

# SECONDARY LITERATURE ON THE QUESTION OF THE RESTORATION OF CAPITALISM IN THE SOVIET UNION

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## I. WHY DETERMINE THE POLITICAL ECONOMIC NATURE OF THE USSR?

In order to maintain a critical view of the world, it is necessary to hold society up to its claims and its potential. For the Western capitalist countries, there is an abundance of Marxist literature criticizing their claims to democracy, progress, and human liberty.

To do the same for the so-called socialist countries is not just a question of justice and even-handedness, it has everything to do with the strategy and experience of social change. To hush up the question of the political

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economy of the Soviet Union is to undemocratically promote ignorance among people concerned about social change.

Certainly, no Third World armed liberation struggle could fail to take stock of Khrushchev's "peaceful coexistence" and "peaceful competition" with the Western imperialist countries. Nor could they fail to have intellectual bearings on the question of "peaceful transition to socialism." Even a non-Marxist national liberation struggle would want to evaluate whether or not the Soviet Union has imperialist motives. The peoples of Afghanistan, Eritrea, Poland and other Soviet-dominated countries could hardly fail to wonder.

In the West, the antimilitarist movements should certainly have a theory about how to save the world from WWII. There already exists a Marxist-Leninist theory of why capitalist nations become imperialist and go to war. Has the supposed application of Marxism-Leninism in the Soviet Union eradicated the capitalist causes of war?

The Soviet Union can not help having an influence on how the world looks at social change. That influence must be evaluated.

#### A. Why the Marxist Analysis of Capitalism?

Marxism is the first school of thought that should come to mind in evaluating so-called Marxist-Leninist societies. Since Marxism is so well developed on the basis of a study of capitalism, it would pay to link studies of a capitalist society to that body of studies.

Indeed, we will see that the actual political economy of the USSR resembles that of capitalism, so that the criticisms of capitalism may apply to the USSR. Moreover, in the analysis of capitalism as a world system it is crucial to determine whether or not there are two world systems or only one. Important aspects of international political economy can not be understood without an understanding of the USSR—how accumulation will occur within the Soviet bloc, and its influence on the Western bloc and what relations with the Third World will exist.

#### B. Marxist Categories as Distinctions with a Difference

Marx developed all his categories with a mind to criticizing and grasping the nature of particular historical contexts or the connections between historical periods. Marx's major work *Capital* develops categories that themselves are designed for the critique of capitalism and the advance of revolution, which was Marx's first and foremost concern.

We shall argue that the most important categories of Marx's *Capital* apply to the Soviet Union. The implications of the theoretical analysis derived from them are thus expected in an examination of Soviet society.

First, in the first few pages of *Capital*, Marx distinguishes between exchange-value and use-value. "As use-values, commodities are, above all, of different qualities, but as exchange-values they are merely different quantities, and consequently do not contain an atom of use-value" (Marx, 1954, p. 45).

In a deep sense, utility is unrelated to prices in the Marxist theory. Instead, the Law of Value states that commodities exchange in proportion to the socially necessary labor time embedded in them. Marx would have no patience for comparing essentially unlike and subjective utilities. Perhaps, Marx would have sanctioned a notion of collective utility of classes—individuals with a shared objective interest. There may be a proletarian utility or a bourgeois utility, but that is not relevant to the present discussion of commodities.

A second critical distinction Marx makes is between labor and labor-power. As Erik Olin-Wright states, this distinction is part of Marx's agenda that focuses on the labor process. (Wright in Steedman et al., 1981). The distinction leads to the question of how production is organized to coerce labor out of labor-power.

A third distinction Marx makes is between necessary and surplus labor. Here necessary labor is obviously an historical/sociological category. That labor which goes to providing the worker's subsistence as defined by the norms and culture of the worker's historical context is necessary labor. The rest is surplus labor. Here there can be no question that there must be a decision made about the surplus. This is where class struggle enters.

The distinctions between exchange-value and use-value, labor and labor-power, and necessary and surplus labor are unfortunately evocative in the study of the USSR. We shall have to examine the implications of the application of these categories.

## II. THE THREE MAJOR SCHOOLS OF THOUGHT ON THE POLITICAL ECONOMY OF THE USSR

The secondary literature on the political economy of the Soviet Union is extremely rich. For a discussion of the restoration of capitalism thesis, it is useful to distinguish among the schools of thought based on their position towards the operation of the Law of Value in the Soviet Union. The Law of Value states that commodities exchange in proportion to the abstract socially necessary labor embodied in them.

The first position that should be considered is the official Soviet position. The position of the Communist Party of the Soviet Union (CPSU) has been that the Soviet Union has either been on the way to socialism, socialist or on the way to communism depending on how soon after the

revolution the question arises. No matter what stage in the advance to communism, the Soviet economists have always held that the Law of Value operates in the Soviet Union.

It was Stalin who first declared the USSR socialist. According to Stalin, the Law of Value operated in the Soviet Union at least as late as 1952 when he wrote *Economic Problems of Socialism in the USSR*. In Stalin's view, a major difference between capitalism and socialism was that not everything about the Soviet economy was decided by the Law of Value or by the exchange of equivalents. Sometimes the Soviet government consciously decided to do something of use to the proletariat regardless of the living and dead labor involved. For example, X pints of vodka may require little socially necessary labor time compared to Y pairs of pants. Yet, the government set the price of X pints of vodka higher than that of Y pairs of pants as a conscious decision to subsidize clothing at the expense of vodka consumption. Thus, proletarian use-value judgments overrode the Law of Value through proletarian planning.

Partly as a response to Keynesianism, economists towards the end of Stalin's rule started to view the Law of Value in a different light. Later we will give an historical materialist explanation for why this change might have occurred. In any case, the buzzword of the economists since Stalin is "lever." These economists believe that planners can use the Law of Value for the benefit of the economy. The implication of this view is that material incentives, wage structures and profit criteria can be used to create an expected and increased level of production.

In this view, questions of proletarian priorities are abstracted. Presumably public ownership will determine that the public benefits from increasing its own production. Social consumption will increase with production. After all, what evil is there in controlled commodity relations, if in the end social consumption increases?

The position of the current Soviet economists grades nicely into the position of Western Marxist apologists of the USSR, who form the second school of thought discussed here. The late Albert Szymanski makes the most persuasive arguments concerning social consumption.

The percentage of the wage in the Soviet Union or working class consumption that's consumed collectively on the basis of need has been increasing, and the percentage that is on the basis of material incentives or labor has been decreasing. In the '40s about 22 percent of what a worker consumed came as social consumption; that is, free education, free health care, and subsidized day care. Today it's over a third, about 35 percent for an average worker, and if you're a lower paid worker it's over 50 percent. (Lotta and Szymanski, 1983, p. 24)

Szymanski is familiar with the restorationist thesis and targets the Maoist position in particular. Szymanski agrees with the Maoists that the question

of which class holds state power is first and foremost in a discussion of the nature of the USSR. So Szymanski asks, why if there is a bourgeoisie in power does the bourgeoisie not use that state power to pass along its position by birthright; why it does not increase its consumption level to meet Western standards; why it does not try to create divisions within the working class, particularly why intra-working class income differentials decreased since Stalin; and why is social consumption increasing. What does the bourgeoisie use its state power for? (Lotta and Szymanski, 1983, p. 14)

Goldfield and Rothenberg (1980) ask many of the same questions Szymanski does, although, an increase in production cannot verify the socialist nature of the Soviet Union, and the Soviet Union is not socialist in their view. Like Szymanski, they argue that the Law of Value does not operate in the Soviet Union. There is planning, and as Szymanski said, the 1965 reforms only grant enterprises as much autonomy as branches of American corporations. Factory directors are about as powerful as American foremen. They are bound by yearly plans in production and do not have enough autonomy to allow for the Law of Value. Finally, and admittedly problematic for our argument here, the Soviet Union does not have unemployment or business cycle crises as it should if Marx's theory of capitalism applies. Goldfield and Rothenberg are also neo-Maoist in that they are familiar enough with the Maoist position to criticize it.

The Trotskyists generally support the economic arguments that the Soviet economists make for themselves in terms of the imperative of increasing production and social consumption. At the same time, however, the Trotskyists believe that they know best how to apologize for the Soviet Union. Unlike Szymanski, they do not believe that the Soviet Union is socialist. Nonetheless, they believe that the Law of Value does not operate in the Soviet Union—the single defining characteristic of the second school of thought treated here.

H.H. Ticktin argues that the problem is in the bureaucratic nature of planning, but that there is planning nevertheless. Contradictions arise in the use-values created in the Soviet economy because of the imperfection of the planning bureaucracy. Similarly, the standard Trotskyist position is that the USSR does not need a social revolution, only a bloodless political revolution, a reform at the top with Trotskyists in power. This would result in the democratization of socialism and an end to distortions of the Stalinist bureaucracy.

The third position that the Soviet Union is characterized by bureaucratic collectivism is more critical of the USSR than the other positions discussed so far. Still, Milovan Djilas (1957) and Antonio Carlo (1974, pp. 21–22) do not argue that the Law of Value is the problem. Instead, they argue that the bureaucrats own the means of production as a class. They have

little interest in worker consumption except to the extent that they came to power with the help of the workers. Indeed, they tend to seek production for its own sake. In both politics and production, survival of bureaucratic collective power is the issue. In Carlo's case, the emphasis on heavy industry results in one-sidedness. Ironically, it is the private agricultural sector that provides production for use. The bureaucrats can not resolve the problems of ever spiralling heavy industry, and inevitably come to sympathize with the capitalist solution to their technical problem of how to increase production. Ruled by bureaucratic collectivism until 1965, the USSR turned capitalist in 1965 according to Carlo. An underdeveloped capitalist country may have a bureaucratic collectivist revolution, but with its development it returns to capitalism, as a developed country (Carlo, 1974, pp. 34, 70, 73).

People with a background in Trotskyism developed the thesis of state capitalist restoration in the years of Stalin's rule. It is fitting that the transition from the second major position, the apologist position, to the third position, the restorationist position, be marked by Tony Cliff (1974). Cliff's book *State Capitalism in Russia* is a book that every Marxist must come to grips with. If the Maoists are devastating for their attack on assumptions about the current USSR, Tony Cliff thoroughly demolishes assumptions about the Stalin era held by some Maoists. Although Cliff's attack on Stalin comes from a political position unlike our own, there is much analysis of economic organization embedded in Cliff's book that is useful here. Later, when we discuss the evidence for the restoration of capitalism in the USSR, we will use Cliff to demonstrate the material basis for Khrushchev's capitalist counterrevolution.

Despite the popular efforts of the Revolutionary Union, its successor the Revolutionary Communist Party, and the Organization for Revolutionary Unity, the most definitive and damning study of the Khrushchev period and the Liberman reforms in Russia is W.B. Bland's *The Restoration of Capitalism in the Soviet Union* (1980). The book's strength is that it is based almost solely on the work of Soviet economists and government documents. An examination of the facts as presented by Bland dispells many myths propagated by Western apologists of the USSR.

The third position discussed here—that of seeing a restoration of capitalism—shares with the Soviets' own view, the understanding that the Law of Value is promoted and utilized in the Soviet Union. Ironically, the Western Marxist-Leninist apologists of the Soviet Union often claim more socialism exists in the Soviet Union than the CPSU claims. Contrary to the blinding wish of Soviet apologists to see socialism in the USSR, the Soviets themselves recognize that their "central planning" never works and is impossible to carry out with the degree of pricing independence that exists in the economy. The CPSU is quite frank in describing its

economic organization, and the importance of the role of profit, for example, it has merely watered down the theories and definitions of socialism and communism so that the Soviet Union could label itself socialist. Unfortunately, the Western Marxist apologists of the Soviet Union choose to believe that the Soviet Union actually meets the most exacting requirements to qualify as a socialist society.

### III. THE CRITERIA OF CAPITALISM

We would like to pick the criteria that define capitalism so that they are flexible enough to apply to the Soviet case while still not destroying the validity of Marxist categories and the results that flow from Marxist theory. This is an effort in theory refinement and application.

In examining the modes of production, Marx found that wage-labor characterizes capitalism in particular. Slaves were bound to their masters, serfs to their land. Wage-labor is relatively free, but is nonetheless a commodity.

Given the dominance of wage-labor, production under capitalism is for exchange. C-M-C (commodities exchanged for money exchanged for commodities) is replaced fundamentally by M-C-M'. M' indicates that the capitalist has realized surplus-value in the process of consumption of labor-power and the sale of the commodities created. Modes of production previous to capitalism had a greater emphasis on production for use, though that use may have been the exploiting class' use.

Thus, where there is predominantly production for exchange, surplus appropriation takes the form of surplus-value. The class that appropriates that surplus-value from free wage-labor can be none other than a capitalist class. This is where historical flexibility is required. Most of Marx's analysis is based on the relatively competitive capitalist conditions of his day. Still, the dominance of private property in the context of wage-labor is a sufficient but not necessary characteristic of capitalism.

Capital, which in itself rests on a social mode of production and presupposes a social concentration of means of production and labour-power, is here directly endowed with the form of social capital (capital of directly associated individuals) as distinct from private capital, and its undertakings assume the form of social undertakings as distinct from private undertakings. It is the abolition of capital as private property within the framework of capitalist production itself. (Marx, 1959, p. 436)

Furthermore, the development of credit shows that "the control over social capital, not the individual capital of his own, gives him control over social labour" (Marx, 1959, p. 439). What is noteworthy about this is that social capital is not perceived as a mere sop for the private capitalists.

Social capital is the form of exploitation in its own right. In addition, the development of social capital “lead[s] here to a centralization of capital, and thus to expropriation on the most enormous scale. Expropriation extends here from the direct producers to the smaller and the medium-sized capitalists themselves” (Marx, 1959). Thus, Marx spoke of “appropriation of social property by a few” (Marx, 1959, p. 440). The bureaucratic collectivist position and the state capitalist thesis are strengthened by this concept of how the bureaucracy may appropriate seemingly public property, and still be capitalist.

Engels applied the state capitalism concept more directly than Marx.

The modern state, no matter what its form, is essentially a capitalist machine, the state of the capitalists, the ideal personification of the total national capital. The more it proceeds to the taking over of productive forces, the more does it actually become the national capitalist, the more citizens does it exploit. The workers remain wage workers—proletarians. The capitalist relation is not done away with. It is rather brought to a head. (Engels, cited in PL, 1981, p. 10)

Moreover, Engels believed such a process would occur first with the post-office, telegraphs and railways (PL, 1981, p. 13).

By the time Lenin wrote on state capitalism, he saw it as a tool to smash petty commodity production in the countryside during the NEP, and thus saw the NEP as reaching for state capitalism as a progressive goal (Lenin, 1937, p. 282). Under the NEP, profit was decreed the object of production; workers received bonuses out of profits and firms expanded themselves out of their own profits. Lenin considered the NEP to be the use of state capitalist methods and a necessary retreat towards capitalism that could go too far. He labelled those who thought the NEP was permanent, “frank enemies” and “counterrevolutionaries.” (Park, 1986; Lenin, 1937, pp. 343, 346, 347).

Now there has been enough discussion of Marxist categories for a definition of capitalism to be ventured. Capitalism is a system of class relations whereby the surplus labor of wage-labor is appropriated by a group alien to the working classes. That group may be the competitive capitalists, the monopoly capitalists or the state capitalists. The capitalist class exercises dictatorship over the proletariat and other working classes.

Socialism is a system of class relations whereby the surplus of wage-labor is appropriated by the laboring classes, where the Law of Value is restricted through the restriction of bourgeois right, and where the division of labor is restricted and broken down. The proletariat in alliance with other laboring classes exercises dictatorship over the bourgeoisie.

Capitalism requires wage-labor, capitalists, exchange-oriented production processes (profit orientation or a market share goal for example) and an enforcement mechanism that ensures that some capitalists fail depending on their progress towards exchange-oriented goals.



Under competitive conditions it is well known that bankruptcy and merger ensure survival of the fittest exploiters. Under monopoly conditions, bankruptcy and take-over mergers are supplemented by the rising importance of war. It was Lenin's genius to see imperialist war as an inherent mechanism of monopoly competition and accumulation. Under state capitalism a particularly important mechanism for the enforcement of commodity relations is government takeover and reorganization. "Inefficient" managers as judged by their plant's profit index and other exchange-value denominated and hence fetishistic criteria will be replaced or subordinated to higher more "efficient" exploiters. Even struggles over price control have implications for managers.

Even where planning is guided by conscious political priorities, the question remains whose plan, whose use value? ITT plans in Chile. GM plans for technology implementation and labor control. Has South Africa not succeeded in planning its economy for self-destructive purposes? Has not the Pentagon, which is bigger than any Soviet ministry, succeeded in planning its own growth? It is only in an ultimate sense in which it can be said that capitalism can not plan because only in the ultimate sense will the pursuit of the use-value of the capitalist class be fruitless. Imperialism will end up on the ash-heap of history, but the imperialists are no doubt capable of planning for goals that are themselves contradictory and self-destructive.

Ticktin's analysis is that the Soviet bureaucracy is pursuing a plan, just the wrong one. The bureaucrats are pursuing use-value, but fail because they are out of touch with the needs of the masses. Ticktin cites examples of the failure of Soviet plans which end up in the production of an item that nobody wants. He calls this a "product which has a contradiction within its use-value" (Ticktin, 1978, p. 51). The alternative explanation offered here is that this kind of failure results either from the production of use-value for capitalists or, more often, from the anarchy of plain old capitalist production.

Although it is interesting to contemplate the Trotskyist position that political revolution is needed to set the plan straight or the bureaucratic collectivist position that the bureaucrats pursue power and the struggle for survival through heavy industry mania, it is unnecessary. Such processes are subordinate to exchange-value processes in the USSR. Indeed, we shall indulge in overkill in this article in presenting the evidence for the domination and operation of the Law of Value in the Soviet economy. There are more than enough avenues for surplus appropriation to take the form of surplus-value.

For the moment, we will go beyond the essential definition of capitalism offered here and agree to use or criticize the criteria for capitalism that are adumbrated by Szymanski in his debate with Lotta, and by Goldfield and Rothenberg in their *The Myth of Capitalism Reborn*. For Szymanski,

the criteria are (1) labor-power is a commodity consumed in the M-C-M' process; (2) a ruling class exists (and has comparable privileges to the ruling classes of the West); (3) the restoration of capitalism brought qualitative deterioration for the working class and qualitative improvement for the bourgeoisie; (4) the logic of capital export is dominant. For Goldfield and Rothenberg, it is sufficient that the USSR not behave as a society in transition to socialism, presumably because if it were not transitional, it would be pulled by the capitalist world back into capitalism. The four transitional criteria are (1) that there is no capitalist class (and there is no private appropriation); (2) there is a consciously and politically motivated national plan that dispenses with the anarchy of production and the drive for surplus value; (3) unemployment and labor insecurity is eliminated and there is no labor market; and (4) the means of production are not distributed in a market but by the national plan.

Among the total of eight criteria suggested by apologists for the Soviets, parts of two are problematic for our Maoist thesis that capitalism has been restored in the Soviet Union and will be discussed at the end. Theoretically, we will bow to vulgar consumption-oriented Marxist theory and try to demonstrate the privileges of the Soviet ruling class; although, there is no statistical way of knowing whether or not the relative position of the Soviet bourgeoisie to the Swedish, British or American bourgeoisies is close enough to establish a qualitative similarity. Finally, as seen already, Marx did not say that private appropriation of wage-labor was a necessary characteristic of capitalism, only a sufficient one.

#### IV. ANALYSIS OF THE RESTORATION OF CAPITALISM

##### A. The Need for a Periodization and a Corresponding Theory

History will make its weight felt in the argument over capitalist restoration if only because there are so many possible dates for seeing the restoration of capitalism. First, in 1917 according to the anarchists, the Bolsheviks betrayed the Russian Revolution by seizing power for itself in a coup d'état. Any doubts about the nature of the CPSU were erased with the crushing of the Kronstadt rebellion of anarchists and other anti-Bolshevik radicals in 1921. According to former Maoist-sympathizer Charles Bettelheim in his third volume of his book *Class Struggles in the USSR*,

L'insurrection d'Octobre s'est présentée sous la figure illusoire d'une révolution socialiste alors qu'elle a ouvert la voie à une révolution capitaliste de type spécifique. Octobre est ainsi à l'origine de ce qu'on peut appeler la grande illusion du XX siècle. (Bettelheim, 1982, p. 17)

(The translation is roughly “the October insurrection presented itself under the illusory figure of a socialist revolution while it opened the way to a specific type of capitalist revolution. October is thus at the origin of that which one can call the grand illusion of the 20th century.”) Other candidates for the restoration of capitalism are the fall of Trotsky and Stalin’s supposed political counterrevolution, the First Five-Year plan and collectivization, the downfall of the last of Stalin’s political opposition, some point between the death of Stalin in 1953 and Khrushchev’s speech in 1956 and 1965, the key year for the Liberman reforms.

The most tenable position is the Maoist position that a new bourgeoisie arose in the top ranks of the CPSU and seized power. The birth and growth of the new bourgeoisie in the CPSU was a historical process with roots in conditions that started to exist immediately after 1917. Khrushchev’s secret speech in 1956 is only the first time that the West came to understand the gravity and outcome of the post-Stalin power struggle. Khrushchev did not create capitalism with his secret speech. Rather just as there are climactic events in every revolution, Khrushchev’s coming to power was a culmination of broad historical forces.

True, Khrushchev discarded Lenin’s theory of imperialism for “peaceful coexistence.” He also believed that the USSR had become a “dictatorship of the whole people,” which forced his supposedly Marxist-Leninist Western apologists into the strange position of having to argue that the CPSU does not know what its own superstructure is about! Even when Khrushchev no longer claimed that the USSR had a workers’ state, the Trotskyists continued to argue that the Soviet Union is a “deformed workers’ state” (a reification of the state unless there is a class of “deformed workers”). Thus, the political watershed events from 1953 to 1956 proved to allow a myriad of interpretations.

While various proponents of Trotskyism and anarchism came to their conclusions from studying bureaucracy and the state, Mao came to the only Marxist conclusion that starts with a critique of the relations of production. According to Mao and his followers in the Shanghai School of political economy, each of the three aspects of the relations of production has something to do with generating the new bourgeoisie that comes to exist in the communist party of a socialist state.

First, the hallmark of socialism is the proletarian ownership of the means of production and the end of the bourgeois right to hire and exploit labor. Nonetheless, in the accumulation process, it is possible under socialism that production will advance technically in fashions inaccessible to the worker unless class struggle is waged to prevent this. In other words, the technocrat may displace the worker in the control of his workplace and production. However, even more important than “worker control” is proletarian political control at both the factory level and the national level.

There must be revolutionary administration in the factory and at the top where the plan is made. Issues of politics decide who actually owns the nominally and legally public means of production.

Second, the political stance of the proletariat is to restrict bourgeois right in distribution. In other words, socialism is marked by remuneration "according to work," but if this principle were absolute, the Law of Value would be absolute. There would be no way to remunerate workers for products or public services that did not generate exchange-value equal to that remuneration. Moreover, the enforcement of bourgeois right in distribution has a tendency to result in accumulation of inequalities that result in class polarization. This is especially true because of the legacy from capitalist society. Workers and intellectuals who had the benefit of more and better educational and work experiences will contribute more socially necessary labor than others. Related to this process of accumulation by the beneficiaries of capitalist society is the prestige and other perks associated with certain jobs in the division of labor. A scientist can expect a very high level of prestige under capitalism and translate that prestige into administrative control.

Third, the division of labor between rulers and ruled, the administrators and the administered, the city and country, the mental and manual, and the male and female does not disappear under socialism. Already, it has been discussed how if workers hand over the production process to technocrats and experts, they will lose ownership. Likewise, if the peasants or farmers allow the cities to do all the government work, they too will be expropriated. The division of labor cannot be allowed to build up or it will mean the reemergence of a capitalist class and the exploitation of labor-power.

Bourgeois right includes not only the right to exploit labor-power and the right to pay according to work, but also any attendant privileges of work under capitalism; hence, bourgeois right continues to operate under socialism where the state still must decide employment and income policies, and where the division of labor does not disappear.

#### B. A Thumbnail Sketch of the History of Soviet Economic Organization

The revolution occurred during WWI and a state of war continued with Germany until March 1918 when the Bolsheviks made their concessions and pulled out of the war. Then the Bolsheviks also had a class war to fight at home against the White armies. The period of War Communism saw conscious planning by the CPSU, but everything was done by command and requisition. During the War-Communism period equality of sacrifice narrowed the ratio of the income of most skilled workers to the

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income of unskilled workers from 2.32 in 1917 to 1.02 in 1921! There was speculation about the end of money and commodity relations. Wages in kind were 94% of income (Lane, 1982, p. 21). Overall, the emphasis was on "getting things done" without the luxury of experimentation with new organizational procedures in production.

Despite the role of the workers' and soldiers' Soviets in the revolution and its immediate aftermath, by 1918, the Soviets embarked on one man management in the factories. Syndicalists and others disaffected by the dictatorship of the CPSU brought up discussions of increasing the role of the Soviets or trade unions. There were some winds of this sort especially in the late twenties, but the Soviet Union has never abolished one-man management. The actual power of the worker in the workplace was questionable as early as 1918. By 1935, one-man management had crystallized as requiring absolute obedience and as the most important principle of socialist economic organization according to one Soviet economics text (Cliff, 1974, p. 13).

Perhaps to the extent that war politicized production through commandeering it, and to the extent that the USSR had little room to experiment, and given the constant threat or actuality of famine, worker power in the factory was not first priority where proletarian political power was yet hanging on a thread. It is not surprising that in the relatively comfortable position of the late 1920s that calls for worker participation and control were heard again. Moreover, it is not hard to see that the necessity of collectivizing agriculture and the necessity of industrialization to prepare for further hostilities with the encircling imperialist nations were on Stalin's mind as rationalizations for one-man management. Nonetheless, one-man management is hard to justify under Stalin and even harder to understand in one of the great industrial countries of the world which has chosen the path of "peaceful coexistence."

With the easing of the war situation and the defeat of the imperialist interventions, Lenin turned the USSR towards repair. Speaking of the War Communism phase, Lenin called it a mistaken "jump" that went too far.

Lenin now turned around to call for a little "local turnover" meaning trade by the peasantry. The most important aspect of the New Economic Policy (NEP) was its attempt to meet the food crisis caused by war and the return of soldiers from the front. The NEP gave the peasants the necessary market incentives to resume normal grain production.

Lenin regarded the NEP as a dose of capitalism to restore production; its highest aim was to use state capitalism to replace the several modes of petty-commodity production still existing in the Soviet Union. Having nationalized transport, utilities, mines, industry and foreign trade, the Bolsheviks thought that with their control of these "commanding heights"

of the economy they would retain control despite the general free market instituted under the NEP. (Park, 1986; Lenin, 1937).

When agricultural production recovered and appeared to be peaking with the "procurement crisis," arguments surfaced saying that the rich peasants (kulaks) had to be prevented from gaining further influence in the countryside and the CPSU itself. Industrial capacity also started to regain its full employment, so even Bukharin, who was the leading spokesman of the alliance with the individual peasant farmer, started looking for ways to boost industrial capacity.

Trotsky and Preobrazhensky called for a massive tribute from the peasantry in the form of "primitive socialist accumulation." Later, many were to say that Stalin followed this policy; however, there are two ways in which Stalin's brutal accumulation drive differed from Trotsky's plan. First, it occurred five years after Trotsky wanted it. During these five years, industrial capacity met its limits and the government encountered problems in procurement of grain for the cities, which the CPSU made the mistake of blaming on a "kulak strike." Secondly, both the proportion of agricultural production and industrial production invested as opposed to consumed rose incredibly under Stalin; however, agriculture did not subsidize industrialization as commonly believed. The terms of trade actually moved significantly in favor of the agricultural sector (Ellman, 1975).

However, Bettelheim's point in the second volume of *Class Struggles in the USSR* is well taken: the method of collectivization imposed by the CPSU based in the cities oppressed the peasantry. Although collectivization of agriculture is a socialist tenet, its first experiment brought starvation and disaffection that marks the weakness of agriculture even today in the Soviet Union. On the other hand, the rural bourgeoisie was defeated. No longer was the USSR dominated by petty commodity production.

Even so, it should be noted that it was under Stalin that the parallel private plots and their tremendous role in nongrain agricultural production arose. At that time, private plots were a concession to the peasants, and to the fact that their lack of enthusiasm made the collective farming effort less than adequate for consumption needs. Today, less than 3% of the land provides 65% of the potatoes, 35% of the meat and milk, 40% of vegetables and 50% of eggs consumed (Goldfield and Rothenberg, 1980, p. 33).

The price of the disaffection of the peasantry for the collectivization process is the existence of 40 million individual enterprises to this day. Whereas the prime labor force works on the state farms, the children and elderly are employed on the private plots. The cost of this is evident in the deaths and suicides in the rural areas today in the 15 to 19 age group. Faced with glaring distances between rhetoric and reality, the youth of the countryside suffer 2.5 times the death rate of city children for "nervous

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system of feelings” problems and 3 times for psychological breakdown (Timofeev, 1982). This holdover of capitalism under Stalin is even harder to justify considering the years of peace and industrialization that the Soviet Union has experienced since Stalin.

So far we have seen that lasting capitalist features of the Soviet Union under Lenin and Stalin have been one-man management, a private farming sector and collectivized (nonstate) agriculture. There remains a discussion of the market for labor-power that arose under Stalin and the changing social basis of the CPSU.

Although the M-C-M' process was not predominant under Stalin, bidding for labor-power did occur. First, 29% of industrial workers were paid by piece-rates in 1930, and 65% by 1931. The figures are even higher for key industries. What is worse is that Stalin's piece-rates were progressive piece-rates, that increase the price per piece for the more pieces that are done. No doubt this kind of “socialist competition” (Cliff, 1974, p. 19) divided workers from each other, but more importantly, it represented the expansion of the arena of bourgeois right as there can be no better method of “to each according to his work” than piece-rates. Second, the struggle against egalitarianism in distribution was stressed one-sidedly throughout Stalin's industrialization program. Laws restricting party salaries to those of skilled workers, restricting incomes of two-post people to one and one half times the maximum salary, restricting piece-rate superworkers to 100% over the norm, and guaranteeing workers a minimum of 65% of the norm were abolished (Cliff, 1974, 69, 70). Third, in an extension of the piece-rate principle, managers in automotive transport enterprises in 1948 received bonuses according to their overfulfillment of the plan. This is a particularly ominous connection because it activates the distinction between labor and labor-power. The firm bids for the labor-power and then bids for the most efficient slave-driver to coerce labor out of labor-power. The distribution of income under Stalin certainly allowed material conditions sufficient for the generation of classes under socialism.

There are two things to keep in mind about Stalin's policy of paying much more for piece work done above the plan goals. One is that Stalin did away with rural markets and markets in the general sense of the NEP by setting prices and wages through the bureaucracy. By 1932, less than 1% of manufacturing workers were hired privately whereas an eighth of such workers were in 1923 (Nicolaus, 1975, p. 17). In a sense all Stalin did was to replace the free market incentives with the planned bidding system. He did not just add on material incentives in production. He took away some and put in others. Second, Stalin used capitalist methods to fulfill a strict plan. In this sense the real question is whether or not Stalin's political course represented that of the proletariat.

Finally, the social base of the party changed from nearly two-thirds industrial workers in the early 1930s to mostly white-collar and other non-peasant and nonmanual laborers by 1956 (Goldfield and Rothenberg, 1980, p. 117). Stalin also supported the slogan “cadres decide everything.” Now, the stance of an intellectual worker does not have to be antirevolutionary and capitalist. No such mechanical interpretation of the class origin of the CPSU member should be made. However, given the atmosphere of the time of absolute obedience to managers and specialists, it seems likely that the CPSU’s technocrat character indicated the crystallization of a class inside the CPSU. Once it established the Law of Value as its program, the bourgeoisie in the CPSU could recruit workers and peasants amenable to that program.

Here is seen the beauty of what Mao said about China’s own possibility for capitalist restoration.

Our country at present practices a commodity system, the wage system is unequal, too, as in the eight-grade wage scale, and so forth. Under the dictatorship of the proletariat such things can only be restricted. Therefore, if people like Lin Biao come to power, it will be quite easy for them to rig up the capitalist system. (Zhang Chunqiao, citing Mao, 1975, p. 209)

What emerges from all of Mao’s works after 1962 is the fragility of socialism. Mao has called his own achievement only the first step in 10,000 li, so protracted is the struggle to get from capitalism to communism. The achievements of the socialist revolutionaries are modest. Not only must they contend with legacies from the past, but socialist revolutionaries face the generation of a new bourgeoisie in the communist party itself. This new bourgeoisie does not have its origins in the class background of its parents or the overthrown system. Rather in the struggles concerning workplace and political control, remuneration and distribution and the division of labor under socialism, a new bourgeoisie arises.

What can be said about Khrushchev? What did he add to the restoration of capitalism that was not already in place under Stalin? This is a good question and in a sense the historical demarcation is arbitrary.

Wallerstein has argued that there is only one world system at a time. One can only hypothesize about efforts towards transition to socialism until there is a socialist world system. Also, if one takes a grand historical perspective of feudalism as understood by Marxists, one realizes that feudalism did not fall in any one clean swoop or out of the blue. In this sense, a few hundred years from now the debate on when or if the Soviet Union went capitalist may seem like a hair-splitting exercise if all the world has obtained a new system. Yet, that does not mean that the analysis of the Soviet Union here and now is not important to that process.

What Khrushchev did was primarily political. First, he replaced Lenin



with the “three peacefuls.” Second, he reestablished the good name of the “lever” school of economists, and cleared the way for their debates. Third, he tried to implement various labor-saving reforms and other economic changes. Finally, he loosened up the air for the bourgeoisie in the party by attacking Stalin as he did. Those who wanted to implement capitalism could do so in the name of criticizing Stalin.

### C. The Completion of the Victory of Capitalism in the Relations of Production

The logic of capitalism was made complete with the crystallization and victory of the capitalist class in the party, and the introduction of the profit motive in production. Although the social composition of the CPSU may change it has already established capitalist relations of production.

One of the main signals in the superstructure of the victory of the bourgeoisie is the discussion of the Law of Value by the economists and government.

A highly important lever making for increased production is the creating, through a system of premiums of a personal incentive to raising output. . . . Scientific socialism . . . does not deny the significance in Socialist economy of the law of value, market prices, and profit and loss accounting . . . . As for profit and loss accounting in Soviet economy, not only does it not run counter to the Socialist system of economy, but serves as a substantial stimulus to the development of Socialist production, inasmuch as it contributes to a growth of profits. (Bland, 1980, p. 334)

This is a quote from Nikolai Voznosensky, who was a Political Bureau member starting in 1947. In 1949, he implemented a price reform that brought prices more into line with the “prices of production” (Bland, 1980, p. 343).

The reform was rescinded by Stalin a year later and the leaders of the reform were arrested and subsequently executed. In 1952, Stalin replied to discussions of the Law of Value.

It is sometimes asked whether the law of value exists and operates in our country, under the socialist system. Yes, it does exist and does operate. Wherever commodities and commodity production exist, there the law of value must also exist . . . . Does this mean that . . . the law of value . . . is the regulator of production in our country. . . ? No, it does not. Actually, the sphere of operation of the law of value under our economic system is strictly limited and placed within definite bounds. (Bland, 1980, p. 335)

Stalin then goes onto ask if the Law of Value regulates production, why light industry does not dominate since it makes higher profits; why workers are not transferred from less profitable but necessary plants to more prof-

itable but less necessary plants and why look at the short run profit when the development of the country is at stake (Bland, 1980, p. 336). Cliff has pointed out that Marx and Engels (Cliff, 1974, pp. 190–1) believed that the Law of Value did not operate under socialism, but it seems that the important fact about Stalin is that he was critical of the Law of Value; held that it had to be restricted and destroyed and not made out to be of absolute permanence for all history.

In late 1954, the verdict on the “Leningrad affair” was reversed and its executors executed. In his famous speech of 1956, Khrushchev paid homage to the dead leaders of the economic reform.

What is the evidence for the Law of Value’s operation in the USSR today? Most importantly, wage-labor exists as is obvious to all (Szymanski, 1979, p. 47; Goldfield and Rothenberg, 1980, p. 55) and labor-power is bidden for. First, piece-rates still existed for 56.6% of industrial workers as of 1969. (Bland, 1980, p. 110) Thus, wages are quite flexible to start with. Second, bonuses are now universally distributed for productivity gains at the discretion of the foremen and the directors. In labor-saving experiments, workers who remain after mass dismissals may expect higher bonuses. Third, although there is a general labor shortage in the USSR, the factory director and shopfloor heads do have the right to hire and fire according to Soviet statutes (Bland, 1980, pp. 90–1). In the Shchekino labor-saving experiment there was an  $r = 0.69$  correlation between growing productivity and dismissals (Teckenberg, 1978, p. 199).

Fourth, wages, bonus plans and housing offers are key parts in getting workers to uproot and change jobs. For example, “poor housing and low pay were the main reasons for leaving a job in a study conducted in 21 Novosibirsk enterprises.” Depending on the enterprise, low wages and poor housing explained 24.7% each of the cases of workers’ leaving jobs (Teckenberg, 1978, p. 205–6). Fifth, the means of production themselves are commodities. It is the enterprise that has “rights of possession” and purchases, sells and leases its assets. Two-thirds of trade turnover in 1971 was in the means of production (Bland, 1980, pp. 71, 74). The Soviet “Statute on Socialist State Production Enterprise” reads “the enterprise is headed by a director. . . . The director of the enterprise may, without power of attorney, act in its name . . . dispose of the property and funds of the enterprise” (Bland, 1980, p. 80).

Finally, profit along with sales and product variety determine managerial bonuses. Thus exchange-value goals are given a positive enforcement mechanism by reforms adopted since 1965. This activates the labor and labor-power distinction. Managers now have an incentive to get work out of their workers, not by political use-value criteria but by exchange-value criteria. This alone is an important point in seeing the M-C-M’ process at work. Directors lay out their best material incentives and hustle to get

workers to work, and directly reap rewards according to the profitability of their enterprises.

Also the workers themselves are prodded to actualize the labor-power/labor distinction. "Socialist emulation should be oriented toward . . . the raising of the profitability of production" according to Kosygin (Bland, 1980, p. 194). Thus, the official orientation of the USSR is to evaluate production by exchange-value criteria and thus to glorify the Law of Value and the bourgeois right to distribution.

Profit in itself is officially "the supreme criterion of efficiency in the enterprise" (Bland, 1980, p. 20). It was Khrushchev who first gave the green light at the 22nd Congress of the CPSU in 1961. "We must elevate the importance of profit and profitability" (Bland, 1980, p. 18). Prime Minister Aleksei Kosygin, who was the implementor of the measures completing capitalist restoration in the relations of production and who escaped the "Leningrad affair" with a demotion through the intervention of others not associated with the affair, again presents the "lever" theory of the Law of Value. "Let us consider profit, one of the economic instruments of socialism. A considerable enhancement of its role in socialist economy is an indispensable requisite for cost accounting" (Bland, 1980, pp. 346, 19).

The importance of profit is not just as an index to watch. Profit received some easy avenues to play a role in regulating production from the CPSU. First, in 1961 before Khrushchev was dismissed in 1964, the CPSU programme argued that "prices must, to a growing extent, reflect the socially necessary outlay of labour" (Bland, 1980, p. 121). This again is another way of stating the Law of Value. Second, firms retained 40% of their profits in 1969 and between 1966 and 1969 the average bonus fund tied to profits quadrupled. Finally, investment of enterprises is predominantly financed by profits, credit, depreciation allowances and sales of the means of production. As of 1969-70, state grants covered only 18.8% of investment. Complete self-finance of enterprises was declared to be an eventual goal (Bland, 1980, pp. 135, 139, 235). In 1978, half of all investment came from profits at the enterprise level (Lotta and Szymanski, 1983, p. 44). Thus, expansion of the firm is tied to profit much the same way it is in the West.

The allocation of investment by exchange-value considerations is an important subject in itself. If the tying of bureaucrats' bonuses to profit is the carrot of the M-C-M' process, then reorganization and interest rates are the stick that establish a minimum level of profit for the operation of enterprises. A directive from the Central Committee of the CPSU in 1965 stated that "it is necessary to introduce deductions in favor of the state budget from the profits of enterprises in proportion to the value of the fixed and circulating assets allocated to them, with these deductions being

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considered as payment for production assets'' (Bland, 1980, pp. 51–2). In 1971, those payments averaged 17% of profits. At the same time, the importance of credit increased under the Liberman reforms of 1965. By 1976 state credit financed 60% of circulating capital. Long term credit has also played an increasing role in financing fixed assets. Moreover, the interest rate rose in 1967 to 4 to 4.25% for short term loans and 4.5 to 6% for long term loans. Profits are calculated after interest payments. A recent letter to Pravda stated what happens when enterprises lose their credit. “ ‘We operate on the basis of mutual contracts. If someone’s credit has been temporarily suspended, it turns out that we shouldn’t ship him any output at all. But how, then, can a client overcome his difficulties? And what are we supposed to do with the output?’ ” (Lotta and Szymanski, 1983, p. 53) Thus credit as social capital regulates allocation through interest rates.

As usual, the Soviets themselves are best quoted for a description of their own economy.

Credit is made available on more favorable terms to enterprises that are working well, whereas economic and organization sanctions, in the form of restrictions on the right to credit and higher charges for the use of bank loans, are applied to enterprises and associations that fail to fulfill their basic plan indices to meet their obligations to the bank. (*Workers’ Tribune*, Nov/Dec, 1982, p. 14)

With a profit as the major index, the bank, that gained independence in 1954 from the Finance Ministry, and retained its monopoly character in the face of subsequent economy-wide decentralizations, sees to the concentration of capital.

With the completion of this section, we have seen that even by Szymanski’s and Goldfield’s and Rothenberg’s criteria, capitalism has been restored in the Soviet Union. Wage-labor exists and the M-C-M’ process does indeed go on. Also, it has been seen how the party itself changed its stance on the key issues of capitalism versus socialism and how the social base of the CPSU allowed for the crystallization of a bourgeoisie right in that party. In the CPSU, it is the job of the enterprise director and management to get labor out of labor-power and collect part of the surplus-value. The rest goes to the state ministries through interest, taxes on profit and as a portion of depreciation. If the competing state capitals of the ministries were only to rent out their capital for interest, this alone would ensure the M-C-M’ process given the current context, but for now there are two factions to the bourgeoisie depending on the method of realizing surplus-value.

The state banks and ministries represent a higher level of social capital in that they skim off the top from the enterprises which realize their own surplus-value in bonuses and expansion. (Some surplus-value is not re-

alized and hence left as waste.) The relationship is analogous to that between finance capital and industrial capital.

The state banks and ministries do not have five-year plans with anything but the vaguest goals. Goldfield and Rothenberg argue that yearly plans are set, but the Soviets themselves say that with the new "lever" philosophy, there is "indeterminacy" in planning. According to the Soviet economists themselves the enterprises "draw up their production plans themselves on the basis of orders for goods placed by trading establishments and direct contracts concluded with them" (Bland, 1980, p. 44). In addition, according to Kosygin at the 25th Congress of the CPSU, "we plan to complete the switch of associations and enterprises engaged in mass and large-volume production to direct and long-term ties, basing their relations on long-term economic contracts" (Bland, 1980, p. 45). How can this be anymore socialist than Lockheed's contracts with the Pentagon, contracts which also have some specifications? When GM and US Steel contract with each other they also specify terms with each other. There is nothing new about this kind of capitalist planning.

The qualitative relationship between the bourgeoisie and the proletariat changed under Khrushchev. Khrushchev denied that the international proletariat would make its own history through armed struggle against imperialism. Moreover, he established the Law of Value's legitimacy in the Soviet Union and made attempts to establish profit and labor-saving processes. These attempts bore fruit even as Khrushchev was dismissed. It is not surprising that within nine years of his speech on Stalin, factory directors gained the discretion to assign bonuses; hire and fire workers and make decisions concerning the sale and use of the means of production. This qualitative relationship had its roots in the loss of workplace and political control by workers faced with one-man management and technocrat rule. The CPSU became dominated by technocrats for technocrats, who saw to the enshrinement of bourgeois right to distribution and thus an improved material position via salaries. The bourgeoisie crystallized in the CPSU and put the finishing touches on capitalism.

Having established the foregoing, what is the logic of capital but the M-C-M' process? Lenin's thesis on the export of capital is based on this same logic. The internal basis for imperialism exists. Now it is only a matter of examining bank loans, arms exports and other investments abroad in that light. This has been done elsewhere.

#### D. The Question of Social Consumption

A Marxist fundamentalist answer to Szymanski's question about the increasing proportion of wages going to social consumption would have to be that of indifference. What counts in Marxism is who is in control

of the state and production. If the workers have no control in the workplace or in the political arena, then it does not matter if they are fed well. Work and politics will be boring and against the interests of the workers.

This in itself will also say something about the problems of the worker outside the workplace. Estimates of vodka, beer and wine consumption show a doubling between 1950 and 1960. By 1966 that figure showed another 50% growth (RU, 1974, p. 94). According to the Soviet Academy of Sciences, annual per capita vodka consumption increased from 5 liters in 1952 to 30 in 1983 (Bettelheim, 1985, p. 55).

A Soviet survey carried out in Leningrad shows that young workers are increasingly dissatisfied with the content of their work. Forty percent reported dissatisfaction in the mid-1960s. In 1976–77, 65% were unhappy (Krawchenko, 1984, pp. 274–75). The same Leningrad survey showed 38% dissatisfaction among leading specialists and 80% among unskilled workers. These levels of work content satisfaction compare unfavorably with those of Germany, Denmark and Sweden (Teckenberg, 1978, p. 196). Another official survey in 1977 showed almost no opposition to the election of factory executives among factory workers; 76% believed that such an election would make production more efficient (Krawchenko, 1984, p. 277).

The quality of work and political life is only one question left unanswered even where there is progress in capitalist terms. Another is the cause of the increase in consumption. The industrialization of society has occurred under both capitalist and socialist regimes, so the consumption that they bring will increase in both cases. The USSR has had the fastest and most spectacular industrialization of any country. Soviet growth has slowed appreciably in recent years, but more importantly, it seems that the current leaders of the Soviet Union benefit from riding on an industrial take-off that started under Lenin and Stalin. Increasing social consumption takes place within the context of a larger surplus and the centralized infrastructure development that takes place in all large capitalist industrial nations. For example, public transport is present in industrial nations everywhere.

The Soviet trend in social consumption is towards self-financed public services, which are apparently profitably operated so far. In an economy where the Law of Value is used as a lever it is not surprising that social expenditures are viewed with the purpose of making a profit. Health and education in particular are partly targeted to make a profit. Paid for services were expected to increase 47% while unpaid services were to increase 32% during the 1971 to 1975 plan. “The preferential development of branches of paid services in the present stage conforms to the interests of the population. . . . The population receives the possibility of supplying its needs more completely” according to one Soviet economist who was

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published in *Problems of Economics*, an important journal (Bland, 1980, pp. 175, 176).

Social consumption itself is still growing but at a declining pace. From 1966 to 1970, the growth was 53%. From 1971 to 1975, it was 40%. Plans for 1976 to 1980 were for growth of 28 to 30%. At the same time, economists note a trend towards the expansion of enterprise profits, development and bonus funds at a much greater rate than that of social consumption. Thus, the shift to emphasis on the enterprise for self-finance has not meant a corresponding increase in the enterprise's social responsibility (Bland, 1980, pp. 174, 183, 184).

The housing shortage in the Soviet Union is well-known and harder to explain in the post-WWII era. Yet, the housing budget has declined consistently as a proportion of investment. Housing was 23.2% of investment from 1956–1960, 18.3% from 1961–1965 and 17% from 1966–1970 (Bland, 1980, p. 180).

Housing in the Soviet Union is highly subsidized. Ticktin and Szymanski cite housing as proof that the Law of Value does not operate in the Soviet Union (Ticktin, 1973, p. 37; Szymanski, 1979, p. 68). Even Bland says that housing is a true social service in the Soviet Union (Bland, 1980, p. 179). In reality, though, even housing is regulated by the Law of Value because management uses housing subsidies to attract skilled labor from outside the firm. Enterprises can lend 40 to 50% of the down payment for a private house. That loan is made a grant after the worker has worked a certain length of time with the firm. This kind of company loyalty scheme has its parallels in the West. As a result, the highest educational group is more than three times as likely as the lowest to receive three or more rooms in an apartment in Leningrad (Teckenberg, 1981–2, p. 63). According to Teckenberg, “in occupational groups with higher income, dissatisfaction with the living standard was expressed rather by an attempt to get better apartments and homes than a rise in pay” (Teckenberg, 1978, p. 205).

Other problems with social consumption trends that the author did not have time to investigate are drug taking, pollution and the situation of the national minorities who are apparently being integrated into one nation even before communism is official. (Gorbachev's gaffes in which he speaks of Russia instead of the USSR may be conscious or unconscious indicators of this.)

One quote from *Peking Review* indicates concern that while the USSR boasts of its progress in catching up with the West, economic growth has not resolved the problems of national minorities in the USSR.

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\*The average monthly wage of the workers and staff in most non-Russian republics is lower than that in the Russian Federated Republic. For instance, it is lower by

16% in Byelorussia, 20% in Georgia and 21% in Moldavia. . . . The 1973 'Yearbook of Soviet National Economic Statistics' revealed that the 1973 per capita retail sales of consumer goods in Uzbek, Azerbaizhan and Tajik Republics were less than 60% of those in the Russian Federated Republic. The number of doctors for every 10,000 people in the central Asian Republics was one-third less than in the Russian Federated Republic.' (Nicolaus, 1975, p. 172)

Teckenberg also reports that labor turnover ranges "from 39.8% in Tadzhikistan (1967) to 15.7% in the centre of the RSFSR" (Teckenberg, 1978, p. 195). Thus, there continue to be significant divisions in the USSR by nationality.

The situation of women and poverty also should be mentioned briefly. In 1967, the poverty line was established as 50 rubles per month per capita. Thirty three to 38% of the people in industrial areas would have qualified in 1967; thus, women must work and they receive 65% of the income that men do. There is a  $-.78$  correlation between the percentage of women in nine occupational groups and income (Teckenberg, 1981-2, pp. 55, 57, 59). The inequality between men and women should also be noted as a source of classes and capitalism.

Finally, health services in the USSR along with the diet, smoking and drinking habits of the people have come to resemble those of Western countries. The treatment of these problems is also similar. Cancer and heart attacks rose during the 1960s and 1970s (PL, 1981, pp. 76-7). It is also a cause of great concern that the infant mortality rate rose in the Soviet Union and ceased to be reported. The Soviet officials and Szymanski have tried to explain the problem as resulting from better infant mortality reporting procedures. Still, it is impossible to explain the increase of deaths in the middle age groups (Bettelheim, 1985, p. 54). Soviet health care even relative to Cuban health care looks poor because of its lack of a preventive emphasis.

#### E. The Bourgeoisie

There are at least two factions of the bourgeoisie. One is the factory directors and specialists, of whom 99% are in the CPSU. Of course, there may be very powerful people, especially as leaders of production associations that combine more than one enterprise. The other faction of the bourgeoisie is the higher ranks of the state and party.

Within the Soviet working and middle classes, inequalities are comparable to those in Great Britain. Many decile comparisons of incomes in the Soviet Union start from Soviet figures that compare the income of the bottom 10% with that of the top of the bottom 90% (Wolff and Davis, 1984, p. 13). Comparison with Western deciles of a like construction show that the Soviet Union is comparable or slightly worse than Great Britain



according to Peter Wiles, who excludes income derived from property in the calculations (Wolff and Davis, 1984). Some contend that under Stalin wage differentials increased the most rapidly, thus demonstrating that he promoted bourgeois right the most. However, from 1929 to 1940 so many peasants were raised into the industrial proletariat that its size tripled (Nicolaus, 1975, p. 26). This means that the urban/rural gap closed some and may have offset the losses in intra-working class equality.

The top .5% of earners in the Soviet Union quite plausibly compare with the top .5% in the United States. In the United States, top earners earn 12 to 15 times the US average wage. In the USSR, a factory director may make 500 rubles officially and another 400 rubles through benefits and stores. Indeed, since no information is available on the salaries of the top two million earners of the nomenklatura, the benefits of an elite post may make the official salary a mere formality. In any case, 900 rubles a month compared with the minimum wage of 70 rubles is not far-fetched. Savings accounts also collect interest which should be included in the higher income of the state bourgeoisie. According to Roy Medvedev, "there are in the USSR about 13,000 millionaires, i.e., top bosses whose bank accounts amount to seven digit sums" (Nicolaus, 1975, p. 168). Finally, the top income tax does not surpass 13% (leaving out considerations of children). In 1960, the CPSU announced its intention to abolish all income taxes (PL, 1981, pp. 57, 58; Dobb, 1966, pp. 420, 421).

As for the reproduction of the bourgeoisie, "formal higher education, not activism alone, has become the indispensable ingredient for any higher level position. Higher education, on the other hand, has emerged as the preserve of the offspring of white-collar staff and the intelligentsia, and this group has become self-recruiting" (Krawchenko, 1984, p. 274). Ninety percent of party people and specialists are highly educated, but only one-third of high schoolers wanted to go to college in the 1970s compared with 90% in the 1960s. The percentages of those who go to ninth grade varies with parental occupation—25% of low-skilled workers' offspring, 52% of skilled workers', 70% of specialists' with secondary specialist training and 86% of specialists' with higher education. Moreover, 19% of low skilled workers' children with "low grades" and 77% of "upper strata" children with "low grades" went to ninth grade. Upper strata "low grades" cases go onto 9th grade more often than workers' children with "high grades." Not surprisingly, the children of specialists made up 50% of the student body of colleges in the late 60s, approximately three times their proportion of the population.

Teckenberg notes the importance of occupational inheritance. His data for respondents in Ufa 1969/70 show that 32.8% of the intelligentsia came from that same background, but 72.5% of the intelligentsia's children were also in the intelligentsia. Meanwhile, 44.6% of workers came from a worker

family, and children of workers usually become workers—59.1%. While 31.4% join the intelligentsia; 8.6% join the employee category and 0.9% do not have an occupation yet. The tendency is for workers to raise workers, and intellectuals to raise intellectuals (Timofeev, 1982, p. 15; Wolff and Davis, 1984, pp. 16–8; PL, 1981, p. 60; Teckenberg, 1981–2).

Although capitalism is not marked by classes with birthrights, Bohdan Krawchenko summarizes a number of surveys on the perpetuation of the mental/manual labor distinction in the USSR.

The lower the age the higher the weight of workers of workers' origin. . . . In this survey of a factory in the Urals, 70% of all workers under 20-years of age were the grandchildren of workers. On the other hand, one hundred percent of specialists were the offspring of specialists. . . . A 1978 survey of machine industry workers in Leningrad found that 90 percent were of working class origin, whereas 80 percent of skilled scientific personnel were born into the intelligentsia. . . . Thus the first large-scale hereditary proletariat in the history of the USSR has formed. (Krawchenko, 1984, p. 271)

The Soviets do not provide income distribution figures on the state capitalist class. Independent calculations and analyses of official and unofficial incomes do not necessarily sustain the myths propagated in decile comparisons.

In any case, it is not important how many cars, yachts and country dachas the state capitalists buy. The state capitalist class is a group of people that occupy a structural position. They control the means of production, hiring and firing, bonuses, housing and income distribution. To get into the state capitalist class, one must manage an enterprise profitably enough to borrow and rent enough state capital to bid high enough for labor-power. One must expand or face take-over. The grand consumption of the old-style Rockefellers and Vanderbilts may not take place, but Soviet production is still for profit not for use.

#### F. Some Remaining Problems and Questions

One of the themes of this paper is how the Law of Value can find its expression in a number of ways. Many would argue that since bureaucrats set prices, that the Law of Value cannot operate in the Soviet Union. However, we have seen how wages are quite flexible and tied to productivity; how even housing is distributed for productivity reasons, and how features such as the black market and the concept of contracting amongst state branches can lead to providing an opening for the Law of Value.

Indeed, planning bureaucrats *pad* their estimates for the parochial interest of their own enterprises, which is not surprising given the increas-

ingly self-financed nature of enterprises. The Deputy Chairman of the State Committee on Prices estimates that 20% or more of input costs claimed by enterprises are padding (Lotta and Szymanski, 1983, p. 45).

Prices are fixed by people with interests. Enterprises that want higher prices raise the estimate of their costs. This is a form of bidding with central authorities.

A plan may start with a certain goal for a firm, but it is expressed in current price terms. When the price changes before the plan is fulfilled, it becomes impossible to tell if a firm fulfilled its plan or not. The very measuring rod in exchange-value terms changes. "As a result of the practice of making partial changes in price—a practice that has become established in the last few years—higher-echelon economic organs could not correctly plan and exercise effective control over the fulfillment of plans" (according to one article in *Problems in Economics* cited in Nicolaus, 1975, p. 136).

Even if fixed prices were never adjusted in the Soviet Union, the Law of Value can circumvent fixed prices. Enterprises contract for quantity, if the price is too low, they will contract for less, and if the plan is "indeterminate," then it will not be fulfilled. At one chemical machinery plant, the introduction of profit criteria resulted in 46% fulfillment of the production plan for unprofitable reactors and overfulfillment for profitable rotary devices (Lotta and Szymanski, 1983, p. 44). One can also imagine that there will be pressure on the technique and quality of production to adjust if the price is out of line, that is, unless exchange-value goals are not the object in the first place.

Reorganization of Soviet industry has been towards ever larger trusts—groupings of firms in the same industry—since the early 70s. By 1981 about 50% of industrial output went through production associations (*Workers' Tribune*, Sept.–Oct. 1982, p. 15). In *Problems in Economics* in 1972, one economist claimed that "the producer dictates the price, especially in establishing one-time and temporary prices on newly developed types of products, and frequently uses the existing shortage for a given group or type of resources to bring pressure to bear on the customer" (cited in Nicolaus, 1975, pp. 128–9). Such industrial associations can "influence the entire price formation process" (Lieberman concludes that:

perhaps one of the most significant consequences of the economic reform is the growing influence of industrial enterprises on the superior agencies. The reform is destroying and will continue to destroy many established patterns, including the distrust shown by executive agencies for production organizers and economists at the enterprises. (*Workers' Tribune*, Sept.–Oct., 1982, p. 14)

When the state capitalists at the enterprise and association level run the state itself in conjunction with the more social state capitalists at the bank

and ministerial level, there can be little doubt as to the parochial nature of pricing.

A more serious problem for the analysis here than the problem of bureaucratic pricing is the apparent nonexistence of unemployment. *Beijing Review* issued articles equating job turnover with unemployment (No. 39, 9/27/74). However, job turnover can also be interpreted as voluntary choices by workers, and in any case, they end up in new jobs.

In its scholarly attempt at the subject, the Bolshevik League (BL) (recently splintered and perhaps defunct) finds the greatest amount of existing evidence of unemployment among youth, women and the minority nationalities. BL quotes Brezhnev at the 26th Congress: "In Central Asia and some parts of the Caucasus there is, on the contrary, a surplus of manpower, particularly in the countryside" (BL, 1983, 81). Other reports BL cites find unemployment as high as 25% in minority regions, 100,000 unemployed youth in the Russian republic, and an overall rate of unemployment higher than that found in Scandinavia (BL, 1983).

Still, Khrushchev and his followers attempted but failed in implementing some labor-saving programs. The Shchekino experiment was backed by the CPSU Central Committee, but only gained implementation in 1973 in 700 enterprises. Overall, the workers seem to be in a good political position in terms of having enough jobs.

What seems to be happening is that we have established the relevance of Marx's theory of capitalism for the USSR, but we do not get some important results. Competition and labor-saving measures do not result in massive unemployment and recession; although, no one could deny that there is often overproduction and shortages.

Potential answers are suggested by the framework here, but go beyond the scope of this paper. Up to this point, there has been no consideration of the international situation. At least one organization has written a book called *On the Roots of Revisionism*, which tries to root capitalist restoration in Stalin's line on the popular front and WWII. In the 1960s and 1970s, *Beijing Review* focussed on Soviet diplomatic and military aggression.

Economically, the Soviet bloc's COMECON organization is very important. Studies have been made of exploitation of the Eastern European bloc by the USSR (See Graziani in *Review of Radical Political Economics* special issue on the Soviet Union.). In 1982, trade amounted to 24% of Soviet national income (Lotta and Szymanski, 1983, p. 58). Thus foreign economic relations are an important piece omitted from this paper.

Such economic relations may explain the lack of a recession in the Soviet Union proper. As Szymanski points out, Germany and Switzerland have had long periods of no unemployment for their own nationals by exploiting the international reserve army—Turks and others.

The long-run view of the Soviet bloc may point to the CPSU's need to

buy off a section of the Soviet workers. Teckenberg refers to a dual labor market and a labor aristocracy to explain differences in job turnover by region, industry and size of the firm in the Soviet Union (Teckenberg, 1978, p. 201). This would be an additional reason for social consumption in the Soviet Union. The Soviets under Khrushchev embarked on economic competition with the Western world. Victory in that competition could come through better and more efficient exploitation procedures, which allow the increased social consumption of Soviet workers at the expense of workers in other countries.

When the entirety of the Soviet bloc is considered, it is clear that Soviet-dominated economies have had crises or occasional negative growth—Cuba, Poland, Czechoslovakia. The Soviets' more peripheral allies in Angola and the Ethiopia are in bad shape too.

In any case, growth in the USSR's Gross Social Product has decelerated. Also, "annual consumption increased by only 1.6% between 1976 and 1980 vs. 4.7% between 1966 and 1970" (Bettelheim, 1985, p. 53). It may be just a matter of time before business cycles with positive and negative growth phases start to appear. If so, the Soviets' years of growth since the state capitalist counterrevolution may not be any more unusual than some booms in industrializing capitalist countries.

The Soviet capitalist class is not the first to face constraints in the class struggle. American and British firms paid the price for long periods of labor quiescence. Strong unions can determine shop floor issues and get themselves loyalty-oriented welfare schemes from a capitalist class that is rolling for big stakes in a world war of competition. Not everything about the Soviet Union means misery for the workers because the capitalist class does not have infinite control over workers. However, even the victories of the Soviet working class must be put in international perspective. The Soviet welfare state is partly crumbs from the social-imperialist plate.

## V. CONCLUSION

Capitalism was all but in place during the NEP, when the Bolsheviks retained the "commanding heights" of the economy and the ruthless will to move forward into socialism. No matter what one's ideological view is of the collectivization procedure, collective agriculture is a goal of socialism. The collectives eliminated the need for millions of rural traders and a rich peasant class. Although Stalin fought one-sidedly against egalitarianism because he saw material incentives as the only way to motivate workers for an all-out industrialization drive, he abolished the NEP-era profit motive in industry and the rural free market. Until the end of his life, he retained a critical view of the Law of Value and distinguished between use-value and exchange-value.

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Capitalism was all but established when Khrushchev came to power. The party had taken on a white collar look in an atmosphere of strict hierarchy and one-man management. Piece-rate work and bonuses ruled the economy. Stalin's dictum had been that "cadres decide everything" thus dampening the role of the masses in building socialism.

If Lenin and Stalin were critical of their own economic contexts—Lenin's viewing the NEP as capitalism or at best state-capitalism and Stalin's seeing the Law of Value still unconquered—Khrushchev dropped the critical spirit of the founding Bolsheviks. He sanctioned the "lever" school of economics and attempted to adopt profit, interest and labor-saving reforms. Khrushchev's failure was not so great that the Liberman reforms could not be implemented shortly after Khrushchev's ouster.

The Kosygin/Liberman reforms snuffed out even the pretense of attempting to move to socialism where capitalist features of the economy had threatened to swamp the Russian Revolution ever since 1917. The reforms linked profits to bonuses of workers and managers, thus giving a carrot to the M-C-M' process. The imposition of interest rates on all capital and the extension of credit based on interest demanded a minimum level of profits for firms that were to continue to operate and expand. This was one stick in the M-C-M' process.

Another stick is reorganization by the ministries. It is a mistake to view centralization as inherently socialist. Rather concentration of firms and reorganization of management is another method for insuring that only those who play by the rules run the show. The production association and planning bureaucrats should not be mistaken for socialists trying to corral their bourgeois enemies at the enterprise level. Factory directors and upper party and government officials are both part of the state capitalist class.

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