunger.

This last point shows clearly the contradiction between the outward form—"the workers own the factories"—and the real social content, and it will therefore be relevant to give an instance. The *Manchester Guardian* of August 19, 1950 gave the following report under the heading "Death Sentence in Workshop for Stealing":

"The novel procedure of trying offenders in their place of work instead of a courtroom was introduced in Belgrade a few days ago. Seventeen workers were tried in a big workshop of an engineering works for having committed numerous thefts. One man was sentenced to death and 16 to penal servitude ranging from two months to twenty years. The whole staff of the works had to attend the trial that was designed to serve as a warning.

"It is small wonder that Yugoslav workers resort to stealing and have to be warned off by spectacular methods. Rations are small and the government finds it hard to honour them. Prices on the free market are extremely high . . ."

One other characteristic feature of Titoism, interwoven with its nationalism, was its soft-peddling of collectivisation of agriculture.

Tito's cautious attitude toward this has been determined by economic-political considerations. He knew that in Russia "collectivisation" so isolated and weakened the state that its very existence was in the balance. He could not conduct a war on two fronts, externally against Russia and internally against the peasantry, and any attempt at large-scale and compulsory "collectivisation" would have put him at the mercy of Stalin.

As a result, while in Bulgaria in June 1953, 51.7 per cent of all arable land was in collective farms, in Czechoslovakia 40 per cent was; in Hungary (March 1953) 26 per cent was; in Rumania 12 per cent was (UN, *Economic Survey of Europe, 1954*, op. cit., p. 61), and in Yugoslavia only 9.5 per cent was. (*Satellite Agriculture in Crisis*, New York, 1954, p. 62.)

Notwithstanding the basic similarity of the Stalinist and Titoist regime, there is one big difference between the two. Stalin's regime became more and more tyrannical while becoming less and less efficient; these two aspects mutually strengthening each other. Under the policy in Yugoslavia the regime, although totalitarian, has not led to increasing convulsions. No opposition parties are allowed, and in the party no oppositional voice may be raised (see the case of Djilas and Dedijer), class differences continue, and the bureaucracy rules supreme. However, there are no bloody trials, no bloody "collectivisation" and no increasingly draconic labour laws.

Can Gomulka do a Tito?

There can be no doubt that Gomulka, Nagy and the other

defection takes effect? Or can one expect U.S. imperialism to give economic aid on a large scale to Russia?

From Titoism to Revolution

Above all, Gomulka and Nagy are not, as is Tito, masters in their own homes. Unlike the other leaders of the "People's Democracies," Tito and his friends came to power without the support of the Russian army. And while there are no Russian troops on Yugoslav soil, Poland, Hungary, Eastern Germany, and Rumania are heavily garrisoned by them.

Again, while Yugoslavia is so situated geographically that it can get military aid from the West and so balance between Russia and America, no other "People's Democracy" (except Eastern Germany and Albania) is as advantageously situated.

Furthermore, unlike the case of Yugoslavia, the Communist Party leaders on coming to power had mass support only in Czechoslovakia and Bulgaria; and even in these countries, where the support had not been forged through years of heroic struggle in a war of national liberation, it was much weaker than in Yugoslavia. The relative popularity of the party plays a significant role in the extent of the stability of the regime.

In the last analysis it is clear that to do a Tito, Gomulka & Co. will have to wage a revolutionary struggle against the Russian army, a struggle which can only attain a victorious conclusion if the whole people is mobilised. And what the people have achieved in bitter struggle they will not surrender to local bureaucrats, turncoat quislings.

The Gomulkas are balancing between the workers, peasants and intellectuals of their own country on the one hand, and Russian imperialism on the other. They try to use the pressure of the one in order to wring concessions from the other.

Turning to the Russians, Gomulka says in so many words: "Unless you retreat and give Poland greater freedom, the people will rise in arms against you." To the Polish people Gomulka says: "If you go too far, the Russian troops will intervene, and the Polish people will bleed to death."

Without the Russian garrisons Gomulka, Nagy & Co. will be swept aside by the popular masses. Without the mass movement, they will be the helpless slaves of Russia.

Revolution is Contagious

But balancing on a razor's edge is a difficult trick and it can not continue indefinitely.

The outbreak of the French Revolution in 1830 and the revolt in Belgium ignited the great Polish rising of the same year. In 1848 the French and German revolutions sparked off the Hungarian revolution, in which many Polish volunteers aided the struggle against the Russian troops that had come to crush the revolution. French and Belgian, German, Polish and Hungarian blood together

of the satellites are making attempts to follow the Yugoslav model. The first steps in this process—decentralisation of the administration, "democratic management of industrial enterprises," and back-peddling on the collectivisation of agriculture—have already been taken in Poland and Hungary.

But one cannot simply presume that the satellites will be able to copy Tito and stabilise their regime as "enlightened totalitarianism." This is so for a number of reasons.

First of all, there are economic reasons which make this impossible. The "liberality" of the Titoist regime is dependent on the modesty of the industrial targets it sets out to achieve. It does not set its sights very high, thus avoiding overtaxing its capacity and exceeding its resources.

As a matter of fact the rate of growth of industry in Yugoslavia since the 1950 reforms is very low indeed. It is much lower than the rate of growth of industry in the satellites, in Russia, or even in the countries of Western Europe, as can be seen from the following table:

	PERCENTAGE GROWTH OF GROSS OUTPUT OF INDUSTRY 1950-1953
Yugoslavia	6%
Russia	46
Czechoslovakia	52
Bulgaria	57
Eastern Germany	60
Poland	75
Rumania	76
United Kingdom	6
France	9
Belgium	12
Austria	17
Western Germany	39

(Sources: for Russia, *The National Economy of the USSR*, op. cit., p. 47; for all other countries, UN, *Economic Survey of Europe in 1954*, pp. 72, 199.)

The avoidance of forced mass collectivisation in Yugoslavia is integrally bound up with its extremely slow industrial advance: without syphoning off surpluses from agriculture, the sources of capital accumulation must be quite small.

(Apologists of Stalinism in its different variants, who praise Russia and her satellites for their speedy industrial advance and Yugoslavia for its "democratic" political regime, will have to choose: either they argue for industrial advance paid for by vicious oppression, or for more "democracy" paid for by relative economic stagnation.)

A fall in the Russian rate of industrial development to the Yugoslav level would entail a drastic curtailment of the armaments drive: it would force China, now seeking aid for industrialisation, to gravitate toward the U.S. and the Western European capitalist powers; it would demand the surrender of any ideas of world supremacy.

And it must be remembered that even the modest rate of growth of Yugoslav industry was made possible by fairly lavish American economic aid to bolster her up against mighty Russia. But will U.S. imperialism grant the same support for all the satellites, especially since Russia will obviously be weakened, as the shock of their

watered the tree of liberty.

In 1864, after the collapse of the recent Polish uprising, a socialist delegation from France came to London, and at a meeting which it called to protest against the cruel suppression of the Polish national revolution, it was decided to found the "International Workingmen's Association," the First International. In it Polish and Russian, French and British, Italian and German socialists and workers joined hands to struggle for the emancipation of humanity.

Whether the fighters of Warsaw and Budapest win their present battle or not, the international working class will remember them as the glorious harbingers of the new world, the world of revolutionary democratic socialism. Stalinism will have earned eternal loathing and contempt.

In victory or in defeat the Eastern European revolution will have blazed the trail for the new consolidation and spreading of the ideas of independent, revolutionary and democratic socialism.
December, 1956

Background to Hungary

The murder of Imre Nagy and his associates is one more blot on the bloody history of Stalinism. One should remember that as far back as November 1956 Kadar gave safe conduct to Imre Nagy and a group of his associates to leave the Yugoslav Embassy and to go to their homes. Instead they were arrested by Russian troops and taken to Rumania. Then in March this year Kadar assured Tito that "no punishment would be meted out to Nagy for his past actions." Now all these promises are betrayed.

Imre Nagy is not the first, alas, probably not the last of the Communist Party leaders to be murdered by the Stalinist leaders. Of the fifteen members of the first Bolshevik Government in 1917, only one, Stalin, survived the purges of the 1930's. Four died natural deaths, ten were either executed by Stalin's order or died in his prisons. Of the 139 members and candidates of the Central Committee of the Communist Party of Russia only 24 survived the purges by 1939.

Post-war Purges

A few years after the establishment of the "People's Democracies," at the end of the war, these countries were also engulfed in "purges" of the leadership. Of the six people who filled the post of General Secretary of the Party immediately after the establishment of the "People's Democracies," the following four were accused of being "traitors" and "fascist agents": Tito, General Secretary of the Yugoslav Communist Party; Kostov, General Secretary of the Bulgarian Party (executed); Gomulka, General Secretary of the Polish Party (arrested); and Slansky, General Secretary of the Czechoslovakian Party (executed). Of the six Foreign Ministers, the following four were accused of the same crime: Kardelj of Yugoslavia, Anna Pauker of Rumania (arrested), Clementis of Czechoslovakia (executed), Rajk of Hungary (executed). The list could be lengthened considerably.

It is true that in his "secret speech" to the Twentieth Congress, Khrushchev put the responsibility for the purges on Stalin and Beria. They were also made responsible for the breach between Moscow and Belgrade. But a short time after Khrushchev's speech the Hungarian revolution was suppressed. And now Nagy, a member of the Communist Party for 39 years, has been murdered.

Nagy and his associates could not, from prison, have constituted a danger to the Kremlin rulers. Why then were they murdered? The immediate and obvious answer is: By accusing the Titoist, Nagy, of being a "traitor" an "imperialist agent," Tito himself is being accused.

"David" Tito

Why do the Kremlin rulers hate Tito so much? What has exacerbated the Moscow-Belgrade conflict during the last three months? Why do the rulers in Peking encourage Moscow? What is the meaning of the conflict? The rest of this article will attempt to answer these questions.

The rulers in the Kremlin are accustomed to having their commands obeyed without question. The *Vozhd* (Leader) has the power to dictate production plans; to raise officials from obscurity and to send others to oblivion; to direct educational policy; to lay down the line for the fine arts; to allow or forbid the publication of books. This omnipotence of the Kremlin ruler was challenged by little Yugoslavia. David Tito dared to fight for national independence against Goliath Stalin.

Unlike the leaders of the "People's Democracies," Tito and his friends came to power without the support of the Russian army. Mose Pijade, the *eminentissime* grise of the Yugoslav Communist Party, stated: "... certain heads of other parties... arrived in their free countries in planes with pipes in their mouths, and... for four years, four times daily, vainly called on the masses to struggle via radio, while we won our freedom with arms in our hands... (July 10, 1948). The Yugoslav leaders, therefore, felt superior to the Rakosis, Paukers and other governors of the Russian gubernias, and on an equal footing with the leaders of the Communist Party of the Soviet Union. They naturally demanded full equality with Russia for their country and its full independence.

The logic of the struggle against Moscow's domination compelled the Yugoslav leaders to expose more and more openly the real character of Stalin's regime, and forced them to renounce, its more obnoxious features. By making it a question of life or death for the Yugoslav Government to enlarge its mass support, the struggle forced it to "liberalize" the dictatorship. As a counter to Stalin's "bureaucratic centralism" Tito has attempted to implement "Socialist democracy."

End of Empire

The administration was decentralized, beginning with the eco-

nomy. Workers' Councils were established. However, limited their power, they challenge the hierarchical structure (one-man management) of the administrative machine in the Russian empire.

Again, Tito has been much more benevolent towards the peasants than have the rulers of Moscow. He knows that "collectivization" in Russia so isolated and weakened the state that its very existence was placed in jeopardy. He cannot conduct a war on two fronts, externally against Russia and internally against the peasantry. And any attempt at large-scale and compulsory collectivization would have put him at the mercy of Stalin.

In the cultural field also, Belgrade is much more liberal than Moscow. One has only to visit its art exhibitions to see this. (One should not, however, exaggerate the blessings of Tito's regime--the Djilas case speaks for itself!)

See-saw Shocks

Titoism denotes the beginning of the end of Russia's empire. Hardly had Stalin's empire extended into Central Europe than cracks began to appear in its structure. *The Titoist rebellion put Stalinism's internal contradictions on the plane of popular discussion, revealing all their ramifications. It raised the question of whether an empire with a materially and culturally backward "mother" country can exist.* The further the Stalinist empire advanced westwards, the larger is its population whose standards of living and culture are higher than those of the Russian peoples, who have a national history, culture and consciousness of their own, and who do not expect to be moulded by foreign forces. In the present, when the peoples of Asia and Africa are awakening to the fight for their national liberation, it cannot be expected that the peoples of Europe, which was the cradle of the national movement and the national state would succumb for any length of time to an imperialist Power.

Titoism also breaks the framework of conformism inherent in totalitarian state capitalism. In Lilliput Gulliver finds that the Emperor "is taller by almost the breadth of my nail than any of his court which alone is enough to strike awe into the beholders." If another were to grow as tall as the Emperor, the awe would quickly disappear. This is exactly the effect of Tito.

Why has the breach between Moscow and Belgrade occurred now?

Since the Hungarian revolution it has become clearer and clearer to the rulers of the Kremlin that iron hoops are necessary to hold the system together, that concessions and reforms from above may well lead to revolution from below. Hence, straight after the Hungarian revolution, relations between Moscow and Belgrade cooled somewhat; hence Tito's critical speech at Pula (November 11, 1956), and the freezing of Soviet credits to Yugoslavia. However, when, a few months later, Tito showed his readiness to compromise

with Moscow (by, for instance recognizing the East German Republic, which led to Western Germany's severing diplomatic relations with Yugoslavia and consequent damage to the latter's economy) Moscow relaxed a little and the Soviet credits were released.

This friendship-enmity see-saw received a severe shock in November 1957 when Tito rejected his final chance of bowing completely to Moscow's leadership, by refusing to sign the declaration of the twelve Communist Parties—a declaration proclaiming the leadership of the Soviet Communist Party in the world Communist movement. Since then, propaganda against Yugoslavia has become more and more insistent and vehement. Soviet credits were again frozen. On March 3, 1958, Russia's satellite, Bulgaria, accused Yugoslavia of wishing to grab Bulgarian territory. Similar accusations were made by Albania. And now—Nagy is executed. The Hungarian revolution was therefore the turning point in Russo-Yugoslav relations. Since then Moscow has been set on wringing complete conformism from her satellites, with the inevitable result of a headlong collision with Belgrade.

Another factor determining the timing of the new offensive against Yugoslavia is the consolidation of the one-man dictatorship of Khrushchev in Russia.

Less than two months after the death of Stalin, when the Stalinist and Western capitalist press was talking about the new "collective leadership" in Russia, the *Socialist Review* wrote:

"The whole of Russian society is built in the form of a pyramid, with the principle of one-man management in every field. The factory is run by its manager, who appoints the departmental managers, who, in turn, appoint the foremen. The manager himself is appointed by the head of the State trust, who is appointed by the Minister. The Minister is actually, if not nominally, appointed by the Prime Minister and General Secretary. During his lifetime, Stalin was responsible for making the most important appointments: he was the supreme bureaucrat!"

And again:

"The group administration at the top of the Russian regime to-day is in conflict with the set-up of the Russian economy, society and state. Such a conflict cannot exist for any length of time. A regime of bureaucratic state capitalism, with the terrific social strain it involves, needs the blood of a purge to make the wheels go round. The present set-up at the top is therefore temporary." (*Socialist Review*, March, 1953).

The same article also pointed to Khrushchev as the heir to Stalin's position of General Secretary of the Communist Party and probable future dictator of Russia.

Khrushchev's progress

The process of Khrushchev's rise to power has been greatly

policy, it became clear that popular criticism went far beyond the limits intended by Mao, and threatened to engulf the regime.

To quote only a few of the criticisms published in the Chinese press: one Li Shi-chun said that the Public Security Personnel were as numerous as "the hairs on a tiger" and were "dreadful and hateful" (*New China News Agency*, August 22, 1957). Another, a student from Nanking University, said: "the system of personnel dossiers was a ruler's tool with which the Tsars dealt with revolutionaries" (*Kwangsi Jih Pao*, October 3, 1957).

One, Liu Tseng, declared that "Party members are secret agents and they are worse than the Japanese agents during the occupation." (*New China News Agency*, June 30, 1957). In P'ing Hua University, a number of students and professors branded Communists as a "privileged class," "even Fascists" (*Chung Kuo Ching Nien Pao*, June 21, 1957). One Hsu Hsing-Chin, wanted "to end the practice of making the high-ranking cadres a privileged class" (*New China News Agency*, May 27, 1957). Again, while complaining of the generally low standard of living of the people, one Ko Pei-Chi stated that not all suffered: "Who are the people who enjoy a higher standard of living? They are the Party members and cadres who wore worn-out shoes in the past but travel in saloon cars and put on woollen uniforms now." (*Jen Min Jih Pao*, May 31, 1957). Again, one Chu Yun-Shan said "Government cadres should differ in duties and not in status. Some are deeply conscious of being officials; they occupy special positions even when taking meals and seeing operas." (*New China News Agency*, May 30, 1957).

Chou Ta-chio, a student at the Aviation College in Peking, spoke about the "new class" of Communist Party officials who "had obtained high advantages from controlling financial activities"—the "leaders' class" (*New China News Agency*, July 16, 1957). Liu Ti-sheng, an assistant professor at Nanking University, called upon the Communist Party to "liberate the Chinese people for a second time" (*Jen Min Jih Pao*, July 12, 1957). A professor of sociology, Li Chinghan, declared that the Communist Party "rules the people with Marxist-Leninist textbooks in its left hand and Soviet weapons in its right." (*Jen Min Jih Pao*, August 30, 1957).

After a month of the "hundred flowers" policy, all of them except that of Mao—were declared weeds that had to be destroyed. An offensive against "Revisionism" was launched. Hence Mao's deep hatred of Tito and Nagy.

The *Peking People's Daily* on June 4, went so far as to state that "the criticism of the mistakes of the Yugoslav Communist Party made by the Cominform in its 1948 resolution was basically correct and necessary." It calls the Titoists "a shameful band of renegades."

On the war path

Chen Po-ta, one of the top theoreticians of the Chinese Com-

accelerated in the past year or so.

Of the 10 members of the 1953 Presidium (the former Political Bureau, the highest organ of the Party), only three (Khrushchev, Mikoyan and Voroshilov) are still in the same position. All the others have been purged.

The Prime Minister after Stalin's death, Malenkov, together with his four First Deputies (Beria, Molotov, Bulganin and Kaganevich) have been purged.

Of the 15 present members of the Presidium, 11 are Secretaries and Party functionaries, and are thus under Khrushchev in the Party hierarchy. The posts of General Secretary and Prime Minister are united in one person—Khrushchev—just as at the height of Stalin's power.

As in Stalin's time, the press is kowtowing to the Leader. Khrushchev pronounces on architecture and art, on science and world affairs, on industry and agriculture, on education, etc., etc., and the press slavishly quotes his words of wisdom.

History is being rewritten to enhance the role of the new Leader. To take one example. Prior to Stalin's death, the official line was that the Germans were routed in Stalingrad by "the brilliance of Stalin's strategic plan;" after Stalin's dethronement, Soviet historians and military leaders wrote that this plan was not worked out by Stalin but by Zhukov; after Zhukov fell from favour, it appeared that this too was incorrect, and that Zhukov merely took over the plan worked out by Khrushchev. As Marshal Eremenko, who commanded the Stalingrad Front, wrote: "All this noble and laborious work (the preparation of victory) was carried out under the guidance of the member of the War Council for the Stalingrad and the South-Eastern fronts—N. S. Khrushchev." (*Kommunist*, No. 1, 1958, p. 31).

There is no doubt who is the boss. When the "collective" leaders came (at the beginning of February) to a banquet in the Kremlin in honour of the Soviet intelligentsia, the applause accompanying the speeches was carefully graded: Bulganin, at that time still officially Premier, got only "Applause;" Voroshilov, the President, "Stormy applause;" Mikoyan, First Deputy to Khrushchev, "Vigorous Applause;" and Khrushchev himself, "Prolonged applause turning into ovation (all rise)." (*Pravda*, Feb. 9, 1958).

With his personal dictatorship established, Khrushchev, like Stalin, cannot but be angered by any suggestion of disobedience in the "Communist" world.

China's role

An especially ugly role has been played in the anti-Yugoslav campaign by Mao's China. Why is this so?

After the Hungarian Revolution, Mao thought it prudent to allow some concessions to the people, to open some avenues of criticism so as to let off steam. He advanced the slogan, "Let a hundred flowers bloom." However, during one month of this

minist Party, in an article called "Yugoslav Revisionism is a Product of Imperialist Policy," states that US imperialism successfully "carried out a policy of spending a great deal of money to bribe," thus bringing about "the degenerate policy of the Tito group." (N. Y. M. Peking, May 31, 1958).

Stalinism from the war 1945

Russia: 'Reforms' and Reality

It is the normal habit of bourgeois economists to treat the East European economic reforms as a purely technical issue whose aim is simply to improve efficiency. As a result it is put about that the reforms are in the interest of the whole population. In practice neither the established East European nor West European economists are accustomed to see economics from the point of view of the dominant social group. It is, therefore, not surprising that nothing has been said about the class effects of the economic reforms, since ultimately for these economists the working class either does not exist or ought to be disregarded as an inert sub-human species. This latter statement may seem somewhat strong for those unused to arguing with the East European intelligentsia. Unfortunately the latter hold probably the most extreme elitist views within any industrialised country. For confirmation of this one only has to read Amulric¹ or Sakharov.²

While the instruments of the present stage of the economic reform are complex the basic concept is simple. It is to switch from physical targets to profits and sales as success indicators at the level of the enterprise. If they were, in fact, only success indicators little need change. Prices are fixed from the centre while supply remains the responsibility of an All-Union State Committee. Wages and salaries are also determined through manuals compiled in Moscow. In the absence of competition, profit and the introduction of an interest charge are of importance primarily in reducing waste through the holding of unnecessary stocks or the negligent use of existing resources. It is not my purpose to discuss the success or otherwise of this aspect of the reform. The only point here worth noting is that the amount of profit left to the enterprise has been increased by reducing central government taxation so as to permit greater enterprise control and provide a stimulus for higher profit. In a capitalist economy profit serves as a source of both consumption — for the capitalist — and a source of investment. Profit in the USSR is being employed for the same purposes and it is particularly in its former aspect that the reform has shown its original intention.

The essential aspect of profit in the current reform is its use for the three incentive funds. Its utilisation as a source for improvement of production and socio-cultural facilities are of considerably less importance than its employment as a means of remuneration on a rather complex formula.³ The latter amounts to saying that the sum going into the incentive fund is expressed as a function of planned sales and profit in relation to the wages fund. This has two obvious consequences. Firstly the level of pay of those who derive their salaries from this fund is clearly related to the level of profits of the enterprise. In fact, the situation is not far from one in which an enterprise declares a dividend on the basis of its success in management. The analogy is brought closer by the fact that the bonuses which accrue from profits are intended primarily for the engineering and technical personnel. The amount which manual workers actually derive from these funds is a very small addition to personal incomes.⁴ The only possible consequence is that the more successful the reform, the higher the salaries of the intelligentsia will be in relation to the working class. This has been made clear by explicit statements that the balance had swung too far in the direction of the working class in the course of the wage reform of 1956-60.⁵ In the latter period the chaotic wage system which had evolved since the early 1930s was brought under more central control.

The present wage system is such that workers are on six-seven grades of a wage-scale. There are about 12 scales in Soviet industry. The initial basic wage-rate at the first point on the scale differs according to the nature of the industry or sub-industry. In addition such factors as whether they are on piece-work or time-rates, doing specially difficult, heavy or ingenious work or are in less favoured regions of importance in determining the particular worker's rate. Overtime is of very little significance. The overall effect is that most workers graduate relatively quickly to a semi-skilled status at which they tend to remain for life. The prospects for promotion are very small. Furthermore, they obtain very little or no increment for length of work either in the economy or in a particular factory. The result is that the ordinary worker can look forward to a lifetime of constant wages. Soviet statistics, it is true, show an average rise for all types of worker of monetary wage of about 17 per cent in the period 1965-68.⁶ The problem is that there is no real attempt to determine what, in fact, has happened to prices. Although nominally fixed, 'new products' can have new prices and old products can have a less useful content just as, for instance, meat can have more bones and fat and less protein. The period of waiting for durable consumer goods or a new flat can lengthen. Most observers agree that queues have certainly not shortened while the above factors are operating. It is most probably true to say that, for the ordinary male urban worker, real wages have been more or less constant. The whole issue is worsened by the fact that money has much less value outside the purchase of food than in the West. Durable consumer goods, non-trivial items of clothing as suits, coats, etc, and private housing are so expensive that it would require a very big jump in wages for these to be of any impact on the standard of living. In addition, many durable consumer goods and all housing is effectively rationed so that money itself is often of minor importance. The inevitable result is that the tiny increases due to the reforms, even if not absorbed by price rises, must be regarded only as a joke — enough, perhaps, to buy one piece of cake.⁷

The intelligentsia is not on a wage-scale but paid according to occupation. Each occupation has a fixed salary, increasing with the importance of the enterprise. The biggest factories pay the biggest salaries. There are no increments for length of time worked, but the ordinary engineer receiving his 100-110 rubles shortly after leaving university (a sum similar to that obtained by most workers) has historically had the opportunity of promotion. Obviously, he has a desk in an office and generally more pleasant conditions of work, but until the last decade because of the rapid expansion of the economy, and the large-scale purges and the effect of the war he could expect that either he could continue his education to a post-graduate level or he would rise relatively quickly in the occupational rank. It is clearly still true that such a route up towards the top of the educational or industrial ladder is feasible and occurs. The fact, however, is that with the relatively slow expansion of education and decline in rate of growth, not to speak of an end to the purges and the effects of the war, opportunities are greatly limited. As a result, both the graduate and the semi-skilled worker look forward to a grand 100-120 rubles per month, which even if their wives obtain the same income is only sufficient to permit of the purchase of the bare necessities. In fact, this somewhat overstates the position since it is possible for some of the intelligentsia to supplement their incomes in various semi-legal and illegal ways. That the intelligentsia is corrupted in the process is important

but not relevant for this article. Nevertheless, the position of equality is greatly resented by the intelligentsia and since the regime cannot, within its own limitations, raise incomes all round it has opted to improve the position of the intelligentsia. That the increases can be substantial is shown by a recent article on the economic reforms⁹ which showed that the percentage of income for engineers and technicians deriving from bonuses, now the material incentive fund, increased in one factory in Kiev from 12.4 per cent in 1965 to 28.1 per cent in 1968 and from 5.2 per cent to 22.2 per cent in the case of a second enterprise. In fact, the (Soviet) author states: 'A review of undertakings which have changed over to the new system shows that most of them have used their Material Incentives Fund chiefly to improve the earnings of engineering and technical staff and white collar employees'.

The white collar employees who are remunerated on a basis different from the above two groups are in fact very badly paid, receiving probably, on average, about half the salary of the other groups. As a result, these posts are overwhelmingly filled by women. It is of no small social importance that their incomes be raised. The result, however, is, if anything, likely to reinforce the overall redistributive effect of the reform since these employees are largely married to the engineers and technicians and other members of the staff administration of the enterprise or state civil service. It may, marginally, raise the relatively low state of women in the USSR, but there is no campaign for women's liberation in the USSR and their position as women is not likely to change.

To the extent, therefore, that the reform is applied (and hitherto it has been very limited), it represents a deliberate attempt to assuage the discontent of the ordinary intelligentsia with their relatively low incomes, status and lack of sound mobility. While the upper intelligentsia were absorbed into the elite in the fifties the remainder are to be drawn closer towards the ruling group by, in effect, buying them out.

To do this effectively, however, it is not only necessary to have more money or even lots more money, it is also essential to be able to purchase high quality goods and flats. It is precisely the aim of the reform to be more efficient in the production of goods and ultimately consumer goods. Bonuses for quality have been introduced or increased while the penalty, through non-sale of the product and so reduction in bonus, is also raised. This, however, illustrates this whole aspect of the reform. From the point of view of the worker, to the extent that the reform is implemented he will go ever increasingly to a *de facto* piece-rate system. By 1960 40 per cent of Soviet workers were mostly on time-rates but the reform must reverse the situation. In other words, it is hoped to discipline the workers to put more effort and ability into their work through the application of what is tantamount to piece-rates. That neither modern technology nor modern management are in favour of this system merely testifies to the fact that it must fail. That trade unionists and socialists have long been opposed to a system which sets worker against worker in a competitive struggle for their daily pittance is, of course, only relevant insofar as the effect of the reform is to raise working-class consciousness and increase solidarity in spite of the lack of genuine trade unions.

To the degree, however, to which the reforms are in fact successful this would mean more consumer durables available. This, of course, is the purpose of the Fiat Motor factory in Togliattigrad. It is also the purpose of the allocation of a sector of flats built for so-called co-operatives. In fact, they amount to outright purchase but with such a high down-payment that few workers could contemplate buying their own flats. In effect, they

permit the intelligentsia to legally jump the housing queue. Since motor cars, even if one million Fiats are produced, are and will be relatively scarce their price is unlikely to decrease from its present three-four times the annual salary of the average male worker. The result could only be that the elite and wealthier intelligentsia would benefit immediately while the mass of the ordinary graduates and technicians would obtain the concessions they have been seeking, only insofar as the reform is effectively carried out.

Of late, with the diminishing impact of the reform there have been a spate of articles describing experiments in which workers were dismissed and the resulting wages saved distributed among the remainder. The Central Committee has itself endorsed these so-called experiments. It has not yet, in spite of the request, abolished the workers' right of tenure, although that is essential to do so, before dismissals can be made. At the moment no factory director can dismiss a worker without finding him another job. Clearly, one result has been massive underemployment.¹⁰ In the drive for efficiency the workers are, it would appear, to be the first casualty. There is no unemployment pay and no effective labour exchanges in the USSR. Only if the law is changed and possibly some form of benefit introduced could the reform therefore be introduced. A point in this direction is the retraining schemes which have been introduced.¹¹ Pay diminishes to 40 per cent of the original wages of the worker by the third month. In the fourth month he presumably gets nothing. It is assumed that he will be earning very quickly. It is quite clear that the Soviet economists like their Western counterparts see much merit in some measure of unemployment. Their problem is that they do not have anywhere to absorb the excess. They have tried sending the youth to agriculture and the services as in 1966 when there was a double outflow from the schools as a result of the abolition of the 11th Class. Quite naturally it failed since both sectors have low pay and poor status. Ultimately, they could absorb the millions of under-employed in the production of consumer goods or in construction.

This comes to the point that the socio-economic system has failed to break out of the production of producer goods for the sake of producer goods for 40 years. A structural change would be required for which they are not prepared. The power of the elite ultimately rests on their control over the huge institutions, administrative organisations and large-scale enterprises which proliferate in the USSR. A real shift of resources to agriculture, the services and consumer goods would mean a shift of power to the peasant, the consumer and technicians as opposed to the administration. It may be that the big producer-goods factory managers and central administrators can see that the logic of the reform requires abdication but they are reluctant to comply. In any event they are supported by the huge armaments sector which would not be able to avoid over-riding any market in the interest of national security. The result is that there is little scope for the reallocation of resources towards the consumer goods sector, largely for non-technical economic reasons.

In other words, they are faced with the insoluble dilemma of wanting the reforms in order to deal with the discontent of the intelligentsia and a section of the elite, but being unable to implement them without so antagonising the working class that the whole system will become unstable. The alternatives of switching resources from heavy industry is ruled out on direct political and military grounds. The Politburo know full well that the redistribution of income, more intensive and competitive work demanded, and unemployment required would make any move towards quicker economic reform fraught with great danger.¹¹ They are hoping to do it pragmatically, so that there

is as little opposition as possible but it is unlikely that the working class, which has now been urbanised for almost a generation, will remain entirely passive. The problem of the ruling group is that they have no solution other than hoping to follow in the tracks of Mr Wilson and muddle through. Unfortunately for them, time has run out as the rate of growth declines this year while agricultural products hardly increased. Under the pressure of circumstances it is most likely that a political change at the top will lead to more of these economic reforms and the consequent politicisation of the working class, whom they will try to control with greater suppression.

- 1 Andrei Amulric, 'Will the USSR survive until 1984', *Survey*, Autumn, 1969.
- 2 A Sukharov, *Progress, Coexistence and Intellectual Freedom*, Penguin, 1968.
- 3 $MI = (aS + bP)W$ where $W =$ Wages fund
 $S =$ Sales
 $P =$ Profit
 $MI =$ Incentive fund
- 4 Planovoye Khoziastvo, No 6, 1966, *Soviet Studies Information Supplement*, October 1966, p 16.
- 5 G D Sokoleva, *The New Soviet Incentive System: A Study of its Operation in Kiev*, in *International Labor Review*, January 1970.
- 6 Narodnae Khoziastvo SSSR 1968, p 555.
- 7 Literally true because of the very high price of cake.

Cuba; The End of a Road?

The importance of Cuba's failure to achieve a 10 million ton sugar harvest can hardly be over estimated. For it reveals in full light the impasse that the Cuban revolution confronts now, 11 years after. In order to see the extent of this impasse it is necessary to review some of the main features of the past 11 years.

THE CUBAN REVOLUTION

Prior to December 1958 Cuba was the non-developing country par excellence. Although the per capita national income was relatively high for the third world, it had not risen for fifty years. The economy was dominated by a small number of large concerns, predominantly American owned (thirteen us companies between them owned 40 per cent of sugar production, us concerns owned the electricity and telephone systems, nickel production, oil refineries etc). Such concerns ensured that the production of sugar for the us market (where the American owners of Cuban sugar received preferential treatment and above world market prices) dominated the economy. Thus between 1946 and 1954 sugar and its by-product accounted for 81 per cent of Cuban exports, while 60 per cent of total exports were to and 77 per cent of total imports from the us or Canada (1951-7).¹ The price paid by the Cuban people for being a raw materials adjunct of the us economy was enormous. In the countryside a huge section of the population was deliberately left unemployed much of the year so as to be available for the sugar harvest. At the same time a considerable proportion of the 60 per cent of the land owned by the sugar producers was left fallow — not used for sugar so as to keep world prices up, not used for other purposes so as to enable expansion of sugar production in those odd years when world prices rose anyway. Those who benefited from this situation, the large us concerns and the minute local oligarchy, invested their profits either in real estate or abroad, rarely in developing local industry (to have done so might have broken the hold of the sugar interests over the country).

Economic stagnation was paralleled by a corruption of political life. From the unsuccessful revolution of 1933 on a succession of middle class cliques, unable to challenge the power of the oligarchy and develop the country, fought to control the state as a means of providing their supporters with jobs in its bureaucracy.² The Batista regime after 1952 was the most vicious of these. Unable to satisfy the real needs of any section of the population, it resorted instead to mass repression while feathering its own nest.

The rapidity with which the Batista regime fell at the end of 1958 was not so much due to military defeat (even a few days before, the Rebel Army only contained 8,000 members) as to the collapse of its forces. No significant class in Cuba was willing to fight on behalf of the parasitic clique. The programme that the new Castro government initially set itself was one of economic development — in the interests of all sections of the revolution. Castro declared that 'his aim was to make Cuba a country without rich or poor, only middle-class',³ that he was 'neither for socialism nor for capitalism but for humanism'. Even committed capitalist commentators in the west could sympathise with such a programme.

Cuba's 'revolution' is not a revolution in the traditional sense of a shift in power from one economic group to another . . . rather the transfer of power from the hands of an exceptionally oppressive and corrupt regime . . . to a dynamic group that is uniting the nation on a programme of economic development . . . The political complexion of the cabinet and leading officials can be judged from the high reputation in business circles of many of the men appointed.⁴ But 'development' was impossible in Cuba without breaking the hold both of the us companies and of the domination of

the economy by sugar production. Castro began probing for a path towards development cautiously. He visited the us in the hope of receiving help in such a programme. When he cut rents in the towns, his aim was to encourage *private* capital to divert its resources from real estate to industrial investment. His Minister of Labour stated that labour's hostility to management during the Batista era would be replaced by a 'reasonable approach'. Income-tax changes in the middle of 1959 raised rates on higher incomes, but exempted single persons earning less than the not inconsiderable sum of \$2,400 from any tax payments at all. The first land reform measures permitted holdings of up to 1,000 acres — and rather more in the crucial sugar lands. At the same time, although Batista's army and police, which had disintegrated with his regime, had to be replaced, much of the rest of the old state structure was left intact once the most compromised supporters of the former dictator had been purged. Yet even these first cautious measures were enough to worry the representatives of the Cuban bourgeois and the us interests. In mid-1959 the president and five ministers left the government.

A clear choice was presented to Castro: *either*, follow the path of countless previous politicians in Latin America, come to terms with established interests, bury the programme for reform and development, maintain a regime which would not be able to fulfil the aspirations of any of the major indigenous classes, least of all the intellectual middle-class from which he and most of his movement came, and therefore end up by degenerating into the sort of repressive parasitism epitomised by Batista; *or* use control of the state to break the established interests and put economic power into the hands of those with his own background and interests. By a series of *ad hoc* measures Castro began to move towards the latter solution. But each such intervention led to more friction with the us and the old oligarchy, and therefore to the need for more intervention.

The us owned electricity monopoly was compelled to lower its charges; a 25 per cent tax was imposed on mineral exports; Guevara ordered firms to train Rebel Army officers in the management of industries; the land reform began to bite more deeply. The us government made its first formal protest when us owned property on ranches was seized. Castro began, cautiously, again to look for support in the growing economic war — at the beginning of 1960 he made a trade deal with Mikoyan and accepted \$100m of Russian aid. The us in turn prepared for a showdown it thought would bring Cuba to heel. When Castro turned to Soviet oil supplies as a cheaper alternative to those of the us monopolies, the latter ordered their Cuban refineries not to touch it. Upon 'intervention' in the refineries by the Cuban government, the us closed its market to Cuban sugar. Castro retaliated in the only way possible — by seizing more us-owned enterprises.

Suddenly, traumatically, all Cuba's economic relations were transformed, as Guevara was to put it a little later.

With the exception of the agrarian reform, which was desired and put into effect by the Cuban people themselves, all our revolutionary measures were a direct reaction to the aggressions of the monopolies . . . The pressure of the us on Cuba necessitated the radicalisation of the revolution.

There can be little doubt of the popularity of the measures that had prompted the us actions. The general standard of living of the mass of the population rose. The chronic under-employment in the country-side began to be dealt with. Non-sugar agricultural production rose 30 per cent between 1959 and 1963. While luxury goods were heavily taxed, and their production cut, the general level of consumer goods output rose.

Wages outside of the sugar industry were 51 per cent higher in February 1960 than a year before.

At the same time, it would be completely wrong to accept, as some people seem able to, that the radical measures taken by Castro at this time made his regime into a 'workers' or a 'socialist' one. Although there was mass support for the regime's actions, the interventions that led to the taking-over of industry were from the top down. The state was in the hands of the leaders of the Rebel Army, not of any organs of workers democracy or even in the hands of a revolutionary workers party.⁵ Indeed it was because there were no organs of mass self-activity that Castro turned elsewhere for support: to the bureaucrats of the discredited Cuban Communist Party. These increasingly provided a bureaucratic infrastructure for control over the nationalised concerns and over society generally.

At the same time, in order to survive after the breach with us imperialism, Castro was forced to turn more and more to the Russians for aid. The logical outcome of both these moves was his self-proclamation as a 'Marxist-Leninist' (the end of 1961). Yet neither move did away with the backwardness of the Cuban economy. Breaking with the us abolished the old constraints on development. But it also meant that the country faced enormous burdens, just in order to survive. Suddenly new markets for a massive quantity of sugar had to be found, new sources for all sorts of essential imports obtained.

At first, as they set out to industrialise in 1961 the Cuban leaders down played these realities. They felt convinced not only that they could accumulate, but further, that they could do so on a grand scale. They announced plans that implied following the path of industrialisation of the USSR and Eastern Europe — \$1,000m were to be spent on industrialisation over a five-year period, with 28 per cent of the GNP going in investment.⁶ According to Castro the aim was a 'growth rate of 13 per cent per annum and to . . . double living standards in a few years'. This was to be accomplished by Russian aid and by expanding sugar production, while not abandoning the crop diversification measures.

Unfortunately reality was to be harsh on the dreams of the Cuban leaders. In order to raise the high levels of planned investment the rising living standards of the Cuban masses had to be curtailed by rationing of fats (August 1961), then foodstuffs generally (June 1962) and then clothing (March 1963). In the country-side the new measures were often resisted by the peasants, as Castro admitted in a speech of May 1962. A large sugar crop in 1961 could not do away with the reality of a world glut and low prices for it. The programme for industrialisation faltered; plants were late in coming into operation; shortages of funds to buy raw materials meant that often they could not function anyway; at other times they were immobilised by shortages of spare parts. Cuba became increasingly dependent on Soviet aid for its physical survival. Yet the Cuba crisis of late 1962 showed that the Russians regarded Cuba essentially as a pawn, not even to be consulted when major decisions concerning her future were taken.

The Cuban leaders were rapidly to lose the illusion that they had found an easy path to development.

'We made an absurd plan, disconnected with reality, with absurd goals and with supplies that were totally a dream . . . ' (Guevara, March 1962).

The Russian leaders began to indicate that although they saw aid to Cuba as strategically useful to themselves, this aid was to serve *their* interests, not that of the Cuban people. In 1963 and 1964 they seemed to have expressed anxiety both at the growing amount of credits they were giving to Cuba,⁷ and the purposes to which these were being put. The opinion was expressed that if Cuba was to go on being subsidised then it should concentrate on the efficient production of things the

Russian economy needed — chiefly raw materials and foodstuffs — not on inefficient production in heavy industry.

A change in the orientation of the Cuban economy soon followed. 'Government officials said they had been mistaken in believing that major industrialisation could be undertaken at this time, and now realise that agricultural development must have precedence, both for export earnings and for domestic consumption'.⁸ This policy was however resisted by some of Cuba's leaders in particular Guevara, who saw it as perpetuating Cuba's position as an underdeveloped supplier of raw materials to others. In a scarcely veiled allusion to the Russians, he denounced,

'talk of mutually beneficial trade based on the prices imposed on underdeveloped countries by the law of value and its by-products, the international relations of unequal exchange. How can 'mutual benefit' mean the sale at world market prices of raw materials which cost the backward countries sweat and boundless suffering and the purchase at those market prices of machinery made in modern automated factories?'¹⁰

But for the rulers of Cuba, isolated in a world dominated by rival imperialisms, dependence on Russian aid was stronger than the aspirations of one of the most heroic leaders of the revolution. On October 3rd, 1965 Guevara left the government and Cuba. Soon after another symbol of the revolution was also removed: the government called in and centralised under its own control all the combat weapons previously in the hands of the population.¹¹

'Realism' was now to be the dominant theme behind Cuban economic policy. The grandiose talk of the past, whether of the rapid development of heavy industry or of the diversification of agriculture and the abolition of monoculture was ended. Instead the emphasis was on producing as much sugar as possible and selling this on the world market. The revolutionaries in the early years had argued that monoculture was a prime cause of Cuban underdevelopment; now it was seen as the only remaining way out of underdevelopment. The centre of Cuba's 'plan became to produce 10 million tons a year by 1970. The aim had been to rise over the years towards this target — seemingly not an impossible one, given that in 1952 a harvest of more than seven million tons had been obtained. But the very reforms of the previous years — aimed at doing away with monoculture as the cause of poverty in Cuba — made the task difficult. Above all there were no longer massive numbers of unemployed in the country-side at the beck and call of the sugar harvest. At the same time deliveries of agricultural machinery (from the Russian bloc) to take their place were unreliable. So the sugar crop, six million tons in 1966, remained around this figure in 1967, and then fell — to 5.2m in 1968, and 4.8m in 1969.

Instead of breaking out of its difficulties, the condition of the Cuban economy remained perilous. The indications are that far from development taking place, the national product remained more or less constant. In order to obtain hard currencies for essential imports, the Cubans had to default on promised sugar deliveries to the Russians, selling instead on the world market. For the same reason, sugar rationing had to be introduced in Cuba itself.

But the pressures on the Cuban regime could not be ignored for ever. The heightened sugar target became more and more seen as necessary if there were to be funds to buy urgently needed western imports. At the same time there was the need to placate the Russians, by at least meeting promised sugar deliveries. Finally, there were past loans from the Eastern Bloc to be paid back.

Sir Rafael Rodriguez (a leader of the Cuban CP) told the EU . . . that the interest rate on Soviet loan was 2 - 2½ per cent, that payments on the principles of the loans had already begun but that amortisations would peak towards 1975.¹²

So the ten million ton target became the dominant force behind the actions of the Cuban rulers over the last year.

Yet even if this target had been achieved, it would not have solved the problem of Cuban underdevelopment. The sugar would still have had to be sold on a fluctuating world market. Successes in so selling it would have been at the expense of Cuba's competitors — in the main countries as impoverished as Cuba. The beneficiaries of the huge exertions poured into producing the crop would have still remained those who bought it — the ruling classes of the advanced industrial countries. At the same time, much of Cuba's earnings would have disappeared straight away as repayments on Russian loans. As Castro put it, the sugar produced would enable Cuba to begin to tackle the serious balance of payments problem in foreign trade, . . . particularly with the Soviet Union¹³

In fact however, it is now clear the target has not been reached. Only 8,500 million tons of sugar have been produced. And this by no means tells the whole story. In order to get such a harvest in, much of the rest of the economy has been sacrificed. Personnel and transport have been removed from other key sectors in order to cut the crop. Industry has suffered seriously. 'Cement supplies . . . were 25 per cent less than in 1968' and 'supplies of constructional steel 38 per cent less'.¹⁴

In agriculture, many of the improvements in non-sugar production made since the revolution have been undermined. Meat production fell from 154,000 tons in 1968 to 143,000 tons last year, and is expected to be about the same this year. Milk production, previously one of the key areas of achievement of the revolutionary regime (it had risen about 50 per cent since 1959) fell by 25 per cent. Eleven years after the revolution some of the first and most significant material steps on the road of the Cuban people towards greater well-being have been undermined by the pressures to produce for the world market. The only future that seems open to them now is one of continuing rationing, continual shortages and continual slaving to produce still more sugar.

INTERNATIONAL POLICY

Just as the economic goals of the revolution have been eradicated so have the international revolutionary aspects. Recently Castro has tended to shift his focus from the guerrilla movements and the peasants to the army chieftains as the agency of change in South America and of ending the isolation of his revolution. Already the Peruvian regime is called 'revolutionary'. The leader of the Venezuelan guerrillas, Douglas Bravo has been one of those expressing his concern:

It is the facts that pre-occupy us: the estrangement of Cuba in relation to China; her support for the Soviet Union's invasion of Czechoslovakia; her differences with and the freezing of her relations with our movement, the MIR included, and others in Latin America; the fact that she is no longer the great beacon, the meeting place for all the movements in Latin America . . .¹⁶

Yet this latest twist in Cuban policy merely reflects a feature of much longer standing. Like Castro's turn towards 'Marxist-Leninism' in 1961, his turn towards continental-wide revolution was a pragmatic response to a difficult situation. Particularly when plans for Cuban industrialisation hit an impasse in 1964-5, encouragement of guerrilla movements became the keynote of Cuban policy. Even as late as the Tricontinental Conference of 1966, much of Castro's stance was in a pro-Soviet direction, with many of his attacks directed at the left rather than at the reformist Latin American CP's.¹⁷ For a year or two afterwards Castro did seem to move decisively to the 'left'. Resentment at the treatment being dealt out to Cuba by the Russians, at the domestic impasse their aid policies were producing, and the hope that somehow, somewhere in Latin America something would happen to end Cuba's isolation

and the impasse, produced bitter attacks on the various CP's and their non-revolutionary policies at the OLAS conference of 1967. Yet the revolutionary enthusiasm of this period also betrayed its origins in unbearable frustration at Cuba's isolation. The slogan 'If you are a revolutionary, make a revolution' certainly broke with the old CP's. But its substituted for their non-revolutionary mass activity courageous, but futile revolutionary actions by small, socially isolated groups in each country — as if all regimes were as rootless, parasitic and weak as Batista's had been. This misconception — proven false by the heroic death of Che if nothing else — corresponded to how the rulers of Cuba saw the Latin American revolution: as a quick way out of Cuba's own difficulties.¹⁸ But as these difficulties grew worse and the revolution failed to materialise, Castro turned back to more reliable sources of sustenance — the Kremlin and the new military dictatorships.

THE TRAGEDY OF THE CUBAN REVOLUTION

In many ways the experience of the Cubans is like that of the Yugoslavs. Tito too broke with dominant imperialism (Russian) because it blocked the programme of national economic development that was the motive force of his ruling class. He too responded to the pressures of the dominant powers by a seemingly revolutionary stance (complete with talk of a new international in 1949-50).¹⁹ He too followed seemingly radical domestic measures. And he too soon came to pay for the aid he needed to survive (by a coincidence about the same level that Castro received from Russia, \$2,000m) by adjusting himself to those who paid the piper.²⁰ In his case also this meant abandoning revolutionary pretence (in the East as well as the West — note Tito's grudging support for the second Russian attack on Budapest in 1956) and fitting the internal economy to the needs of others.²¹

For there are sound objective reasons why the aim of 'economic development' of isolated backward countries cannot be achieved in the modern world. For hundreds of years the wealth of the 'third world' has been pillaged and accumulated in the advanced capitalist countries. This has been used, together with the exploitation of the metropolitan working-class, to build up industry (and its by-product, armed power) in these countries. The isolated parts of the third world cannot somehow overcome the effects of centuries of such pillaging and in a few years accumulate wealth out of their own resources to the level reached over a whole historical period in the West.

But there is an alternative path open. This is to see that real economic development is not possible without the help of resources accumulated over the years in the advanced countries. While these remain in the hands of the rulers of these countries powerful economic or military forces can always be mobilised against any localised revolution. The only way to resist these forces is to see the local revolution as merely one part of a world process, the first citadel captured by an international army. The citadel has to be defended by orthodox means and the population's needs adequately catered for — but not through the now unrealisable dream of 'development' through state capitalism in one country. But this means a realistic long-term policy of spreading revolution, based not on middle-class intellectuals, however heroic, going 'to the peasants' in the country-side, but on building up mass revolutionary workers' movements at the centres of ruling class power, in the cities of all three worlds. This perspective has dismissed as 'unrealistic', as 'antiquated', as 'utopian' by Castroists and Guevarists. Certainly there has never been any cast-iron guarantee of its success — for this depends on all sorts of imponderables. Yet the impact of Castroisms' own 'left' period in 1966-8 and of

the Vietnamese struggle shows what effect such a policy could have had. For these both undermined one of the most potent factors preventing revolutionary working-class struggle for a generation — the conservative, counter-revolutionary Stalinist parties. One can only imagine what the impact of the consistent pursuit of working-class revolutionary goals by say the Cubans, would have been.

Of course, the reason such a policy was not followed by Cuba is no accident. The dynamic force in the Cuban revolution was not the mass struggles of a working-class led by a conscious revolutionary party, but the desires of a section of the local middle-class to carry through economic development. Cuba's current impasse points not just to the failure of particular policies but is also practical proof of the inability of precisely such a class to solve the problems of the 'third world'.

Revolutionaries in the west face the danger of two sorts of complacency when looking at the record of Cuba. The first is to ignore harsh realities, to pretend that workers do rule in Cuba, that Cuba's regime is consistently revolutionary, that somehow, trying to produce sugar in ever larger quantities is to break with the world market on which this is sold. The other is to sit back, content that the Cuban revolution has failed, commenting about its 'Stalinist degeneration'. However opposed they may seem, both attitudes flow from the same irresponsibility, the same refusal to understand that the pressures responsible for the impasse of Cuba, and of the third world generally, originate in Washington and Moscow, London and Paris. There is no way out for the Cubans until the rival imperialisms that have crushed that revolution between them themselves begin to fall. What revolutions in the third world can do, and it is no trivial task, is to hasten that fall.

1 All figures in this paragraph from Economist Intelligence Unit, *Quarterly Review, Cuba, Dominican Republic and Porto Rica*, Annual Supplement, 1959.

2 Goldenberg. *The Cuban Revolution and Latin America*, London 1965, p. 130. 'To create government jobs became an important occupation for politicians. More or less parasitical officials lived in a state of fear because they were afraid of losing their jobs if there were a change of government'.

3 EIU June 1959.

4 EIU February 1959.

5 For a similar assessment of the role of the workers from a writer,

however, who believes Cuba is a workers state, see O'Connor in *Studies on the Left*.

6 EIU op cit May 1961 and February 1962.

7 Quoted in *ibid* December 1961.

8 Kaiser, *Comecon*, London 1967, p. 5-6:

'... It (Cuba) had a favourable trade balance (with the USSR) in 1961 of \$10m; but this turned to a deficit of \$190m in 1962 and rose to \$295m in 1963. The deficit was met by current Soviet credits... In 1964 'the Cuban trade deficit was rapidly reduced... Aid offers from Comecon slowed in 1963-4'.

9 EIU, op cit November 1963.

10 Hoy, February 26th, 1965, quoted in Kaiser, op cit, p. 218.

11 EIU op cit November 1965.

12 *ibid* November 1969.

13 Sam Russell in the *Morning Star*, August 7th, 1970.

14 *ibid*.

15 *ibid*

16 In *Temps Modernes*, July 1970

17 He was particularly vehement in his attacks on the Chinese. The origin of these attacks again displays the pragmatic motivations behind Cuban policy. At the end of 1965 the Chinese broke an agreement to deliver large quantities of rice, Cuba's staple food — because of difficulties in her own economy but also because she was able to obtain Cuban sugar indirectly from the Russians. Castro retaliated first with a mild speech, (January 2nd, 1966) and then, apparently after the Chinese had started distributing propaganda from their Havana embassy, with a far more violent one, speaking of 'perfidy, hypocrisy, malevolent insinuations, and disdain for our small country', warning that 'our country has liberated itself from that imperialism 90 miles from our shores and it is not willing to permit another powerful state to come 20,000 kilometres to impose similar practices on us...'

18 In many ways one is reminded of the Cominterns 'Third Period', when another bureaucracy, faced with enormous economic problem, conceived of revolution as possible through instant recipes.

19 At this time he too received uncritical support of the same sort later given to Castro — and often from the same people (for instance, Ernest Mandel and Pierre Frank).

20 The turning point for Tito was in June 1950 when Yugoslavia failed to use its vote at the Security Council against the attempt of the US to cover defence of imperialist interests in Korea with a cloak of legitimacy. On this (and on the failure of many of Tito's 'Trotskyist' admirers to condemn him) see the issues of *Socialist Review* for 1950.

21 For example, following a policy that effectively subordinates domestic industry to foreign capital, maintaining a high level of unemployment and so on.

There is an important difference between the two cases — Tito has been more successful in his endeavours to develop his country.

Poland: Workers' Revolt

The riots in Gdansk and other Polish ports just before Christmas were the most significant expression of working class discontent to hit Eastern Europe since the crushing of the Hungarian revolution in 1956.

The immediate cause of these disturbances — a sharp increase in food prices and the introduction of new wage systems — were not just accidents or governmental mistakes. They were deeply rooted in the problems that confront the Polish bureaucracy.

Poland, like all the East European regimes, suffers from a long run tendency for economic growth rates to fall. As reserves of surplus labour and untapped raw material resources are used up, a rational costing of the different sectors of production become necessary. But this is prevented by the form of organisation of the economy (and the accompanying bureaucratic interests). The productivity of labour also becomes more important. But the resentments which workers hold against the system make improvements here — particularly in the most advanced area of industry, and in agriculture — very hard to obtain. (For a fuller description of these points, see *Prospects for the Stalinist States* in IS 42).

Failure to come to terms with problems leads to low growth rates and — particularly for the smaller state capitalist regimes — massive bottlenecks in industry that can only be overcome by increasing exports. The failure of raw material resources to grow at the same speed as the rest of the economy necessitates the buying of these abroad. Growing technological lag with the west (due to the low productivity in advanced industry) can only be overcome by imports of advanced engineering products. But imports have to be paid for. As the Polish economist Kalecki has put the matter 'Another obstacle to the acceleration of growth is the difficulty of balancing foreign trade, which is more a problem the higher the rate of growth.'

The significance of these factors can be seen by what has taken place over the last few years in Poland (a process predicted in the pamphlet by Kuron and Modzelwski). The five year plan for 1966-70 provided for an expansion of industry (particularly heavy industry, but also arms production which has grown between 8 and 10 per cent per annum recently) in excess of what was possible given the level of resources and the inefficient organisation of the economy. Construction projects which were begun could not be completed. This in turn increased the general lack of resources (since such projects were supposed to supply the rest of the economy). Industry could be kept going only if exports were raised. Still worse, industrial products which were intended for sale in the west could not find markets because of their low quality (yet another expression of the alienation of workers from production). The overall result was that 60bn more zlotys than planned had to be spent on investment. Yet only a limited number of 'selected' projects were finished.

There was only one way out of this vicious circle: to cut back on the 'consumption fund' and use the savings to pay for the needed additional investment. In other words, real living standards of workers had to be cut. Increased prices would lower the amounts of food eaten by workers, enabling greater quantities to be exported to cover import costs.

Simultaneously, the Party leaders were forced to try and put into effect a limited and half-hearted reform. The central aim of this is to make managers more worried about production costs. High among such costs were wages.

So 'wage adjustments' took place at the same time as price rises.

The riots have had an effect in producing political changes. But it is very doubtful if these will in themselves be of any great benefit to Polish workers. The leader of the authoritarian right, Moczar, who initiated the anti-semitic campaign of 1968, has increased his power. Although the majority of the other new leaders have been called 'technocrats' by commentators, it is unlikely that they will in fact do more than initiate a few temporary, palliative measures. For, if the riots have revealed the danger of not dealing with the problems of the economy before it is too late, the Polish bureaucrats (and their Russian backers) are aware of another lesson: that of Czechoslovakia in 1968 (and, for that matter of Poland and Hungary in 1956). Then efforts to put the economy on a sound basis led to the complete fragmentation of the whole apparatus. Carrying out economic reforms required dismantling the whole structure of control over society. But this permitted the mass of the population, excluded from political debate for twenty years, to discuss and agitate in their own interests. The ferment released threatened the very bases of bureaucratic class rule. Russian military occupation was required to kill that ferment.

What is more, the Czechoslovak experience was not even successful in purely economic terms: Managers gained the freedom to set their own prices and trade with whom they want, but continued to produce expensive goods that nobody wanted. And workers took the freedom to demand decent living standards and working conditions. In 1969 the mass of Czechoslovak bureaucrats showed that they preferred collaboration with the Russian occupiers to these hazards. The society over which they rule has since grown back into the pre-1968 mould. The economy continues to stagnate (the official figures if adjusted to take account of price rises, reveal that there was no economic growth at all last year). The resentment of workers at wage freeze, as well as at Russian occupation, grows. But the leaders, if not happy, at least passively accept the situation. It is the price they pay for keeping the mass of the population under control.

If the Czechoslovak experience shows that reforms are dangerous, other examples indicate that perhaps they are not particularly useful. The Hungarian economy has undergone changes which are much praised by western experts. But it is clear that the Russians are slightly anxious that their own influence might be affected. Such anxiety would be greater were a larger and more important economy than the Hungarian involved. Moreover, recent Hungarian growth rates have been far from spectacular.

East Germany, which has witnessed reforms of a more limited character than those of Hungary, and has also been accordingly praised in the west, has been encountering increasing difficulties recently. Last year industrial production grew at only 6 per cent as against the planned 8 per cent, while the growth of investment, at 7 per cent was half what was aimed at. This year's targets have all been cut — planned GNP growth from 6.3 per cent to 4.9 per cent.

The Polish leadership dare not now force local managers to cut wage costs. It will be even more reluctant than previously to undermine the cohesion, and therefore political control, of its own apparatus. It will not want to run the risks

involved in transforming the structure of the economy and, therefore of the internal organisation of this apparatus.

In short: it will be less willing than in the past to risk carrying through real reform. Yet failure to introduce such changes will mean failure to attempt to solve current problems.

Polish state capitalism will not be able to crawl out of its impasse. The possibility does exist of an economic revival for a couple of years. After all, however slow progress, investment projects at present 'frozen' will eventually be completed and give a once and for all boost to growth. But the meagre concessions made after the government reshuffle (accounting altogether for only about 4 per cent of total government expenditure) will not lessen the alienation of workers from the productive process, even if they do stave off further physical confrontations for a time. The bureaucracy's class goals (and Russian pressures) will force it to attempt further levels of accumulation that the economy cannot sustain. Crises of the present sort will recur on an accentuated scale.

The threat of Russian troops might continue to keep the resentment of the workers under physical control, but will not be able to end its deterring impact on production. As in Czechoslovakia, the price of security for the state capitalist system will be increasing stagnation, which will further increase the general alienation of the masses from the system and the difficulties of maintaining control. Within the bureaucracy

itself the inner decay – the factionalism unrelated to anything but careerist interests, the ideological bankruptcy that resorts to crude nationalism and anti-semitism – will continue its spread.

All this would be quite depressing, were it not that the same malaise afflicts the Russian gendarme. All the economic – and therefore also political and ideological – contradictions that have come to the fore in Poland and Czechoslovakia are developing, although at a slower pace, in the Soviet Union. The social forces released when these come to fruition could shatter the Stalinist system forever.

A year ago we wrote (in IS 42) that the Russian bureaucracy faced the choice between: *either* an inner-split which 'could only be the prelude to an immense crisis throughout the USSR and Eastern Europe, in which the extra-bureaucratic classes would mobilise behind their own demands'; *or* 'the likelihood of a minor incident causing a massive eruption of working class insurgency, as in Berlin in 1953, Budapest in 1956 or Paris in 1968, but this time on a scale unprecedented in world history.' 1968 in Czechoslovakia gave the Russian ruling class a bitter foretaste of what was involved in the first alternative. The workers of Gdansk and Stettin have shown how real the second is. As the imprisoned Polish Marxists, Kuron and Modzelewski have written 'Revolution is a necessity for development.....Revolution is inevitable'

Chris Harman

Hungary: Failure of Economic Reform

Figures on the economic performance of a small country like Hungary are not the sort of thing to hit the headlines. But those issued over the last six months could be of enormous significance for the whole future of the state capitalist countries.

At the beginning of 1968 Hungary's rulers inaugurated a 'New Economic Mechanism', the most radical economic reform yet seen in Eastern Europe outside Yugoslavia. The aim was to deal with a number of failings that plagued the economy - as they plague the economies of all the Stalinist states, particularly the more economically advanced ones. The most obvious was the tendency for long term growth rates to decline.

But that has not been the only problem. The overall growth rates conceal enormous disbalances and wastages inside the economy. In Czechoslovakia in the years 1956-65 'a large part of accumulation - close on a third - was tied down in inventories and capital under construction'. In Poland 28 per cent of accumulation was in inventories alone.¹

Instead of being available for consumption or investment, products pile up in warehouses or are tied down in massive construction sites that are years overdue on completion. The drain on resources that results is massive. One estimate is that 5-7 per cent of the output of the economies of Hungary, Czechoslovakia and Poland is lost in this way.²

For the rulers of these countries some answer to such wastage has become more necessary as the overall growth rates get smaller.

How does the wastage arise?

All the bureaucratically centralised economies display a drive to repeatedly embark on investment plans on a scale that cannot possibly be accomplished in the planned time, given the resources of the economies. At the beginning of each five years a series of massive investment projects are begun. But it soon becomes clear that shortages and bottlenecks are going to prevent them being finished on time.

The overambitious projects run up against what is sometimes called the 'raw material barrier'.³

The initial period in which investments soar is now followed by a period in which growth rates stagnate, and some projects are left to rot unfinished while resources which were initially meant for them are transferred elsewhere. Projects which they in turn were meant to supply with inputs, even if completed, are unable to operate at full capacity. While some projects are held up by shortage of resources, others produce goods for which there is lack of demand. The overall result can even be a decline in the total social product, as in Czechoslovakia in 1962-3, when 'a policy of very big new investment plans in the metallurgy and chemical industry led to a sudden 2-3 per cent drop in the national income'.⁴

Perhaps even more important are the social and economic consequences of the emergency measures employed to try and rectify the situation. On the one hand threats arise to the political stability of the regime; on the other any possibility of rationally organising the economy in the long term is destroyed. The search for resources to complete 'priority' projects invariably means an attack on workers' living standards. The projects that are

abandoned or frozen are usually those concerned with increasing consumer good or food production. Increases in imports of raw materials or components for industrial projects have the same effect: they are paid for either by cutting food imports or by reducing the level of consumption so as to allow greater food exports.

The central management of the economy can only deal with the problem in two ways:

1. By obtaining the necessary resources from abroad by raising imports.
2. By scrapping or freezing certain projects and using the resources initially allocated for them to other, 'priority' projects.

In this way, the original, optimistic predictions about growth rates are soon invalidated.

'Analysis of the dynamics of industrial production in Czechoslovakia, the GDR and Hungary supplies an interesting picture. The rate of growth of industrial production shows relatively regular fluctuations . . . These fluctuations are still more pronounced if the analysis is confined to producer goods.'⁵

In extreme cases such measures result in deep social unrest. During the Hungarian First Five Year Plan (1950-55) the attempt to maintain a disbalanced investment programme meant that 'the real value of wages diminished by 20 per cent';⁶ in October 1956 the Hungarian workers took their revenge. Years of declining living standards followed by an attempt to cut the meat consumption (so as to raise exports to get desperately needed foreign currency) prepared the ground for the uprisings 18 months ago on Poland's Baltic coasts. The economic dislocation of the mid-sixties was the necessary background of the Czech 'spring' of 1968.

The attempts to deal with the short term economic difficulties also aggravate long term problems. The abandonment and freezing of some projects inevitably means that overall economic development is unbalanced and one sided: it is not unusual to find that when a highly expensive factory is completed it cannot operate at full capacity because a project producing some essential input for it has not been finished.⁷

Whatever talk there might be of 'five year planning' nationally, at the factory level a manager hardly knows from one week to the next what he will be expected to produce and in what quantities. If he starts work on one project, there is a strong likelihood he will soon be ordered to scrap existing production plans and start producing for another priority.

At present the allocation of tasks at the factory is not even planned on a yearly basis - as is clear from a statement by Baibakhov, the Chairman of Gosplan:

'It is essential that the basic form of the planned development of the national economy must be a five year plan, with an annual allocation of the most important tasks . . . These requirements have not yet been fully implemented.'⁸

Faced with such uncertainties, it is hardly possible for the manager to plan the work of his factory on the most efficient basis. Instead, he develops a strong interest in making sure he has excess hidden labour and raw material resources. Then he can make sudden and unplanned switches from one production line to another, from one quantity of output to another, without over-exerting the

workforce or the plant. It also means he has an interest in being as little dependent upon outside supplies as possible - hence a marked tendency for enterprises to make as many as possible of the goods they need themselves, regardless of the cost, rather than rely on supplies from outside that might not be available when needed.

The overall result is that any rational calculation of what resources are available in the economy becomes impossible; no real incentives exist at the factory level to increase productivity, despite continual admonishments from the authorities; and conditions are created in which there is no real way of telling whether future investment targets correspond to the resources of the economy.

Of course projects which are delayed do eventually come in to production. Then a massive burst in industrial growth follows. But it is no more planned than was the previous downturn. And it cannot cancel out the other irrationalities in the economy. It does however, have one invariable effect: it prompts the central authorities to overestimate the speed at which future investment is possible and to repeat their previous setting of vastly over-ambitious investment plans.

The aim of schemes of economic reform in the Eastern Bloc countries has been, quite simply, to do away with the disproportionalities and pave the way for balanced growth at a reinvigorated rate. Their proponents argue that the only way to overcome the imbalances and irrationalities is to develop some sort of market mechanism to relate the outputs of different enterprises to each other and, eventually, to the outside world. Then, it is said, the managers will have an incentive to relate their investment plans to those of the needs of consumers and other enterprises, and they will also be forced to adopt a realistic pricing policy, which reflects real production costs.

In the late 1960s there were moves towards the partial implementation of such a programme in many of the Stalinist states. Reforms were pushed through in Czechoslovakia, East Germany, Poland, and even in Russia itself. But they were usually limited in scope by the resistance of strong vested interests inside the bureaucracy. In Czechoslovakia the economic reforms were finally abandoned two years ago with the reimposition of tight bureaucratic control.

So far the Hungarian reforms have avoided such a fate and have been much more far reaching than those suggested elsewhere. The attitude of western experts to the reforms until recently was one of unqualified approval. The reforms seemed to justify the faith of bourgeois economists in the market mechanism as the only possible basis for organising an industrialised society. There was hardly a hint that the Hungarians might have solved nothing with their 'reforms'.

Yet last August it began to be revealed that the old faults of the state capitalist economy were re-emerging in a scarcely changed form. Rezso Nyers, the head of the Communist Party's economic department presented a report that indicated that 'current investment expenditure in Hungary appears to have broken all bounds and is running 23 per cent higher than during the first half of last year'.⁹

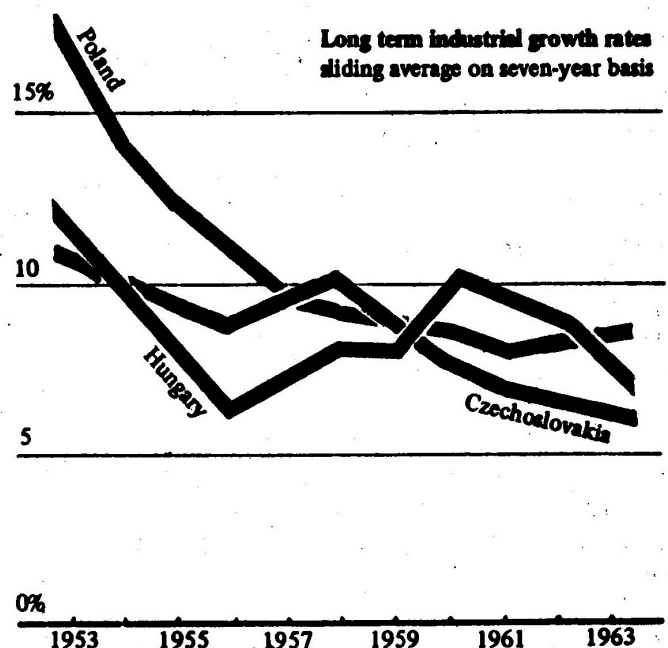
The president of the Hungarian National Bank reported that funds tied up in unfinished investments amounted to 65,000 forints - more than the total investment expenditure for the year.¹⁰ In October the prime minister Fock indicated that 'investment

had gone up twice as fast as the national budget and the balance of payments. Too frequently investments were being embarked upon which were not feasible either technically or financially'.¹¹ Reports have since revealed that last year imports grew at twice the pace of exports, with imports of plant and machinery doubling. The overall investment rate was ten per cent higher than planned.¹² Meanwhile, only 11 out of 19 planned investment projects had been completed.¹³

Faced with these difficulties, Hungary's leaders seem to have little choice but to revert to old remedies - even if these are bound to give rise to all the old side effects. Fock has announced that the reforms will continue - but with 'closer control from the centre'. In other words, there will be partial moves back to the old bureaucratically centralised system. The banks have been given orders to give credits only to 'uncompleted or top priority investments'. At least two major investment projects due for this year will not now go ahead.

The immediate political consequences for Hungary of this state of affairs are difficult to predict. Internally there are already reports of some unrest, with clashes between demonstrators and police on the streets of Budapest for the first time for 16 years. Economic pressures seem to be affecting the country's international stance as well. Hungarian ministers have let it be known that trade negotiations with the Russians are not going too well. It seems that Russia, which accounts for two thirds of Hungary's trade, is not taking sufficient account of that country's short term problems or medium term needs. But it is too early yet to tell whether these are portents of a major social and political crisis on the scale of 1956 or 1968.

However, what is clear is that the balance sheet of Hungary's reforms is of enormous significance for the long term development of the whole Stalinist world. It indicates the fallaciousness of the belief that there is some magical property in the market



Source: Goldman & Korba, *Economic Growth in Czechoslovakia*, Prague 1969

mechanism which will enable the bureaucracy to turn to it, belatedly, as a solution to its growing problems.

It does not require any great insight to see why the reforms solve nothing. The roots of the contradictions which beset the bureaucratically centralised economy lie in the drive to accumulate means of production on a scale that bears no relation to the real resources of society. But this drive is not the result of some arbitrary whim of the central planner or of some deficiency in the planning mechanism. It follows rather from the fact that the bureaucracy exists as a ruling class trying to maintain and extend its control in competition with other ruling classes internationally.

The rulers of the Russian bloc are driven to jack up production because of their desire to defend their empire against the rulers of other powers - America, and increasingly, China. It is an important fact, even though it does not accord with the mythologies of many on the left, that there are now 44 Russian divisions on the Chinese frontier, compared with only 31 in Europe. The arms race necessitates an endless drive to accumulate at a speed not determined by internal resources but by the international balance of forces (in turn a reflection of the international level of productive forces). That also explains why 'priority projects' are so rarely in the consumer sector. They do not contribute to increasing military potential.

The East European states have to bear an increasing part of this burden. Since 1949 they have faced an average annual rise in their military expenditure of 7.5 per cent a year (compared with 4.1 per cent for the USSR).¹⁴

In recent years such expenditure has further escalated, with a total of 52 per cent increased military spending by Warsaw Pact countries other than the Soviet Union between 1965 and 1970. This figure must explain at least some of the over-ambitious investment projects and the stagnating or even falling living standards workers have had to put up with. But in the case of the East European states there is another factor also at work.

All of them are heavily dependent on foreign trade. And in foreign markets even within the Soviet bloc, they have to compete not only with western firms, but also with each other. There is virtually no trans-national direction of the industries of Eastern Europe.

To survive in such economic competition the rulers of these states are subject to exactly the same compulsion as that which confronts private capitalists in the west - 'accumulate, accumulate, that is Moses and all the prophets.'

It was precisely under the classical market of the west that this drive to accumulate periodically outstripped the resources to sustain it profitably, plunging the economy into a slump.¹⁵

There is surely no reason to believe that the partial introduction of market mechanisms into bureaucratically centralised economies will end their propensity to disproportionate and cyclical development.¹⁶ Only the establishment of an economy no longer dominated by the exigencies of international competition can do that. And that requires first of all the destruction of the national bureaucratic ruling classes as part of the process of international revolution. No amount of reform is a substitute.

But if economic reform does not work, then the sorts of convulsions that have shaken Eastern Europe in the past will inevitably recur in the future. They will also increasingly take their toll in Russia itself, as the high growth rates and the massive spare

labour and material resources that previously hid the extent of economic failings become a thing of the past. Whatever the consequences for Hungary itself, the failure of reform indicates that the time may not be far off when Moscow and Leningrad experience their own 1956. **Chris Harman**

References

- 1 Goldman and Korba, *Economic Growth in Czechoslovakia*, Prague 1969, p.68-9
- 2 I T Berend, *Background to the Recent Economic Reforms in Hungary*, East European Quarterly, vol 2 no.1. J Fekeke (of the Hungarian National Bank) gives an estimate of 8 per cent wastage for Hungary 1961-4 in Grossman (ed) *Money and Plan*, p.65
- 3 A term introduced by the Polish economist Kalecki, used by Goldman and Korba (op cit) and also by Kuron and Modzelwski in *An Open Letter to the Party*
- 4 Karel Cerny (of the Institute of Politics and Economics, Prague) in *East European Quarterly*, vol 3, no.3 p.346
- 5 Goldman and Korba, *ibid* p.41
- 6 According to Berend of the Hungarian Academy of Sciences, *ibid* p.83
- 7 The most famous example of this was probably when the effect of a large increase in fertiliser production in Russia was to a certain extent annulled by the shortage of paper bags to hold the fertiliser
- 8 Speech of 1 October 1968
- 9 *Financial Times*, 9 August 1971
- 10 *Ibid*
- 11 Quoted in *Financial Times*, 26 October 1971
- 12 *Financial Times*, 4 February 1972
- 13 *Economist Intelligence Unit, Quarterly Review, Czechoslovakia v Hungary*, 1972 vol 2
- 14 *SIPRI Year Book 1969*. However, total spending on arms is still probably at about half the Russian level. The Institute of Strategic Studies publication, *Military Balance*, suggests a level of 5-6 per cent of the GNP - about the British level of arms spending.
- 15 An investment boom would force up wages and raw material prices until further investment (or even completion of existing investments) became unprofitable. Producer goods industries would then find no outlet for their products and a general closing of factories, laying off of workers etc would follow. This pattern was only smoothed out when investible resources began to be diverted into channels which did not contribute to productive capacity of society - cf Michael Kidron, *Western Capitalism Since the War*. There are clear similarities between this classical cycle and the cycles which prevail in the state capitalist countries. Eastern bloc economists like Goldman and Korba have tried to deny this by arguing that 'in a capitalist economy deceleration is due, as a rule, to deficiency in effective demand, the opposite applies to a socialist economy'. But this would seem to ignore the cause of 'deficiency in effective demand' in the private capitalist economy - the bunching of new investment in such a way as to cause a temporary rise in wages and material costs and a temporary fall in the rate of profit (not to be confused with the long term decline in the rate of profit due to the changing organic composition of capital). For Marx's exposition of these points see *Capital*, vol 3, p.253
- 16 A point which is borne out by the behaviour of the Yugoslav economy, which has undergone reforms far greater than those considered anywhere else in Eastern Europe. The Yugoslav economist Branko Horvat has pointed out that 'the Yugoslav economy is significantly more unstable than any of the ten (major) economies . . . including the US'. He estimates that but for cyclical downturns in the economy, Yugoslavia's GNP would have grown 25 per cent more in the period 1952-67 than it actually did. cf B Horvat, *Business Cycles in Yugoslavia*, translated in *Eastern European Economics*, vol IX, no.3-4

FI 273

5:50 American

3 ^c Pol-Econ/Ind. Styles	Hyman - SA 73	
5 2 ¹ Marx-Eyebst Self-Actual	Pryor - SA 71	
2 ² Cash Nexus	Westward - 70	
3 ³ Prospects for 70's	Harris - 70	
3 ⁴ May Everts France	Mayeri - 69	1 - Origins
2 ⁵ Roots of Bureaucracy	Deutscher - 69	2 theory -
2 ⁶ Gramsci's Marxism	Merrington - 68	3 - Prospects
2 ⁷ On Marcuse	Satzman - 68	
2 ⁸ Party of the Party	Johansen - 67	
<hr/>		
3 ⁹ Peculiarities of Revolution	Walter O'Malley - 68	
1 ¹⁰ Peculiarities of Egypt	Alavi - 68	
3 ¹¹ Marxism	Thompson - 68	
1 ¹² Politics of Events	Deutscher - 67	
	Saville - 65	