The Nature of the Russian Economy

A Contribution on the Discussion on Russia

(In Analysis of Russian Economy,[1] *which was made after an exhaustive study of all available data on the dynamics of the Five Year Plans, it was shown that the law of value dominated the Russian economy. This law expressed itself in two ways:* (1) *The production of means of production outdistances the production of means of consumption.* (2) *The misery of the workers increases, along with the increase in capital accumulation. No one has challenged this study based on official Russian documents, which, however, did not draw the inescapable conclusions. It is necessary, therefore, to draw fully and explicitly the conclusions implicit in the statistical analysis, which this author has always considered as Part I of her study of the* Nature of the Russian Economy.—*F. F.*

Introductory—"A Single Capitalist Society"

The profound simplicity of Marx's method of analysis of capitalist society revealed that, given the domination of the law of value, which is a law of the *world* market, a *given* society would remain capitalist even if one or all of several conditions prevailed: (1) the exchange between the subdivisions of the department producing means of production were effected *directly*,[2] that is, without going through the market; (2) the relationships between the department producing means of production and the one producing means of consumption were planned so that no ordinary commercial crises arose; and, finally, (3) even if the law of centralization of capital would reach its extreme limit and all capital were concentrated in the hands of "a single capitalist or . . . a single capitalist society."[3]

Precisely because Marx analyzed a pure capitalist society which has never historically existed, his analysis holds true for *every* capitalist society, *but only* for capitalist society. What Marx was primarily concerned with was not the abstraction, "a single capitalist society." His concern was with the fact that this extreme development would in no way change the law of motion of that society. He made this abstraction a point of analysis because by it the limitations of any individual capitalist society could be seen more clearly. The only basic distinction from the traditional capitalist society would be in the method of appropriation, not in the method or laws of production.

RUSSIAN STATE CAPITALISM: A GIVEN SINGLE CAPITALIST SOCIETY

I. The Mode of Appropriation

Since under the specific Russian state capitalism legal title to the means of production as well as the competitive market for such means have been abolished, how is appropriation achieved?

Inasmuch as private property in the means of production has been abolished in Russia, it is a deviation from the juridical concept to permit accumulation within any enterprise since the state aims to increase only "national capital." Nevertheless, with the establishment of "ruble control," enterprises were permitted to accumulate internally. In fact, incentives towards that interest in capital accumulation were created through the establishment of the Director's Fund. In 1940 internal accumulation comprised 32.5 per cent of capital investment![4]

1 Published in **The New International**, Dec. 1942, Jan. and Feb. 1943. This series will hereafter be referred to as Part I.

2 Cf. Karl Marx: **Theories of Surplus Value**, (Vol. II, Part II, p. 170, Russian ed.). The debates on this question within the Marxist movement are dealt with by this author in her **Luxemburg's Theory of Accumulation** in the **N. I.**, April and May 1946.

3 "In a given society, this limit [extreme centralisation] would be reached if all social capital were concentrated into the same hands whether those of an individual capitalist or those of a single capitalist society." —Karl Marx: **Capital**, Vol. I, p. 692, Eden and Cedar Paul translation; in the Kerr edition this appears on p. 688.

4 Cf. Part I, **N. I.**, Jan. 1943.

Because these agents of state capital do not have title to this accumulated capital, however, is production thereby governed by a different motive force?

1. Planning vs. the Average Rate of Profit

The Stalinists, in denying that Russia is a capitalist society, insist that the best proof of that is that Russia is not subject to "the law of capitalism: the average rate of profit." [5]

"The law of capitalism" is not the *average* rate of profit, but the *decline* in the rate of profit. The average rate of profit is only the manner in which the surplus value extracted from the workers is divided among the capitalists.[6] It is impossible to jump from that fact to the conclusion that "therefore" Russia is not a capitalist country. It is for this reason that the Stalinist apologists, with great deliberation, perverted "the law of capitalism" from the decline in the rate of profit to the achievement of an average rate of profit. With this revision of Marxism as their theoretic foundation, they proceeded to cite "proof" of Russia's being a non-capitalist land: Capital does not migrate where it is most profitable, but where the state directs it. Thus, they conclude Russia was able to build up heavy industry, though the greatest profits were obtained from light industry. In other words, what the United States has achieved through the migration of capital to the most profitable enterprises Russia has achieved through planning.

Profit, moreover, does not at all have the same meaning in Russia as it does in classical capitalism. The light industries show greater profit not because of the greater productivity of labor, but because of the state-imposed turn-over tax which gives an entirely fictitious "profit" to that industry. In reality, it is merely the medium through which the state, not the industry, siphons off anything "extra" it gave the worker by means of wages. It could not do the same things through the channel of heavy industry because the workers do not eat its products. That is why this "profit" attracts *neither* capital *nor* the individual agents of capital. That is the nub of the question.

Precisely because the *words*, profit and loss, have assumed a different meaning, the individual agents of capital do not go to the most "profitable" enterprises, even as capital itself does not. *For the very same reason* that the opposite was characteristic of classic capitalism: The individual agent's share of surplus value is greater in heavy industry. The salary of the director of a billion dollar trust depends, not on whether the trust shows a profit or not, but basically upon the magnitude of the capital that he manages.

State capitalism brings about a change in the mode of appropriation, as has occurred so often in the life span of capitalism, through its competitive, monopoly and state-monopoly stages. The individual agent of capital has at no time realized directly the surplus value extracted in his particular factory. He has participated in the distribution of national surplus value, to the extent that his individual capital was able to exert pressure on this aggregate capital. This pressure in Russia is exerted, not through competition, but state planning. But this struggle or agreement among capitalists, or agents of the state, if you will, is of no concern to the proletariat whose sweat and blood has been congealed into this national surplus value.[7] What is of concern to him is his relationship to the one who performs the "function" of boss.

2. Private Property and the Agents of Capital

It is neither titles to property nor motives of individuals that distinguishes different exploitive economic orders, but their method of production, or manner of extracting surplus labor. If it was the legal title to property that were basic, the Stalinists would be right in assuming, "Since there is no private property in Russia, there is no exploitation of man by man."

Behind the imposing façade of the "socialist economy," however, stands the "classless intelligentsia."[8] The specific weight of the upper crust of this ruling class, as we saw in Part I, comprises a mere 2.05 per cent of the total population!

The individuals who act as agents of the state and its industry are, of course, theoretically free to refuse to participate in the process of accumulation, just as a capitalist in the United States is free to sign away to the workers in his factory his legal title to the means of production. In the United States he would retire to Catalina Island, or, at worst, be sent to an insane asylum. In Russia he would be "liquidated." But he does not refuse. He acts exactly as the agent of capital that he is, as agent of the dead labor alienated from the worker and oppressing him. The class difference between the two, which the Russians euphemistically call "functional", is expressed outwardly, too, in no different manner than under traditional capitalism, where the one lives in luxury and the other in misery. It is true that in Russia the agent of capital does not "own" the factory. But personal property is recognized in the unlimited right to purchase interest-bearing bonds, sumptuous homes, *datchas*, and personal effects. State bonds, no matter how large the amount, are not subject to inheritance or gift tax. All forms of personal property can be left to direct descendants. Institutions of higher learning, the tuition fees of which make them inaccessible to the proletariat, welcome the children of these property-less factory directors, and this assures their offspring of good positions as befits the sons and daughters of the ruling class. This, however, is entirely incidental to the relationship in the factory.

It is not the caprice of bureaucracy nor the "will" of the individual capitalist in competitive capitalism that sets the wages of the workers. It is the law of value which dominates both.

The law of value, i.e., the law of motion, of the Russian economy has led to the polarization of wealth, to the high organic composition of capital, to the accumulation of misery at one pole and the accumulation of capital at the other. This is a given single capitalist society, an economy governed by the laws of world capitalism, originating in the separation of the laborer from control over the means of production.

But how could that arise when not only private property was abolished, but the capitalists were expropriated?

II. THE COUNTER-REVOLUTION (Emphasis 1935-1937)

Given, on the one hand, the environment of the world market, and, on the other hand, the failure of the advanced proletariat of Europe to make its revolution and thus come to the aid of the Russian proletariat, it was inevitable that the transitional stage between capitalism and socialism perish, and the law of value reassert its dominance. It is necessary, Lenin warned the last party congress at which he appeared, to examine squarely "the Russian and international market, to which we are subordinated, with which we are connected and from which we cannot escape."

The counter-revolution did not make a "formal" appearance, with arms in hand, and therefore it was hard to recognize it. Along with the bureaucratization of the apparatus and loss of political control over the state by the proletariat, the relations of production were undergoing a transformation. It was, in fact, the changing relations of production which laid the basis for the eventual consolidation of the bureaucracy as a class.

The initial changes in the relations of production appeared imperceptibly. The labor inspector failed to defend the workers' interests because, with the adoption of the First Five Year Plan, all enterprises became state enterprises and automatically were labeled "socialist." The leaders of the trade unions who displaced, first the Left Oppositionists, and then the Tomsky leadership, were all too ready to speak out against any "right wing unionistic tendencies" of those who put their welfare above those of the "socialist" economy. When, in 1931, the state told the worker he could not change his job without permission of the

5 Cf. "Teaching of Economics in the Soviet Union" American Economic Review, Sept. 1944, p. 526).

6 "A single capitalist, as is well known, receives in the form of profit, not that part of the surplus value which is directly created by the workers of his own experience, but a share of the combined surplus value created through the country proportionate to the amount of his own capital. Under an integral 'state capitalism', this law of the equal rate of profit would be realized, not by devious routes—that is, competition among different capitals—but immediately and directly through state bookkeeping."—L. Trotsky: Revolution Betrayed.

7 "It is immaterial to the laborer, whether the capitalist pockets the whole profit, or whether he has to pay over a part of it to some other person, who has a legal claim to it. The reason for dividing the profit among two kinds of capitalists thus turns surreptitiously into reasons for the existence of surplus value to be divided, which the capital as such draws out of the process of reproduction, quite apart from any subsequent division."—Marx: Capital, Vol. III, p. 448.

8 Cf. Part 1, New International, Feb. 1946.

director of the plant in which he worked, the trade unions had to acquiesce. When the worker's ration card and his right to living space were placed in 1932 in the hands of the factory director, the trade unions hailed the step as a necessity for establishing "labor discipline." The Workers Production Conferences, established by the early workers state so that every worker "to a man" might participate in the management of the economy, seldom convened. In 1934 the trade unions were made part of the administrative machinery of the state.

But the final divorce of labor from control over the means of production could not be achieved merely by legal enactment, any more than the constitutional dictum that the means of production belonged to the "whole nation" could give the workers automatic control over them. Stalin saw early that the dual nature of the economy violently shook his rule, now to one extreme, now to the other. In his address to the directors of industry, he issued the slogan: "Let there be an end to depersonalization." This, translated in industrial terms, read, "Better pay for better work." "Better pay for better work" needed a foundation, a piecework system that could gain momentum only with such a momentum as Stakhanovism, which arose in 1935.[9]

1. Stakhanovism and the Stalinist Constitution

The high organic composition of capital in advanced capitalist countries, which makes necessary a comparable technical composition in any single society, demands sacrifice in the sphere of the production of articles of mass consumption. That the resulting distribution of the scarce means of consumption is at the expense of the proletariat as a whole is only the "natural" result of value production. This, in turn, engenders a certain relationship which gives the impulse to the capitalistic movement of the economy. The "underconsumption" of the workers in a capitalist society is not merely a moral question. It is of the essence of Marxism, that once the workers are in that situation, the relationship of constant to variable capital moves in a certain direction. This is the hardest point for the petty bourgeois to understand.

The piecework system was declared by Marx to be best suited to the capitalist mode of production. The Stakhanovite piecework system was best suited to the mode of production prevalent in Russia. These record-breakers-for-a-day soon entered the factory—not through the back door, but through the front office—because they themselves occupied that front office. The politician bureaucrat found an "heir apparent" in this "production intelligentsia." Both groups soon fused to comprise the new "classless intelligentsia."

Stakhanovism made possible the development of a labor aristocracy. But not merely that. A labor aristocracy meant a better prop for the ruling clique. But not merely that either. No, as master over the production process, with Stakhanovism as a base and nourishing soil for "heirs" to bureaucrats, the bureaucracy began to feel the stability of a class. Feeling the stability of a class and having a source of reinforcement from the managers of industry, the bureaucracy moved headlong toward the juridical liquidation of the dictatorship of the proletariat. To legitimize the counter-revolution against October, the new class needed a new constitution.

The Stalinist Constitution of 1936 recognized the intelligentsia as a special "group," distinct from workers and peasants. With this juridical acknowledgment of the existence of a new ruling class went the guarantee of the protection of state property form "thieves and misappropriators."

Moreover, the Constitution raised into a principle the Russian manner of payment of labor. The new slogan read: "From each according to his abilities, to each according to his labor." This seemingly senseless slogan is in reality only a method of expressing the valid capitalist law of payment of labor according to value. To guarantee the free functioning of this truly economic law, it became necessary to exterminate the remnants of the rule of October, even if it were only in the memory of some men.

2. The Moscow Trials

The Moscow Trials of 1937 were the culminating point to the counter-revolution that we saw developing early in the changed relations of production. A hangman's noose, rather than arms in hand, sufficed because only one of the parts to this conflict was armed. The October Revolution was exterminated and the proletarian state overthrown not only by the execution of the Old Bolsheviks who led it, but by clearing a place in the process of production for the new class. That place could have been cleared for that "classless intelligentsia" only when there *existed* such a class only where the method of production called it forth.

The Russian worker knows that the job of factory director is not, as the Russians put it euphemistically enough, merely "functional." The factory director behaves like a boss because he *is* a boss. The state bears no more resemblance to a workers' state than the president of the U. S. Steel Corp. does to a steel worker just because they are both "employees" of the same plant. The Counter-Revolution has triumphed.

Yet it was not the laws that caused the triumph of the counter-revolution. The accumulation of these laws only bears witness to the accumulation of changes in the role of labor in the Soviet state and in the process of production.

The Counter-Revolution is not the child, not even an illegitimate one, of "Bolshevism." The Counter-Revolution is the legitimate offspring of the "new" mode of production, out of Stalinism and fired by the imperialist world economy. It is this method of production, and not the legal enactments, that needs, above all, to be investigated. In this investigation we will find that, as in any capitalist economy, the two major contending forces are capital and labor.

III. LABOR

"The economic laws of such a régime (state capitalism) would present no mysteries."—Leon Trotsky.[10]

The inner essence of the Marxian theory of value, and hence of surplus value, is that labor power is a commodity bought at value.

Up until 1943, the Soviet theorists had denied that the law of value, the dominant law of capitalist production, functioned in Russia where socialism had been "irrevocably established." In 1943, however, a startling reversal of this position was published in the leading theoretical journal of that country, *Pod Znamenem Marxizma*.[11] The authors of this article state that the teaching of political economy is being resumed after a lapse of several years, and offer the teachers rules to follow in their "teaching" of political economy. Even a superficial glance at the article reveals, however, that it is not the teaching that is being reversed, but the political economy taught.

The Stalinist ideologists affirm that the denial of the operation of a law of value in Russia has "created insurmountable difficulties in explaining the existence of such categories [as money, wages, etc.] under socialism." Now the admission that the law of value operates must bring with it the further admission that the law of surplus value operates. Like all apologists for ruling classes, this admission they refuse to make. This then, is their dilemma, which does not concern us here.[12] What does concern us here is the admission that the law of value does in fact function in Russia, and that money is therefore the "price expression of value."

1. Value and Price

As in all capitalist lands, so in Russia, money is the means through which prices and wages are equated in the supply and demand for consumption goods, that is to say, the value of the worker is equal to the socially-necessary labor time that is incorporated in the means of subsistence necessary for his existence and the reproduction of his kind. So long as the production of means of consumption is only sufficient to sustain the masses, prices will irresistibly break through legal restrictions until the sum of all prices of consumption goods and the sum of wage payments are equal. Price-fixing in Russia established neither stabilization in prices of goods nor of wages. The abolition of rationing in 1935 brought about so great an increase in prices that the worker who had eked out an existence under the very low rationed prices, could not exist at all under the "single uniform prices." The state was therefore compelled to grant general

9 Cf. Part I (section on "Ending Depersonalization and Creating Stakhanovism"), N. I., Feb. 1943, pp. 53-54.

10 Revolution Betrayed, p. 245.

11 Under the Banner of Marxism, No. 7-8, 1943. Russian. For English translation see "Teaching of Economics in the Soviet Union" in the American Economic Review, Sept. 1944.

12 For an analysis of how they attempt to solve their dilemma, see commentary of Raya Dunayevskaya to the above article, published in same issue of A. E. R., under title, "A New Revision of Marxian Economics." The attacks upon this from the Stalinist apologists in this country were published by that journal in the following three issues, and Dunayevskaya's rejoinder, "Revision or Reaffirmation of Marxism," appeared in the Sept. 1945 issue.

increases in wages, so that by the end of the Second Five-Year Plan wages were 90 per cent above that planned.

The erroneous concept that because prices are fixed by the state, they are fixed "not according to the law of value, but according to government decision on 'planned production'"[13] fails to take into consideration the *economic* law that dominates prices. Even a casual examination of any schedule of prices in Russia will show that, giving consideration to deviations resulting from the enormous tax burdens on consumers goods, *prices are not fixed capriciously and certainly not according to use-values*, but exhibit the same differentials that prevail in "recognizably" capitalist countries, i.e, *prices are determined by the law of value.*[14]

2. Labor: "Free" and Forced

Time is of the essence of things in a society whose unit of measurement is socially-necessary labor time, whose mode of existence is enveloped in technological revolution, and whose appetite for congealed surplus labor is *from* its very nature insatiable. The machine age has therefore passed this wisdom on to its trustees, the bourgeoisie: Use "free labor" if you wish the wheels of your production to turn speedily.

As if to prove that they are not "really" capitalists, the Russian rulers ignored this elementary wisdom and attempted to turn wage slaves into outright slaves through legislative enactment. At the lowest point of production in 1932 when the whole régime was tottering and labor was turbulently restless, a law was enacted which transferred the workers ration card into the hands of the factory director who had the right both to fire the worker and evict him from his home for even a single day's absence. This statute failed to fulfill the desired end. Labor would not come to industry and when it did come, it left soon, after producing as little as possible. Since industry needed labor the factory director "forgot" to fire the worker for absence and slowups in production. By 1933 the crisis in agriculture and consequent unemployment and actual famine caused such an inflow of labor to the city as to permit the managers of industry to discipline labor through "natural" bourgeois methods. What the reserve army of labor accomplished in 1933, the speed-up and piecework system of Stakhanovism accomplished in 1935.

These "natural" methods brought about natural results: the class struggle. The simmering revolt among the workers, which was ruthlessly crushed during the staging of the Moscow Trials, only produced further chaos in production and a mass exodus of the workers from the city. In 1938 the state grew desperate. The 1932 law was revived and "improved upon." This still proved fruitless. In 1940 came the creation of the State Labor Reserves, and with it came the institution of "corrective labor": workers disobeying the laws were made to work six months with 25 per cent reduction in pay.

Because the state is in their power, the rulers think that it is within their power to coerce labor by non-economic means to obey the needs of value production. Statification of production has resulted in restricting the free movement of workers. It has not achieved the increase in labor productivity required by constantly expanding production.

There is this constant pull and tug between the needs of production for highly productive labor which means "free" labor, and the resort to legislative enactment to bring this about in hot-house fashion. On the one hand, several million workers end up in prison camps as forced laborers. On the other hand, many are released back to join the "free" labor army. The phenomenon of "corrective labor" is the result of a compromise between the resort to prison labor, and the need to get some sort of continuous production right within the factory.

Labor, too, has shown ingenuity. Where it cannot openly revolt, it either "disappears," or so slows up production that in 1938 production was lower than in 1935! There have been periods when the *rate* of increase has been at a practical standstill, and all the while labor turnover continues to be very high.[15] So widespread were the labor offenses during the war that the state has found that it must disregard its own laws if it wishes to have sufficient labor to begin to put the Fourth Five-Year Plan in effect. It has therefore declared a general amnesty for all labor offenders.

Thus while the state has found that it cannot by legal enactment transform wage slaves into outright slaves, the worker has found that he has the same *type*[16] of "freedom" he has on the capitalist competitive market: that is, he *must* sell his labor power if he wishes to get his means of subsistence.

3. Unemployment and the Growing Misery of the Workers

Just as labor power being paid at value is the supreme essence of the law of value, so the reserve army of labor is the supreme essence of the law of the preponderance of constant over variable capital. The greater expansion of production, it is true, has meant the *absolute* increase in the laboring army, but that in nowise changes the fact that the law governing the attraction and repulsion of labor to capital is that of the *decrease* of living labor as compared to constant capital. It is for this reason that Marx called the unemployed army "the general absolute law of capitalist production."

In Russia unemployment has officially been abolished since 1930. In 1933, however, it was revealed, as the Russians so delicately put it, that "there are *more workers* in the shops than is necessary according to plans." The influx from the famished countryside was, in fact, so great that labor passports had to be introduced and anyone without a passport was not permitted to live in the large cities. Stakhanovism in 1935 and the gory Moscow frame-up trials in 1937 changed the picture in the opposite direction. There was a mass exodus from the city to the country. The 1939 census revealed that 67.2 per cent of the total population was rural, and that of the 114.6 million rural dwellers 78.6 millions were peasants. To find so overwhelming a percentage of the population in agriculture in the United States we would have to go back to a period before the American Civil War!

Russia is backward, but is it that backward? The productivity of labor there is very low, but is it that low? Or is it rather that the unemployed army hides out in the countryside? That the latter is the true situation was revealed by the "Great Leader" himself when, in announcing the creation of State Labor Reserves, he appealed to the kolkhozy for their surplus labor. "The kolkhozy have the full possibility," said Stalin, "to satisfy our request inasmuch as abundance of mechanization in the kolkhozy frees part of the workers in the country...."

It has been impossible for Russia, as it has for traditional capitalism, to avoid unemployment over a historic period, because this single capitalist society is straining every nerve to bring its plants to the level of the more advanced productive systems and the only way to do this is to use as little living labor as possible to produce as much value as possible. It is for this reason that Russian state capitalism has had to base its entire calculation, not on the amount of labor time, as in a transitional society, but basically on wages, that is to say, upon the value of the worker. This has been further aggravated by the backwardness of the Russian economy so that we meet there the extre condition to which Marx pointed in Volume III of *Capital*.[17] In order to obtain sufficient surplus value to increase production, part of the agricultural population receives payment as a family unit.[18]

The conditions of the workers have constantly deteriorated. Since the initiation of the Five-Year Plan, the real wages of the workers, as I have shown in part, have declined by half! That is not at all accidental. It is the inevitable consequence of the law of motion of that economy which had resulted in so high an organic composition of capital. Accumulation of misery for the class that produces its products in the form of capital necessarily flows from the accumulation of capital.

IV. CAPITAL

Capital, said Marx, is not a thing, but a social relation of production established through the instrumentality of things. The instrumentality which establishes this exploitive relationship is, as is well known, the means of production alienated from the direct producers, i.e., the proletariat, and oppressing them. The capitalist's mastery over the worker is only the "mastery of dead over living labor." The material mani-

13 Cf. Kent in the **New International**, Oct. 1941.

14 This has finally been admitted by the Stalinists. In the above cited thesis, they write: "Cost accounting, which is based on the conscious use of the law of value, is an indispensable method for the human management of the economy under socialism. Value of the commodities in a socialist (sic!) society is determined not by the units of labor expended in its production, but upon the quantity of labor socially necessary for its production and reproduction."

15 See Part I (section on "The Workers and the Law"), **New International**, Feb. 1943, pp. 52-3.

16 The same type of "freedom", Franz Neumann shows, existed for the German worker in Nazi Germany. Cf. his Behemoth.

17 p. 273.

18 Earning statistics are "per peasant household." Population statistics "per family unit" hold hide child labor. Cf. Part I, **New International**, Feb. 1943.

festation of this greater preponderance of constant over variable capital is the preponderance in the production of means of production over means of consumption. In capitalist society it cannot be otherwise for the use values produced are not for consumption by workers or capitalists, but by capital, i.e., for productive consumption or expanded production. The greater part of the surplus value extracted from the workers goes back into this expanded production.

The Russian exploiters are so well aware of the fact that surplus value, in the aggregate, is uniquely determined by the difference between the value of the product and the value of labor power, that the Plan for 1941 stipulated openly that the workers are to get a mere 6.5 per cent rise in wages for every 12 per cent rise in labor productivity.

"This proportion between labor productivity and average wage," brazenly proclaimed Voznessensky, "furnishes a basis for lowering production cost and increasing socialist (!) accumulation and constitutes the most important condition for the realization of a high rate of extended production." [19]

1. The Production of Means of Production at the Expense of the Production of Means of Consumption.

The huge differential between labor productivity and labor pay goes into expanded production at a stupendous rate. According to Voznessensky, the Chairman of the State Planning Commission, 152.6 billion rubles were invested in plant and capital equipment from 1929 to 1940. Of the entire national income in 1937, 26.4 per cent was expanded in capital goods. The plan for 1942 had called for an estimated 28.8 per cent of the national income to be invested in means of production. Some idea of the rate at which production goes into capital goods in Russia may be gained from the fact that in the United States, during the prosperous decade of 1922-1932, only 9 per cent of the nation's income was utilized for expansion of means of production.

At the time the Plans were initiated, the production of means of production comprised 44.3 per cent of total production, and production of means of consumption 55.7 per cent. By the end of the First Plan, this was reversed, thus: means of production, 52.3 per cent; means of consumption, 46.7 per cent. By the end of the Second Five-Year Plan, the proportions were 57.5 per cent to 42.5 per cent. By 1940 it was 61 per cent means of production to 39 per cent means of consumption. This is true of contemporary world capitalism.

The slogan "to catch up and outdistance capitalist lands" was the reflection of the compelling motive of present world economy: who will rule over the *world* market? Therein lies the secret of the growth of the means of production at the expense of means of consumption. Therein lies the cause for the living standards of the masses growing worse despite the "state's desire" for what it called "the still better improvement of the conditions of the working class."

[19] Cf. "The Growing Prosperity of the Soviet Union," by N. Voznessensky.

The fundamental error of those who assume that a single capitalist society is not governed by the same laws as a society composed of individual capitalists lies in a failure to realize that what happens in the market is merely the consequences of the inherent contradictions in the process of production. A single capitalist society does not have an illimitable market. The market for consumption goods, as we showed, is strictly limited to the luxuries of the rulers and the necessaries of the workers when paid at value. The innermost cause of crisis is that labor, in the process of production and not in the market, produces a greater value than it itself is.

But wouldn't it be possible to raise the standard of living of the workers (not of some Stakhanovites, but of the working class as a whole) if all capital is concentrated in the hands of the state?

What a grand illusion? The moment that is done, the cost of production of a commodity rises above the cost of the surrounding world market. Then one of two things happens: Production ceases because the commodity cannot compete with the cheaper commodity from a value-producing economy, or, even though the society insulates itself temporarily, it will ultimately be defeated by the more efficient capitalist nations in the present form of capitalist competition which is total imperialist war.

Our specific single capitalist society has achieved some highly modern factories, and a showy subway, but it has not stopped to raise the living standards of the masses of workers. It cannot. Capital will not allow it. Because of this the economy is in constant crisis.

2. Crises, Russian Brand

The value of capital in the surrounding world is constantly depreciating which means that the value of capital inside the capitalist society is constantly depreciating. It may not depreciate fully on the bureaucrats' books. However, since the real *value* of the product can be no greater than the value of the corresponding plant on the world market, the moment the Ford tractor was put alongside the Stalingrad tractor, the state had to reduce the price of its own brand. This was the case in 1931 when Russia, while importing 90 per cent of the world's production of tractors, sold its own below cost.

However, of greater importance—and therein lies the essence of Marx's analysis of all economic categories as social categories—is the fact that, no matter what values may appear on the books, the means of production *in the process of production* reveal their true value in their relationship to the worker. That is to say, if an obsolescent machine was not destroyed but continued to be used in production, the worker suffers the more since the overlord of production still expects him to produce articles at the socially-necessary labor time set by the *world* market.

As long as planning is governed by the necessity to pay the laborer the *minimum* necessary for his existence and to extract from him the *maximum* surplus value in order to maintain the productive system as far as possible within the lawless laws of the world market, governed by the law of value, that is how long capitalist relations of production exist, no matter what you *name* the social order. It has thus been absolutely impossible for Stalin, Inc. to guide the productive system without sudden stagnation and crises due to the constant necessity of adjusting the individual components of total capital to one another and to the world market. He has avoided the ordinary type of commercial crises. But, on the other hand, when the crises came, they were more violent and destructive. Such was the case in 1932. Such was the case in 1937. And one is brewing now.

The Fourth Five-Year Plan is being initiated in the midst of a new purge wave, at a time when the country has suffered a loss of 25 per cent of capital equipment on the one hand, and of 25 million homes on the other. And, towering above all these now that "peace" has arrived, is the need to keep up with the latest and greatest discovery of atomic energy. All this keeps the Russian economy in a constant state of turmoil. Behind this turmoil is the law of value, and hence of surplus value, which cause world capitalism in decay to writhe. If this law, in its essence and in its essential manifestations, is *dominant* also in Russia, what kind of society can it be but capitalist?

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(Part two will appear next month)

with the method of social revolution and not by capitalists with the method of trustification."[20]

It is true, of course, that *historically* state property appeared as *workers'* state property, but that is no reason to identify the two, and in no way justifies Trotsky's transformation of that historic fact into a theoretic abstraction.

1. History and Theory

In the early years of existence of the Soviet state, Lenin fought hard against those who, instead of looking at "the reality of the transition," had tried to transform it into a theoretic abstraction. In the trade union dispute with Trotsky[21] Lenin warned the latter not to be "carried away by... abstract arguments" and to realize that it was incorrect to say that since we have a workers' state, the workers primary concern should be with *production*. Lenin insisted that the workers had a right to say:

"...you pitch us a yarn about engaging in production, displaying democracy in the successes of production. I do not want to engage in production in conjunction with such a bureaucratic board of directors, chief committee, etc., but with another kind."[22]

We must not forget, Lenin continued, that "All democracy, like every political superstructure in general (which is inevitable until classes have been abolished, until a classless society has been created) in the last analysis serves production and in the last analysis is determined by the production relations prevailing in the given society."[23]

This stress on the primacy of production relations in the analysis of a social order runs like a red thread through all of Lenin's writings, both theoretically, and in the day-to-day analysis of the Soviet Union. In his dispute with Bukharin on the latter's *Economics of the Transition Period*, he strenuously objected to Bukharin's assumption that the capitalist production relations could not be restored and therefore his failure to watch the actual *process of development* of the established workers state. Where Bukharin had written: "Once the destruction of capitalist production relations is really given and once the theoretic impossibility of their restoration is proven..." Lenin remarked: "'Impossibility' is demonstratable only practically. The author does not pose *dialectically* the relation of theory to practice."[24]

So far as Lenin was concerned, the dictatorship of the proletariat, since it was a transitional state, could be transitional "either to socialism or to a return backwards to capitalism," depending upon the historic initiative of the masses and the international situation. Therefore, he held, we must always be aware that (1) *internally* there was "only one road...changes from below; we wanted the workers themselves to draw up, from below, the new principles of economic conditions"[25]; and (2) *externally*, we must never forget "the Russian and international markets with which we are connected and from which we cannot escape." All we can do there is gain time while "our foreign comrades are preparing thoroughly for their revolution."

After the death of Lenin, Trotsky himself was the first to warn against the possibility of the restoration of capitalism. Not only did he insist that an unbridled continuance of the NEP would bring about the restoration of capitalism "on the installment plan," but even after private concessions were abolished and national planning instituted, he mercilessly castigated the Left Oppositionists who used this as a reason to capitulate. He subscribed to Rakovsky's statement:

"The capitulators refuse to consider what steps must be adopted in order that industrialization and collectivization do not bring about results opposite to those expected.... They leave out of consideration the main question: what changes will the Five-Year Plan bring about in the *class relations in the country*."[26]

Rakovsky saw that the conquests of October would not remain intact if economic laws were permitted to develop by any other plan than one in which the workers themselves participated, for only the proletariat could guide it into a direction advantageous to itself. That is why he warned prophetically that a ruling class other than the proletariat was crystallizing "before our very eyes. The motive force of this singular class is the singular form of private property, state power."[27]

This clarity of thought and method of analysis were buried in the process of transforming statified property into a fetishism.

2. The Fetishism of State Property

Trotsky continued to speak of the possibility of a restoration of capitalist relations, but it was always something that *might* or *would* happen, but not as a *process* evolving "before our very eyes." The reason for this is two-fold: Firstly, the counter-revolution in Russia did not come in the manner envisaged by the founders of the proletarian state. That is, it came neither through military intervention, nor through the restoration of private property. Secondly, the victory of fascism in Germany presented a direct threat to the Soviet Union. Thus precisely when history demonstrated that statification of production can occur by counter-revolutionary means as well as by revolutionary methods, the concept of statified property=workers state was transformed into a fetishism!

We did call for the formation of new proletarian parties everywhere, including Russia. But our break from the past was not clean-cut. Our turn was stopped short by the elaboration of a new theory, to wit, that the building of a proletarian party aiming for power in Russia aims, not for *social*, but

20. Revolution Betrayed, pp. 247-8

21. Trotsky's position does not, unfortunately, exist in English. It can be found in Russian, along with all other participants in the dispute, including Shlyapnikov, in: The Party and the Trade Unions, ed. by Zinoviev. Lenin's position has been translated into English and can be found in his Selected Works, Vol. IX, to which work we refer.

22. Ibid, p. 19.

23. Ibid, p. 53.

24. Lenin's Remarks on Bukharin's The Economics of the Transition Period (in Russian, in his Leninski Sbornik, No. 11).

25. Selected Works, Vol. VII, p. 277.

26. Opposition Bulletin, No. 7, 11-12/29. Russian.

27. Ibid, No. 17-18, 11-12/30.

PART II

Trotsky dismissed the idea that Russia might be a state capitalist society on the ground that, although *theoretically* such a state was conceivable, in reality:

"The first concentration of the means of production in the hands of the state to occur in history was achieved by the proletariat

only for *political* power.

Like all fetishisms the fetishism of state property blinded Trotsky from following the course of the counter-revolution in the relations of production. The legitimization of the counter-revolution against October, the Stalinist Constitution, Trotsky viewed merely as something that first "created the political premise for the birth of a new possessing class." As if classes were born from political premises! The macabre Kremlin purges only proved to Trotsky that "Soviet society organically tends toward the ejection of the bureaucracy!"[28] Because to him Stalinist Russia was still a workers' state he thought that the Moscow Trials weakened Stalinism. Actually, they consolidated its rule.

The dilemma created by continuing to consider Russia a workers' state is not resolved by calling the bureaucracy a caste and not a class. The question is: what is the role of this group in the process of production? What is its relationship to the workers who operate the means of production? Calling the bureaucracy a caste and not a class has served as justification for remaining in the superstructural realm of property. This has only permitted exploiters to masquerate as mere plunderers. How far removed is that from the petty bourgeois concept that the evils of capitalism come not from the vitals of the capitalist system, but as a product of "bad capitalists"!

In her struggle against reformism, Luxemburg brilliantly exposed what the transformation of the concept of capitalist from "a category of production" to "the right to property" would lead to:[29]

"By transporting the concept of capitalism from its productive relations to property relations, and by speaking of simple individuals instead of speaking of entrepreneurs, he [Bernstein] moves the question of socialism from the domain of production into the domain of relations of fortune —that is, from the relation between Capital and Labor to the relation between poor and rich."

Trotsky, on his part, substitutes for analysis of the laws of production, an analysis of the distributive results. Thus he writes:

"The scarcity in consumers goods and the universal struggle to obtain them generate a policeman who arrogates to himself the function of distribution."[30]

But what produces the "scarcity of consumers goods"? It is not merely the backwardness of the economy since the same backwardness has not prevented Russia from keeping, approximately, pace with advanced capitalist lands in the production of means of production. The relationship of means of production to the means of consumption, characteristic of capitalism generally, including Russia, is: 61:39. That, and not the "scarcity of consumers goods" is the decisive relationship. That is so because this relationship is only the material reflection of the capitalist's domination over the laborer through the mastery of dead over living labor.[31]

To Trotsky, however, the existence of nationalized property continued to define Russia as a workers' state because, to him, "the property and production relations established by October" still prevailed there.

Which relations: production or property? They are not one and the same thing. One is fundamental, the other derivative. A property relation, which is a legal expression of the production relation, expresses that relationship, sometimes correctly and sometimes incorrectly, depending upon whether the actual production relationship has been validated by law. In periods of revolution and counter-revolution, when the actual production relations undergo a transformation while the legal expressions are still retained in the laws, production relations cannot be equated to property relations without equating revolution to counter-revolution!

The Marxian law of value is not merely a theoretic abstraction but the reflection of the actual class struggle. The correlation of class forces in Russia in 1917 brought about the statification of production through the method of proletarian revolution. But, as Engels long ago noted, statification in and by itself, "does not deprive the productive forces of their character of capital":

"The more productive forces it [the modern state] takes over, the more it becomes the real collective body of all the capitalists, the more citizens it exploits. The workers remain wage-earners, proletarians. The capitalist relationship is not abolished; it is rather pushed to an extreme. But at the extreme it changes into its opposite. State ownership of productive forces is not the solution of the conflict, but it contains within itself the technical conditions that form the elements of the solution."[32]

Neither the particular method of achieving statification—socialist revolution—nor the creation of the "technical conditions which form the elements of the solution" to the conflict of capital and labor could assure the real abrogation of the law of value, once the Russian Revolution remained isolated. However, the isolation of the Russian Revolution did not roll history back to 1913. Just because the bourgeois revolution was accomplished by the proletariat who proceeded to make of it a socialist revolution, the bourgeois revolution, too, was accomplished with a thoroughness never before seen in history. It cleared away centuries-old feudal rubbish, nationalized the means of production and laid the basis for "the technical conditions" for socialism. Hence the power of Russia today.

However, socialism cannot be achieved except on a world scale. The socialist revolution is only the beginning. The greater and more arduous task of establishing socialist relations of production begins *after* the conquest of power. That task, as the leaders of October never wearied of stressing, cannot be accomplished within the confines of a single state. Without the world revolution, or at least the revolution in several advanced states, the law of value reasserts itself. The new "technical conditions" began to dominate the Russian laborer, once he lost whatever measure of control he had over the process of production. *In this unforeseen manner, Marx's theoretical abstraction of "a single capitalist society" became a historic reality.*

Since then Germany had achieved the statification of production through fascist methods; Japan through totalitarian methods began its Five-Year Plans. Both these methods are the more recognizable capitalist methods of achieving the extreme limit of centralization. Since World War II Czechoslovakia has achieved statification through "democratic" means. No one, we trust, will call it a "workers' state," degenerate or otherwise. What then happens to the identification of statified property with workers' statism? It falls to the ground. So false to the roots was that method of analysis of the nature of the Russian state and the policy of unconditional defensism which flowed from it that it led the Man of October to call for the defense of Russia at a time when it was already participating in an imperialist war as an integral part of it!

3. Bureaucratic Imperialism and Bureaucratic Collectivism

The counter-revolutionary role of the Red Army in World War II has shaken the Fourth International's theory of Russia. A break with the policy of unconditional defense was made inevitable. But how explain the imperialist action of the Army of a "workers' state," though degenerate it be? Daniel Logan searches seriously for the answer:

"However," he writes, "the Stalinist bureaucracy manages the Soviet economy in such a way that the yearly fund of accumulation is greatly reduced.... Thus, the bureaucracy finds itself forced, lest the rate of accumulation fall to a ridiculously low level or even become negative, to plunder means of production and labor power, everywhere it can, in order to cover the cost that its management imposes on Soviet economy. The parasitic character of the bureaucracy manifests itself, as soon as political conditions permit it, through imperialist plundering."

His explanation has all the earmarks of confinement within Trotsky's theory of Russia as a workers' state bureaucratically managed. The error in it reveals most clearly that it is not so much an error of fact as an error in methodology. It is not true that the yearly fund of accumulation is greatly reduced; on the contrary, despite usual periods of stagnation, it is growing. Within the stifling atmosphere of degenerated workers' statism, however, it was natural to identify the decrease in the *rate* of accumulation with the decrease in the yearly fund because to grasp clearly the distinction between the two would have meant to be oppressively aware of the fact that decrease in the rate of accumulation is characteristic of the whole capitalist world. It is a result, not of the bureaucratic management of the economy, but of the law of value and its concomitant tendency of the rate of profit to decline.

It is not "the parasitic character of the bureaucracy" that causes the decline any

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28. In Defense of Marxism, p. 13.
29. Reform or Revolution, pp. 31-32.
30. In Defense of Marxism, p. 7.
31. The whole dispute on Marxist fundamentals within our party has centered precisely on this relationship. Cf. the following Workers Party Bulletin: Production for Production's Sake by J. R. Johnson; The Mystification of Marxism by J. Carter; and A Restatement of Some Fundamentals of Marxism by F. Forest.
32. Anti-Duhring, pp. 312-3.

more than the growth in the rate of accumulation in the early stages of world capitalism was caused by the "abstinence" of the capitalists. The present world decline, which is the reflection of *the falling relation of surplus value itself to total capital*, is a result of what Marx called "the general contradiction of capitalism." This general contradiction, as is well known, arises from the fact that labor is the only source of surplus value and yet the only method of getting ever greater masses of it is through the ever greater use of machines as compared to living labor. This causes at one and the same time a centralization of capital and a socialization of labor; a decline in the rate of profit and an increase in the reserve army of labor.

The decline in the rate of profit brings to the overlords of production the realization that the method of value production carries within it the germ of its own disintegration and sends them hunting for "counter-acting measures." They plunge into imperialism, go laboriously into statification of production, or into both. Imperialist plundering is just as much caused by the objectives of value production.

Trotsky left the Fourth International a dual heritage: the Leninist concept of the world proletarian revolution and a Russian position which contained the seeds of the present dilemma and disintegration. The Fourth International, trapped in his Russian position, wishes to escape its logical political conclusions, but wishes to do so without breaking with Trotsky's premises. That, it will find, is impossible.

Trotsky always insisted that the virtue of the nationalized economy was that it allowed the economy to be planned. The adherents of Trotsky's defensism continue to see in the perpetual degeneration some progressive element of planning. Others who have broken with defensism (including both those who expound the theory of bureaucratic imperialism on the one hand, and bureaucratic collectivism on the other hand), still remain prisoners of Trotsky's basic method of analysis. This method, in fact, paved the way for bureaucratic collectivism, although Trotsky himself considers it a theory of "profoundest pessimism."

Basing itself upon Trotsky's characterization of nationalized property as progressive, the Workers Party has labelled Russia a bureaucratic collectivist society, a part, though mongrelized, of "the collectivist epoch of human history."[33] To this collectivism has now been added the concept of "slave labor" as the mode of labor characteristic of the bureaucratic collectivist mode of production.

What is the relation of this "slave labor" to the economic movement of this "new" society? What social development would lead these "slaves" to revolution? What distinguishes them from capitalist proletarians, in, say, a fascist state? What are the problems (if any), of accumulation?

All these questions remain unanswered, and indeed it would be difficult to make any coherent theory of a social order which is part of the collectivist epoch of human society but rests on slave labor. Beginning with their theory as applicable only to Russia, some of the proponents of bureaucratic collectivism now threaten to cast its net over the whole of modern society. This could only end, as Trotsky pointed out, in the recognition that the "socialist program, based on the internal contradictions of capitalist society ended as a Utopia." Bureaucratic collectivism has forced those Fourth Internationalists who have broken with defensism to hold on nevertheless to the concept of degenerated workers' statism, on the ground that out of the monstrous society "nothing new and stable has yet come out." It is true that nothing "new and stable" has yet come of the Stalinist society but that is not because it is still a degenerated workers' state. But because Stalinist Russia is part of decadent world capitalism and is destined for no longer life span than world capitalism in its death agony.

Our analysis has shown that Soviet planning is no more than a brutal bureaucratic consummation of the fundamental movement of capitalist production toward statification. As Johnson wrote in the International Resolution presented to the last convention of the party in the name of the Johnson Minority, with which this writer is associated:

"The experience of Stalinist Russia since 1936 has exploded the idea that planning by any class other than the proletariat can ever reverse the laws of motion of capitalist production. Planning becomes merely the statified instead of the spontaneous submission to these laws.... Stalinist Russia, driven by the internal contradictions of value production, i.e., capitalist production, has defeated Germany only to embark upon the same imperialist program, reproducing in peace the economic and political methods of German imperialism, direct annexation, looting men and material, formation of chains of companies in which the conquering imperialism holds the largest share."[34]

The only section of the Fourth International that has been able clearly to emerge from Trotsky's method of analysis of the Russian state has been the Spanish section in Mexico. G. Munis, the leader of that section, has come out in his recent pamphlet,[35] squarely for the analysis of Russia as a capitalist state. His economic analysis may not be adequate, but in his attempt to grapple with the problem of planning in terms of the categories, c, v, s, and the social groups which control them, he has made the decisive step of breaking with the concept of degenerated workers statism and initiating within the Fourth International the development of a theory adequate to the analysis of Stalinist totalitarianism and the present stage of world development.

The Johnson Minority has successfully corrected the false Russian position of Trotsky by revising it in terms of the Leninist-Trotskyist analysis of our epoch. For us the Russian experience has made concrete the fundamental truth of Marxism, that in any contemporary society there can be no progressive economy, in any sense of the term, except an economy based on the emancipated proletariat. Proletarian democracy is an *economic* category, rooted in the control over production by the workers. So long as the workers are chained by wage slavery, the laws of capitalism are inescapable.

The Fourth International does grievous harm to the very doctrine of socialism when it teaches that a society can be progressive with labor enslaved. It handcuffs itself politically as well as organizationally in the task of gaining leadership of the European proletarian movement.

Statified property equals workers state is a fetishism which has disoriented the whole Fourth International. If in the early stages of the war when the impulse of revolution *seemed* to come from the march of the Red Army, there was some shred of excuse for a political policy which disoriented the movement and led to its being split, by what rhyme or reason can the Fourth International justify the position that revolutionists must "tolerate the presence of the Red Army"[36] at a time when Stalinism proved to be the greatest counter-revolutionary force in Europe? To tolerate the presence of the Red Army in Europe is to doom the European revolution to be still-born!

The recent turn in the position of the Fourth International, calling for the withdrawal of all occupation armies, including the Red Army,[37] is the first necessary step in the right direction. But it is only the first, and a very halting and belated step it is, precisely because it has been arrived at empirically and not through a fundamental understanding of the class nature of the Russian state. It is high time to take stock, to reexamine not merely the policy flowing from the false theory of the class nature of the Russian state, but to reexamine the theory itself. It is the urgent pre-requisite for rearming the Fourth International and making it possible for it to take its rightful place as the vanguard of the world revolutionary forces.

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33. The official party position on bureaucratic collectivism, along with the Carter-Garrett position on it, as well as the Johnson position of state capitalism, are all included in **The Russian Question**, a documentary compilation issued by the Party's Educational Department. The party thesis, written by Shachtman, states: "Bureaucratic collectivism is closer to capitalism so far as its social relations are concerned, than it is to a state of the socialist type. Yet, just as capitalism is part of the long historical epoch of private property, bureaucratic collectivism is part—an unforeseen, mongrelized, reactionary part, but a part nevertheless—of the collectivist epoch of human history. The social order of bureaucratic collectivism is distinguished from the social order of capitalism primarily in that the former is based upon new and more advanced form of property, namely, state property. That this new form of property—a conquest of the Bolshevik revolution—is progressive, i.e., historically superior, to private property is demonstrated theoretically by Marxism and by the test of practice." (This resolution has also been printed in **The New International**, October 1941, p. 238.)

34. Cf. **Bulletin of the Workers Party**, Vol. 1, No. 11, April 27, 1946. It contains also the official party position on the International Situation.

35. Cf. **Los Revolucionarios ante Rusia y el Stalinismo Mundial**, published by Editorial Revolucion, Apartado 8942, Mexico, D. F.

36. **Fourth International**, June 1946.

37. Ibid, Aug. 1946.

After Ten Years

No one will deny that *The Revolution Betrayed* contains all that Trotsky thought essential to an understanding of Stalinist Russia as a new form of society. In reviewing this timely reprint[1] I propose to re-examine Trotsky's basic analysis of Stalinist production; the role of the working class in the labor process; the social functioning of the bureaucracy.

According to Trotsky, the distinguishing feature of the economy is the capacity to plan owing to the existence of State Property. Apart from the general problem of backwardness, its main defect is the incompetence of the bureaucracy. The fundamental content of the activity of the Soviet government is the struggle to raise the productivity of labor. (p. 79) The bureaucracy claims that the Russian workers lack skill, but the Russian worker is "enterprising, ingenious and gifted." (p. 88) "The difficulty lies in the general organization of labor." And the responsibility for this lies with the bureaucracy. "The Soviet administrative personnel is, as a general rule, far less equal to the new productive tasks than the worker." Productive organization of piecework demands "a raising of the level of administration itself, from the shop foreman to the leaders in the Kremlin." (p. 84) "The bureaucracy tries fatally to leap over difficulties which it cannot surmount." Again: "Not knowing how, and not being objectively able, to put the régime of production in order in a short space of time...." (p. 84) In conclusion: "... the name of that social guild which holds back and paralyzes all the guilds of the Soviet Economy is the bureaucracy." (p. 85)

In regard to the workers Trotsky's main preoccupation is the relation between their wages and the wages of the bureaucracy. It is important to recognize the enormous emphasis and space which Trotsky gives to *consumption* in his analysis of "inequality" and "social antagonisms." What lies, he asks, at the bottom of the continuous repression? His reply is: "Lack of the means of subsistence resulting from the low productivity of labor," (p. 62) He returns to it again and again. "The justification for the existence of a Soviet State as an apparatus for compulsion lies in the fact that the present transitional structure is still full of social contradictions, which in the sphere of *consumption*—most close and sensibly felt by all—are extremely tense, and forever threaten to break over into the sphere of production....

"The basis of bureaucratic rule is the poverty of society in objects of consumption with the resulting struggle of each against all...." Trotsky, of course, is no anarchist. He justifies a certain amount of inequality by the necessity for bourgeois norms of distribution in a transitional régime. This also justifies the state. The gravamen of his charge of betrayal of the revolution is the monstrous *growth* of the state and the monstrous *growth* of inequality.

He claims in more than one place that the economy is slowly bettering the position of the toilers. But the future of Soviet society depends upon the world revolution. Either the world revolution enables the Russian proletariat to liquidate the usurpations and incompetence of the bureaucracy, or the further rule of the bureaucracy will lead to a complete liquidation of the conquests of the revolution. Such in brief is Trotsky's economic analysis. The problem of accumulation as such receives no direct treatment and this is not accidental. After the most scrupulous analysis of which he is capable, the present writer finds that Trotsky operates on the principle that once private property is abolished there is no *problem* of accumulation.[2] If waste and bureaucracy are kept down to a minimum, progressive accumulation is assured. *It is impossible to read this book and learn from it what, if any... the specific contribution of the proletariat to the building of a socialist society.*

Marx's Theory of Society

Such a difference of view involves the very concepts of Marxian thought. I propose, therefore, to state what in my view is the Marxian conception of society, capitalist, socialist and transitional to socialism, and then to show, in my opinion, Trotsky's sharp and consistent departure from this conception.[3]

Marx's theory of society is a theory of the activity of men, of men as active in the process of production. The classical economists, having discovered labor as the activity which produces private property, *left it alone* and proceeded to deal only with the material results of this activity. They did not analyze the nature of the activity nor the relationship of the results of the activity to the activity itself. Thus they viewed the movement of society and the division of society according to the division of the products of labor. Marx, on the contrary, based his analysis on the division of labor itself. His philosophy was a philosophy of the activity of men in the labor process. His analysis of capitalist production was therefore the analysis of the labor of man. In capitalism, labor was *alienated from its true function*, the development of man. Thereby it was transformed into its opposite, man's increasing subjugation—and rebelliousness. For Marx, therefore, the essence of private property was the alienation of labor and not the fact that property belonged to private individuals.

Marx states categorically that to see private property as the basis of alienated labor is to turn the truth upside down:

> We have, of course, achieved the concept of alienated labor (of alienated life) from political economy as the result of the movement of private property. But in analyzing this concept, it is revealed that if private property appears as the basis as the cause of alienated labor, it is rather a consequence of it, as the gods are not originally the cause but the effect of human confusion of understanding. Later this relationship is turned upside down.

The handing over of his products to another, his alienation, is for Marx the result of his degraded labor, of the type of activity to which the proletarian is condemned. "How could the laborer be opposed to the product of his activity in an alien fashion if he were not estranged in the act of production itself? The product is only the résumé of activity, of pro-

1 The Revolution Betrayed by Leon Trotsky. Pioneer Publishers, New York. 308 pp. $3.00.

2 Other writings show the same thought.

3 While agreeing with many of the arguments used by Comrade Johnson against Trotsky's theory that Russia is a "degenerated workers state"—above all the central point that political control by the workers is essential—we do not accept those arguments that proceed from Johnson's position that Russia is a capitalist state and therefore subject to analysis on the basis of the same economic laws that apply under capitalism.—Editors.

Reprinted from The New International, October 1946.

duction.... in the alienation of the object of labor is only crystallized the alienation, the renunciation in the activity of labor itself." Marx believed that this was his special contribution to the analysis of society. He says magnificently: "When one speaks of private property one thinks he is dealing with something outside of man. When one speaks of labor one has to do immediately with man himself. The new formulation of the question already involves its solution."

The result of this alienation of man from the product of his labor is that "his labor is therefore not free but forced, forced labor." That is to say, his labor is not his own free self-activity, the conscious exercise of all his powers, but merely a means to his existence. Secondly, an immediate consequence of this alienation of man from self-activity is the alienation of man from man. Capitalist society was the highest stage of alienation yet reached. As a result it carried to the highest possible stage the contradictions and hypocrisies of all previous class societies.

Alienation of labor corrupted society through and through. The greater the alienation, the greater the necessity of using all manifestations of society, science, art, politics, as a justification for the alienation. The solution is in what Marx calls the appropriation by the proletariat of the enormous possibilities for self-development existing in the objectified labor, the mass of accumulated capital. Man must become universal man, universal in the sense that the *individual* develops all his own *individual* powers in accordance with the stage of development of the species, that is to say, the potentialities embodied in the accumulated mass of productive forces.

The powers of man *as an individual* is the test. "Above all, one must avoid setting the society up again as an abstraction opposed to the individual. The individual *is* the social entity. The expression of his life ... is therefore an expression and verification of the *life of society*."

The most vital expression of the life of the individual is his activity in the labor process. For Marx, it is labor which distinguishes man from the beast. Labor is the truest essence of man. By that he lives and develops himself as a truly social being. But in capitalist society his labor is an inhuman degradation. We have the result that man, the laborer, "feels himself as freely active more in his animal functions, eating and drinking, procreating," whereas in labor, his specifically human function, he functions more like an animal. "The animal becomes the human and the human the animal."

Marx's philosophy is not one thing and his economics and politics something else. His analysis of capitalist production, of accumulation, of consumption, flow from this philosophical concept of man in society with which he began. The quotations above are from his early economic and philosophical manuscripts. *Capital* and the writings of his maturity are only the embodiment and concretization of these ideas. The difference between these conceptions and Trotsky's conceptions of Stalinist Russia can be seen immediately in the analysis of Russia itself.

Stalinist Society and Alienated Labor

Where in modern society is there so perfect an example of alienated labor and its consequences as in Stalinist Russia? Trotsky after page upon page about wages and consumption suddenly states late in his volume the following: "The transfer of the factories to the State changed the situation of the workers only juridically." In other words, in the labor process he was left just where he was. First, this is not true. And if it were a whole new world begins. But to continue: "... In order to raise [the low] level [of technique and culture], the new state resorted to the old methods of pressure upon the muscles and nerves of the workers. There grew up a corps of slave drivers. The management of industry became super-bureaucratic. The workers lost all influence whatever upon the management of the factory."

This is the situation of the proletariat today in production. What is there new or socialist in this? How does the mode of labor of the worker in Stalinist Russia *differ* from the alienated labor of the worker in capitalist production? Trotsky points out similarities. The differences, if any, and their importance, are outside of his consideration.

Failing to base himself upon the alienation of labor in the process of production, Trotsky fails to see the consequence of this *upon the bureaucracy itself*. Of what theoretical validity is his constant emphasis upon the incompetence of the bureaucracy? The Soviet bureaucracy is a reflection of the law of motion of the Soviet economy. The bureaucracy has no free will. It consumes more than the proletariat. But its social life within itself is a form of jungle existence. No member of the bureaucracy, except perhaps Stalin, knows whether tomorrow his whole life may not be cut short and he himself and all his family, friends and assistants disgraced, murdered or sent into exile. The various strata of the bureaucracy address each other in the same tone and manner as the bureaucracy as a whole addresses the proletariat. If the proletariat is imprisoned in the factories, the members of the ruling party are subjected to a regimentation, and unceasing surveillance and inquisition that make the coveted membership in the party a form of imprisonment. The Stalinist official, from the highest to the lowest, excludes his wife and family from any participation not only in his public or political life but even in his thinking. It is a measure of protection so that when the arm of the NKVD falls upon him, they will be able to say with honest that they knew nothing about his political ideas. That is their slender hope of salvation. Friendship is a permanent suspicion. The risk of betrayal by one chance word is too great. This catalogue of crime, fear, humiliation, degradation, the alienation from human existence of a whole class (or caste), is the fate of those who *benefit* by the alienation of labor. As for the proletariat, at least a third of the labor force is an industrial reserve army herded in concentration camps. This is the Stalinist society, rulers and ruled. It is the ultimate, the most complete expression of *class* society, a society of alienated labor.

In socialist society or in a society transitional to socialism, politics, science, art, literature, education all become or are in process of becoming truly social. The *individual* is able to exercise his gifts to the highest capacity, to become truly universal, because of the essentially *collective* life of the society in which he lives. Look at Stalinist society. No individual is more "political" than the individual in Stalinist society. Nowhere are art, literature, education, science, so integrated with "society." That is the appearance. In reality, never before has there been such a prostitution of all these things for the corruption and suppression of the direct producer, with the resulting degradation of the producers and managers alike. From what aspects of Marxian theory is it possible to call this barbarism a part of the new society envisaged by Marx as emerging from the contradictions of capitalist society? But a false analysis of the social role of the proletariat in society is *always* either cause or effect of a false analysis of the proletariat in the process of accumulation.

Trotsky, the Proletariat and Accumulation

Now let us see what role Trotsky gives to the proletariat. He says, for example, that for the regulation and application of plans, two levers are needed: "the political lever, in the form of a real participation in leadership of the interested masses themselves, a thing which is unthinkable without Soviet democracy; and a financial lever," a stable rouble. But when he concretizes leadership of the interested masses, we find that he is referring to the interest of the masses in the quality of products in so far as it affects their consumption.

"The Soviet products are as though branded with the gray label of indifference. Under a nationalized economy *quality* demands a democracy of producers and consumers, freedom of criticism and initiative." (p. 276) This is no casual statement. It comes in the chapter "Whither the Soviet Union?" where he is summarizing his position. On the previous page he had made it less sharp but more revealing. State planning, he writes, brings to the front "the problem of *quality*," bureaucratism destroys the creative initiative and the feeling of responsibility without which there is not, and cannot be, qualitative progress" (p. 275). Then comes what is, perhaps, the most astonishing statement in the book, from the point of view already enunciated: "The ulcers of bureaucratism are perhaps not so obvious in the big industries, but they are devouring, together with the cooperatives, the light and food producing industries, the collective farms, the small local industries—that is, all those branches of economy which stand nearest to the people" (p. 275). *So that Trotsky finds that there is more "bureaucratism" in light industry than in heavy.*

We want to leave no misunderstanding whatever in the minds of the reader as to our fundamental principled opposition to this analysis by Trotsky of bureaucracy and the relation to it of the proletariat and production. In "The State and Revolution," Lenin states: "Under capitalism democracy is restricted, cramped, curtailed, mutilated by all the conditions of wage-slavery, the poverty and misery of the masses. *This is why and the only reason why* (emphases mine—J. R. J.) the officials of our political and industrial organizations are corrupted—or, more precisely, tend to be corrupted—by the conditions of capitalism, why they betray a tendency to become transformed into bureaucrats, i.e., into privileged persons divorced from the masses and superior to the masses.

"This is the *essence* of bureaucracy, and until the capitalists have been expropriated and the bourgeoisie overthrown, even proletarian officials will inevitably be "bureaucratised to some extent."

But even when the capitalists have been expropriated and the bourgeoisie overthrown, the *essence* of bureaucracy can remain or recur owing to the cramped, curtailed, mutilated life of the masses. But whence comes this cramping, this curtailment, this mutilation of the life of the masses? Is this a question of consumption and quality of goods? Or of light and heavy industry? Is it necessary to quote again Marx's famous summation of hundreds of pages on the worker *in heavy industry* and the General Law of Capitalist Accumulation when he says that "be his payment high or low," the accumulation of capital leads on the part of the worker to accumulation of misery, agony of toil, slavery, ignorance, brutality, mental degradation? (*Capital*, Vol. I, p. 709.) But production in Stalinist Russia is not capitalist? Very well. Let the followers of Trotsky's theory demonstrate that accumulation of misery, agony of toil, etc., in the production mechanism of the Workers' State, the state of planned economy, let them demonstrate that that is not "the reason and the only reason" why the officials of the political and industrial organizations of Stalinist Russia become corrupted and transformed into privileged persons, divorced from the masses and superior to them. Trotsky's conception of the term "bureaucracy" is not ours.

Marx, the Proletariat, and Accumulation

Twenty-five years after he had written the early manuscripts, Marx stated in *Capital* that it was a matter of life and death for society to change the degraded producer of alienated labor into universal man. Presumably this was *only* philosophy. It would be interesting to have a symposium as to what interpretations a body of Marxists would give to the following: "Modern industry, indeed, compels society, under penalty of death, to replace the detail-worker of today, crippled by life-long repetition of one and the same trivial operation, and thus reduced to the mere fragment of a man, by the fully developed individual, fit for a variety of labors, ready to face any change of production, and to whom the different social functions he performs, are but so many modes of giving free scope to his own natural and acquired powers." (*Capital*, Vol. I, p. 534.) Life and death for society! Marx did not use such words lightly. Here he uses them twice on a single page. To the extent that one accepts this passage, one is penetrating to the heart of the Marxian theory of society *and* the theory of accumulation. Marx was the last man in the world to base such a conception of universal man upon anything but the economic necessities of society.

It is to be understood that the degradation (and the revolt) is inherent in capitalist accumulation, or if you prefer, in the accumulation of Modern Industry *where labor is alienated*. In his analysis of machinery and modern industry, Marx points out that the "special skill of each individual insignificant factory operative vanishes as an infinitesimal quantity, before the science, the gigantic physical forces, and the mass of labor that are embodied in the factory mechanism and, together with that mechanism, constitute the power of the 'master.'" (*Capital*, Vol. I, p. 462.) Let the 1946 theoreticians of the degenerated Workers' State show that this gigantic bureaucratic mechanism in Russia confronts the individual worker with economic and political consequences other than those of capitalism.

The bureaucracy uses the old methods of pressure upon the worker. It is the greatest error of Trotsky that he nowhere in his book seems to find it necessary to answer (1) that the old methods of pressure are rooted in the relations of the expropriated pauperized proletarians to accumulated labor; (2) that this relation determines the economic movement. The present writer, as is known, believes that Stalinist Russia is a form of State Capitalism. He has no wish to hide that in this article, nor could he do so if he tried. But the fact remains that the desperate struggle for the productivity of labor, today at least, and for some years now, *compels* the bureaucracy to pay the individual proletarian at his value. From this follow certain economic consequences. The raising of the level of productivity, according to Trotsky the fundamental content of the Soviet government, can be accomplished in only one way, expansion of the mass of accumulated labor, decrease of the relative quantity of living labor. I submit that expansion in the degenerated Workers' State is governed by the amount of surplus labor at its disposal after all the necessary expenses have been met. Now Marx's thesis, in the analysis of capitalist production, was that at a certain stage, the increased surplus

labor which was necessary for the continued expansion and development of society on new foundations could be met only by entirely new perspectives of productivity. These could be opened up only by the proletariat, appropriating the mass of accumulated labor and using it to develop its own potentialities. Thereby it elevated the whole social system to a new level. But just so long as the proletariat continued in the stage of degradation, so the ruling class, bureaucracy or bourgeoisie, caste or class, would be compelled to raise productivity "by the old methods of pressure." Precisely because of this, the contradiction between the relatively decreasing labor force and the resultant increase in the *mass* but the fall in the *rate*, of surplus labor, becomes the theoretical premise of economic collapse. The greater the degeneration of the Workers' State the more powerful the functioning of this law.

Trotsky, Consemption and Production

What, in Trotsky's analysis, is the relation between consumption and production in Russia? This is his *solitary* reference: "Superficial 'theoreticians' can comfort themselves, of course, that the distribution of wealth is a factor secondary to its production. The dialectic of interaction, however, retains here all its force." The dialectic of interaction! This fundamental problem he dismisses with a phrase. But immediately goes on to make the tremendous statement: "The destiny of the state appropriated means of production will be decided in the long run according as these means of personal existence devolve in one direction or another." The future of planned economy then depends on consumption. Then follows a characteristic analogy of a ship declared collective property but whose first class passengers have "coffee and cigars" and the third class passengers nothing. "Antagonisms growing out of this may well explode the unstable collective." (p. 239)

Equally unfortunate is his treatment of the thesis that Russia may be a form of state capitalism. He admits (and no educated Marxist would dare to deny) the theoretical possibility of an economy in which the bourgeoisie as a whole constitutes itself into a stock company and by means of the state administers the whole national economy. "The economic laws of such a régime would present no mystery." Good. But then he proceeds to analyze the law of the average rate of profit which concerns the *distribution* of the surplus value among the capitalists. That is no problem. The relevant law is the law of the falling rate of profit. The problem is whether the national economy would be able to overcome the contradiction between the necessity of lessening and lowering the relative consumption of wage labor and at the same time accumulating sufficient surplus labor to continue the increase of expansion. Today, 1946, it is no longer a theoretical problem.

"In Accordance With a Plan"

In a society of alienated labor, that is to say, in a society of such low productivity as compels the antagonisms of alienation, the idea of a planned economy is a fiction. The Soviet State undoubtedly was the first to distribute capital to those spheres of production which expansion especially required. In so doing it led the world. But today, 1946, isn't it perfectly obvious that no capitalist society distributes capital any longer according to the sphere of greater profit? Planning is merely a form of rationalization. Monopoly capitalism was progressive in relation to individual capitalism. But it grew out of the contradictions of individual capitalism. It was a capitalistic method of attempting to solve those contradictions and merely sharpened them. In the same way planning today, without the emancipation of labor, arises out of the contradictions of monopoly capitalism and, like all rationalization, is a more highly developed and refined form of exploitation, not lessening but increasing unbearably all antagonisms. How is it possible to plan socially when society is torn as it is by alienated labor and all the economic, political and social contradictions flowing from it? When Marx says that production by "freely associated men" will be "consciously regulated" by them in accordance with "a settled plan" he means literally and precisely that. The plan is the *result* of the freedom of individuals in society. No plan of bureaucrats, class or caste, can create anything else but chaos and crisis. As long as a section of society other than the proletariat controls the surplus labor, the plan can become the greatest calamity that can befall human society.

Trotsky once asked Shachtman "Does Shachtman wish to say in relation to the U.S.S.R. that the state ownership of the means of production has become a brake upon development and that the extension of this form of property to other countries constitutes economic reaction?" (*In Defense of Marxism*, p. 124.) This writer replies unhesitatingly "Yes." "*In relation to the U.S.S.R.*," in 1940 and in 1946, state-ownership in the Soviet zone in Germany, in Poland, in Yugoslavia, and wherever else it is instituted, is reactionary in all aspects, economic and otherwise. There is no economic progressiveness in totalitarianism. The complete degradation of labor cannot be in any circumstances progressive. It cannot raise the productivity of labor, the fundamental criterion, except by the old method of pressure. And it is precisely because class society cannot do otherwise that all state ownership will end either in totalitarianism or social revolution.

This false conception of "plan" permeates the thought of Trotsky, but particularly in his later years. In 1938 he wrote: "The disintegration of capitalism has reached extreme limits; likewise the disintegration of the old ruling class. The further existence of this system is impossible. The productive forces must be organized in accordance with a plan." (*In Defense of Marxism*, p. 8.) The formulation is characteristic and characteristically false. Once the question is posed that way, of necessity the second question then arises "Who will accomplish this task—the proletariat or a new ruling class of 'commissars.'" But the problem is not to organize the productive forces "in accordance with a plan." The problem is to abolish the proletariat as proletariat and release the creative energies of hundreds of millions of men suppressed by capitalism. Released from capitalist degradation they can plan. The guiding party, the administration or superintendence, the state, must be the *expression* of the free producers. These cannot be the expression of the need for the productive forces to be organized in accordance with a plan. The proletariat is the most important part of the productive forces. To say that these must be organized in accordance with a plan merely makes the proletariat a part of the plan. On the contrary the plan is a part of the proletariat, but of the proletariat emancipated.

Trotsky understood as few men have ever done the creative power of the proletariat in revolution. But the full, the complete significance of the creative power of the proletariat in the construction of the socialist economy always eluded him. In the Trade Union dispute, crucial for any understanding of Russian developments, Lenin told Trotsky: "Comrade Trotsky's fundamental mistake lies precisely in that he approached ... the very questions he himself raised, as an administrator." He told him again: "It is wrong to look only to the elected

persons, only to the organizers, administrators, etc. These, after all, are only a minority of prominent people. We must look to the rank and file, to the masses." (*Selected Works*, Vol. IX, pp. 3-80.) Fifteen years after, the same error which Lenin attacked so fiercely and to which he referred in his testament, appears almost unchanged in "The Revolution Betrayed." The approach is in essence administrative. For many years Trotsky led a profound and brilliant opposition to the Stalinist bureaucracy despite his fundamentally false theoretical orientation. But a false theory always takes its toll in the end. It is taking toll of our movement today. Finally a word to those who think that this conception of the role of the proletariat belongs to some distant future after the good bureaucrats have organized production "in accordance with a plan" and raised the level of the masses. It is necessary to refer these vulgar materialists and sceptics to Trotsky himself who quotes and wholeheartedly approves Lenin's statement that the masses must *begin* to institute the new regime *on the day after the revolution.* That they will do, but they will need leaders and *the leaders must begin with the concepts of the new régime clearly in mind.*

J. R. JOHNSON.