

The Original Historical Analysis:



Russia as

State-Capitalist

Society

by
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RAYA DUNAYEVSKAYA is the Chairwoman of the National Editorial Board of NEWS & LETTERS COMMITTEES, an organization of Marxist-Humanists, which practices the unity of theory and action, and the unity of worker and intellectual. NEWS & LETTERS is edited by a Black production worker, and was born in 1955, the year of the Montgomery Bus Boycott, on the one hand, and the wildcats against Automation, on the other. It is a monthly publication which does not separate reports of the activities of workers, Blacks, women and youth against working conditions, racism, sexism, and war, from the activity of thinking and working out theory for our age. Participation in the freedom struggles and publication of the paper, pamphlets and books are both forms of activities we invite you to join in working out with us.

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Introductory Note

The National Editorial Board of News & Letters Committees is proud to print the very first (1942) comprehensive study from original sources of the Russian economy which its analyst, F. Forest (Raya Dunayevskaya), called state-capitalist. As the readers will see, this historic study by an American founder of the theory of state-capitalism, was grounded in Marx's greatest theoretical work, *Capital*.

The four year lapse between the first set of articles and the second (1946) series on political conclusions was not due to a division between economics and politics in the original analysis, any more than the concentration on the nature of the Russian economy meant a separation from the new stage of the world economy signified by the Depression. Rather, it was due, on the one hand, to the vicissitudes of being a minority in the Trotskyist movement, and, on the other hand, to the shock that state-capitalism had appeared first in Russia, which had been a workers' state.

Refusing to recognize that Russia had been transformed into a state-capitalist society, even when its politics took the form of the Hitler-Stalin Pact in 1939, Leon Trotsky continued to consider Russia "a workers' state, though degenerate," and at the outbreak of World War II called for its defense. This led to a split in the Trotskyist movement. The founding, first of the Tendency based on the state-capitalist theory which was never separated from new forms of workers' revolt, and then of Marxist-Humanism, coincided by no accident whatever with the objective movements the world over for a totally new society.

It was no accident that the counter-revolutionary suppression of the Hungarian Revolution went hand-in-hand with the suppression of thought. It was Mao who urged Khrushchev to crush the Hungarian Revolution; and it was both Mao and Khrushchev who designated Marxist Humanists as "revisionists," and "revisionism" as the "main danger."

The dual rhythm in the dialectics of liberation, uprooting the old and creating the new, points the way to a unity of philosophy and revolution which alone assures what Marx called "the development of human power which is its own end."

An Analysis of Russian Economy

I—The Approach

In this study of Russian industrialization, 1928-1941, a period encompassing the First and Second Five Year Plans and that part of the Third Plan which preceded the present war, my fundamental purpose is to analyze the *direction* in which Russian economy has proceeded during that period. Is the direction of its growth—the preponderance of means of production over means of consumption, the high organic composition of capital and the rapid deterioration of

the living standards of the masses—merely an accidental tendency, or is it the inevitable consequence of the law of motion of its economy?

First of all it is necessary to analyze the progress of Russian economy during the entire period covered by this study. I'm not concerned primarily, however, with a mere statistical measurement of this development because the degree to which the goals established under the plans were or were not achieved have no direct relevance to my thesis. But so extrava-

gant has been the publicity which the proponents of the Soviet have given these data that the view is widely held that the allegedly phenomenal rate of industrial growth in Russia is the criterion of a unique form of economy. Therefore, in order to clear the decks for a basic approach to the subject, it is necessary to deal with this contention.

Russian economists refer to the purported 650 per cent increase in the value of all industrial production from 1928 to 1938 as a phenomenon that could not be surpassed, or even matched, except under socialism. They point with pride to that record as one far exceeding the accomplishments of the great capitalist nations in their palmiest days: the highest increase of industrial production in England was 29 per cent for the decade 1860-70 and for the United States it was 120 per cent for the decade 1880-90. It should be obvious, however, that the rate of economic development of a nation inevitably depends upon a number of circumstances (1) The level world-wide technological development when the nation embarks on industrialization. Russia in 1928 need not await the tedious process of discovery and invention, as did other nations at the dawn of the industrial revolution, but could draw upon the accumulation of centuries of industrial capitalism; (2) the extent of the natural resources available to the nation. Russia, one of the most favored of all lands in natural resources, containing in its borders all the essential materials of industry, is at a decided advantage compared to the nations less well favored by nature, as, for example, Japan; (3) the base from which the achievements are calculated. Clearly, it is easier to attain an annual rate of increase of 100 per cent when the base is one automobile or fifty than when it is one million or fifty million. Furthermore, the sheer bulk of capital goods in an advanced industrial society impedes the rate of technological progress because of the enormous expense and difficulty of replacing obsolete equipment; and (4) the measure of control which may be exerted over the component parts of the economy.

Russian statisticians and their apologists have a "preferred" method of proving Russia's unprecedented rate of development: they use as their base the year 1929—on one hand, the year of world prosperity, preceding the depression and, on the other hand, the first year of the Five Year Plan when the Soviet Union had just regained the pre-war levels of production. Thus they more easily can show a sharp upward trend in Russian production and an equally sharp decline in world production.

Presumably, it was because Japan was not among the highly industrialized nations that Russian statisticians, who so impartially compared the Russian growth to that of the advanced nations of the capitalist world, did not include "feudal" Japan in their comparison. We must, however, pause here and note that not only "socialist" Russia but also "feudal" Japan showed a tremendous rate of growth during that period. If we take a comparable period of development, say 1932-37, we find that the total value* of the output of Soviet heavy industry was 23.2 billion rubles in 1932 and 55.2 billion in 1937, the value at the end of the Second Five Year Plan thus being 238 per cent of that in 1932.

Japan,⁽¹⁾ also passing to a more rationalized economy, had an index of 97.9 for heavy industry in 1932 and 170.8 in 1937.

*Measurements of growth by value of output is, of course, an entirely spurious method, although, for reasons best known to themselves, very common- place with Soviet statisticians. Since later sections treat the subject of the inflated ruble at length, I shall leave criticism of this method aside for the moment.

or 176 per cent of the 1932 figure. Moreover, Japan, poor in materials of industry, was compelled to travel long distances to import 85 per cent of its iron ore and 90 per cent of its crude oil and was far short of being self-sustaining in copper, lead, zinc, tin and other essential industrial metals. Furthermore, were we to take Japan's high point of industrialization, August, 1910, as the criterion, we would see that Japan had achieved a 253.5 per cent growth in the means of production, as compared to the index of 1931-33. Such a comparison then robs much from the contention that the rate of growth in Russia is either completely unprecedented or evidence of "socialism."² In and by itself the rate of economic growth in Soviet Russia, as compared with rates of economic growth under other forms of economy, is not of definitive importance. To a Marxist the criterion of transcendent importance in investigating the nature of an economy is the intrinsic law of motion of the economy. With that criterion as our guide, let us review the achievements of Soviet industrialization.

II—A Statistical Abstract of the USSR

The only available index of total production in the USSR is that of the ruble value of all industrial output. Although the value of the ruble is fixed by the Soviet State bank at 19 cents (\$1.00 equals five rubles and thirty kopeks), it is utterly useless as an index of production or purchasing power in the internal economy. (See section on turnover tax in next installment.) Neither has it any value on the international market.

An index of total industrial production which carefully weights each element in the economy in order to arrive at a statistically valid index of the volume of production, has never been prepared by the Russian economists. This task, never easy under ordinary circumstances, is especially difficult in the case of Soviet statistics, which are concealed or perverted to prove the correctness of "the general line." Under these circumstances the best available gauge is that of comparing physical output of selected sections of both heavy and light industry as well as agricultural production, against a background of statistics on population and national income. Below is an abstract of the USSR prepared by me to illustrate the course of development of the whole economy from Czarist times through 1910. Figures for the year 1922 have been included in order to show the accelerated pace of the growth of production from the year of ruin following the end of counter-revolution and famine to the eve of the First Five Year Plan. All data are from official state documents in the original Russian: 1913, 1922 and 1928 figures from *Gosplan: State Planning*.

(1) For studies of Japan, see: *Industrialization of Japan and Manchukuo, 1920-1910*, by Schumpeter, Allen, Gordon and Penrose; *The Economic Strength of Japan*, by Iwoshi Anshu, and *Industrialization of the Western Pacific*, by Kate L. Mitchell, 1913.

² Colin Clark (cf. his *Conditions of Economic Progress*), a bourgeois economist sympathetic to the Soviet Union, estimates that the most rapid advance in economic progress, from the turn of the century to 1910, was made by Japan.

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Commission for the Development of the National Economy of the USSR: *The Five Year Plan*; 1932 and 1937 figures from *Gosplan: Results* (of respective plans); 1940 figures from reports to the eighteenth conference of the Russian Communist Party, appearing in *Pravda*, February 18-21, 1941:

Here we note a phenomenon characteristic of the whole contemporary world: the preponderance of the means of production over means of consumption.

Was the manner in which the economy developed bureaucratically desired? Was a different course open to it? In order

STATISTICAL ABSTRACT, 1915-1940

Item	Unit	1915	1922	1928	1932	1937	1940
HEAVY INDUSTRY							
Electricity	Billion kilowatt hours	1.0	1.0	5.0	15.0	36.1	59.6*
Coal	Million tons	28.9	11.0	35.4	65.4	127.9	164.0
Petroleum	Million tons	0.3	5.0	11.7	21.3	30.4	58.0
Pig iron	Million tons	4.2	—	3.8	6.2	14.5	14.9
Steel	Million tons	4.2	—	4.0	5.9	17.7	18.4
Metal working lathes	Thousands	1.5	—	3.8	18.1	56.1	53.9*
Tractors	Thousands	0.0	0.0	1.3	51.8	80.0	176.0
Combines	Thousands	0.0	0.0	0.0	10.0	43.9	—
Length of railroads	Thousand kilometers	59.0	71.0	77.0	83.4	84.9	93.0
Freight traffic	Million tons	132.4	58.0	156.2	267.9	517.3	536.6
LIGHT INDUSTRY							
Cottons	Million meters	2224.0	0.6	2742.0	2417.0	3447.0	3491.0*
Woolens	Million meters	95.0	22.0	96.6	88.7	103.3	114.0
Linen	Million square meters	216.0	93.0	165.0	125.0	185.2	272.2
Paper	Thousand tons	197.0	—	284.5	479.0	831.6	834.0
Sugar	Thousand tons	1290.0	211.0	1310.0	828.2	2321.0	2530.0
Leather footwear	Million pairs	60	25.6	60.0	84.7	164.3	—
AGRICULTURE AND LIVESTOCK							
Total area sown	Million hectares	105.0	77.7	112.9	134.4	135.3	141.2
Amount grain harvested	Million quintals	801.0	563.1	733.2	698.7	1202.9 (2)	—
Yield of crop	Per hectare	8.5	7.6	7.9	7.0	10.4 (3)	—
Horses	Million heads	35.8	24.1	35.9	19.6	16.7	17.5**
Cattle	Million heads	60.6	45.8	70.5	40.7	57.0	64.6**
Sheep and goats	Million heads	121.2	91.1	146.7	52.0	81.3	111.6**
Pigs	Million heads	20.9	12.1	26.0	11.6	22.8	32.5**
POPULATION AND NATIONAL INCOME							
Population	Millions	139.3	133.3	152.3	165.7	(3)	170.5**
of which:							
Workers and employees (4)	Millions	11.2	—	11.5	22.8	27.0	30.4
National income	Rubels, per capita	52.0	—	56.0	95.0	198.0	—
of which:							
Nominal wages	Rubels, per week	6.0	—	14.0	—	—	78.0***
Real weekly wages	In percentage to 1915 (5)	—	—	125.0	—	—	62.4

There is one other factor in the development of the Russian economy—a most essential effect of its evolution—to be considered and which the Abstract did not deal with: the relationship between the production of means of production and the production of the means of consumption. Since it is purely for the purpose of contrast and the same basis is used in both instances, the estimates may be made in terms of rubles. The value of gross industrial production (in billions of rubles, fixed 1926-27 prices) reveals the following proportional development between the means of production (Group A) to the means of consumption (Group B) since the initiation of the First Five Year Plan:

	1928	1932	1937	1940
	Value Pct.	Value Pct.	Value Pct.	Value Pct.
Group A	7.0 41.3	23.2 50.3	55.2 57.5	83.0 61.0
Group B	8.7 55.7	20.3 49.7	40.3 42.5	53.6 39.0

*1938 figure; **1939 figure; ***approximate, computed from 18th party conference report.
 (2) This is not based on the unit which was used for previous years since, in 1928, for reasons best known to the Russian state and unreported to the public, a measure known as the "biological yield" was adopted. This standard of measurement meant the grain is estimated on the stalks in the field before harvesting, and a 10 per cent deduction is allowed for waste. All agricultural economists, with the exception of the Stalinists, of course, agree that such an estimate does not account for actual waste. Prof. Prokopovitch discounts an additional 10 per cent, or a total of 20 per cent, for waste; other non-Stalinist economists discount as high as 30 to 40 per cent. However, this abstract reports official figures only.
 (3) 1937 census was destroyed and data were not made available to public.
 (4) Russian statistics lump workers and employees in one category; or when they separate them into two categories they lump rural and urban workers in one category and rural and urban employees in another; the above figure represents urban workers and employees.
 (5) Author's own estimate; cf. section on Standard of Living, 1940.

to be able to answer these questions and fully to understand the Abstract, it is necessary to analyze the data in the Abstract, not so much from the point of view of mere volumetric increase, but, again, from the perspective of the law of motion of the economy. The volumetric comparisons will be considered only because they offer a clearer view of the direction in which the economic structure was evolving. With this as our perspective, we turn to an analysis of the individual Plans.

III—Plans and Accomplishments

1—First Five Year Plan, 1928-32

The Gosplan brazenly proclaimed, whilst a famine was raging in the country, that the First Five Year Plan was 93.7 per cent fulfilled—just that precisely 93.7 per cent. That much publicized figure was based upon the value, and not upon the volume of production, and furthermore was derived in the following manner: (1) by using the worthless standard of the inflated ruble to measure the value of industrial output; and (2) by vulgarly computing an "average" between the "103 per cent" overfulfillment of Group A to the "89 per cent" fulfillment of Group B industries. There is, of course, no doubt whatsoever about the tremendous strides made in heavy industry during that period but in no case does the value of output present a true picture of industrial production, as can be seen from the following table of actual physical output of major items of heavy and light industry(6):

(6) 1928 figures: Gosplan, State Planning Commission for the Dev. of Nat. Econ., 1928; 1922 figures: Gosplan, Results of the First Five Year Plan, 1922, both in Russian. The results are also published in English.

MEANS OF PRODUCTION	Unit	Planned	Accomplished	Pct.
Electrification	Million kilowatt hours	22.0	13.1	59.5
Petroleum	Million tons	22.0	21.3	96.8
Coal	Million tons	75.0	65.4	87.2
Iron	Million tons	10.0	6.2	62.0
Steel	Million tons	10.4	5.9	56.7
Tractors	Thousands	55.0	51.6	93.8
Length of rds.	Thousand kilometers	90.0	83.4	92.7

MEANS OF CONSUMPTION

Cotton materials	Million meters	1700.0	2417.0	51.4
Woolens	Million meters	270.0	88.7	32.8
Linen	Million square meters	500.0	135.7	27.1
Paper	Thousand tons	900.0	431.3	51.6
Sugar	Thousand tons	2600.0	828.2	31.9
Leather footwear	Million pairs	145.0	84.1	58.4
Rubbers	Million pairs	75.0	64.8	86.4

As we can see from the above table, the actual production, based on volume, is far short of the 93.7 claimed as accomplished, based on the value of production. Even the percentages of accomplishment in the above table, however, are an overestimate because, although we have changed the basis from value to physical output, we still have retained the Soviet method of including the level of past production as part of the present accomplishment.* To illustrate what we mean, let us take the example of what happened to the railroads. Seventy-seven thousand kilometers of railroads were in operation in 1928 and ninety thousand were planned for the end of the First Five Year Plan. Actually, 83.4 thousand kilometers were in operation in 1932. Since the seventy-seven thousand kilometers in operation before the plan was included in the "accomplishment," the plan was "92.7 per cent" completed. Obviously there is something wrong with a method that considers performance before the Plan as part of the accomplishment under the Plan. The correct method of computation is to determine the percentage of actual increase to planned increase for the years covered by the Plan, and none other. The planned increase is thirteen thousand kilometers, of which only 6.4 thousand were actually laid. Thus the Plan regarding the railroads was 49 per cent, not 92.7 per cent, accomplished. Carrying this method through, we find the following to be the true percentages of actual increase compared to the planned increase:

Means of Production	Unit	1928 Level	Plnd. Incr.	Accd. Incr.	Pct. Accd.
Electricity	Billion kw. hrs.	5.0	17.0	8.1	47.6
Petroleum	Million tons	11.7	10.3	9.6	93.2
Coal	Million tons	35.4	39.6	30.0	75.7
Iron	Million tons	3.3	6.7	2.9	43.3
Steel	Million tons	4.0	6.4	1.9	29.7
Tractors	Thousands	1.3	53.7	50.3	93.7
Length of rds.	Thousand knts.	77.0	13.0	6.4	49.0

Means of Consumption	Unit	1928 Level	Plnd. Incr.	Accd. Incr.	Pct. Accd.	Deer.
Cottons	Million meters	2742.0	1958.0	-325.0	-11.8	
Woolens	Million meters	96.0	173.4	-7.9	-8.2	
Linen	Million sq. meters	165.0	335.0	-29.3	-27.9	
Paper	Thousand tons	284.5	615.5	206.7	33.6	
Sugar	Thousand tons	1340.0	1260.0	-521.8	-39	
Leather footwear	Million pairs	60.0	85.0	21.7	29.0	
Rubbers	Million pairs	37.0	38.0	37.8	73.2	

The above tables are a true balance sheet of the accomplishments of the First Five Year Plan. Particularly poignant is the record of how the production of means of consumption

*The credit taken for past performance is particularly ludicrous in the instance of the railroads. This was the only item which, for the year of ruin, 1922, revealed a tremendous growth. This was due to the effective work of Trotsky, who was charged with responsibility for restoring railroad transportation. (Cf. Part Two, section on trade union dispute.)

not only failed to meet its goals, not only showed no increase in production, but starkly reveals a decrease from even the 1928 levels. Moreover, the annual curve of production reveals that light industry was progressively deteriorating:

	1928	1929	1930	1931	1932
Cotton, million meters	1742.0	3068.0	1351.0	2372.0	2417.0
Woolens, million meters	93.2	100.5	114.5	107.9	88.7

It should also be remembered that neither the annual curve nor the percentage of fulfillment takes cognizance of the extremely large amount of "defectives," admitted to be as high as 30 per cent in many instances. Although disposed of as trash, they are nevertheless quantitatively counted toward the "fulfillment" of the Plan.

The best proof of the worthlessness of the standard of value output is that it not only fails to reveal the downward curve, but, by inflation, makes the reverse seem true. Thus the gross output of articles of consumption is valued as follows (in billions of rubles):

	1928	1929	1930	1931	1932
	8.7	10.8	12.5	14.9	16.3

Needless to say, the drastic slaughter of livestock (greater than the decrease due to war, revolution, civil war and famine in 1914-20) was likewise not taken into account in arriving at the glorious "93.7 per cent" completion of the Plan. After all, the decrease in livestock was "no part" of the Plan.

Neither was it part of the Plan—and this is of the essence of things—to achieve the relationship of production of means of production to articles of mass consumption which resulted. As a matter of fact, the bureaucracy had planned an increase in production of articles of mass consumption. However, the manner in which heavy industry developed forced a different course upon the economy. For instance, 4.4 billion rubles was planned as capital investment in the production of means of consumption. However, only 3.5 billions was expended. This failure is even greater than appears on the surface because, in the intervening years, 1928-32, the ruble experienced further inflation. For the moment we leave that feature aside in order that our attention will not be diverted from the actual course of the development of the means of production. There was the necessity of producing machinery with the most modern technique. The low productivity of Russian labor conflicted with the high productivity of international labor. Consequently, the reality of the world market and world prices constantly forced the state to increase the amount of capital investments going into the production of means of production. At the end of the period, planned capital investments for this end, which were to have been 14.7 billion rubles and were to have achieved a "balance" between the production of means of production and that of means of consumption, were actually 21.3 billion rubles, with a concomitant reduction in capital investments in the production of means of consumption. This resulted in a complete reversal in the planned relationship between Group A and Group B industries. This relationship was to be further aggravated by the progress of the Second Plan, although the announced purpose of the Plan was "to achieve a yet better improvement in the living standards of the masses."

2—The Second Five Year Plan, 1932-37

In the final year of the Second Five Year Plan, the controlled press published no announcement from the Gosplan in regard to the state of completion of the Plan. The press was busy in describing in glowing language the witch-hunt

the state was staging; the infamous Moscow Frame-up Trials. It took two years for the Gosplan to regain its voice. In 1939 it pronounced the Second Five Year Plan to have been successfully—and timely—accomplished. The "timely" referred to the year 1937, although no explanation was made of the overly-belated pronouncement. Let us scan the results, comparing the actual with the planned increase⁽⁷⁾:

Means of Production	Unit	1932 Level	Plnd. Incr.	Accd. Incr.	Pct. Accd.
Electricity	Million kwt. hrs.	13.0	25.0	23.4	93.6
Petroleum	Million tons	21.3	26.2	9.1	34.7
Coal	Million tons	65.4	87.1	62.5	71.5
Iron	Million tons	6.2	11.8	8.3	70.3
Steel	Million tons	5.9	13.1	11.8	90.0
Combines	Thousands	10.0	240.0	190.0	79.2
Tractors	Thousands	51.6	124.8	115.1	92.2
Length of rds.	Thousand kmts.	83.4	10.4	1.5	14.4
Means of Consumption					
Cotton	Million meters	2417.0	3853.0	1030.0	26.9
Woolens	Million meters	88.7	181.4	19.6	10.8
Linens	Million sq. meters	155.0	465.0	148.8	32.0
Paper	Thousand tons	479.0	521.0	352.6	67.0
Sugar	Thousand tons	826.2	1971.8	1592.8	80.7
Leather ftwr.	Million pairs	84.7	165.3	84.4	51.

The lamentable showing in the production of articles of mass consumption was, again, contrary to the original Plan. The Seventeenth Congress, which approved the Second Plan, specified that there should be "a more rapid rate of development in the production of manufactured articles of mass consumption, not only in comparison with the First Five Year Plan... but also in comparison with the rate of development of the production of means of production during the Second Five Year Plan period." However, the high organic composition of capital on a world scale imposed* this law of motion on the Russian economy. Even the more rapid development of the means of production at the expense of the means of consumption did not gain for the Soviet Union an illustrious place in a setting of the production of the advanced capitalist countries:

PER CAPITA WORLD PRODUCTION IN 1937 (8)

Item	Unit	USSR	USA	Germany	Japan
Electricity	Kilowatt hour	215	1160	735	421
Coal	Kilo	737	3220	3513	643
Pig iron	Kilo	86	292	231	30
Steel	Kilo	105	397	291	62
Cement	Kilo	32	156	173	60
Paper	Kilo	5	48	42	8
Soap	Kilo	3	12	7	—
Sugar	Kilo	14	12	29	17
Cottons	Sq. meter	10	58	—	57*
Leather footwear	Pair	1	2.6	1.1	—

As we see from the above table, the Soviet Union, at the end of the Second Five Year Plan, "when the first phase of communism, socialism, was irrevocably established," had not only not outdistanced but was a long way from "catching up" with the capitalist world and compares not too favorably with "feudal" Japan.

(7) Planned figures computed from: Gosplan, The Second Five Year Plan for the Development of Nat'l Eco. of the USSR; accomplished figures computed from Gosplan, Results of the Second Five Year Plan, 1939; both in Russian. There is no English edition of the results; there is one of the Plans, but it varies considerably from the figures in the Russian edition.

(8) Table by Molotov in speech to the 18th Congress, RCP, March, 1939, with exception of starred figure, which is from Problems of Economics, No. 2/48, in Russian.

*That the bureaucracy became the wiser because of this "imposition" will be seen in the section on "Ending Depersonalization and Creating Stakhanovism."

It was in the year 1939, after the results of the Second Year Plan were first published, when the Third Five Year Plan⁽⁹⁾ was officially approved and had supposedly been in operation for over a year, that Molotov "suddenly" remembered that it was not so much the rate of growth, or even the volume of output, as the *per capita* production that defined the real state of development of a national economy. In presenting the Third Five Year Plan, he stated:

People here and there forget that economically, that is, from the point of view of the volume of industrial output *per capita* of the population, we are still behind some capitalist countries... Socialism has been built in the USSR but only in the main. We have still a very great deal to do before the USSR is properly supplied with all that is necessary... before we raise our country economically as well as technically to the level not only as high as that of the foremost capitalist countries but considerably higher.

Thus the slogan of the First Five Year Plan, "To catch up with and outdistance the capitalist lands," still remained as the task of the Third Plan.

3—The Third Five Year Plan and Labor Productivity

The press followed up Molotov's discovery that in the matter of *per capita* production, Russia was still far behind the advanced capitalist countries by systematic "revelations" of the low productivity of Russian labor. Industry, the organ of the Commissariat for Heavy Industry, reported in its issue of March 24, 1939, that for a capacity of 1,000 kilowatt hours the USSR employs eleven people but for a similar capacity in Europe and America only 1.3 people are used. The official organ proceeded to say that the example cited is not the exception but the rule; that, for instance, when an electric plant in South Amboy, N. J., is compared with a similar plant in the USSR, it is found that whereas in America 51 people are used to run the plant, 480, or 9.5 as many people, were used in Russia. *Planned Economy*, in its issue of December, 1940, emphasized that, despite Stakhanovism, a Russian coal worker produces 370 tons, whereas in Germany the worker averages 435 tons and in the USA 824 tons. Likewise, whereas production in a U.S. coal mine is three times as great as that in a comparable Russian mine, the latter uses eleven times as many technicians, twice as many miners, three times as many office workers and twelve times as large a supervisory staff! The official organ of the State Planning Commission concludes that Russian labor productivity amounts to only 40.5 per cent of American labor productivity!

Despite high mechanization, labor productive on the agricultural front* shines no brighter. The January, 1941, issue of *Problems of Economy*, issued by the Academy of Sciences and the Institute of Economy, carried an article on labor productivity in Agriculture in the USSR and the USA which included the following table:

Number of times the productivity of agricultural labor in the USA exceeds that of the Russian kolkhoz.

Wheat	6.7 times
Oats	5.7 times
Corn	4.1 times
Cotton	1.8 times
Sugar beet	8.1 times
Average for agriculture	3.1 times
Milk	3.1 times
Wool	20.1 times
Average for livestock	6.7 times
Aggregate agricultural average	4.4 times

(9) Those who wish to see the Third Plan can consult: Gosplan, The Third Five Year Plan for the Dev. of the Nat. Eco. of the USSR, 1939 (Russian); no English edition was published.

*Cf. Section on collectivization for more detailed treatment of agricultural front.

In 1937, the article continues to sum up, the per capita value output of the Russian worker was \$166, or only one-seventh the value of output in the USA.

Previous attempts to relate labor productivity to per capita production had resulted in an article in *Planned Economy* for October, 1940, which included the following table:

Relationship of Industrial Level in the Development of Russia and Capitalist Countries; Per Capita Production of Russia in Percentages as Compared to the USA and Germany

	USA	Germany
Industrial production of a whole	24.8	28.4
of which: Heavy Industry:		
Electricity	18.5	28.4
Machine building	31.6	36.4
Ferrous metals	27.6	36.3
Sulphuric acid	25.6	32.5
Cement	20.6	18.6
and automobile, which are less than 1 per cent of U.S. production.		
Light Industry:		
Cotton	27.6	---
Wool	21.4	---
Leather footwear	38.5	90.9
Paper	10.4	11.9
Soap	25.0	---
Sugar	116.6	---
Gramophones	89.0	---
Agricultural production as a whole	54.4	123.1

The above official table reveals that, instead of being in the position of one of the most economically advanced countries, Russia is still a backward country industrially. It is interesting to note that for the period 1929-40, when, in Russia, Group B industries (means of consumption) fell from 55.6

per cent to 39 per cent of total production, while Group A industries (means of production) increased from 44.4 per cent of total production to 61 per cent, Japan's heavy industry likewise increased from 33.7 per cent of total production in 1929 to 61.8 per cent in 1939, while light industry declined from 55 per cent to 38.2 per cent of the total economy. The fact that is of utmost importance is that, despite the comparative backwardness of both Russia and Japan, both countries reflect the high organic composition of capital characteristic of all important industrially developed countries. The Russian rulers were neither blind to this development nor undecided about which road they would follow in order to expand their industries. Listen to the chairman of the State Planning Commission:

The plan for 1941 provides for a 12 per cent increase in the productivity of labor and a 6.5 per cent increase in wages per worker. This proportion between the increase in labor productivity and average wages furnishes a basis for lowering production costs and increasing socialist accumulation and constitutes the most important condition for the realization of a high rate of extended socialist reproduction (10).

We have followed the direction of Russian industrialization and arrived at "socialist accumulation." Voznessensky hid nothing from us when he mapped the main road for achieving "socialist reproduction." Besides the chief sources of life—the relationship of wages to labor productivity, more commonly known as exploitation—"socialist accumulation" grew fat on other fare. Let us discover what kind of manna that was, for it will help us considerably in understanding Russia's economic structure.

F. FOREST.

THE NEW INTERNATIONAL • DECEMBER, 1942

B—"Socialist Accumulation"

"Upon what meat hath this our Caesar fed
That he has grown so great?"
Shakespeare: *Julius Caesar*.

The manner of which the State Treasury appeared in an innocent enough guise. On December 5, 1929, the Central Committee of the RCP passed the following resolution: "To instruct the Peoples Commissariat of Finance and Supreme Council of National Economy to draw up a system of taxation and government enterprises on the principle of a single tax on profits."*

"The single tax on profits" turned out to have two sections: (1) a tax on profits which comprised 9-12 per cent of the state budget and (2) a turnover tax which comprised 60-80 per cent of the state budget. It is the latter tax which is crucial—sufficient to finance all industrialization and militarization. Let us examine it in detail.

1—The "Socialized" State Budget, or Turnover

The turnover tax is a tax applied to all commodities at the point of production or immediately upon acquisition of the goods by the wholesaler. The wholesaler pays the tax direct to the State Treasury before selling goods to the retailer, who, in turn, pays the tax before selling it to the consumers. However, there is absolutely no doubt that the burden of the

*Along with all other "original documents," this bill of goods was passed on to the Weibbs at face value, with the result that in their 1,120 pages on *Social Communism* the Weibbs find room for but one sentence on the tax, reading: "The principal (tax) is a tax on the output or turnover of all industrial enterprises of any magnitude which are now all state-owned." How the State Budget can keep on expanding from taxing its own state-owned enterprises, instead of the "non-state-owned" masses, the Weibbs fail to explain.

tax is passed on to the consumer masses since the law obliges the retailer to include the tax in the sales price of the commodities.

Contrary to the usual sales tax, which is a fixed percentage of the base price of the commodity, the turnover tax is a fixed percentage of the total sales value of merchandise, including the amount of tax. This means that whereas a 90 per cent sales tax raises the price of merchandise 90 per cent, a 90 per cent turnover tax increases the sales price tenfold. Here is how the turnover tax affects the sales price in various instances:

- With a tax of 20 per cent, the price increases by 25 per cent.
- With a tax of 40 per cent, the price increases by 66.7 per cent.
- With a tax of 50 per cent, the price increases two-fold.
- With a tax of 75 per cent, the price increases four-fold.

To get the full significance of the turnover tax, as contrasted with an ordinary sales tax, we need to consider how it affects a single commodity. Let us take bread—the staff of life of the masses—upon which the tax is 75 per cent. This means that the proletarian, in paying a ruble for his kilo of black bread, pays 25 kopeks for the actual cost of the bread, including production, distribution, transportation and delivery, and 75 kopeks of that ruble goes to the state as turnover tax.

The tax is very unevenly spread, falling light on means of production and heavy on articles of mass consumption, which are the very "meat" of the tax. The tax on essential products of heavy industry seldom goes as high as 10 per cent. Contrast this with the average rate of 82.8 per cent on agricultural products and recall that a turnover tax of that percentage will increase the sales price nearly sixfold! On food industries the average rate of turnover tax is 50 per cent and

doubles the cost to the masses—and on spirits the rate of tax is 82.1 per cent! The tax on light industry is 20.3 per cent. If we once again take individual commodities, the disparity is even more shocking. The tax on coal is .05 per cent and on machinery 1 per cent. But on textiles it is 25 per cent, thus increasing the cost of clothing one-third. Moreover, the tax on light industry is not without its fine discriminations: while women of the "intelligentsia" are taxed 68 per cent for their perfume, the peasant woman is taxed 88 per cent for her kerosene. The Stakhanovite pays 21-37 per cent of the price of her silk garment in the form of turnover tax but the working class woman pays a tax of 38 per cent on her calico!

Biggest of all taxes is the turnover tax on bread and agricultural produce. When the turnover tax was first introduced in 1930, a considerable increase in the state revenue immediately resulted. But it emerged as nothing short of a "socialist victory;" in 1935 when rationing was abolished* and the price of foodstuffs leaped up. Thus the turnover tax from all agricultural produce sold to the population rose from 4,340 billion rubles in 1930 to 24 billion rubles in 1935.⁽¹¹⁾ By 1940 it was 35 billion, or 20 per cent of the entire budget!

Marx once said that "The only part of the so called national wealth that actually enters into the collective possessions of modern peoples is their national debt." Never was this truer than in the case of Russia, where the whole cost of industrialization and militarization has been borne by the people through that ingenious scheme known as the turnover tax, which provided 79 per cent of the total state revenue in 1937. Of the 178 billion rubles in the state budget in 1940, 106 billions came from the turnover tax—a "socialized" form indeed of financing the Plans! The "national wealth" grew from 19 billion rubles in 1931 to 178 billion in 1940*; the per capita national income increased from 52 rubles in 1928 to 198 in 1937. But the real wages of the proletariat decreased to half of what they were in 1928!^{**}

II—Fight for Profit, or the Modus Operandi of a Soviet Undertaking

On June 30, 1935, *Izvestia* proclaimed: "Ahead of us are struggles for profit, for elimination of subsidies." Thereafter steps were taken to create a private incentive for making a profit and achieving industry's capacity to avoid complete state subsidization. By April 19, 1936, a decree established what was known as a directors' fund, to be at the disposal of the management and to provide for paying premiums to the administrative staff and workers. It is a secret to no one that these funds are used mainly as premiums for directors and Stakhanovites and not for rank and file workers. This fund is made up of 4 per cent of the "planned profits" plus 50 per cent of profits achieved by the enterprise in excess of those planned for it by the state. But how are profits planned and how is it possible to have, besides, "surplus" profits? We can find the answer if we examine the *modus operandi* of a Soviet enterprise.

A Five Year Plan or an annual plan is elaborated which allows for a planned profit to accrue to each enterprise. The prices of commodities, as we have seen in the section of the turnover tax, are pegged considerably above the cost of production and the cost of production is measured by the cost of

labor power and raw materials and by the depreciation of fixed capital which includes amortization charges. The planned profit is likewise included as part of "the cost of production." Each individual undertaking has considerable discretion in the manner of executing the plan. For instance, the management can make profits over and above those "planned" for it by economizing on the cost of labor. The minimum wage law—and that has been in effect only since 1937—the management has to obey. But the minimum is low enough, 110 to 115 rubles a month—and between that and the highest wage—2,000 rubles monthly—there is sufficient room for maneuvering.

When the First Five Year Plan was launched, capital expenditures came wholly out of the national budget. There was then an automaticity in granting credits to all Soviet enterprises. However, since 1930 by the Credit Reform Act and subsequent banking legislation⁽¹²⁾ in 1931, particularly the Act of June 25, 1931, automatic credits to industrial and commercial enterprises were stopped. There was introduced what was known as the "ruble control," that is to say, the undertakings were to be conducted on principles of cost accounting, as in any money economy. A working capital was given them and they were to function unassisted by bank credit. Where credit was necessary it was extended only to those whose credit was good. Thus there was created an incentive "to fight for profit," and a control was established over the industrial and commercial enterprises by the banks, which saw to it that the slogan "fight for profit" was achieved—with the threat of having the enterprise declared "bankrupt" and taken out of the hands of the management.

By February, 1941, Voznessensky could report to the Russian CP conference: "The profits of socialist industry are increasing from year to year. The net profit of the plants of industry rose to nearly 14 billion rubles in 1940." The gross profits were considerably above that figure of 14 billion as the profits tax to the State Treasury for that year amounted to 21.3 billion. The achievement of these profits was in turn helped not a little by the mode of functioning of the enterprises. Since it is state owned, a Soviet enterprise is considered to be "socialist property." However, the worker in it does not "share the profits," whereas the "enterprise," that is, the management, is permitted to accumulate funds both from the planned profits and from the amortization charges. In 1940, 32.5 of capital outlays⁽¹³⁾ came from these sources. This permitted the diversion of the state budget for national defense, without upsetting the funds for industrialization. Defense expenditures jumped from 3.5 billion (or 8.9 per cent of the entire budget) in 1933 to 56.1 billion, or 32.4 per cent of the entire budget in 1940! Although state investments in the national economy more than doubled in volume since 1933 (they were only 25.1 billion in 1933 and were 57.1 billion in 1940), they dropped, in ratio to total expenditures, from 60.8 per cent in 1933 to 33 per cent in 1940.

Not only have the industrial enterprises achieved this miraculous "elimination of subsidies" and not only do the individual members of the management of the enterprises receive a salary considerably above the 110 minimum rubles but the managers are able to up their 2,000 rubles monthly salary by

Cf. section on ending rationing.

(11) Cf. article by Baykov in *The Economic Journal* (London), December, 1941.

*Due consideration should, of course, be given the inflation of the ruble.

**Cf. section on proletariat.

(12) Cf. *Soviet Money and Finance*, by L. E. Hubbard, and *Bank Credit and Money in Soviet Russia*, by A. Z. Arnold. The latter is evidently a Stalinist but if the rationalization is thrown out, the banking legislation is there in full. In Russian the legislation (as well as all decrees mentioned in this article) can be found in *Compendium of Laws, 1933-40*; also, the daily press generally carries the decrees the day after enacted.

(13) Cf. *Zugov, Russia's Economic Front for War and Peace*.

various means. It is Malenkov, the secretary of the RCP, who reveals one of these methods to the 18th party conference, which had been told so much of "socialist accumulation." Malenkov relates the following incident: the Middle Ural Copper Mills in the Sverdlovsk region sold plumbing materials to the Non-Ferrous Metals Supply Trust for 100,000 rubles and had them carted to the Trust. The responsible agent, who did not know about this transaction but saw the materials when he visited the Trust, bought these materials for 111,000 rubles and had them carted back to his own plant. Malenkov remarks, after he awaits the peals of laughter from his audience*: "Since it is the State Treasury that bears the expense of such twofold transactions, the director and the responsible agent must have each gotten a bonus, one for making such a smart sale and the other for such a smart purchase." After the laughter subsides, he adds that this was the reason for promulgating the decree of February 10, 1941, forbidding the sale and/or exchange of machinery materials. And—we might add in a serious vein—that this is only one more reason why it is difficult to estimate the exact income of a factory director. His basic salary of 2,000 rubles monthly is merely the first contrast to the 110 to 115 rubles monthly minimum salary of the factory worker, before the former's is swollen by bonuses, premiums, exemptions from income tax, once he has succeeded in obtaining the title "Hero of Labor." That title can be gained not only when fulfilling the Plan by having the factory show a profit but also when one "proves" this his particular tasks have been accomplished "honorably," although the factory he manages has not fulfilled the plan. No wonder details of the latest income taxes revealed such unbridgeable "differentiations" as earnings above 300,000 rubles a year when the "average" annual income is 3,467 rubles!⁽¹⁴⁾

C—The Economics of Russian Agriculture, 1928-41

Thus far we have been on the industrial front only, where we have been led from industrialization to extended reproduction and have seen how two handmaids (the turnover tax and profit motive) helped "socialist accumulation grow fat. What about the agricultural front? Are the same factors at work here? What is the economy of Russian agriculture and what is its law of motion? Let us study the development of Russian agriculture since the initiation of the First Five Year Plan.

By the end of the Second Five Year Plan the Russian state declared the land was collectivized to the extent of 99.6 per cent and the peasantry to the extent of 93.6 per cent. Socialism was indeed "irrevocably established." Percentages and labels, however, are deceiving, as we shall see when we analyze the economy prevalent on these collectivized farms (*kolkhozy*) and amidst the collectivized peasantry (*kolkhozniki*). The Russian state would have us believe that the millions transported to the Far Northern territories during the execution of the First Five Year Plan had indeed liquidated the kulak "as a class." It may be possible that the newly-created, hot-house fashion, Lubyanka method *kolkhozniki* were made of a different psychological mold than were the kulaks—but the economic demand was the same: a free market. That demand was granted them in 1932. In 1935 the permanent usufruct of the land was likewise bestowed upon them. And

*Report in Pravda, along with stenographic notes of the conference, February 18-21, 1941.

(14) Cf. Boris M. Stanfield: *Private Property Rights in Russia*, in *International Conciliation* No. 812, December, 1941.

finally, and of most recent vintage, is the appearance and the publicity attendant upon the birth of the millionaire *kolkhozy*. Does this prosperity embrace the whole "socialist agricultural front"?

I—The World Crisis and the Russian Famine

1—The World Market and the Russian Agricultural Crisis

"Enrich yourself" had been the slogan while the NEP was still in effect. This slogan the kulak rightly adopted as his own. Since the state did not pay him sufficient for his grain to achieve this enrichment, there was no inducement to produce a large marketable surplus. Eighty per cent of the grain output in 1927 was consumed by the peasantry and only 20 per cent was left to feed the urban population. This contrasted poorly with the period prior to World War I (1909-14) when the peasantry consumed 63 per cent of the grain and 37 per cent of the total constituted the marketable surplus.⁽¹⁵⁾ Therefore, although the urban population was growing, there was less for it to eat. Moreover, 60 per cent of the marketable surplus in 1927 was concentrated in the hands of the kulaks, who constituted a mere 6 per cent of the peasant population. While Stalin proclaimed that it was "nonsense"⁽¹⁶⁾ to call the NEP capitalism and Bukharin declared that it was possible to reach socialism "at a tortoise pace," the kulak had concentrated the greater part of the marketable surplus and refused to turn that over to the state. Forced collectivization was resorted to.

Forced collectivization achieved 78.2 per cent collectivization of the total area under crops by the end of the First Five Year Plan, instead of the 17.5 originally envisaged by the Plan.⁽¹⁷⁾ Forced collectivization wrought such havoc that the harvest declined from 83.5 million tons in 1930 to 70 million tons in 1931. The attempt of the bureaucracy to erase all past mistakes in encouraging Nepist accumulation as a "step toward socialism" by an absolutely dizzy speed in "collectivization" found its match in the equally terrific thoroughness with which the peasantry proceeded to slaughter its animals. When the Plan was officially declared "completed," here is what had happened to the livestock:

IN MILLIONS OF HEAD (18)

	1928	1932
Horses	35.9	19.6
Large horned cattle	70.5	40.7
Sheep and goats	146.7	52.0
Pigs	25.0	11.6

If we take the 1928 figure as 100, we get the following indices for 1932: for horses, 54.6 per cent; cattle, 57.7 per cent; sheep and goats, 35.4 per cent; pigs, 44.6 per cent

The havoc on the agricultural front was aggravated by the reality of the world market, which would not permit Russia to tear itself out of the vortex of world economy and build "socialism in one country." The world crisis adversely affected the price Russian agricultural produce could command on the world market. If we take 1928 to be 100, prices on the world market dropped to 67.2 and on agricultural produce, which is what Russia wished to sell in order to buy machinery, they dropped to 45.5. Tractors, which were not manufactured rapidly enough in Russia to take the place of the draft animals

(15) Cf. L. E. Hubbard: *Economics of Soviet Agriculture*.

(16) Cf. *Minutes of the 14th Congress of the RCP*, page 493 (in Russian).

(17) Cf. *Gosplan, The First Five Year Plan*.

(18) First officially revealed in 1984 in Stalin's Report to the 17th Congress of the RCP.

slaughtered, could not be bought in sufficient quantity because of lack of capital. The disorganization on the agricultural front was accompanied by a famine that stalked throughout the Soviet land. Millions died.

2—The Effect of the Russian Famine on the Population.

Despite the fact that, on the one hand, their own statistics of decline in harvest and slaughter of cattle point to catastrophic conditions; and, on the other hand, the fact that the bourgeois journalists in Russia saw to it that the world heard of the famine, the state has denied the existence of famine in 1932-33. Apparently even the bureaucracy did not know what a toll of lives the famine had taken for by 1937 they ordered a census taken to prove that "life had become gay." According to the Plan, the census should have proved the existence of a population of 180.7 millions. But the data the census takers brought back told a vastly different story. Despite the fanfare that heralded the census, the data were never made public. The census was declared "defective" and another census was ordered for January, 1939, to find the missing millions. The 180.7 millions "planned" for 1937 were based on the three million yearly growth in population characteristic of the period 1922-28. On that basis the 1939 census should have recorded a population of approximately 186 million. However, the accepted 1939 census revealed the population to be 170.5 million. No explanation was made as to the discrepancy in the figures, but much publicity was given to the 15.9 per cent increase over the 1926 census disclosed by the 1939 census. No explanation was made of the discrepancy between the planned figures and those found actually living. This 15.9 per cent increase, however, is not reflected in each age group and thereby hangs a tale of confirmatory evidence of the famine in 1932.

The age group up to seven years does not reflect the general 15.9 per cent increase. Instead it records a 1.6 per cent decrease! Moreover—and this makes the decrease even more appalling—the age group in the 1926 census to which this age group is compared was itself an abnormally small part of the population since the birth rate was below normal and infant mortality above normal in the period 1919-22. Some demographic catastrophe must have occurred in the years when "socialism was irrevocably established" to result in a decline in an age group that is contrasted to one born in the period of civil war and famine! The Stalinist statisticians, for reasons best known to themselves, did not deign to break this age group into single years and we cannot, therefore, tell whether the decree was due to infant mortality or to an abnormally low birth rate. But what is absolutely clear from the official statistics is that the "socialist" year 1932-33 stands out in black relief even against the famine year 1919-20!

That the régime was able to survive such a catastrophe is in no small measure due to the reality of the world crisis. Whereas the world crisis, on the one hand, aggravated the internal situation in Russia by upsetting its financial plans, it had, on the other hand, likewise induced such combustible situations in each of the capitalist countries that none of these governments dared take advantage of the internally weak Soviet Union to the extent of attacking its borders.

In the Soviet Union itself the powers that be felt the discontent of the village. The tops accused the rank and file of being "dizzy from success" (Stalin). Retreat was the order of the day. The village was granted the open market. Never having had the courage of its own convictions, the bureaucracy gave the free market its benediction (April, 1932, edict

of the CC of the RCP and of the Presidium of the Soviet Government) and the free market was pronounced to be a "collective farm market." Thus was the exchange process made "kosher" by a ukase of the "socialist state."

11—The Free Market on the Countryside

Forty per cent of the grain output goes to the state in the form of compulsory deliveries or purchases, at a price fixed by the state. Another 20 per cent of the grain crop is given for the use of the MTS (Machine Tractor Stations) and to tractor drivers. Over half of the remaining 40 per cent is consumed by the peasant population itself, leaving 15-20 per cent of grain production as the marketable surplus. Variations in the price of grain, depending upon the buyer, were tremendous. For example, 100 kilograms of rye sold in 1933 at these widely different prices:⁽¹⁹⁾

Delivery price to the state.....	6 rubles and 3 kopeks
Rationed price (rye flour).....	25 rubles
Commercial price (rye flour).....	45 rubles
Kolkhoz price (January).....	58 rubles (Moscow region)

The open market price, which is some ninefold that of the state price, is inducement enough to the *kolkhozniki*. Though the free market is called the collective farm market, the collectives supply only 15 per cent of the agricultural commodities on the market whereas 85 per cent is supplied by the peasants, collectivized, or individual, thus:

Produce of <i>kolkhozy</i> sold by <i>kolkhozy</i>	15%
Produce of <i>kolkhozy</i> sold by <i>kolkhozniki</i>	45%
Produce of <i>kolkhozniki's</i> own livestock and allotments.....	30%
Produce of independent peasants.....	10%
100% (20)	

An insight into both the prohibitively high prices on the market and of the inflation of the ruble can be gained from the fact that in 1934 the open market turnover was valued at 14,000 million rubles in current prices whereas the country's total agricultural produce that year, calculated in 1926-27 prices, was valued at 14,600 million rubles! It is therefore not surprising that in 1935 the sale on the open market of less than 20 per cent of the marketable surplus yielded a greater sum of money than the sale of 60 per cent of the marketable surplus to the state and state organizations:

In Millions of Rubles	
Income from compulsory deliveries to state.....	7,370
Income from decentralized collections.....	1,344
Income from open market sales.....	10,783

Because of this extreme difference between open market sales and sales to the state, 25 per cent of the whole money income (10,783 million rubles out of 43,646 million rubles) of the *kolkhozniki* (and the *whole* means not only what they earned in the *kolkhoz* but also outside earnings in factories off-seasons) was derived from open market sales.⁽²¹⁾ Moreover, the *kolkhozniki* need not submit any turnover tax to the state.

At the 18th congress of the RCP held in March, 1939, it was stated that the free market turnover of foodstuffs in 1938 was valued at 24,999 million rubles, or 15 per cent of the total value of all retail trade, including public feeding. However, this does not mean that the actual commodities sold ap-

(19) Cf. article by Baykov in *Economic Journal*, London, December, 1931.
(20) *Development of Kolkhoz Trade in 1934*, in Russian.
(21) *Problems of Economy*, No. 6, 1936, in Russian (see also all official magazines and newspapers mentioned in this article).

proached that percentage. Because the prohibitively high prices on the open market and the inflated rubles, the value output, as we have seen above, give no indication of the physical output. Small wonder that the newly-created *kolkhozniki* jealously guards an old institution: the free market!

III—Private Property in the Kolkhozy; Millionaires and Paupers

The free market was not the only conquest of the village. In 1935 the *kolkhozy* were granted the permanent use of the land and the *kolkhozniki* the following private property rights: their dwelling, one-half to two and one-half acres of land (depending upon the region) and the following livestock*: one cow, two calves, one sow and its litter, up to ten sheep or goats, unlimited poultry and rabbits and up to ten bee-hives. The slogan for industry, "fight for profit," had its parallel in the countryside: "Make all *kolkhozniki* prosperous." Since all produce of his private property was his and the sale of it on the open market was unencumbered by a turnover tax, the *kolkhoznik* began to pay a lot of attention to the care of his own small plot of land, where he carried on diversified farming. *Planned Economy*, in its December, 1938, issue carries a report which reveals that the *kolkhozniki* spend 30 to 45 per cent of their time on their own homesteads while the women spend most of their time on their own plot. The reports to the 18th conference in February, 1941, related the fact that farming on their own homesteads "overshadowed farming in the collective"†

Despite the trumpeted 99.6 per cent collectivization, here is the extent to which private property has developed: although the *kolkhozy* own 79.2 per cent of the area under crops, they own only 17.6 per cent of all cows, 30.4 per cent of sheep and goats. On the other hand, the *kolkhozniki*, who own a mere 3.3 per cent of the area under crop, own as high as 55.7 per cent of all cows and 40 per cent of all sheep and goats. Individual (private) peasants cultivate only 5.2 per cent of the land under crops but own 12.1 per cent of draught horses, 16.9 of cows and 13 per cent of the sheep and goats. Contrast to this the *sovkhozy* (state farms which are owned and managed by the state like the factories) which control 12.3 per cent of the area under crops but own only 9.8 per cent of the cows and 16.6 per cent of the sheep and goats. The *sovkhozy* possess only as many productive cattle as are owned by the workmen and employees who live in the country and are responsible for sowing only 1.1 million hectares of land!‡

Besides these legitimate claims (that is, those recognized by the state) the People's Commissar of Agriculture reported in May, 1939, that the following surplus allotments were found to exist illicitly as private property:

778,000 hectares among *kolkhoz* members
 203,000 hectares among private peasants
 432,000 hectares among workers and employees and other non-members living in agricultural districts

The Commissar failed to inform us as to the degree of concentration of these surplus allotments. Surely they were not divided some one-tenth of an acre evenly among all homesteads or there would have been no necessity for promulgating the May 27, 1933, decree forbidding the sale or transfer of

*It is considerably higher in non-rod regions.

†*Quarterly Bulletin of Soviet Russian Economics*, No. 1-2, 1939, Prague; Priskopovic is the editor of this and it is translated into English; excellently documented.

kolkhoz property. That decree also made it obligatory for *kolkhoz* members to work a minimum of sixty to a hundred days a year, depending upon the region, in order to be entitled to *kolkhoz* membership. *Kolkhoz* membership, however, does not mean being an equal among equals. No, among the *kolkhoz* members there are millionaires and there are paupers. That is a fact, notwithstanding the praise of the millionaire *kolkhozy* in the Russian press as, if their existence signified the realization of the slogan, "Make all *kolkhozy* prosperous."

Far from eliminating the poverty of the village, the millionaire *kolkhozy* have so accentuated it that the "differentiation" in social composition parallels the Czarist village. There are small, medium-sized and vast *kolkhozy*, and the crops grown on them and the tractor drivers available to them vary greatly. The "fortunate" ones are those which possess high grade soils, produce industrial and medicinal crops for the state, have comparatively large area in proportion to the number of members, have a great many more than the average number of tractor drivers at their disposal. *Pravda* of January 14, 1939, reported that on November 15, 1938, 5,000 MTS still owed their drivers 206 million rubles. The report reads that, naturally, the tractor drivers left the *kolkhozy* serviced by these MTS. The *kolkhozy* that could afford to pay well and on time got the best tractor drivers. Besides having the best soil and the best tractor drivers, the *kolkhozy* were able to work into the millionaire class by having had a larger surplus to put away for the further improvement of the *kolkhozy*. A certain percentage continually grew richer and richer. To be precise, the millionaire *kolkhozy* comprise one-third of one per cent of all *kolkhozy* (610 *kolkhozy* out of 2,424 thousand *kolkhozy* in the USSR) (22)

In extreme contrast to this handful of millionaire *kolkhozy* are the PAUPER *kolkhozy*, which are twenty times as numerous as the millionaire ones. They constitute 6.7 per cent of the *kolkhozy* and earn annually 1,000 to 5,000 rubles. The overwhelming majority, 75 per cent, of the *kolkhozy* are medium-sized and earn about 60,000 rubles annually. This means only 172 rubles per member. (23)

Enormous extremes prevail in the distribution of farm products as compensation for labor, as well as in farm wages. In 1937, 8 per cent of all *kolkhozy* allotted less than 1½ kilogram of grain per labor day to each worker, over 50 per cent gave up to three kilos, 10 per cent distributed seven to fifteen kilos and, again, one one-third of one per cent allotted over fifteen kilos.

It must be emphasized that the labor day is not a calendar working day but a piece rate unit accorded the various categories of skilled and unskilled labor. A field hand's working day is "worth" one-half a labor day and a tractor driver's day is worth five labor days! Moreover, a labor day does not command the same price in all regions, as can be seen from the following table: (24)

District	Income from Days in Rubles
Vangerovskiy	0.52
Slavianskiy	1.37
Vannovskiy	0.42
Shpollanskiy	0.67
Korsun'skiy	0.34
V. Khav'skiy	0.45
Bazhetskiy	1.18

(22) *Socialist Agriculture of the USSR Statistical Yearbook, for 1939*, in Russian.

(24) Cf. *Russia's Economic Front for War and Peace*, by Yagow.

(23) *Income, Savings and Finance in Collective Farms, in Russian*.

Thus, even for the same work, the *kolkhozniki* might have been paid either 34 kopeks or 1 ruble and 37 kopeks—a four-fold difference per labor unit!

In 1939 the Central Administration of National Economy Statistics reported that 25 per cent of the *kolkhozniki* had earned 300 labor days, the average being 150 labor days a year, while 3.5 per cent had not earned a single labor day. The other extreme to this polarization of wealth is told in *Pravda* of January 17, 1939, which reports that a single collective peasant family in the Soviet cotton growing region of Uzbekistan had earned 22,000 rubles. These "differentiations," we must bear in mind, are within the *kolkhoz*. It is not from amongst the three million individual peasants that the "millionaires" arise but from amongst the 75 million collective farmers, out of those that have the largest tracts of land and are favored by the state with "contracts," that is, produce industrial and medicinal crops for the state. As we have seen, the state gets approximately 40 per cent of the gross crops of the *kolkhozy* through obligatory deliveries, taxes and payments for use of tractors and combines. Of the surplus reverting to the *kolkhozy* and *kolkhozniki* there is economic base for both millionaire and pauper members.

IV—Mechanization and Unemployment in the Countryside

Unemployment has been officially declared abolished ever since 1930. However, such a bourgeois agronomy specialist as Sir John E. Russell, director of the Rothamsted Experimental Station, declared after his visit to Russia in 1937 that the number of workers per hectare of land was some two to four times as many as would be used in England and that, most probably, only half of the agricultural population of Russia was necessary to run production efficiently. That, despite the fact that between 1928 and 1938, 22.8 million individuals left the farms and the peasant population declined by 20 per cent. That Russia is still overwhelmingly a peasant country (67.2 per cent of the total population is still rural) was revealed by the 1939 census. Of the 114.6 million rural inhabitants 78.6 million are peasants. Are all these millions still necessary to agricultural requirements, despite the extent of mechanization?

The Russian state prided itself on the tremendous development of mechanization on the agricultural front, yet denied the existence of unemployment and continued to deny it until 1939. The mop-up operations against the remaining revolutionists in the 1937 Trials and the anti-labor legislation in 1938 resulted in a mass flight of labor. Industry once again found itself without sufficient help. It was then that "The Leader" indirectly revealed the existence of unemployment in the countryside. At the 18th congress of the RCP in March, 1939, Stalin appealed to the *kolkhozniki* for their surplus labor: "The *kolkhozy* have the full possibility," he stressed, "to satisfy our request inasmuch as abundance of mechanization in the *kolkhozy* frees part of the workers in the country and these workers, if they were transferred to industry, could bring about a great benefit to the whole national economy." Since that appeal was issued, it became the vogue in Soviet periodicals to speak of the "balance of labor" (a euphemistic enough name for the unemployed!) on the *kolkhozy*. Here is one table officially published to show the effects of mechanization:

1922-25	20.82
1933	12.30
1937	10.55

Here we see a full 50 per cent decrease in the need for manpower on the farm.

Still more directly, unemployment is attested to in the December, 1938, issue of *Planned Economy*, which publishes the following interesting table regarding the portion of labor resources that took part in *kolkhoz* work.

	January	July
Men	68.2%	64.8%
Women	21.2%	68.1%

This reveals that even in the busiest month of the year, July, about 15 per cent of the men and 30 per cent of the women were surplus to labor requirements in the *kolkhozy*, regardless of whether they were officially declared to be among the unemployed or not. In the January, 1941, issue of the *Problems of Economy* there appeared an article called "Labor Productivity in Agriculture in the USSR and USA" (an article we have already discussed in the section on labor productivity on the industrial front), in which the writer comes to the conclusion that, although the Russian worker put in an average 152 labor days per year, the American farmer works 258.6 days, and that Russia has three times as many farmers as the USA: 36.6 million against 12.1 million.

However, no amount of discussions about the "balance of labor" in the *kolkhozy*, no scientific proof that much of labor was surplus to agricultural requirements, not even the appeal of "The Leader" himself, proved powerful enough to move the peasant off from his half acre plot of land and willingly give himself over to the factory régime. It was then that the state enacted the October 2, 1930, decree creating the state labor reserves. The decree made it obligatory for the *kolkhozy* and city soviets to give up to one million youths between the ages of 14 and 17 for compulsory vocational training. After two years of training for the 14 and 15 year olds and a bare six months for the 16 and 17 year olds, the youths had to work for the state for four years at the prevailing rate of wages. The irony of this decree lies in its being officially predicated on the fact that it was made necessary "as a consequence" of the "abolition of unemployment and the fact that the poverty and ruin of the village and city are forever done away with" and "therefore" there were no people "quietly forming a constant reserve of manpower for industry"! The truth of the matter is that unemployment, poverty and misery continue to exist in the country but even under his unhappy lot the peasant will not turn to industry because conditions in the factory, especially after 1938, are well known to him and he prefers unemployment in the country instead.

And what about the proletariat who cannot escape the factory régime? What is the factory régime like? What are the production relations at the point of production?

(Editor's Note: The following is the final installment in the series of articles on Soviet economy. They are the product of an extended study of this subject by the writer. The NEW INTERNATIONAL takes no responsibility for the articles, presenting them as discussion material on the subject of the Russian economy.)

D—Social Classes in Russia

Our study of the Russian economy would be barren of any social significance were we not to examine the production relations characteristic of the mode of production. Stalin said that there were no classes in the Soviet Union "in the old sense of the word." Let us see. Social classes are defined by the rôle they play in the process of production. What places do the "classless" groups known as the proletariat and the intelligentsia occupy in the economic system that still retains the name of the Union of Socialist Soviet Republics? Who runs the economy? Whose life-blood cements and expands it? Who benefits from it? In order of their origin, let us analyze the evolution of the "social groups" during the Five Year Plans.

I—The Proletariat

1—The Worker and the Law

Throughout the life of the First and Second Five Year

Plans labor fluidity was great. The trial of the "Trotskyist-Bukharinist fascist wreckers" only served to heighten the workers' restlessness and not merely the fluidity of labor (labor turnover) but the actual flight of labor away from the city assumed disastrous proportions. To try to check this development a decree of December 28, 1938, introduced labor passports. This decree had no teeth in it because the worker was not the least intimidated by the threat of being fired for a day's absence. Since he could always get another job but could not quit his job without giving a month's notice, the worker very often took advantage of the fact that coming late twenty minutes made him a truant and caused his dismissal. On June 26, 1940, "as a consequence of the current international situation," the 1938 decree was greatly "elaborated." It forbade the worker to leave his job. Truancy and other infractions of the law were punishable by six months' "corrective labor"—labor in the factory, that is, with a 25 per cent reduction in pay. Furthermore, the workers' hours were increased from seven to eight, with a proportionate increase in the "norms" of work but no increase whatever in pay. Toward the end of that year, on October 2, 1940, the State Labor Reserves were created, which, as we saw, gave the worker free training of from six months to two years and made it obliga-

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tory for him to work for the state for four years "at the prevailing rate of wages." But even these Draconian anti-labor laws did not succeed in making of the Russian wage slave a slave of old, an integral part of the means of production. The Russian worker found all manner and means to circumvent the legislation.

Reviewing six months of operation of the law of June 26, 1940, the *Pravda* of December 26, 1940, had to report that in many enterprises, especially coal mines, truancies were greater in October than in the months prior to the enactment of the barbarous anti-truancy laws. The reports to the eighteenth conference of the RCP in February, 1941, complained of the fact that the workers still absented themselves "particularly after pay day." And on April 16, 1941, two short months before the invasion by Germany, Shvernik, head of the so-called trade unions, reported to the eleventh plenum of the Central Executive Committee of the Trade Unions that 22-32 per cent of the workers still do not accomplish their minimum "norms"; that, furthermore, workers of the same category get different wages in different factories, sometimes even in the same factory, and, worst of all "evils," some factories continue to pay on the basis of experience rather than on the basis of the piece-work system.

However, the fact that the Russian worker has been able in great measure to circumvent anti-labor legislation does not mean that he is the proletarian of the high morale of the days of his own dictatorship. It is sufficient to counterpose the hero of those days to the "hero" of today to bring out the change in morale in striking relief. Simply contrast to the *Subbotnik*, who gave his Saturday services without pay to his state, the Stakhanovite, whose pay envelope is twenty times that of the rank and file worker! The *Subbotnik* neither complained nor boasted of his economic conditions—they were bad but the movement of the economy which he ruled over was such that he gained by the progress of the state. When, by 1928, production had gained its pre-war level, the workers' wages were 125 per cent of that level. The Stakhanovite boasts of his pay envelope and complains to the state of the disrespectful attitude toward him on the part of the "ignorant" (read: rank and file) workers who "preen themselves of their proletarian origin."

When the First Five Year Plan was launched the enthusiasm of the workers for the Plan was so high that during the first year all norms set by the Plan were over-fulfilled. The bureaucracy saw the blue in heaven and raised the slogan: The Five Year Plan in Four. But then the trade unions and shop committees were still functioning and collective labor agreements were in force both in state institutions and at those private concessionaires that still existed, such as the Lena Gold Fields. Rulings made by the Workers Conflict Commissions generally favored the workers in their fight with the management. On January 5, 1929, for example, *Economic Life*, the organ of the Council of Labor and Defense, emphasized that piece work rates are subject to the approval of the Workers Conflict Commission but that the responsibility for fulfilling the financial program rests exclusively with the management. That issue of the publication reports also that it is an ordinary occurrence for a worker dismissed by the management to be reinstated by the labor inspector.

When the worker, however, found that agricultural prices had soared so high that his salary could not even cover the purchase of sufficient food, his enthusiasm subsided and production lagged far behind the Plans. Immediately the state struck out against him. On January 24, 1929, a decree was

promulgated making workers responsible for damaged goods. In 1930 it became obligatory for a factory director to insert into the worker's paybook the reasons for his dismissal. That same year the labor exchanges were instructed to put the workers who left their jobs on their own initiative on a "special list" (read: blacklist) and deprive them of unemployment compensation.

Of food there was such scarcity that rationing had to be introduced in 1930. For the manual worker the rations were: twelve pounds and five ounces of black bread a week, and the following items, in quantities, per month: two and a half pounds ten ounces of herring, thirteen ounces of sugar and two and a half ounces of tea. Soon tea disappeared from the meager diet and we read of the workers having a *kipyatok*, which is plain-boiled water, without either sugar or tea. Meanwhile, unemployment had been declared officially to be nonexistent and unemployment insurance was actually abolished. The worker's ration card was transferred into the hands of the factory directors.

The workers became restless. The rate of labor turnover in 1930 was 152 per cent. But the slogan of "The Five Year Plan in Four" was not changed. The controlled press voiced criticism of the trade unions and blamed them for not seeing to it that the workers fulfilled their "norms." In 1932 it was decreed that the worker could be fired for a single day's absence without permission. Moreover, the factory director thereupon could deprive him not only of his food card but also of the right to occupy the premises owned by the factory, that is, the worker's living quarters. To stifle the expression of dissatisfaction on the part of the workers, it was decided to deprive the worker of any form of redress through his trade unions by "stification" of the latter. In 1933 the liquidation of the Council of Labor and Defense into the Economic Council was decreed. Thus, while the factory director had control over the worker's food and lodging, the worker had no trade unions independent of the state to take up his grievances. But it was impossible to decree slavery. So long as industry was expanding and workers were necessary to man the machines, the workers took advantage of that one fact and continued to shift from job to job.

The 1938 law was no harsher than the 1932 law but no more effective. The barbarous 1940 law was likewise found inadequate. Shvernik proposed that, instead of bare decrees, the state use the indirect method to get the most out of labor. Shvernik raised the slogan "To liquidate to the end equalitarianism in pay." In other words, piece work should be the rule not only in 70 per cent of the enterprises, as heretofore, but be 100 per cent prevalent. "Petty bourgeois equalitarianism" and "depersonalization" must be "liquidated." The Leader had been wise when, as far back as 1931, he had said that there should be an end to depersonalization. It was high time to realize that slogan.

What, precisely, does "putting an end to depersonalization" mean?

2—Ending Depersonalization and Creating Stakhanovism

Although the state, as the owner of all means of production, is the over-all employer, every state enterprise must procure its own labor force and there is keen competition between individual enterprises because (1) there is a shortage of experienced labor; (2) productivity is so low that there is a constant need for more labor than theoretically is necessary according to the Plan. For instance, the First Five Year Plan called for an increase of laborers to 15.7 million. Actually,

22.8 million laborers were used even to achieve the unattained production plans. Living quarters in the city became unbearably overcrowded but the famished peasants continued to flock to the city in millions so that a large reserve army of labor was finally created. In 1933 passports had to be introduced to restrain the peasants' search of employment in the city. In tune with the times, *Industry*, the organ of the Commissariat of Heavy Industry, in its issue of March 16, 1933, informs managers who had not fired their "poor" workers because heretofore there had been severe shortage of labor that now they have a "trump card: there are more workers in the shops than is necessary according to plans." (Emphasis in original.) In analyzing the excessive turnover the writer of this front page article has the gall to attribute it to the "enthusiasm" of the Don Basin miners for collectivization, which made them leave their work and "themselves" put through collectivization in the village! "But, why," he continues, "is there still excessive labor turnover?" One of the reasons he admits to be "In the communal dwellings, which have been built in the past months it is filthy, uncomfortable, boring." But the biggest cause for labor turnover is the search for better wages. He asks management to stop bidding against management for workers. Neither this appeal nor the anti-labor legislation that was enacted nor the fact that the proletariat was deprived of the use of the trade unions which had become part of the administrative machinery of the state accomplished the trick of straight-jacketing labor. The 1931 slogan, "Let there be an end to depersonalization," needed a big stick to enforce it. So the state arranged for a "gift from heaven" to be sent them in the form of Stakhanovism.

Here is V. Mezhlauk's (the then chairman of the State Planning Commission) explanation of this "gift from heaven": "A plain miner, the Donetz Basin hewer, Alexei Stakhanov, in response to Stalin's speech of May 4, 1935, the keynote of which was the care of the human being and which marked a new stage in the development of the USSR, proposed a new system of labor organization for the extraction of coal. The very first day his method was applied he cut 102 tons of coal in one shift of six hours instead of the established rate of seven tons." So this "gift from heaven" came on August 31, 1935, "in response to Stalin's speech of May 4." In the four months that elapsed between the two events a lot was done by the state to set the stage for "the miracle," so that the press, the photographers, the wires of the world immediately heard of "the gift from heaven." Contrast the hullabaloo about Stakhanov with the silence as to the hot-house conditions created for Stakhanovites who get the finest tools and spoil them at the fastest pace without the necessity of paying for them as the workers have to pay for damaged goods, and the silence as to the brigade of helpers who do all the detail work but get no Stakhanovite recognition either in fame or in money! These record-breakers for a day do not repeat their records but retire behind swivel chairs while the mass of workers are now told that the "miracle" should really be their regular "norm!"

Armed with Stakhanovism, the state was able to revive the 1931 slogan, for now they had the wherewithal to enforce it. Piece-work was made the prevailing system of work in Russia. In the state of Lenin-Trotsky, where the *Subbotnik* was the hero, the range of pay was one to three; in the Stalinist state, where the Stakhanovite is the hero, the range of pay is one to twenty!

*Stalin's expression; see his speech on November 25, 1935.

3-Ending Rationing and Producing Luxury Goods

Ending depersonalization and creating this extreme differentiation in pay had its corollary in ending rationing and producing luxury goods. For the rise in pay would have meant nothing to the Stakhanovites if they could not put it to use. It is interesting, therefore, to note that whereas production of articles of mass consumption kept little pace with the demand for them, the production of luxury goods leaped almost to the miraculous heights achieved in the production of means of production goods. The tremendous increase in realized output of luxury goods contrasts sharply to the very slight increase in articles of mass consumption. Let us look at the luxury goods first: (26)

	1932	1936
Watches	67,000	558,000
Gramophones	58,000	337,000
Cameras	39,000	557,000
Silk (million meters)	21.5	512,000

Even the Perfumery Trust, headed by the cultured Mme. Litvinoff, showed a great increase. (27) Contrast the 270 per cent increase in "production" of perfumes to the measly 44 per cent in the production of cotton goods for the period of the Second Five Year Plan!

Even so the Stakhanovite was dissatisfied, for it was irksome to him to be favored only in the matter of luxury goods, whereas in the articles of first necessity the manual worker with his ration card was still favored by the state stores. And the prosperous kolkhoznik who was not entitled to a ration card, of what good was his prosperity to him? Clearly, the status of these two groups contradicted the reality of rationing. The state took steps to end this contradiction.

On November 15, 1935, the first All-Russian Conference of Stakhanovites was called to order. It was addressed by the Leader himself and *Pravda* waxed editorially enthusiastic about the "salt of the Soviet earth." It initiated a campaign to teach the people "to respect those leaders of the people." It tried to counteract the detestation of the rank and file workers toward these unsocial speed-demons. That hatred had no bounds and it was not altogether an unheard-of event that individual Stakhanovites were found murdered. The press hushed down the occasional murder and played up the state praise. These Stakhanovites, the masses were told, were "non-party Bolsheviks." The Stakhanovites themselves were favored with something more practical than the label "non-party Bolshevik": *rationing was abolished!*

The abolition of rationing made it possible for the Stakhanovite to reap full advantage of his high salary. The abolition of rationing benefitted the prosperous kolkhoznik who had heretofore not been entitled to a ration card. The abolition of rationing worsened the conditions of the mass of toilers.

The state, however, pictured the abolition of rationing as a boon to the workers. A lot was said about the "rise in the consumption of the masses." What they cited as "proof" of that was the increase in gross (not net) retail turnover. The State Treasury does not divide its revenue from turnover tax into that obtained from articles of mass consumption and those from heavy industry, but we know, through the manner in which it taxes individual items, that in no case could the

(26) Cf. L. E. Hulbert: *Soviet Trade and Distribution*.

(27) Cf. N. Mikhailov: *Land of the Soviets*.

(28) Table abstracted from *Quarterly Bulletin of Soviet-Russian Economics*, No. 1-2, November, 1935.

percentage of turnover tax from heavy industry have been higher than 10 per cent. Hence, if we examine the gross retail turnover, we will see that there was not so much an increase in the turnover of goods as in the money turnover: (20)

	Gross Ret. Turnover	Turnover Tax	Net Ret. Turnover	Incidence of Tax
1930	19,915.5	6,755.1	13,160	51.1
1931	27,465.2	10,607.8	16,857	60.9
1934	61,814.7	37,615.0	24,200	155.4
1935	81,712.1	51,900.0	29,812	174.4

Thus the effect of the turnover tax was "a rise in consumption of the masses" (read: a rise in the incidence of the tax) from 51.1 per cent in the first year of its adoption to 174.4 per cent in 1935, when rationing was abolished. According to the table above, that is according to the value of goods, production of articles of mass consumption more than quadrupled from 1930-35. But we know that, at best, production only doubled (that is, even if we take the Soviet economist's gauge of value output and exclude only the turnover tax). Clearly, no more commodities could be consumed than were produced. But even if we accept the doubling in production of articles of mass consumption, we can still, by no stretch of the imagination, conclude that that meant a rise in the consumption of the masses. The high prices in effect after rationing made it difficult for the ordinary worker to buy even the few commodities he had bought during the rationing period. The rise in "mass" consumption meant a rise in the consumption of the labor and kolkhoz aristocracy and a decrease in the consumption of the rank and file workers, as we shall soon see.

The Russian statisticians would have us believe that there was a decrease in the prices of articles of mass consumption after rationing. As proof of that, they place parallel the prices in effect before and after rationing was abolished. However, what they place alongside of one another is not the rationed and non-rationed price but the open market prices, which were completely beyond the reach of the rank and file workers, and the commercial prices, that is, the state store prices after rationing was abolished and the prices were raised. As the table below will show, the reduction in the open market price (the single uniform price) was a tremendous increase nevertheless over the rationed price, which the worker had heretofore been entitled to: (21)

Item	Rationed Prices		Open Market	Single Uniform
	1928	1932		
Black bread	.09	.12 1/2	1.00	.85
Wheat flour	.22	.19	2.25	1.80
Beef	.79	2.12	11.76*	5.80
Potatoes	.07	.25	.50	.40
Sugar	.05	1.25	4.50	3.80
Sunflower oil	.19	13.50*
Butter	2.21	4.05	16.50

Thus the "victorious reduction in prices" reveals a tenfold rise in prices since the initiation of the First Five Year Plan. The change from the open market price to the single uniform price benefitted only those who were not entitled to a ration card and had to buy in the open market. But for the mass of workers the abolition of rationing meant such a rise in price as must considerably decrease his standard of living. This deserves more detailed treatment, for his standard of living has deteriorated even more since then, as we shall see in examining his real wages at the outbreak of the Russo-German war.

(20) 1933 prices abstracted from *Statistical Handbook* (in Russian); 1932 prices from Prokopovics's *Bulletin*, No. 1-2; 1928 prices from *American Quarterly for the Soviet Union*, April, 1940. Starred items are 1928 prices.

4-The Worker's Standard of Living at the Outbreak of War

The above table was the first official glimpse we have had of the rising cost of living since the discontinuation of the publication of the food index in 1930. Further data in regard to the rise in retail prices in government stores in Moscow in 1939 and 1940 were gathered by the American Embassy and published in the *November*, 1939, and May and August, 1940, issues of the *Monthly Labor Review*. In addition to reporting the prices of food, the *Review* also records the fact that, although there were 129 items of foodstuffs in state stores in 1936, there were only 83 on January 1, 1939, only 83 on June 1, 1939, and only 44 items on January 1, 1940. Further, that such essential commodities as milk, butter, eggs, sugar and potatoes which were listed as available, are available very irregularly. The prices quoted have been disputed by no one.* The only subterfuge left to the Soviet apologists is that it is insufficient merely to show the rise in cost of food without knowing the Russian worker's preference in food—he may prefer herring to caviar. But our method of measuring the worker's standard of living takes away even that shabby subterfuge since the goods used are those found by an official study in Moscow in 1926 to be those consumed by the masses.**

COST OF FOOD IN CZARIST TIMES AND BEFORE AND AFTER THE FIVE YEAR PLANS (30)

(In rubles per kilo, except milk in liters and eggs in units)

Foodstuffs consumed weekly in Moscow in 1926:	1913	1913	1928	1928	1940	1940	
Quan.	Price	Cost	Price	Cost	Price	Cost	
Black bread	2.46	0.07	.1722	0.02	.1968	0.85	2.0910
Wheat flour	0.79	0.12	.0948	0.22	.1738	2.90	2.2910
Potatoes	3.04	0.05	.1520	0.09	.2750	1.30	3.6480
Beef	0.92	0.46	.4232	0.87	.8004	12.00	11.0400
Mutton	0.17	0.34	.0578	0.79	.1343	14.00	2.0080
Sugar	0.45	0.34	.1550	0.62	.2750	3.80	1.7100
Milk	1.24	0.11	.1364	0.06	.0744	2.10	2.6040
Butter	0.11	1.15	.1265	2.43	.2675	17.50	1.9250
Eggs	1.60	0.03	.0180	0.20	.3200	0.95	1.3600
Sunflower oil	0.12	0.15	.0180	0.53	.0636	15.65	1.8780
			1.5619		2.5832		30.6270

Using 1913 as 100, the index of the cost of food for 1928 is 187 and for 1940 it is 2,248. The weekly wages for those years were: 1913, six rubles; 1928, fourteen rubles, and 1940, 83 rubles. Again using 1913 as our base for nominal weekly wages, we have an index for 1928 of 233, and for 1940 of 1,385. We can now construct our index of real wages by dividing the nominal weekly wage into the real cost of food, thus obtaining 125 as the index of real wages in 1928 and 62.4 per cent for 1940, when compared to Czarist times, we must not forget! Had we considered the further rise in food prices by October, 1940, it would have been a mere 55 per cent of 1913! And even that appallingly low figure, which so glaringly proves the deterioration in the worker's standard of living, does not

*Confirmatory evidence of the validity of these prices appeared in the *Pravda* of October 21, 1940, which announced that potatoes have been "reduced from one ruble and twenty kopeks to ninety kopeks" and "bread raised from eighty-five kopeks to a ruble per kilo." The only place that had quoted the ruble and twenty kopeks as the price for potatoes was the "Monthly Labor Review" article; the last the outside had had of the official figures was the quotation of potatoes at fifty kopeks a kilo in 1927.

**Furthermore, the benefit of the *Cont* in each case goes to the state. For example, of the eleven items listed in the 1928 budget, we have listed only ten because the eleventh, *gre*, was unavailable and rather than guess at a substitute we have simply taken for granted that the worker did without rice. Again, when the 1924 list did not mention the quality of food, we in each case put down the cheaper quality, thus the price for beef is that of beef for soup, not either roast beef or beefsteak; the prices of butter and wheat flour are second quality, etc.

(30) The 1913 figures are from Prokopovics's *Bulletin*, No. 1-2; 1928 prices as in note (20); 1940 figures for beginning of year from "Monthly Labor Review"; starred figure, 1928. The 1928 study, including quantities, reproduced in *International Labor Review*.

picture the situation at its worst for we have considered the single uniform price in 1940 and not the open market price (to which the worker sometimes had to resort because few foods were available in state stores). On the average, the open market prices are 78 per cent higher than the state store price! There is supposed to be no black market in Russia but in the officially recognized free market beefsteak sold for seventeen rubles a kilo when the state stores sold the same commodity at ten and a half rubles!

The full significance of the miserable living standards of the Russian worker first fully dawns upon one when he reads the Stalinist publicity of the "socialized" wage—that is, the free medical care, education and reduced rent that the Russian worker is supposed to count as part of his "wages" and of which he was deprived during Czarist times. First of all, even that would not bring the worker's real wages to more than 70.8 per cent of Czarist time, which is not much to boast of for a "socialist" land. But more than that, the point as to the "socialized" wage does not affect our comparison with 1928. All of the beneficial legislation was enacted in the first years of the workers' state. Both in relation to education*** and health**** the worker fares worse, not better, after three Five Year Plans than before their initiation. And in comparison to his 1928 standard of living his 1940 standard is but one-half! His standard of living deteriorated not only in regard to the main basis, food, but also in regard to his four square meters of living space and his clothing (in rubles):

Article of Clothing	1928	1939	Increase
Calico, meter	.50	3.50	7-fold
Woolens, meter	0.50	180.00	28-fold
Men's leather shoes	9.55	175.00	19-fold
Women's leather shoes	6.89	85.00	12-fold
Galoshes	3.60	19.05	5 1/2-fold

We see here a fourteen-fold increase in the cost of clothing as compared to 1928. If, because of the paucity of data, we have not included rent and cost of clothing in computing the worker's standard of living and real wages, that, too, was in favor of the state. The inescapable conclusion is that even from the most optimistic view the worker's standard has decreased 20 to 30 per cent from Czarist times and by half since 1928! Neither should it be forgotten that we took the average weekly wage; the minimum weekly wage of 25-30 rubles would have been insufficient to pay for his food alone, much less consider clothing and rent! Contrast to this deterioration the fact that the per capita income has increased from 52 rubles in 1928 to 196 in 1937 and that the "national wealth" leaped from six billions in 1928 to 178 billions in 1940, and you have the most perfect polarization of wealth in an "industrially advanced" society!

We have traced the development of the "social group known as the proletariat"; let us now scan the social physiognomy of the "classless intelligentsia," which is not a class "in the old sense of the word" (Stalin), but nevertheless performs the function of ruling production and the state.

II—The Intelligentsia: The Social Physiognomy of the Ruling Class

Stalin was addressing the eighteenth party congress of the RCP in March, 1939: "Notwithstanding the complete clarity

***He now has to pay for his education above the first year of high school.
****Consider, for example, the pregnancy laws. In the first years of the workers' state the working woman got eight weeks before and eight weeks after pregnancy; now she gets paid for a total of only 33 calendar days. Moreover, she does not get that unless she has worked seven months in a single enterprise; and that, when you consider the extent of the labor turnover, does not often happen!

of the position of the party on the question of the Soviet intelligentsia," the Leader complained, "there are still within our party those who have views hostile to the Soviet intelligentsia and incompatible with the position of the party. Those who hold such incorrect views practice, as is known, a disdainful, contemptuous attitude toward the Soviet intelligentsia, considering it as a force foreign, even hostile, to the working class and the peasantry... incorrectly carrying over toward the Soviet intelligentsia those views and attitudes which had their basis in old times when the intelligentsia was in the service of the landowners and the capitalists...."

"Toward the new intelligentsia a new theory is necessary, pointing out the necessity of a friendly relation to it, concern over it, respect for it and collaboration with it in the name of the interests of the working class and the peasantry."⁽²¹⁾

The following day the press waxed enthusiastic not only of the Leader but of the group he extolled, the intelligentsia. *Izvestia* assured us that "these leaders of the people" were "the salt of the earth." Stalin, being a practical man, said that these "cadres" should be valued as "the gold fund of the party."

Molotov, addressing the same congress, was very specific as to who constituted the intelligentsia. He listed 1.7 million directors, managers, kolkhoz heads and "others"—that is, the politicians—who constituted the "most advanced people." When to the "most advanced" he added the rest of the intelligentsia, he got a total of 9.5 million who, with their families, constituted 13-14 per cent of the population.*

Zhdanov, the secretary of the party, drew some practical conclusions from the Leader's "theory" and Molotov's statistics. It was true that since there were "no exploiting classes" there could not be any bosses. But there were factory directors and they were a part, a most essential part, of the intelligentsia, the very part whom it was necessary "to respect and obey." Therefore, he, Zhdanov, elaborated a plan by which to pave the way for smooth collaboration of these "classless" groups. The plan boiled down to a proposal to change the statutes of the party in such a way as to erase all distinction of class origin.** In arguing for the change, Zhdanov fairly wreaked tears of pity from his listeners when he told them the sad tale of a certain Smetanin who at the time that he was a worker at the factory Skorokhod had become a candidate for party membership. Before action was taken upon his application for membership he turned, first, into a Stakhanovite and immediately thereafter into the director of the factory, whereupon, according to the statutes of the party, he was placed in Category 4, for alien class elements. He protested: "How am I worse now that I am made a director of the factory?" The eighteenth congress of the CP—not the factory Skorokhod—"unanimously decided" that he was no "worse," and the old statutes of the party were thrown overboard. The party, at any rate, toed the "theoretic" line of Stalin and decided that there were no classes in Russia and the "vanguard" party therefore need have no class distinctions in its statutes. But the course of the economy which proceeded upon its way more along the line of the world market and less along Stalin's rationalizations, the production process which gave birth to a class and was in turn determined by it clearly revealed the social physiognomy of the rulers. Much as the Central

(21) *Problems of Economy*, No. 2, 1939.
*The 1939 census was not yet published. Molotov based his figures on the 1937 census, which was not made public because it was "defective."
**When the NEP was introduced, the party of Lenin decided to keep careerist elements out of the party by establishing three categories, in the order of the accessibility of entrance into the party: the worker, the peasant and the employees.

Administration of National Economy statistics tried to give the 1939 census a "classless" physiognomy, and incomprehensive as the data were, there is much we can learn from them in regard to the actual existence of classes from it. Here is how the Central Administration of National Economy grouped its population statistics:

Social Group	Number	Pct. of Total
Workmen in towns and villages	54,566,283	31.19
Employees in towns and villages	29,738,484	17.51
Kolkhoz members	75,616,388	44.61
Individual peasants	3,018,050	1.78
Handicraft workers organized in cooperatives	3,888,434	2.29
Handicraft workers outside of cooperatives	1,396,203	0.82
Non-working population	60,000	0.04
Individuals without indication of social standing	1,255,279	0.75
	169,519,277*	100.00

These percentages were further reshuffled in order to compare the social composition of the land of "socialism" with the land of Czarism:

Social Group	1913	1939
Workers and employees	16.7	49.13
Collective farmers and cooperative handicraftsmen	—	46.9
Bourgeoisie (landlords, merchants, kulaks)	15.9	—
Individual farmers and non-cooperative handicraftsmen	65.1	2.6
Others (students, pensioners)	2.3	—
Non-working population	—	0.04
Not listed	—	0.75
	100.0	100.00

Note that the whole population is accounted for by using the family as the unit. That helps hide both child labor and dependents on wage earners. Note, further, that the population is practically one homogeneous mass of "classless" toilers: almost 50 per cent of the population are workers and employees and the collective farmers constitute practically all of the other 50 per cent. And where are the intelligentsia we heard so much about? The reader will search in vain for them. Yet every "academician" who set out to analyze the above figures in the official periodicals had much to say about the rise of the intelligentsia. Who are they? What do they do? In order to find them and learn their social physiognomy, we shall have to break up the single category of "workers and employees," which hides the ruling class under its broad wings. Let us turn to the occupational classifications and find out how Russians earn a living. The headings of the following groupings are mine, but the categories are from official statistics:

ARISTOCRACY OF LABOR* (thousands)	
Heads of tractor brigades	97.6
Heads of field brigades	549.6
Heads of livestock brigades	103.1
Tractor drivers	203.1
Combine operators	131.2
Skilled laborers in industry, including metal workers, lathe operators, welders and molders	5,374.4 7,259.0

"EMPLOYEES" (thousands)	
Economists and statisticians	822**
Legal personnel (judges attorneys)	46
Engineers, architects (excl. those acting as directors)	250**
Doctors and middle medical personnel	762
Middle technical personnel	836
Agro-technical personnel	96**
Teachers	1,207
Cultural and technical wkrs. (instrs., librns, club dir.)	495
Art workers	46
Bookkeepers, accountants, etc.	1,709 6,451

"THE ADVANCED INTELLIGENTSIA"

Factory dir. and mgrs., kolkhoz, sovkhos and MTS pres.	1,751**
Agronomists	80
Scientific wkrs. (incl. supvts., profs. of hghr. ed. insts.)	93
Others (incl. the army intelligentsia)	1,550**
	3,474

We thus get a total of 16.9 million, or only 10.02 per cent of the total population who are considered a part of the "classless intelligentsia" in the broader sense of the word. The "most advanced" of the intelligentsia, "the genuine creators of a new life," as Molotov called them—those, that is, who are the real masters over the productive process—constitute a mere 3.4 million or 2.05 per cent of the total population. (We are not here considering the family unit since we are interested only in those who rule over the productive process, not their families who share in the wealth their husbands extract). The remaining eight per cent share in the surplus value and sing the praises of the rulers, but it is clear that they leave to the latter the running of the economy and the state.

The Central Administration of National Economy statistics, needless to say, did not reveal the exact share of surplus value appropriated by this "advanced" intelligentsia. But at least we now know who this group is and what it does. The part it plays in the process of production stamps it as clearly for the ruling class it is as if indeed it had worn a label marked "Exploiters." Just as the Russian state could not "liquidate Category 4" merely by writing it off the party statute books, so it could not hide the social physiognomy of the ruling class merely by choosing for it the euphemistic title of "Intelligentsia."

F. FOREST.

THE NEW INTERNATIONAL • FEBRUARY, 1943

Correction:

In the article, "An Analysis of Russian Economy," which appeared in the December issue of The NEW INTERNATIONAL, under the table on the "Relationship of Industrial Level in the Development of Russia and Capitalist Countries; Per Capita Production of Russia in Percentages as Compared to the U.S.A. and Germany," Russian industrial production as a whole when compared to Germany's appeared as 28.4 per cent. It should have been 46.2 per cent.

*One million in the Far Northern territories was unavailable for analysis.
 *Stakhanovites are not listed separately; they are spread among the aristocrats of labor and "advanced" intelligentsia.
 **Double-starred figures are those given by Molotov; I could find no later figures.

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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 sub-

divisions 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

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 centralization] 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. 892. Eden and Cedar Paul translation; in the Kerr edition this appears on p. 688.

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

⁴ Cf. Part I, N. I., Jan. 1943.

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

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

I. 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

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 enterprise, 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*.

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

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 I, *New International*, Feb. 1943.

to purchase interest-bearing bonds, sumptuous homes, dachas, 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 Tomsy 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

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

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

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

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 96 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 slowdowns 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

¹³ Cf. Kent in the *New Internationalist*, 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."

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. Stagnation 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 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 type¹⁶ 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 no wise 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 coun-

¹⁵ See Part I (section on "The Workers and the Law"), *New Internationalist*, 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*.

tryside 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 extreme 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-

¹⁷ p. 273.

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

festation of this greater preponderance of constant over variable capital in 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, 25.4 per cent was expended 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 the 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 necessities 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?

F. FOREST.

THE NEW INTERNATIONAL - DECEMBER, 1946

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 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.

I. 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 Trotsky²¹ 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 en-

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.

gance 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 demonstrable 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

²² *Ibid.*, p. 19.

²³ *Ibid.*, p. 52.

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.

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 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 masquerade as mere plunderers. How far removed is that from the petty bourgeois con-

²⁷ *Ibid.*, No. 17-18, 11-12/30

²⁸ In Defense of Marxism, p. 13.

cept 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

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.

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!

³² Anti-Duhring, pp. 212-1.

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 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 labeled 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

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 Internationalist*, October 1941, p. 238.)

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, e. 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.

³⁷ Ibid. Aug. 1946.

F. FOREST.

³⁶ Fourth International, June 1946.

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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 4942, Mexico, D. F.