

What was the Stalinist USSR?

Some contributions to the debate

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"Deformed capitalist states"

Martin Thomas

The revolutions which created state-monopoly industrialism were all made in under-developed capitalist countries. They were not just capitalist countries, but capitalist countries with a great weight of colonialist or pre-capitalist landlord domination (or, in Cuba, a particularly archaic and stagnant form of capitalism).

The revolutionaries mobilised the masses not against capitalism but against foreign and landlord domination.

The revolutionary forces were militarised. At the head of peasant armies, there were tightly-knit elites of middle-class origin.

The most important capitalists in those countries were closely tied to foreign and landlord interests. No wonder that a section of the — very large — middle classes turned against them, fighting for a better national industrial development. On taking power, the revolutionaries did not want to share their victory with those established capitalists.

The result is a form of economy parallel to market capitalism. Its characteristic divergences from market-capitalist development are systematisations of divergences imposed ad hoc by many less monopolistic states, concerned to develop a base for national industrial capitalism. So is state-monopoly industrialism a special form of state capitalism?

Objection 1: Capitalism is a market system. A command economy can't be capitalism.

Answer: Notice that the Marxist classics never raise this issue, although their theoretical models of 'state capitalism' are obviously not free-market systems.

For Engels, under state capitalism 'freedom of competition (would) change into its very opposite — into monopoly; and the production without any definite plan of capitalistic society capitulates to the production upon a definite plan of the invading socialistic society (but) so far still to the benefit and advantage of the capitalists' (Anti-Duhring, p.329). What makes this state capitalism still capitalism is that 'The workers remain wage-workers — proletarians'.

Capitalism is the system of exploitation of wage-labour by capital, whether carried out in a free market or a state-controlled economy. And the workers remain wage-workers under state-monopoly industrialism.

Objection 2: The workers are not really wage-workers under state-monopoly industrialism. They are state slaves. Wage-labour implies a more or less free labour market.

Answer: "State capitalism, for the worker, is wage-labour plus control and surveillance," as the Algerian Marxist Benhouria puts it.

But for all that, there are labour markets in the state-monopoly industrialist societies. Instead of being handed rations, the workers are paid wages and buy their subsistence. Indeed, in the USSR, and much of Eastern Europe, enterprises bid against each other by offering bonuses to attract good workers. There is a difference between the situation of the bulk of the workers — wage-workers — and that of the slaves in forced labour camps.

The connected political question is this: do the state-monopoly industrialisms create a wage-working class of the sort discussed in Marxist theory? A class with socialist potential? Yes!

Objection 3: Wage-labour done does not define capitalism. It is wage-labour and capital. You need to show that capital exists in the USSR. Machinery and factories are not of themselves capital. Capital is a social relation.

Answer: The record of the last 50 or 60 years is undeniably that the state-monopoly industrialisms aim not just for the production of particular use-values—be they palaces or power stations — but for the production of wealth in general, wealth not limited to any predefined form. That is capital.

What mechanism drives them to that aim? It is the competition of their national capital on the world market. For some it is direct and immediate competition in world trade.

The USSR and China were long outside world trade. But weren't those state-monopoly industrialisms attempting to prepare themselves to enter world trade without being devastated? Isn't that also a form of competition?

Objection 4: If these state-monopoly industrialisms are just forms of capitalism, then why can't they be ordinary capitalist societies? Why don't they allow trade unions and opposition parties?

Answer: They are very special forms of capitalism. Trotsky thought state-capitalism would be impossible because the single state capital would be "too tempting an object for social revolution". Engels thought the same: "No nation will be put up with... so barefaced an exploitation of the community by a small band of dividend-mongers".

Trotsky and Engels were not entirely wrong. These regimes are inherently tense and vulnerable.

Objection 5: State-monopoly industrialism is very different from what we know as capitalism in Britain. What is the sense in applying the same term to two such different societies?

Answer: Only in the textbooks does history proceed tidily from stereotype slavery to stereotype feudalism to stereotype capitalism. Each of the major modes of production known to history has seen wide variations. History is full of hybrid and exceptional formations which cannot be slotted tidily into one category or another.

For decades Trotskyists argued that the USSR could be a "degenerated workers' state" despite being utterly different on almost every point from the theoretical norm of a workers' state; why should its rather smaller differences from the theoretical norm of a capitalist state prevent it being considered a "deformed capitalist state"?

Martin Thomas, October 1988

"A unique way of getting surplus product"

Sean Matgamna

It seems to me nonsense to characterise Russia in terms of capitalism.

To take — as some comrades do — aspects of capitalist states throughout the world, and of capitalist formations throughout history, and from them to create a kind of pastiche, is a-historical. It loses sight of Russian realities, and it obscures the particular Stalinist socio-economic formation we are examining by pasting a collage of images and, so to speak, historical snapshots over it.

Capitalism is essentially the exploitation of wage labour by capital for the extraction of surplus value, and an economic system that is regulated by the consequences of that fundamental class relationship, by way of a really controlling and regulating market. It is regulated by such facts as that investment is determined by profit, and if you don't make a profit you go under.

That's an abstract model, but it's the essence of capitalism. Today, of course, and for most of this century, you find various inroads made by state activity into the classic model of capitalism, inroads which mitigate the laws and change some of the workings of capitalism.

In the USSR it has been a matter not of mitigations and offsettings of the laws of capitalism, but of a qualitatively different system.

The dominant thing there is the existence of a state bureaucracy millions strong, clustered in and around an all-controlling, all-owning, all-encompassing state, which operates the economy politically. Political, or politico-economic, decisions broadly determine what the spontaneously regulating market determines in the classic capitalist model, and what the market and government intervention on behalf of the capitalist class determine in recent real capitalism.

The Stalinist system is not regulated by anything like 'spontaneous capitalism'. It is different from even the most extreme modification we have seen of spontaneous capitalism — that of wartime Nazi Germany. It is not regulated by any kind of autonomous mechanism, but by state power.

The rulers' real control over what happens in the interstices of the economy has been assessed by socialists since Trotsky's time as blind and feeble. Silt has built up, clogging the arteries of the system, and producing strains and convulsions.

Nevertheless, it has to be either/or. Either there is some broad correspondence between what is decided and what happens, or the system would have collapsed into chaos long ago. Instead of the once-impressive industrialisation achieved in the USSR by the Stalinist system, there would have been a collapse into peasant subsistence economy and the generation of market capitalism out of that.

Even when it ceases to exercise active, centralised, deliberated control, the state bureaucracy squats on the society exercising the control of inertia. Because of it nobody else can move and do things on the requisite scale.

In the totalitarian state monopoly systems the central feature is the preponderance of state power. Therefore to call it state capitalism is to miss the point. It is a distinct form of economy, or rather a distinct socio-economic formation.

In any case, we should not, like vulgar Marxists, try to analyse a society just by saying 'What's the economic mainspring?' We should talk about socio-economic formations. In Stalinist states we have a unique level of bureaucracy and state power, together with the elimination of the old ruling class, or their utter marginalisation and subordination (China). We have a unique way of appropriating surplus product.

How did the Stalinist bureaucracies evolve? If bureaucracies similar to that of the USSR arise in other countries such as Yugoslavia, Vietnam, or Cuba, how do you explain them?

Monopoly capitalism has developed the forces of production on a world scale. It competes with the rest of the world and with its 'other selves' on the basis of vast concentrations of the means of production. In order for backward countries to compete they too must concentrate the means of production, and only the state can do this. So a vast spread of statification occurs.

This happens both in "bureaucratic collectivist" states and in other societies which are quite different and where there is a ruling bourgeoisie. The root cause is the same, though the medium varies — capitalist military regimes, Stalinist peasant armies, hybrid formations like the Syrian and Iraqi factions of the "developmentalist" Ba'ath party, etc.

The end result varies, too, from Egypt, where a military regime conducted a 20-year experiment in almost Stalinist state power without eliminating the old ruling class, to Mao's China; from the Stalinist, and seemingly durable, level of state control imposed on Burma by the army for 30 years to the looser "Stalinism" of 1960s Cuba.

Those socio-economic formations which are the result of a thoroughgoing "anti-capitalist revolution" in which the old ruling class is eliminated fully, and fully replaced by a new collective ruling elite clustered around the state power, which is its collective state power—those seem to me to be qualitatively different from the in-between and hybrid cases like 1960s Egypt.

You must divide the states subject to statification into two distinct types. In the first type you have a powerful mass movement which makes a revolution and eliminates the old ruling class. It is simultaneously counter-revolutionary against the working class. That type is Stalinist, in that it has a programme based on the Russian revolution in its degenerate Stalinist phase and creates mechanisms to squeeze the working class. It has a very strong ruling elite and it is very stable, for a long time.

The other variant is where a less powerful, less ideologically motivated group takes power from the old ruling class, usually in a military struggle, and then sets out to develop the means of production using the state. These don't usually destroy the old ruling class.

There is an essential distinction between state capitalism and the Stalinist formations. The distinction lies in the nature of the ruling class and in its relationship to state power and the relationship of state power to society. There are all kinds of halfway houses, but there's no reason to equate the hybrids with the basic distinct species.

Sean Matgamna, Summer 1987.

From Workers' Liberty 43

Stalinism and state capitalism

Martin Thomas

"The organisation of the capitalist mode of production, once fully developed, breaks down all resistance... The dull compulsion of economic relations completes the subjection of the labourer to the capitalist. Direct force, outside economic conditions, is of course still used, but only exceptionally... It is otherwise during the historic genesis of capitalist production..."

Karl Marx, Capital Volume I, ch.28.

Since the mid-1980s, a turn against "statised" economic enterprise - rapid or slow, cautious or dramatic - has taken place all across the world, from Mexico to Moscow, from Sydney to Saigon. It has been accompanied by great popular revolutions in Eastern Europe and by an ideological offensive branding all "statised" economics - mildly social-democratic, nakedly nationalist, or Stalinist - as failed "socialism."

None of the variants were ever socialist. Back in 1891 Karl Kautsky declared, in the most influential codification of Marxist politics in that era, his commentary on the German socialists' Erfurt programme, that: "The theory that... the Cooperative Commonwealth could be the result of a general nationalisation of all industries without any change in the character of the state... arises from a misunderstanding of the state itself... As an exploiter of labour, the state is superior to [i.e. worse than] any private capitalist. Besides the economic power of the capitalists, it can also bring to bear upon the exploited classes the political power which it already wields." Only if the workers ruled could state ownership be socialist.

What, then, was the significance of the "statised" economies of the 20th century? What was their role and place in history? Turkey, after the Young Turk coup of 1908 and especially after 1923, pioneered patterns for the Third World. During World War One, "Under the guise of making provision for the capital city and the army, the [government] instituted allocation mechanisms which totally bypassed the market... Moslem businessmen were brought together under the aegis of the party organisation to found 'national' companies for the financing and carrying out of trade..."

Between 1915 and 1924, "probably 90% of the pre-war bourgeoisie," Greeks and Armenians, were pushed out of Turkey or killed. In the 1920s, the government "actively invested in the economy, notably in an ambitious campaign of railway construction and in two sugar factories. After 1929 it began purchasing foreign-owned railway and other concessions... in addition to nationalising all foreign companies delivering public

services. The new character of state capitalism appeared with what was called, in an obvious allusion to the Soviet experience, the First Five-Year Industrialisation Plan (1934). The plan was, however, no more than a list of fifteen investment projects... What distinguished these projects was their scale - obviously beyond the capabilities of private capitalists at the time..."

The bureaucrats dominated even private industry. "In 74.2% of all firms established between 1931 and 1940 (and still surviving in 1968) the founding entrepreneurs were bureaucrats". [C. Keyder, *State and Class in Turkey*, p.63, 69, 105-6.] A proto-totalitarian one-party state was established.

The role of the state increased in the advanced capitalist countries, too, so that by the 1980s about 50% of national income passed through the hands of the state (and it's not much less today.) The average was about 20% in 1929. More than half the surplus-value produced is taken by the state rather than by private capitalists. In most advanced capitalist countries, however, state spending is mostly on the military and on public services. The state usually plays a very secondary role in investment. "The public sector in most developing countries," however, "account[ed] for... some 50 to 60% of total investment" [World Bank World Development Report 1983 p.48.]

Some Third World economies had strong private capitalist classes: Mexico and India were examples. Even for India, an Indian Marxist wrote:

"The trend towards state capitalism, true in general for the advanced capitalist countries in the twentieth century, manifested itself with particular keenness in the underdeveloped countries after they became formally independent in the post-Second World War period... The government just could not leave the matter in the hands of individual capitalists because, first, they were ill-equipped for those investments that were essential but least paying, particularly in the short run and, secondly, they lacked, in general, funds, initiative, and experience.

"In other words, those segments of the economy that needed huge investment, modern and sophisticated technology, and a long gestation period before being able to provide a strong base for massive industrialisation were brought under the direct purview of the state. Hence in almost all underdeveloped countries the government, irrespective of the particular 'ideology' it professed, took a significant part in the functioning and controlling of the economy." [P. Chattopadhyay, 'State Capitalism in India', *Monthly Review* March 1970; *Financial Times* 18.2.85.]

Even some vocally pro-capitalist governments used the pattern of a one-party state; mass organisations controlled by that party; Five-Year Plans; and a heavy state role in the economy. Two examples were Tunisia and the Ivory Coast.

In Tunisia state-owned enterprises accounted for 60% of value added in manufacturing [1978-81; WB WDR 83 p.51.] In the Ivory Coast 61% of investment was by the public sector [1980-5; WB WDR 88 p.47.] The state controlled marketing of agricultural produce. It owned the biggest plantations and ancillary factories. Its share of total industrial capital rose from 10% in 1976 to 53% in 1980. Almost all the rest of industry was foreign capital operating under detailed conditions imposed by the state. Researchers could find only five Ivorians who could be described as private industrial capitalists. [H S Marcussen and J E Torp, *Internationalisation of Capital*].

In those countries, as also partly in Turkey, the state nurtured a native private-capitalist class. In others, the state substituted for and clashed with private capitalists. In Algeria the FLN (National Liberation Front) took power in 1962 after a long and bloody war for independence from France. Most of industry and large-scale agriculture had been owned by the French state, or by European settlers, who quit. Workers took over many enterprises and estates. The new regime moved in to nationalise and establish state control.

By 1968-9 the government controlled foreign trade, banking, and most major industry. The takeover of oil and gas - now the country's major earners - was completed by 1971. FLN political control was also made complete. The previously independent though sympathetic trade union federation, the UGTA, was brought under government control. In 1967-9 the public sector made 92% of industrial investment. In 1986 its share was estimated at 95%. [T Benhouria, *L'economie de l'Algerie*, p.256-8; J P Entelis, *Algeria: the revolution institutionalised*, p.128.] The private sector continued to include a lot of small-scale enterprise. In 1983 it employed 33% of the workforce, including agriculture. [R Tlemcani, *State and revolution in Algeria*, p.119]. A tremendous drive was launched to build up heavy industries and modern technology. "Under Boumediene, the landscape looked like a vast building yard" [Tlemcani, p.114]. 60% of agriculture was in state farms, and the state had a monopoly on buying agricultural produce; the prices were set low by decree so as to siphon surplus value into industry [Entelis p.142; Benhouria p.69, 117].

Until the early '80s, all state company profits went direct to the government, and all investment was financed by state credits. Later, state enterprises were allowed to keep some of their profits, but all their investment projects were controlled by the state banks and the supervising ministries. All prices were theoretically subject to state control, though - apart from agricultural and food prices - not all in fact were controlled. Despite strict controls on paper, in practice, it was said, "The central political power's control over the [state] corporations is very loose". Foreign capital was quite active in Algeria, under deals arranged with the state. [Entelis, p.126; M E Benissad, *Economie du developpement de l'Algerie 1962-82*, p.200, 220; Tlemcani, p. 161; Benhouria, p.288].

For Algerian workers, however, this implied no relief. The state co-ordinated not only investments but the exploitation of labour. An Algerian Marxist commented on the regime:

"The omnipotence of the state, the overwhelming weight of the superstructure in relation to the infrastructure, is itself a fundamental class fact, quite apart from the goals of the state's actions... When the simplest of problems, at whatever level of social life, needs in order to deal with it a formal procedure, haggling,

an administrative decision; when the press, publishing and cinema are only state monopolies run by officials concerned above all to consolidate their privileges; when the unions are only transmission belts of the single party, which itself is only an annexe of the State, all questions are overshadowed by the basic one: the total domination of society by the State... " [Benhouria p.330].

Here the State was more than a powerful agency and partner of private profiteers.

"The State domination which here precedes, protects and accompanies the development of capitalist exploitation cannot be considered as an episode of that development, leading at the next stage to a liberalisation, or 'Sadatisation' to take the example of Egypt, but is the basic characteristic of this development... Here is no longer a question of a State which provisionally administers the interests of the dominant classes, but of a structure which partially substitutes itself for them... There is no point looking behind this State for a dominant class which is using it, as... in France... A fraction of that dominant class, to be precise the state bureaucratic fraction which is also the hegemonic fraction, only exists through and thanks to the State" [Benhouria p.430].

"The bureaucratic form of Algerian capitalism is a product of history. On the basis of State property, wage-labour is juridically, socially and politically insufficient to ensure a problem-free reproduction of the relations of production... State capitalism, for the worker, is wage-labour plus control and surveillance" [Benhouria, p.395-6]. Plus, indeed, very often, police-state terror. As Nikolai Bukharin put it, extrapolating (extravagantly for the time) from stasised economics in World War 1:

"State capitalist structure of society, besides worsening the economic conditions of the working class, makes the workers formally bonded to the imperialist state... The workers... become white slaves of the predatory imperialist state, which has absorbed into its body all productive life." [Imperialism and World Economy, 159-60.]

Structures similar to Algeria's existed in many countries of the Middle East and North Africa. "By 1960, the bulk of economic activity in the region, with the important exception of oil, had passed into the hands of the governments or the native bourgeoisies. The next two decades saw a powerful wave of socialisation. Outside agriculture and housing the national private sector was reduced to insignificance in Egypt, Syria, Iraq, Sudan, Algeria, Libya, South Yemen, and, most recently, Iran, and severely curtailed in other countries. The takeover of the oil industry since 1973 has completed this process" [C Issawi, An economic history of the Middle East and North Africa, p.15].

In Syria, a first wave of nationalisations in 1961 was followed by another in 1963. "Most of the industrial sector and foreign trade, as well as financial institutions, have been nationalised". The public sector accounted for 74% of the capital invested in industry in 1972, and 75% in 1976. [E Kanovsky, The Economic Development of Syria, p.9, 42; Economist Intelligence Unit QER Annual Supplement 1976]. "Extensive price controls and subsidies are the norm in the Syrian economy" [Kanovsky, p.110], though economic outcomes diverged from government plans much more even than in Algeria, where the divergences were sizeable enough.

In Iraq, a revolution in 1958 was followed by the nationalisation of "the few large plants still in private hands" in 1964. All banks became state-owned after 1964; all foreign trade state-controlled after 1976; the oil industry was nationalised in 1972-5. The public sector accounted for 75% of total investment in the 1970-4 Plan. There were extensive price controls. In the public sector. "the achievement of physical targets of production features very importantly, perhaps even more so than profitability". [EIU QER Annual Supplement 1976; Y A Sayigh, The Economies of the Arab World].

Egypt showed a fairly similar pattern to Syria, though with different government rhetoric. There was a coup by reforming military officers in 1952. Over the next ten years they forced out British troops; nationalised the Suez Canal; confiscated the big landlords' land, redistributed it to peasants, and later grouped the peasants into state-supervised co-operatives; expanded social services; nationalised most major industry and commerce, without compensation, in 1960-1; and launched an industrialisation drive.

From 1967 Nasser's 'state-capitalist' policy was gradually reversed and replaced by an all-out drive to promote private enterprise and attract foreign investment under his successor, Sadat. Many former capitalists had in substance retained their positions despite the nationalisations. Jewish and other non-Egyptian capitalists did genuinely have their property confiscated by the Nasser regime; but Egyptian construction bosses, for example, continued to run their companies and draw profits from them even while they were formally nationalised. Under Sadat the private capitalists reasserted themselves. Egypt, however, still had a heavily stasised economy well into the 1980s. The public sector made 65% of all investment in 1981-5. State-owned enterprises accounted for 65% of all value-added in manufacturing in 1979 [WB WDR 88]. There were big price subsidies on basic foods, like bread.

Burma is an instructive example because there a more-or-less complete "Stalinist" structure was established by purely military methods. There was a coup by nationalist army officers in 1962. Over the next two years, "the Revolutionary Council declared illegal all political opposition, took over the direct management of most educational and cultural organisations, and established the nucleus of a political party with ancillary mass organisations". There followed "the nationalisation of external and internal trade, and of large sectors of manufacturing, together with the introduction of quantitative physical planning as the basic mechanism of economic control..." Private capitalists were forced out, not so much because they were capitalists as because they were almost all Indian or Pakistani. In May 1964 all large currency notes were declared worthless.

Enterprises were run by military officers, as military operations. Prices were set by the government. It was of no concern to the government whether individual enterprises showed a profit or a loss. Agriculture remained in private hands, but the state became the sole buyer of agricultural produce. A number of private businesses

remained: "However, these figures belie the control the state has over the activities of the private sector. After 1962, firms which were not nationalised were placed under strict supervision". Or, as another report puts it: "A great majority of the private firms were small family operations... and the strict government control and regulation over them was almost equivalent to de facto nationalisation". The public sector accounted for virtually 100% of investment. [R H Taylor, *The State in Burma*; O I Steinberg, *Burma's Road Toward Development*; K Bandyopadhyaya, *Burma and Indonesia*; EIU QER Annual Supplement 1976].

All the Third World states examined above - and many others besides - modelled themselves in many respects on Stalin's USSR. Benhouria's comment - "In Algeria, Stalinism appears more and more as the 'theory' of the manager" [p.426] - applies to administrators, officials, and army officers in many other countries, too. Common features were the single party monopolising politics - or in India and Mexico, partially doing so - the state-controlled mass organisations monopolising social life (except in India); the Five-Year Plans; the bias towards heavy industry, developed by the State without regard for immediate profitability; the squeezing of the peasantry to boost that heavy industry.

Within these common features there were very important differences. In Mexico and India, the state was itself a capitalist on a large scale, but it did not aspire to control the economy in any detail, and it worked in partnership with a strong private capitalist class.

In Egypt, and probably also Syria and Tunisia, there was again a state/private-capitalist partnership, but with the proportions changed. The state was the major capitalist, and it intervened more minutely in the economy, though leaving a great deal to the market. It dominated and regimented labour, banning all independent workers' action.

In Algeria and Burma, the proportions changed again. The state utterly overshadowed private capital. It was not representing or acting for a private capitalist class, but to a large extent replacing or substituting for it. It controlled the bulk of investment, and systematically manipulated the economy by setting production targets and decreed prices.

As well as the countries where there was a foreign bourgeoisie, or virtually no bourgeoisie, before the state took control of the economy, there are also ones where a bourgeoisie existed and was ousted by revolution - Yugoslavia, China, Cuba, and others - revolutions which, however, were more nationalist than social, chiefly aimed against the bourgeoisie because of its close links to foreign and landlord interests. What variants did they add to the pattern?

China between 1958 and 1978, Yugoslavia in 1948-50 and partially to 1955, and Cuba from the early '60s, all followed the economic model of Stalin's USSR closely. In the USSR major industry had been nationalised in 1918 not by a middle-class group seeking national economic development, but by the workers' government put into power by the workers' revolution of October 1917. From 1918 to 1921 the economy was run on a makeshift basis of 'war communism', without planning but without normally functioning markets either. Goods were requisitioned and allocated according to immediate availability and immediate need. From 1921 to 1928 the market was the chief regulator. A state planning organisation, Gosplan, was set up in April 1921, but outside key sectors of heavy industry the nationalised enterprises generally guided themselves by the market. Private enterprise was given wide scope in trade.

In the 1930s a centralised command economy was imposed. Peasants were herded into state-controlled farms. Private traders were banned. All trade-union independence was crushed, the Bolshevik party was destroyed, and terroristic domination of society by the state bureaucracy established. Enterprises now received detailed instructions from central government about how many workers they would have, what wages they would pay, what inputs they would receive, and what outputs they must produce. Prices were also decreed by central government. It was like a war economy, raised to screaming pitch.

In principle this 'command economy' made prices irrelevant - mere accounting symbols - except for consumer goods and labour power. Whether an enterprise made a profit or a loss in terms of the decreed prices did not necessarily signify anything about the enterprise (rather than the decrees) and did not matter. Until the mid-'50s' workers' movements from job to job and place to place were strictly limited by law; millions were in forced labour camps; and excess demand for consumer goods could not produce much increase in official prices or in supply.

Marx had argued that socialism needed material abundance - enough produced for everyone to have what they want. Stalin's "socialism" could work only on the basis of extreme scarcity. Workers would buy whatever food, shelter, and clothing they could get, and that would be all they could afford. The planners need not concern themselves with what people wanted - as might be indicated by price movements on a free market, or by votes in a workers' democracy. All they need do is plan enough basic food, shelter and clothing to provide a minimum subsistence.

From 1928-9 to the early '30s, indeed, many goods were distributed by rationing. But the system never, in practice, made money irrelevant. The command economy was never all-embracing. Peasants kept private plots and sold quite a lot of food on the free market (about 25% in the 1980s). In addition to legal free markets there were black markets. In some parts of the USSR in the 1980s, such as Armenia, the black market was said to yield two-thirds of total incomes [Economist 9.4.88]. Legal controls over movement of labour were never very effective. In fact the USSR had a very high turnover of labour: workers frequently changed jobs to find less gruelling conditions or better pay. Piece rates and bonuses were widely used. Money mattered.

Prices were unstable in the 1930s. In 1933 and 1946 the decreed prices for food had to be increased drastically to bring them more in line with free-market prices. Always, the bureaucrats had to push hard to

restrain price inflation, and never fully succeeded, despite the total administrative control they had in theory. Factory managers always found ways to increase product prices. There was an officially-tolerated "grey market" for producer goods to be bartered between enterprises, and an illegal "brown market" for stolen or illegally-produced spare parts [A Katsenelinboigen, 'Coloured Markets in the Soviet Union', Soviet Studies January 1977.]

The command system did, however, make the economy operate differently from a market system in many ways. Vast resources were thrown into heavy industry and military production, by state command, and everything else managed as best it could. As the system matured, other tendencies became clear. There was a tendency to lurch to and fro, from splurges of over-investment to "tightening-up" to over-investment again. Every ministry (i.e. branch of industry), region and enterprise wanted as many investment projects as it could get, because then it got more supplies and more power. At any time there were about two and a half times as many investment projects underway as the economy could handle; and large projects took about two and a half times as long to complete as in the West. Delays and pauses were routine. [D A Dyker, *The Process of Investment in the Soviet Union*, p.36, J. Sapir, *Les fluctuations industrielles en URSS, 1941-85.*]

Plans were calculated to be "taut", giving each enterprise only the inputs it needs and requiring it to work at full capacity. To calculate otherwise, the planners reckon, was to encourage waste. In fact "taut" planning meant that there were always shortages. Because there were shortages, enterprises hoarded supplies - which makes shortages worse. Because there were shortages, enterprises worked at half-pace most of the time and then made up their plan targets by "storming" - turning out products frantically, any old how - at the end of the month. A lot of the products were unusable - and that, in turn, made shortages even worse.

After the first rush of Stalinist industrialisation, the central bureaucrats oscillated between high-pressure attempts to push industry along by repression and coercion, and subtler attempts to use market mechanisms to spur on the factory managers. Both tacks had very limited success, and the whole system eventually broke down as Gorbachev made one last effort to get it moving.

Over the whole range of the Stalinist economies there was, however, wider variation than in the USSR. Yugoslavia scrapped all detailed plan directives for enterprises in 1955, and decentralised more and more thereafter. By the 1980s central government spent only 6% of national income.

Yugoslavia was still a nationalised economy. In 1983, 83% of all output and 95% of industrial output came from state-owned enterprises. But each of those enterprises was run by a management committee more or less free to pursue maximum profit for the enterprise. Surveying the price structures of 31 underdeveloped countries, the World Bank found that Yugoslavia's was one of the least distorted by subsidies, controls and decrees.

Some features of the "command economy" remained. A loss-making enterprise did not generally close down; it just got more in debt, and might have a temporary manager appointed from above. Conversely, a successful enterprise could not take over and asset-strip other enterprises.

The hallmarks of a market economy were there, too. "The ability to grapple with factors external to the success of the individual enterprise and small region has disappeared," commented Granick. "The Yugoslav economy [was] run along Adam Smith lines to a degree that is quite unusual for Europe as a whole." Yugoslavia had roaring inflation and high unemployment.

Yugoslavia was extremely open to the world economy, exporting 30% of its production, and 54% of that outside Eastern Europe. In 1985 it had 187 joint ventures with Western capitalists operating, and seven Free Trade Zones in which multinationals could do business free of usual tariffs and formalities. [F Singleton and Carter, *The Economy of Yugoslavia*; WB WDR 83, 85, 88; D Granick, *Enterprise Guidance in Eastern Europe*; A Nove, *The Soviet Economy*, p.310-14; Wall Street Journal 4.8.83; Yugoslav Economic Review; Yugoslav National Bank Quarterly Bulletin].

Before the Maoist revolution of 1949 some 60% of China's industrial capacity was state-owned, and much of the rest was owned by a clique close to Chiang Kai Shek's government. When Chiang Kai Shek and his clique fled to Taiwan, Mao's revolutionaries took this over. By 1952, 80% of China's heavy industry was in government hands, and 30% of light industry. Taiwan, meanwhile, had a more staid economy than mainland China.

Gradually, however, the Maoist government established total state control of the economy. Between 1958 - when agriculture was collectivised - and 1978 - when the market-oriented economic reforms began - China was run on the strict Stalinist model. All important prices were fixed by the state, the main ones centrally. Practically all enterprise profits went directly to the state budget, making up the greater part of public revenue. The bureaucracy allocated investment funds and issued production targets.

Industry was built up even faster than in the USSR under Stalin. Despite heavy economic losses and vast destruction of human life at the time of the Great Leap Forward (1958) and the Cultural Revolution (1967), electricity generation grew at an average of 13% a year between 1949 and 1987, steel production at 15%, cotton yarn production at 7%, and rice output about 5% (1949-82).

Even in its most Stalinist period, the Chinese economy had some important differences from the USSR's. The plan, it seems, was always less detailed and "taut". Enterprises would get some of the supplies they need through the plan, but some through more-or-less free markets. The labour market, however, was more tightly controlled in China than in the USSR. Until 1960, China, unlike the USSR, had mass unemployment in the cities - about 10 to 20 million unemployed, or 15 to 30% of the workforce. The government dealt with this by forcing people out of the cities into the countryside and imposing strict controls on urban labour. "The control of labour allocation [was] more far-reaching in China than in Eastern Europe and the USSR... Neither workers

nor enterprises [had] much say in job assignments, and most workers expect[ed] to spend their working lives in the enterprise they [were] assigned to when they leave school... The wage and bonus system [was] just as rigid as the labour allocation system in theory and nearly as rigid in practice." Modern, large-scale enterprises accounted for only about two-thirds of urban labour. On the whole wages (and side-benefits) in big state-run enterprises were less bad than in petty enterprise; and - as in many other Third World countries, Pakistan for example - employment in a big state enterprise was considered almost a privilege. Children hoped and expected to "inherit" their parents' jobs.

Since 1978 the system has been changed drastically, so that, while the regime is still Stalinist, agriculture has returned to individual peasant production and state enterprise accounts for less than half of industrial production. [N Harris, *The End of the Third World* p.49; G Tidrick and Chen Jiyuan (eds), *China's Industrial Reform*; C Howe, 'China's Economy'; *Economist* 1.8.87.]

Some East European economies also showed paths away from the strict Stalinist model. In Hungary, plan directives to enterprises from central government were scrapped in 1968. The economy was made much more open to the world market. Exports increased from 19% of output in 1966 to 40% in 1986; the proportion going outside the USSR and Eastern Europe increased from 34% to 51% (1983). Hungary joined the IMF (in 1982), and borrowed heavily from Western banks.

On paper, Hungary became almost as market-oriented as Yugoslavia. Most prices were freed. Enterprises were supposed to aim for profits and to find money for investment from profits and bank loans at interest. In fact, bureaucratic string-pulling still played a big role. Bargaining with central government over taxes and subsidies was as important for enterprise bosses as commercial profit. Yet, as in Poland, even before 1989, the visibly rich of Hungarian society, with their BMWs and Mercedes, were private capitalists. [Financial Times 10.5.83; J Kornai in Tidrick and Chen Jiyuan, op.cit.; P Hare, H Radice and N Swain, *Hungary: A Decade of Economic Reform*; *L'Alternative*, May-August 1982].

East Germany showed another variant. A lot of planning was decentralised to industrial cartels, which could haggle and bargain with each other. Plans were slack, not taut. Meeting their production targets was not a problem for enterprises; making profits was a greater concern. Banks played a big role because of "the emphasis placed by the entire economic system upon financial results", especially profit.

Enterprises had great freedom in setting wages. Until 1972, 15% of the labour force in industry and in trade was in private and semi-private enterprises; then there was a clampdown, but 5% of the non-agricultural labour force was still in the private sector in 1979, a bigger proportion than elsewhere (in the legal economies, at least) in state-monopoly industrialisms.

"[East German] experience shows that it is apparently not entirely true that 'the system needs administrative pressure in order to perform. When there is slack and a relatively free supply system, some sort of market pressure may develop even in a bureaucratic economy'" [Nove, quoting Keren.] [J-C Asselain, *Planning and Profits in Socialist Economies*; D Granick, *Enterprise Guidance in Eastern Europe*; I Jeffries and M Melzer, *The East German Economy*; A Nove, *The Soviet Economy*, p.314-316.]

The extreme terror used by Stalinism in the USSR, by brutalising, atomising and bureaucratising the society, seems to have reduced the USSR bureaucracy's ability to experiment effectively in economics below that of its homologues who used smaller terror, since they had no Bolshevik party to extirpate in order to settle their rule.

Stalinism was (is) thus more a social regime, a particular method of class organisation, working extreme torsions on the underlying statised capitalist infrastructure, than an original mode of production. As regards their economic mechanisms, Stalinist command economies could be changed into market economies (albeit heavily-nationalised), and vice versa, by government decision, without a social revolution or even a change of government. Yugoslavia and Hungary changed from command economies to largely market-regulated economies. China has also made a gradual change from a (heavily-nationalised and controlled) market economy to a command economy in the 1950s, and then back again.

What cannot and could not be changed so readily is class identity and class power. No private capitalist class has been dispossessed without a revolution, or drastic military action - not even when many of the private capitalists were later to become state managers, as in China and Eastern Europe. For a state-monopoly bureaucracy to cede place to (and partially transform itself into) a private capitalist class has also been difficult. In the USSR and most of Eastern Europe, it took popular revolutions, led by the middle class and mobilising (at least partially) the working class, to crack the central bureaucracy's monopoly regime. Yet there were profound economic imperatives pushing the same way.

There is a connection between the state-monopoly economies being parallel to market capitalism in economic development, and their constant use - however residual and limited at times - of money and the market. In modes of production before capitalism, the allocation of labour is determined by subsistence, custom, and the desire of the rulers for particular goods. The working people produce enough to feed, clothe and shelter themselves in some fashion; then on top of that they are dragooned into making lavish meals, rich clothing, palaces, cathedrals or Pyramids for their rulers. The potential for expansion is limited. There is no drive for general, mobile wealth, as distinct from the wealth embodied in particular goods. Under capitalism there is that drive. And the market provides a mechanism to stimulate that drive and evaluate different projects. Under socialism the drive to unlimited expansion of humanity's productive capacities will continue, but in more human, rational, and equal form. Calculation of costs and benefits, based on labour-time accounting, will enable us to evaluate projects. Even a workers' government, however, would have to use market mechanisms, and the information on costs, supply and demand given by free-moving prices, for a very long time. Short of socialism

with general abundance, a high level of social solidarity and responsibility, and advanced techniques, there is no other way.

The USSR could launch its drive to build power stations, steelworks, and coal mines in the 1930s-50s - and China could follow it in the 1950s - with only the sketchiest market mechanisms because they could copy what needed to be done from Western capitalism, and they could keep the mass of the working people down to bare subsistence.

If the goal of those state-monopoly industrialisms had been simply to produce those particular goods - steelworks, power stations, and a military machine - they would have stopped there. Indeed, the great state despotisms of the past did become static once they reached a particular level of splendour. They became static even if, like the Ottoman Empire, they were in military competition with more dynamic societies.

But the 20th century state-monopoly economies did not stop there. They had a drive to develop wealth in diverse and new forms. These hideous bureaucratic regimes could not conceivably regulate and manage that drive through socialist methods. That left none other than market methods.

When choosing between 100 different investment projects, how else can you decide than by having information on costs provided by prices that mean something? When you expand consumer-goods production beyond the minimal necessities, but are still far from general abundance, how do you decide what to produce without supply-and-demand information?

Thus the bureaucrats' insistent drive for "rational pricing" in the USSR and Eastern Europe. Thus their free-market experiments. They could not have a form of economic regulation superior to market capitalism; they would not settle for a form of economic regulation inferior to it. Their regimes had been not socialist, but an especially brutal means of driving through "the historic genesis of capitalist production."

From Workers' Liberty 45

Stalin's Russia: Capitalism without capitalists?

Tom Rigby

"When I use a word... it means just what I choose it to mean"

Humpty Dumpty in Alice through the Looking Glass, by Lewis Carroll.

History is full of hybrid and exceptional formations which cannot be slotted tidily into one category or another" writes Martin Thomas in Workers' Liberty 43. I heartily agree. Why then does Martin devote so much energy to attempting to do just what he cautions against - slotting the hybrid, exceptional, formation that was Stalin's USSR into a tidy category of "State Capitalism"?

I think the answer lies in the in-built tendency that we all have to explain the unfamiliar by reference to the familiar. This is not in itself a terrible thing, but it can become an obstacle to developing human knowledge, if when confronted with something new, we so twist and redefine our concepts that they lose their original meaning and purpose.

It is my contention that the argument developed in Stalinism and State Capitalism so twists the meaning of the words capitalist, capital, law of value, surplus value, profit, wage labour and accumulation that it is difficult to see how Martin could consider any society that could possibly have developed on the basis of twentieth century industrial technology (with the partial exception of a workers' state), to have been anything other than capitalist. This artificial widening of the meaning of words leaves us with a very neat and tidy, if somewhat nebulous, Grand Unified Theory of State Capitalist Industrialism. Unfortunately, it provides no understanding whatsoever of the class nature of the Stalinist counter-revolution in Russia1.

I am not arguing that no State Capitalist societies exist, or that State Capitalism is somehow theoretically impossible, or that we can prove that the USSR wasn't capitalist by deductive reasoning using quotes from Capital. My argument is that in attempting to make Stalinist Russia fit the State Capitalist label, Martin is forced to invert all the real relationships in society and present them in a mystified form. Compulsory labour becomes free, accounting becomes accumulation, the black market becomes the law of value, the physical liquidation of capitalist classes becomes the moment of victory for capital, and so on2.

In order to establish my argument we must first look at the character of the counter-revolution in Russia. For the revolutionary left, the enigma of Stalin's Russia has centred on the fact that the counter-revolution did not take the direct, open capitalist form that all the Bolsheviks assumed it would. The understanding - developed, by Trotsky in the mid twenties - of the bureaucracy as a centrist force, balancing between the two basic class camps, with the workers on the one hand, and domestic and international capital on the other, proved to be radically mistaken. After Stalin's initial political victories, and the enunciation of the ultra-nationalist dogma of "Socialism in One Country" in 1924, the opposition considered the main danger to come, not from the bureaucracy itself, but from the rural petty-bourgeoisie, the Nepmen (capitalist traders and merchants), elements of the old regime, the exiled former capitalists and landowners, and behind them international capital. It was expected that, under the impact of the class struggle, the bureaucracy would split and disintegrate, with one wing helping to organise

the capitalist counter-revolution, while the other sided with the workers and the great majority of peasants. As we now know, things turned out very differently.

The actually existing counter-revolution

What actually happened from the end of the twenties to the mid-thirties was that the bureaucracy was able to act as an independent force and to crush both the working-class left and all spores of capital inside the USSR. The reason it could act in such a decisive manner was twofold. Firstly, due to the world slump, international capital found itself in an extremely weak position. It was not able to provide the huge financial aid necessary to rebuild a capitalist economy in the USSR, thus making an openly pro-capitalist split-off from the bureaucracy unlikely. This is decisive. It conditioned everything else. Secondly, the disintegrating, centrifugal forces unleashed in the USSR by the economic and social crisis in the late twenties created a political vacuum which the working class proved incapable of filling and which could not easily be filled by international capital.

In these concrete conditions, the collective state bureaucracy (which exists in different forms, in all the different kinds of class regime) proved itself to have far more capacity for adaptation and independent action than had previously been displayed by any other bureaucracy, even that in the primitive tribute-gathering societies that Marx called "Asiatic Despotism". Acting in a decisive manner, wiping out its rivals on the left and the right, the collective bureaucracy was compelled to act like a ruling class, and so became a ruling class. The parasite devoured what still remained of its host. The bureaucracy did this, not in order to conform to some abstract, a-historical tendency to bureaucratism (though concrete tendencies in that direction do exist in capitalism), but because they were compelled to protect their increasingly insecure caste privileges.

There are two important interlinked points to note here. Firstly, in a protracted series of small one-sided civil wars the central state bureaucracy would make itself the sole master of the surplus product. In this process, Stalin made himself sole master of the bureaucracy. The result was a system with its own peculiar self-limiting set of contradictions. Secondly, the creation of this new system was premised on the liquidation, imprisonment or marginalisation of all the human beings who, as a class, were the conscious collective bearers of the self-expansion of capital³. In other words, all the capitalists and proto-capitalists were either liquidated or denuded of their property. It is this fact that causes problems for those who wish to describe the system as State Capitalism⁴. Even in the fetishised world of capital, social relations do not exist independently of the human beings who personify them.

Atomisation and the contradictions of bureaucratic planning

So, what were the social relations? Martin is quite right to describe the society created by Stalinism in the USSR as atomised. The interesting question is: did this atomisation bear any relationship to the basic form of atomisation in capitalist society, which is a product of commodity fetishism?⁵ Did relations between human beings in the social organism take the form of relations between things? Was the cash nexus the basic social bond? Or was the atomisation that existed in the USSR something very different from the individualism - and abstract equality - that exists in the societies that we would all agree to call capitalist? Again, to put the same question from a different angle, were the class relations direct ones of personal dependence, and obvious to all those concerned, or were they mediated through commodity exchange?

In all class societies, labour is in the last instance forced⁶. The specific form in which this compulsion is enforced provides the key to understanding the nature of any particular society, which from the economic point of view, is simply a social organism for regulating the supply of labour to different tasks⁷. In his most general statement about what underlies and determines the nature of class and the state, Marx put the issue like this: "The specific economic form in which unpaid labour is pumped out of the direct producers determines the relationship of rulers and ruled...upon this is founded the entire formation of the economic community... It is always the direct relationship of the owners of the conditions of production to the direct producers - a relation normally corresponding to a definite stage in the development of the methods of labour and social productivity - which reveals the innermost secret, the hidden basis of the entire social structure..." (my emphasis)⁸

The "innermost secret" of the Stalinist social structure was that the workers were directly obliged to provide their labour-power as a service to the state or face imprisonment, exile, slave-labour, or death. This compulsory labour service was, of course, a variant of alienated labour, but it was supplied without the mystified capitalist form of a free exchange between private individuals as commodity owners. Performance of this labour service to the state was a condition of citizenship (or, more precisely, a condition of subjection, as in the sovereign-subject relationship). The system lacked an autonomous "economic" mechanism for controlling labour - as exists under capitalism. Political and economic relations, sovereignty and ownership were fused⁹. The ties uniting social labour were thus ones of direct personal dependence¹⁰.

The prime instrument for the overall social control of this compulsory labour was the repressive state apparatus, rather than the supervisory or superintendent role of the enterprise managers within the workplaces, who were themselves at the mercy of the secret police and the political power. Control was not exercised through the reserve army of labour, the army of unemployed whose existence creates insecurity and exerts and down pressure on wages - a mechanism which Marx considered an essential condition for capital accumulation¹¹.

Within the normal functioning of the system, the workers had little possibility of collective resistance, and were thus far more atomised than under capitalism. This is because capitalist relations of individualised

economic estrangement create the conditions for working class organisation in the form of trade-union bargaining over the price of the commodity labour power. The Stalinist system, on the other hand, was characterised by the permanent presence of the predatory state in every aspect of people's lives. Elementary trade unionism was treason. Working-class self organisation thus had a much more directly revolutionary dynamic.

The purpose of the specifically Stalinist form of atomisation was to maintain the stability of an extremely crude and potentially highly unstable mechanism for surplus extraction and appropriation. The central bureaucracy would attempt to appropriate a surplus from the production units, via the control of supplies of raw materials, means of production and labour. The managers of the units, would in turn, attempt to minimise the exactions imposed on them by the centre and hoard supplies. The workers would resist as best they could attempts by the managers to take control of production, and thus of the actual process of surplus extraction. The centre had to make do with appropriating a surplus the extraction of which they did not control. The result was a system that looked at from a narrow economic point of view - i.e. from what has been called the relations in production - tended towards stasis, and lacked any powerful self-sustaining dynamic. What dynamism there was arose as a characteristic of the state itself, emanating from "outside" production, namely, the capacity of the central bureaucratic rulers to launch frantic attempts at economic mobilisation, backed up by state terror.

Atomisation in the USSR was maintained through a range of institutions and measures; the omnipresent secret police, which had representatives and agents in all enterprises, the police system of passport controls, observation via neighbourhood organisations, the apparatus of labour management - especially, the labour books and personal files, the militarisation of large sectors of production, and finally, the state monopoly of all forms of communication. This range of controls was facilitated by the gigantism of production units, and the close-knit nature of life in apartment blocks. Hundreds of thousands of people were employed in the KGB and its predecessors, perhaps as many as 1,650,000 at its peak. This is vastly more than the numbers - usually a few thousand - employed by the secret police in capitalist states characterised by fascist or military dictatorship. Hillel Ticktin has provided a useful outline of the history and function of this organisation.

"Until Gorbachev, the tasks of the KGB included prevention of all kinds of demonstrations, deterring the formation of any groups, surveillance of all kinds, and information gathering on the state of public opinion. In principle everyone was watched. Nor was the KGB unsuccessful in its tasks. There were few if any public demonstrations, groups were quickly broken up, strikes and mass stay-at-homes were relatively rare, and when they did occur they were dealt with quickly. Censorship was effective at all levels. For the above purposes the secret police has maintained a presence in all enterprises and institutions. It needed to know of and deal with any individual who was dissident. Dissidence includes differences with the local administration of the enterprise, institution, or region, and may not imply any real political disagreement. The effect, of course, is that the KGB has penetrated to the heart of the society.

We can distinguish four broad periods in the KGB's activity since Stalin became leader. During the early transition period, until the Seventeenth Party Congress and Stalin's murder of Kirov in 1934, the KGB was largely a Stalinist political police, with considerable, though limited powers. While it incarcerated and killed people, the numbers were small compared to the next phase (the death of millions as a result of forced collectivisation were not their direct responsibility). During the next period, to 1953, the secret police became the prime instrument of rule, administering vast labour camps essential to the economy. They were responsible for the death of millions through direct execution and the imposition of intolerable conditions in the labour camps. In this period the KGB penetrated to all levels of society, becoming a political police, economic controller, and pulveriser of the society itself.

Under Khrushchev it was radically reformed. The leading personnel were executed and its powers limited, particularly in relation to the elite. New cadres were drawn from the Komsomol. Its role became more subtle. The camps were largely, though not entirely, dissolved. Its role became one of maintaining order in an inherently unstable society. While imprisonment and killing were still used, its prime penalties were bureaucratic. It could arrange for an individual to be deported to one town to another, to lose his job or his housing, and even for academics to lose their titles and degrees. What the state had conferred, it can remove. Physicians who objected to the political use of mental hospitals were themselves declared insane. The power of the KGB was (and still remains) affirmative as well as negative. It could and did arrange for people to be promoted, obtain jobs, get scarce goods, and even get degrees and academic posts. While the power of the KGB was much less than under Stalin, it remained crucial to the stability of the society. It accomplished its tasks through a network of collaborators and part-timers. While many would not actually collaborate, few could withstand its pressure.

The difference between the KGB and the political police in terrorist-type states like the former regimes in Argentina, Portugal and Nazi Germany is that the political police in those dictatorial market regimes were actually operating on the margin of society, a margin that might have been bigger or smaller in size. Contrast the words of one of the USSR's major writers, Bulat Okudzhava: "the secret police became a way of life amongst us"¹².

Capitalist parts, but no whole.

I would not wish to argue that the secret police provided the only form of control over labour, but it was of far greater import than the more directly economic and supposedly objective methods available to enterprise management. Take the example of piece rates. Formally, the direct system of control over the workers at the enterprise level was through the payments system. Most production workers could be described as being on some

sort of piece-rate. Theorists of State Capitalism, including Martin, usually hold this fact up as proof of the capitalist nature of the USSR, and the existence of the wage-labour/capital relation. Unfortunately for the theory, the piece rate system did not work as it is intended to do in capitalism. It failed to function as an objective, formal and rational means for getting workers to reach their targets, to perform at the pace and level of quality desired by their managers, or as decreed by the plan. This failure is actually a prime example of how - in the absence of the economy functioning as an integrated capitalist whole - the importation of disaggregated capitalist forms and techniques fails to lead to the desired results.

What actually happened to the piece-rate system is that the targets handed down from on high were difficult to understand and over-complex. Fulfillment didn't just depend on the willingness of the worker to succumb to external diktat, but could become impossible, simply because of problems in supply and maintenance. (This was a distinctive feature of the society which we shall analyse later). It is quite simply impossible to fulfill a target without the components required to make the product. This obviously rendered a system of internalised self-incentives inoperative. But it did more than that. In some instances, the interpenetration of the permanent system of bottlenecks with the piece-rate system could even become an incentive to leave a particular enterprise and look elsewhere for a more stable income and existence. Individual and collective bonuses were also often unsynchronised. Therefore, a group of individuals could reach their targets, but the shop or plant wouldn't, and therefore no bonus would be paid. Statistics and accounts also vary widely on the actual proportion of the wage that was composed out of piece rates and performance bonuses. The general consensus amongst non-propagandists for the bureaucracy, however, is that these systems didn't operate effectively and had only a marginal effect on wage levels and plan fulfilment¹³.

This brings us to the question of wages and the labour market. Contrary to the implications of Martin Thomas's argument, the ability of workers to change jobs in order to acquire better working conditions is not the defining characteristic of a capitalist labour market. In fact, such a definition is a mystification of neo-classical economics, an attempt to naturalise the social, which tries to present every capitalist form in a one-sided way as a self evidently good feature of any possible society. It is an understanding of the labour market normally only found in bourgeois textbooks. As we have seen, the real purpose of the labour market under capitalism is to act as an individualised form of social control over labour, by virtue of the fact that the labour market itself is regulated by the existence of a reserve army of labour. Capital coerces the workers through insecurity.

Now it is of course true that at times of full employment the capitalist labour market becomes a "seller's market", but this is in the long run exceptional. The basic, and necessary, tendency is for it to function as a "buyer's market". In fact, the existence of full employment for decades in the USSR negated the very purpose of a labour market from a capitalist point of view. It also provided a built in self-limitation to the bureaucrats' own system of rule. The permanent labour shortage provided a limit to the use of terror as an economic regulator. Alongside the absence of the law of value, the inverted functioning of piece-rate and bonus systems, and the non-existence of a reserve army of labour, "full employment" created real objective barriers to the ability of the ruling class - despite savage levels of exploitation - to really get "inside" the production process.

The other set of problems associated with the claim that a labour market existed in the USSR is the question of the role of money. I will deal with money as capital later, but the essential point to make at this juncture, is that though wages were paid in roubles, how the worker secured her or his means of subsistence - outside of that which was provided as direct use values, as part of the labour collective, or for a nominal sum, like housing - had far more to do with queuing for long hours, personal connections, and various forms of black and grey markets, than it did with the cash nexus that exists in the west. It is vital to understand the implications of this.

Money in its developed form is an expression of abstract labour, i.e. socially average labour time. If then, as a matter of course, the distribution system requires the worker to queue for several hours longer than it took her or him to produce a product which is supposedly the value equivalent of the one you wish to purchase, then whatever kind of society you are living in, it is not one regulated by the monetary exchange that exists in capitalism. Prices and money have thus become administrative fictions, to a large extent cut loose from the ground of social labour.

The extent of black markets and queuing was actually a symptom of how far away the system was from any form of capitalism. The exchange of products on the basis of socially necessary labour time is at least 5,000 years old. What's more, the specifically capitalist form of the law involves exchange based on prices of production and the formation of an average rate of profit. Stalinism didn't manage to get very near to either.

Disproportionalities, defective products and bureaucratic rule

It is now necessary to take a look at the way the system worked as an interactive whole. An understanding of the concrete characteristics of the social totality will then make the discussion of the accumulation of capital, and the operation of the labour theory of value, somewhat less abstract than in Stalinism and State Capitalism. Don Filtzer has provided a concise summary of the most startling features of the system's in-built dysfunction. "The dislocations to which the Stalinist five year plans gave rise in the 1930s are now legion. Targets were set so high that the economy soon exhausted its ability to meet them. Factories lay idle because they could get no steel; steel mills could obtain no coal. Construction sites had no bricks. Electric power stations were built in areas where they had no consumers, since the construction of the factories that they were supposed to supply was way behind schedule; conversely, newly built factories had no electric power because the power stations that were to feed them had not yet been finished. Quality, the perpetual bugbear of soviet production, was a major bottleneck:

new factories would turn out 50 per cent, 70 per cent, even 100 per cent defective production, which had either to be scrapped or was allowed to enter as means of production of further products which then turned out to be defective as well"14.

This disproportionality and waste was not just a function of the overambitiousness of the zealous planners, leading to targets not being met and in turn to shortages and breakdowns in production. "The feverish pace at which the plan was carried out, the constant drive for 'tempos', to force each factory and each worker to produce as much as they could as quickly as possible, meant that co-ordination, in quantity, quality, and time, between all the interlinked parts of the economic organism became impossible... The contradictions to which Stalinist industrialisation gave rise have become permanent and reproducible parts of the system, and as such have become its immanent defining characteristics."

We can add to Filtzer's summary of the system's contradictions: an inbuilt tendency to overproduce means of production in relation to means of consumption, the introduction of new technology leading to an increase, rather than a reduction in the number of workers in that branch of industry, an inability to increase the relative as opposed to absolute surplus product, the largest repair and maintenance sector in human history, the alternation of periods of storming and inactivity. Behind these problems lay the central question of quality. As Rakovsky put it in his analysis of the crisis of Stalinist industrialisation: "A rail is a rail; and if, let us say, its formal production cost goes down by several percent, this does not mean that the economy has benefitted by this amount. The fact that this rail looks outwardly just like a pre-war rail deceives no one: nor does it eliminate the fact that our contemporary rail lasts not even five years, while a pre-war rail lasted forty. And this is happening not only with rails. Whole factories are being erected out of defective construction materials and equipped with machines made from defective metal. Today's decline in production costs will turn into tomorrows... colossal losses for the national economy"15. Trotsky defined this failure to deal with the problem of quality as due to the absence of a democracy of the producers and consumers: "It is possible to build gigantic factories according to a ready-made Western pattern by bureaucratic command - although, to be sure, at triple the normal cost. But the farther you go, the more the economy runs into the problem of quality, which slips out of the hands of the bureaucracy like a shadow. The Soviet products are as though branded with the grey label of indifference. Under a nationalised economy, quality demands a democracy of producers and consumers, freedom of criticism and initiative - conditions incompatible with a totalitarian regime of fear, lies and flattery"16. The systematic production of defective products was the inevitable result of the incompatibility of bureaucratic planning and economic efficiency. It undermined any possibility of rational overall social allocation of labour - even in the inverted, accidental, and fetishised form of the law of value.

The absence of capitalist collectivism

Taken as a whole, the system was more atomised than capitalism. This may sound paradoxical, but the point is that at least capitalism has the law of value to "collectivise" itself, in the sense of objectively creating real bonds uniting social labour, even if that bond is the inverted, alienated one of the cash nexus and competition. Within the bureaucratic relations of production, different sections of the ruling class had directly contradictory interests. Each enterprise director did not, and could not, function as a capitalist who expands the total social capital by expanding his own. Instead, they acted as autarkic bureaucratic managers whose main concern was to hoard supplies of raw materials and unskilled labour and to poach skilled workers, so as to ensure a relatively comfortable fulfillment of the plan targets, while keeping things tight enough to maintain pressure on the workers.

The rational response of an individual manager to the economic system was thus irrational for the system as a whole, for it meant using resources which theoretically, for the collective, would be better used elsewhere. Thus, the immanent laws of the system disorganised the economy as a totality. Whatever, we can call this process, capital accumulation it wasn't.

This problem can be looked at from another angle, that of the total social surplus. Though this surplus was counted in roubles as part of the accounting of the overall plan, it was simply impossible (and illegal) for any individual to make this money function as capital. No enterprise manager could cash in their profits. In fact, in a measure of just how far the society was from capitalism, access for members of the ruling class to "their" portion of the surplus usually took a predominantly use-value form premised on special "political" rights, i.e., it was the right to visit special shops and receive special rations etc, rather than the possession of money that was decisive. What Martin, and others, have seen as capital accumulation by the state as a single capitalist - the expansion of the total state capital in money terms, the fact that at the end of the plan, there were more (accounting) roubles in the state coffers than at the start - was no such thing. This is because money itself was an extremely random non-measure, cut loose from the ground of social labour, and therefore the real status of accumulated roubles of account was problematic, to say the least. There was no necessary connection between the formal accounting rouble surplus in the plan, and the real surplus, which took a use-value form. The fact that money did not reflect, even as a "blindly working average", abstract labour, meant that there was no way the productivity of labour could be measured in a monetary form, even in the highly accidental, contingent and mediated way this happens under capitalism. This meant that it was simply impossible for money to function as capital, "seek out the best investment", drive production forward, and subordinate it to itself, as in the real subsumption of labour to capital.

The relevant point about capital, when discussing whether or not the USSR was capitalist, is to remember that, the operation of the law of value allows the form of surplus appropriation (M-C-M') to drive through revolutionary transformations in the process of surplus extraction, precisely because of the in-built need to reduce necessary labour time and expand value. Through the dual role of money as capital and as expression of abstract labour this drive is then translated from workplace to workplace, and from one branch of production to another. If money doesn't properly function as money, it can't function as capital.

Of course, the USSR was not completely immune to the workings of the law of value. Notwithstanding the state monopoly of foreign trade, it was still integrated - at least at the level of the macro-economic balance - into the world capitalist economy. It was the attempt by Gorbachev, via perestroika, to create a kind of state capitalism, by forcing the nationalised enterprises to be subordinated to the law of value, through opening them up to international competition, that helped lead to the collapse of the system. This sprang from the fact that reform was based, not on changing the mode of surplus extraction - the relations in the enterprise - but those of appropriation, the means by which the central bureaucracy attempted to increase the total surplus. Introducing the market at the macro level simply made the system more vulnerable, incoherent, and unstable, without changing the relations in the enterprises. The economy couldn't be reformed as a whole, and so disintegration, asset-stripping and breakdown ensued.

We must conclude that though there were disaggregated capitalist forms in the USSR, they could not jell together as capitalism. What Martin calls "deformations" of an underlying capitalist system were actually the defining characteristics of a wholly different system.

A new form of private property and the state

The question then arises, what was the precise nature of this new system? It is my belief that Stalin's USSR represented a sui generis form of class rule. The system arose, not as part of a general and necessary pattern of state capitalist development in backward countries, but as the result of historical accident: the overthrow of a workers' state by its "own" collectivist bureaucracy, in concrete conditions that precluded a return to capitalism. The new form of private property and the state thus established was based on the collective appropriation by the state bureaucracy of the social surplus¹⁷. The ruling group was a class because it had a class relation of exploitation to the workers. There is no reason for Marxists to reserve the use of the words ruling class to some specially selected groupings as an award for historical longevity or indispensability in relation to the development of the productive forces. The essential thing is the relation of class exploitation.

Unlike feudalism, which represented a dynamic fusion or synthesis of two decomposing social forms - the ancient and the primitive - the specific hybrid produced in Russia, though imperialist and capable of spectacular malevolent aggression and short term expansion, was fundamentally sterile. It was incapable of developing a lasting dynamic alternative to capitalism. The basic material reason for this was that the human productive forces on which Stalinism arose required, in the long run either regulation through capitalist value forms (including State Capitalism) or democratic collective planning through a workers' state. Both were absent. Bureaucratic usurpation ruled out workers' democracy, while the concrete circumstances in which the actual capitalist, or proto-capitalist classes, had been wiped out, meant that capitalism could not be recreated by decree.

The ultra-centralism of the first five year plans and forced collectivisation represented an attempt to use state power to escape and short-circuit the restraints placed on the central bureaucracy's appetites by market forms. This was because resting on those market forms lay actual classes who were potential rivals to the bureaucracy for control of the social surplus. Within the framework that existed up to about 1929, of a highly bureaucratized workers' state, market forms - in agriculture, and in "state capitalist" industry - were not arbitrary, but corresponded broadly to the actual level of human productivity. By the start of the transition period, 1929-34, the collective bureaucracy had already cut themselves loose from the framework of the workers' state, by destroying all elements of working class democracy and self organisation. To deal with their other class enemies the bureaucracy had to scorch the earth on which they grew. This meant an attempt to use concentrated state power via forced collectivisation and industrialisation to go "beyond" the existing economic forms and level of human productivity. What was actually produced was a system in many ways below them.

The hybrid that actually existed was an unstable mix of primitive tribute gathering state collectivism (dressed up as planning), and disaggregated survivals of the value form. The dominance of the former prevented the latter from cohering into a capitalist system, not least because of the destruction of petty commodity production, what Marx called the natural ground on which capitalist economy grows, and because once whole new industries have been constructed outside value relations, capitalism cannot be simply introduced from above. Whether or not we call this system bureaucratic collectivism is a question of zero importance. Let's just call it Stalinism and try to understand how it functioned.

[1. In this article I deal only with the USSR. The question of Stalinism is first and foremost the Russian question. Analysis should not commence with Kemal Ataturk. The existence of market relations in 1970s Hungary or Yugoslavia tells us nothing of the political economy of the USSR in the 1930s. The artificial, a-priori breadth of Martin Thomas's theory allows him to build up a collage of convenient images taken from radically different societies, some of which were State Capitalist, and some of which - those which embody the main problem, like the USSR - were not. The method is fundamentally wrong. What is involved is not legitimate generalisation based on a concrete analysis of different societies, but a far too neat and tidy schema

imposed on reality, which is then tilted to fit. Marx's advice to those who tried to turn his theory of capitalist development into a "historico-philosophical theory of the general course [of history], fatally imposed on all peoples", applies to the post-Trotsky Trotskyists' attempts to construct a Grand Unified Theory of Stalinism and the Colonial Revolution: "Strikingly analogical events, occurring, however, in different historical environments, led to entirely dissimilar results. By studying each of these evolutions separately, and then comparing them, one will easily find the key to these phenomena, but one will never succeed with the master key of a historico-philosophical theory whose supreme virtue consists in being supra-historical."

2. There is a direct parallel between the absurdities of the Degenerate Workers' State theory, and the absurdities of State Capitalism. The DWS theory requires the working class to be the ruling class, despite the absence of any possible mechanism through which it could exercise self-rule, while SC requires the bureaucracy to be a capitalist class, despite the absence of any possible capitalist mechanisms. This parallel arises because of the attempt to reduce the society in the USSR to an example of either capitalism or a workers' state, and to rule out the possibility that it was a *sui generis*, unexpected form of class rule.

3. The closest Marx comes to a textbook definition of "the functions of a capitalist" in *Capital* is this "The circulation of money as capital is an end in itself, for the valorization of the value takes place only within this constantly renewed movement [M-C-M']. The movement of capital is therefore limitless. As the conscious bearer of this movement, the possessor of money becomes a capitalist. His person, or rather his pocket, is the point from which the money starts, and to which it returns. The objective content of the circulation we have been discussing - the valorization of value - is his subjective purpose, and it is only in so far as the appropriation of ever more wealth in the abstract is the sole driving force behind his operations that he functions as a capitalist, i.e. as capital personified and endowed with a will". *Capital*, Volume 1, p254, Pelican Marx Library.

4. This points to a weakness in Stalinism and State Capitalism. Engels is quoted to somehow prove the classical lineage of Martin Thomas' s model of State Capitalism. Unfortunately, for the model, Engels was describing a completely different process. He saw State Capitalism arising from a class of private monopolists consciously collectivising themselves through the capitalist state, in response to the emergence, within capitalism of the "production upon a definite plan of the invading socialist society [but] so farstill to the benefit and advantage of the capitalists." In Engels' process, the one class, simply modifies its own conditions of existence, capitalists are still capitalists. The human beings are still bearers of capital. Their basic function does not change. Martin Thomas's model requires the exact opposite process to be in operation: the transformation of a collective bureaucracy into a collective capitalist class, at precisely the moment when they finally liquidated all capitalist forms in the society. Further, Engels' theoretical speculations concerned the final stage of capitalism, representing self-negation, not an early stage of primitive accumulation. This doesn't, of course, prove Martin Thomas' s theory wrong, it simply establishes that it is a different theory from Engels'.

5. This is obviously a huge subject, but I would refer the unfamiliar reader to Marx' s discussion of Commodity Fetishism in *Capital* Volume I, particularly Chapter 1, section 4, and also Bertell Ollman's *Alienation: Marx's concept of man in capitalist society*.

6. Karl Marx, *Capital* Volume III, p.813.

7. Karl Marx, *Capital* Volume III, Letter to Kugelman. Also, see the perceptive discussion of Marx's organicism in Scott Meikle' s *Essentialism in the thought of Karl Marx*.

8. Karl Marx, *Capital* Volume III, p791.

9. Karl Marx, *Capital* Volume III , p783-813. Note especially the discussion on "Sovereignty as concentrated land ownership" in those societies in which the direct producer does not own his land, and is only its "possessor". For an incisive commentary on this discussion see Draper, *Karl Marx' s Theory of Revolution* Volume I.

10. Karl Marx, *Grundrisse* p157 -8.

11. *Capital* Volume I, p.781-94. On page 792 Marx describes how the existence of the reserve army regulates the labour market, while on page 784 he defines the reserve army as a condition of existence of the capitalist mode of production. Note: I am not arguing that we can prove Stalinism wasn' t State Capitalist by quotation, my argument is rather that Martin must demonstrate that either; i) the reserve army did function in the USSR, or, ii) capitalism can function without it.

12. Hillel Ticktin, *Origins of the crisis in the USSR*, p39-40.

13. For an insight into the real position of workers in the USSR see Bob Arnot, *Controlling Soviet Labour* or Simon Clarke et al *What about the workers? - workers and the transition to capitalism in Russia*.

14. Don Filtzer, *Labour and the contradictions of soviet planning under Stalin.*, *Critique* 20-21.

15. Christian Rakovsky, *The five year plan in crisis* , *Critique* 13.

16. Leon Trotsky, *The Revolution Betrayed*, chapter 11 section 1.

17. In 1930, before he was finally broken by the Stalinists, Christian Rakovsky was aware of the metamorphosis the bureaucracy was undergoing; "Under our very eyes, there has been formed, and is still being formed, a large class of rulers which has its own interior groupings, multiplied by means of co-option, direct and indirect (bureaucratic promotion, fictitious system of elections). The basic support of this original class is a sort, an original sort, of private property, namely, the possession of state power. The bureaucracy ' possesses the state as private property' wrote Marx". *Bulletin of the Opposition*, 1930. Quoted in Max Shachtman, *The Bureaucratic Revolution*.]