

THE CASE OF EUGENE VARGA

by F. Forest

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On April 27, 1949 Varga, following a polemic that lasted for nearly three years, finally recanted. In confessing his mistakes, he had written that they "form an entire chain of mistakes of a reformist trend which naturally also means mistakes of a cosmopolitan trend because they beautify capitalism." He thus linked errors he committed more than three years ago to the most recent controversy around and purge of "homeless capitalists." And, with a platitudinous "better late than never", he now writes to write a new book, correcting the "falsehoods" in Changes in the Capitalist Economy as a Result of World War II, which was published in 1946 and which had brought about the attacks on him. This recantation follows by a little more than a month his letter to the editors of Pravda on March 15, 1949, in which he attacked the "organs of black reaction" for accusing him of being "a man of Western orientation" and "denying the possibility of a crisis of overproduction". Evidently the economists, led by Ostrovityanov who had hammered away at Varga for the period were dissatisfied with a mere denial of facts and demanded a full confession.

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Nevertheless, the recantation was not of the usual variety.

In the first place, this was the first time since the expulsion of Trotsky that Stalinist Russia had permitted a public debate to last so long a period. Needless to say, public debate did not mean that the workers could participate in the discussion. Let us not be so naive as to think that this sudden show of "democracy" did or would extend to the Russian masses, it must be stated most unambiguously that the one question upon which no one disagreed at any of the conferences or in any of the writings is: the role of labor. In this field the deceased Voronsensky had laid down the line and no deviation of any sort was tolerated. The mode of labor is to remain the same in the postwar period as during the war. The belt line system introduced then will prevail. Wages will continue to be based on a combination of bonus and progressive piece rates. In fact, it is clear beyond the peradventure of a doubt that the latest conference of the economist intelligentsia set a price for the beneficiaries of democracy: The intelligentsia is charged with working out "the perfection of a combined bonus and piecework system."

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What is behind the show of democracy for the intelligentsia can be seen from the actual state of the Russian economy. The

Soviet Union seems to be moving from one crisis to another, labor is restless and not highly productive, and the bureaucracy is nervous about it all. This explains the fact that it was not long after Voznessenaky seemed to have won his battle with the men of "Western orientation" ~~that the Institute of Economics~~ ~~was removed from the Political Bureau~~ that he himself was removed both as head of State Planning Commission and as member of Political Bureau.

Moreover, even while under fire, Varga had retained an authoritative post, ^{on the editorial board} becoming an editor of Ostrovityanov's Problems of Economy, which replaced Varga's World Economics.

Finally, the harsh criticism of Varga was tempered by an unheard of (for Stalinist Russia) "softness". Thus, in the first discussion where Varga's book was attacked, the statement that drew applause both from the critics and the defenders was ^{made by} Ostrovityanov ~~who chaired the conference~~ ^{who chaired the conference}:

"I think this is not a trial and Comrade Varga is not a defendant. Ours is a scientific discussion in which there is no need for prosecutors or advocates...I think it (the discussion) will be helpful also to its author himself in the task of further perfecting his book and further developing his creative work, in which we all unanimously wish him complete success."

It is important, therefore, to go into that dispute and see what was its focal point and in what respect it differs from and in what respect it is alike to the present recantation. The two chief criticisms of Varga's work centered around his insufficient emphasis on the significance of the "new democracies" on the one hand, and his overemphasis of the state's role in the economy of capitalist countries, on the other hand, not only as regards planning but also in allegedly being able to avoid crises for a decade after the war. The first error Varga readily admitted before the conference of "scientific workers" even opened, in an article in World Economics. At the formation of the Cominform, Zhdanov laid down the line on the "new democracies". He states that the development of the "new democracies" out of this war was comparable to the emergence of the Russian Revolution and the first workers' state out of the first World War. Moreover, he had concluded, it was possible to achieve "socialism" through the new democracies without recourse to revolution. Since not a single person at the conference of the Russian economists dared disagree with this line, it appeared as if the crux of the whole ~~discussion~~ discussion revolved around

the state's role in the economy. (The stenographic transcript of the discussion has been published in English by Public Affairs Press, Washington, D. C., \$3)

Varga kept emphasizing that when he described the state's role in capitalist economy as decisive, he had referred to its role "during the war". At the same time he maintained his position on the question of planning under capitalism:

"On this question we are frequently guided by the old position: we have a planned economy, but under capitalism anarchy of production reigns everywhere, always, without any difference. I think one cannot put the matter thus... During the war the state had the plan... Further, comrades, it must be said that at the given moment, in 1947, something like a 'state plan' of sorts has appeared in some capitalist countries. In England, for example, they determine how much coal, steel, etc. should be produced in the coming year, how much should be exported, etc."

Crises, concluded Varga, would burst forth as soon as overproduction reappeared, but that would not be for a long time.

Moreover, that was not the problem during the war since the state was the "chief customer" and the market was unlimited.

Varga's critics, in the person of one V. E. Motylyov, pointed out that Varga had abstracted himself from the class

struggle to such a degree that he had written of "the improvement of the methods of utilizing manpower in war time" when all he meant was "the lengthening of the working hours in all warring countries."

To appreciate the trends in Russian economic thought and understand what is behind the latest recantations, it is necessary to note also the contribution of one Maria Matarova Snit, who had almost caused the conference to move from a criticism of Varga to one of herself. The speech that provoked this turn of the discussion follows:

"The book," she began, referring of course to Varga's work, lacks an analysis of the great new changes connected with the transition from simple monopoly capitalism to state monopoly capitalism, as Lenin understood this transition."

She then proceeded to quote Lenin: "During the war, world capitalism took a step forward not only toward concentration in general, but also toward state capitalism in even a greater degree than formerly." (Collected Works, Rus., ed., XXX, p. 300) Snit concluded:

"Where Lenin unites the concept of 'state' and of monopoly, Comrade Varga seems to separate them; each exists by itself, and meanwhile in fact the process of coalescence of the state with monopolists manifests itself quite sharply at the present time in such countries as the U.S.A. and England."

Immediately V. V. Reichard rose and took sharp issue with her:

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"Imperialist is what Lenin elucidates. This is the stage of decay and death of capitalism, beyond which no new phase of capitalism follows...I think one should agree with Com. Varga who does not seek such a phase and does not try to establish a transition to such a phase."

Interestingly enough, Varga, in his rebuttal, tried to pacify the critics of Smit:

"Comrade Smit-Falkner tried to advance a new theoretical idea. I am an old-fashioned person and only after study of facts can I say whether there is a new phase or not. Perhaps there is, perhaps there is not. After all, the question here is one of terminology and not of substance."

No doubt Varga now thinks that the dispute is not one of terminology, but ^{would} of substance ~~terminology~~

~~he has recanted his position and admitted that it is not only~~

~~terminology but of substance.~~

The greatest significance of the recantation, however, is not so much

in what is said but in what is done. There is no doubt of the fact, for example, that in the ^{two year period since the discussion was held,} meanwhile the politics of Stalinist

Russia has undergone another zigzag, ^{of} changing from the Zhdanov line of head-on collision with the capitalist West to search

for a horse-trade with it. At the moment Russia is hurrying to "complete" its Fourth Five Year Plan ahead of schedule."

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