

READINGS ON 'STATE CAPITALISM'

A DEBATE BETWEEN

ERNEST MANDEL

AND THE SWP (UK)

(with appendices added)

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READINGS ON "STATE CAPITALISM"

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1. The Social Character of the Soviet Economy

Ernest Mandel (Reprinted from *Marxist Economic Theory*, Merlin Press, 1968, pp560-565.)

On the basis of these facts it is possible to make an appreciation of the character of the Soviet economy and its laws of development. Contrary to what is alleged by a number of sociologists who try to make use of the Marxist method of analysis,† the Soviet economy does not display any of the *fundamental* aspects of capitalist economy. It is only forms and superficial phenomena that can lead the observer astray in seeking to define the social character of this economy.

It is true that rapid industrialisation takes the form of a "primitive accumulation" achieved by a forcible levy on consumption by the workers and peasants, just as capitalist primitive accumulation was based on an increase in the poverty of the people.* But, unless there is a large-scale contribution from outside, no accelerated accumulation can be carried out otherwise than by an increase in the social surplus product not consumed by the producers, whatever the form of society in which this happens. There is nothing specifically capitalist in that.

Capitalist accumulation is an accumulation of *capital*, that is, a capitalisation of surplus value with as its aim the production of more surplus value by this capital. Profit remains the purpose and driving force of capitalist production. Soviet accumulation is an accumulation of means of production as *use-values*. Profit is neither the purpose nor the chief driving force of production. It is merely an accessory instrument in the hands of the state in order to facilitate fulfilment of the plan and checking on how it is being carried out by each enterprise.

Because capitalist production is production for profit it is essentially production based on competition for conquest of markets. Even if concentration of capital has reached its highest point and the monopolies wield supreme power, competition continues in both old forms and new. It is this competition that determines the *anarchy* of capitalist production. Private decisions, taken independently of each other, decide the amount and rate of growth of production and accumulation. All "organisation" of capitalist economy is thereby doomed to remain fragmentary and insufficient.

Soviet planning, in contrast to this, is real planning, insofar as the totality of industrial means of production is in the hands of the state, which can thus centrally decide the level and rate of growth of production and accumulation. Elements of anarchy continue, it is true, within the framework of this planning, but their role is precisely comparable to that of the elements of "planning" in the capitalist economy: they modify but do not abolish the fundamental social characteristics of the economy.

Capitalist economy, subject to the tyranny of profit, develops in accordance with quite precise laws—tendency of the rate of profit to fall; flow of capital into sectors with rates of profit higher than average; concentration and centralisation of capital leading to the seeking of monopoly super-profit, etc.—from which result the particular features of its present-day phase. Soviet economy escapes completely from

† See Ygael Gluckstein [Tony Cliff], *The Nature of Stalinist Russia*; D. Dallin, *The Real Soviet Russia*; Amedeo Bordiga, *Dialogue with Stalin*, etc.

* In a speech to the Central Committee of the C.P.S.U., Stalin declared in 1928 that industrialisation would impose a heavy tribute on the peasantry. This speech was not published until 1949, in Volume XI of his *Works*. We deal with the theoretical problems raised by this historical fact, and the limited effectiveness of this technique of industrialisation in Chapter 16, section on "Sources of socialist accumulation" and "Maximum and optimum rates of accumulation".

these laws and particular features. Despite the immense territory open to it in Asia, beyond its frontiers, it "exports" thither very little "capital", though the "rate of profit" is certainly higher in those countries, owing to the lower "organic composition of capital"—and the lower cost of labour (countries like China, North Korea, Outer Mongolia, North Vietnam, etc.). Despite the huge accumulation of "capital" in heavy industry, investments continue to go primarily into this sector, instead of spilling over more and more into the marginal sectors, as happens in capitalist economy in its declining phase. Artificial limitation of production, agricultural Malthusianism, suppression of technical inventions, not to mention periodical crises of "over-production", partial stoppage of production, or even destruction of part of production—all these phenomena which are characteristic of capitalist economy as a whole, including the economies of capitalist countries less developed industrially than the U.S.S.R. (Japan, Italy, Argentina, Brazil, etc.) are not to be found in Soviet economy, and this has been so since 1927, that is, for a third of a century.

World capitalist economy forms a whole. Even countries which are most autarkic in policy—Japan on the eve of the Second World War, Nazi Germany, Italy in the period of the League of Nations "sanctions", etc.—are unable to exempt themselves from the general conjuncture of the world capitalist market. The outbreak of the crisis of 1929, and then that of 1938, left a deep mark on the economies of all the capitalist countries, not excluding the "autarkic" ones.

The Soviet economy, however, while retaining definite links with world capitalist economy, is exempt from the fluctuations in the conjuncture of world economy. Indeed, periods of most remarkable advance by Soviet economy have coincided with periods of crisis, depression or stagnation in world capitalist economy.

This being so, it is talking at cross purposes to declare that the capitalist nature of Soviet economy is shown by its competition with the other great powers (U.S.A., Germany, Japan, etc.), "competition" which primarily takes a military form. It is clear that any non-capitalist economy established nowadays over a large part of the globe would find itself in latent hostility with the surrounding capitalist world. Geographical, military, economic and commercial necessities follow automatically from such a situation. But this is not capitalist competition, which is competition for markets and profit; rather is it a "competition" which results precisely from the different social characters of the U.S.S.R. and the capitalist world, which confront each other.

Similarly, it is erroneous to regard the Soviet economy merely as the "culmination" of developmental tendencies which can be seen in present-day capitalist economy: tendencies towards total monopolisation of industry; abolition of "classical" private property; merging of the economy with the state, growing "state interference" in the economy, and so on. Actually, Soviet economy is the *dialectical negation* of these tendencies.*

* Cf. Karl Marx speaks in Volume III of *Capital* about joint-stock companies which, in practice, involve the expropriation of small and medium capitalists, and adds: "However, this expropriation appears within the capitalist system in a contradictory form, as appropriation of social property by a few". And again: "The capitalist stock companies, as much as the co-operative factories, should be considered as transitional forms from the capitalist mode of production to the associated one, with the only distinction that the antagonism is resolved negatively in the one and positively in the other".

In present-day capitalist economy the "managed economy", the increasing fusion of state and economy, the occasional violation of sacrosanct private property, all exist for the benefit of monopoly capital, for the defence, protection and guaranteeing of its profits. The merging of the state with the economy is at bottom nothing but the total domination of the economy by the private monopolies, which make use of the state machine. In the U.S.S.R., however, the state management of the economy, the abolition of the right to private ownership of the means of production, the fusion of economy and state, have all taken place by way of the expropriation and destruction of the bourgeoisie as a class. Present-day capitalism is capitalism which has carried to the furthest limit its own developmental tendencies. Soviet society is the destruction, the negation, of the chief characteristics of capitalist society.

Structural revolutions are always the best indices of the social character of an economic system. The incorporation of the territory of one capitalist country into another capitalist country is not accompanied by any revolution in social structure: the German occupation of France and the occupation of Germany by the Americans, British and French showed this quite clearly.

In contrast, the German occupation of the Western provinces of the U.S.S.R., and later the incorporation of the so-called "people's democracies" into the zone of Soviet influence, involved qualitative structural changes. It is unnecessary to speak of the destruction of capitalism in Eastern Europe; the facts are known to all. Less known are the measures taken by the Nazi occupiers in the U.S.S.R. to reintroduce private ownership of the means of production. The aluminium works at Zaporozhje was seized by the Vereinigte Aluminiumwerke trust. Within the framework of the Berg und Hüttenwerke Ost G.m.b.H., financed by the three biggest German banks, the Flick Konzern took over, jointly with the Reichswerke Hermann Goering, the steel works of the Donets Basin, under the title of Dnjepr Stahl G.m.b.H. The Siegener Maschinenbau A.G. took over the Voroshilov works at Dniepropetrovsk, the Krupp trust grabbed two factories at Mariupol, two at Kramatorskaya and one at Dniepropetrovsk. It was accorded the right to manage these enterprises and draw profit from them, with complete ownership promised for after the end of the war.⁴⁶ In 1943 Krupp dismantled the entire electric steel works at Mariupol and transported it to Breslau. The I.G. Farben trust organised the Chemie Gesellschaft Ost G.m.b.H. and the Stickstoff Ost A.G. in Russia. In the daily newspaper *Frankfurter Zeitung* we find, within a space of three days in May 1943, reports of the establishment of seven large-scale German private undertakings in the occupied areas of Russia.⁴⁷

The theories according to which the Soviet economy represents an economy of a new type, neither capitalist nor socialist, a "managerial" society (Burnham), a bureaucratic society (L. Laurat), bureaucratic collectivism (Bruno Rizzi, Shachtman, etc.), or a society run by a "new class" (Milovan Djilas) cannot be accepted either. The supporters of these theories rightly deny that the Soviet mode of production is capitalist in character. But they do not grasp that what is non-socialist in the U.S.S.R.—extensive social inequality, bureaucratic privilege, lack of self-determination for the producers, etc.—represents a product of the country's capitalist past and capitalist environment.

They see these survivals as the rudiments of a future society. They are unable, however, to offer an exact characterisation of this society, to define a particular dynamic for it, beyond uttering platitudes or absurd allegations which are continually being contradicted by events.⁴⁸ They cannot say what mode of production qualitatively different from that of the U.S.S.R. would correspond to the era of transition from capitalism to socialism.

In reality, Soviet economy embodies contradictory features, which neither its apologists nor its vulgar critics have been able to bring together into a comprehensive conception.

The apologists point to the absence of private ownership of the means of production, the constant and rapid progress of the productive forces⁴⁹ and of the general level of technical skill and culture of the population; all this does indeed prove that the U.S.S.R. is not a

capitalist country. It remains nevertheless mistaken to draw the conclusion that the U.S.S.R. is already a socialist country, although classes (the working class and the peasantry) continue to exist, with interests which are antagonistic historically and sometimes even immediately, although social inequality has much increased, and although the level of development of the productive forces still remains below the level reached by the most advanced capitalist country.

The advocates of the "state capitalism" theory show correctly the bourgeois character of the phenomena of inequality, of the norms of payment for work that exist in the U.S.S.R. But they generalise falsely when they describe the Soviet mode of production as being likewise capitalist. The advocates of the theory of "bureaucratic collectivism" show clearly the non-capitalist nature of the Soviet mode of production. But they generalise falsely when they deny the basically bourgeois nature of the norms of distribution. In fact, Soviet economy is marked by the contradictory combination of a non-capitalist mode of production and a still basically bourgeois mode of distribution.⁵⁰ Such a contradictory combination points to an economic system which has already gone beyond capitalism but which has not yet reached socialism, a system which is passing through a period of transition between capitalism and socialism, during which, as Lenin already showed, the economy inevitably combines features of the past with features of the future.⁵¹

* The noisiest of these allegations was that put forward by Bruno Rizzi and taken up by James Burnham in *The Managerial Revolution: the Soviet-German alliance* was said to be a stable alliance between two social systems of the same kind. The Nazi attack on the U.S.S.R. and the extremely clear-cut and savage aspect of a struggle between two different social systems which was assumed by the war between the U.S.S.R. and Germany, showed the complete inanity of this theory.

† A conference of American scholars, interpreting very critically the Soviet statistical data, came to the conclusion that the rate of progress of industrial production in the U.S.S.R. has kept up since the first thrusts of rapid industrialisation, and considerably exceeds the rate of industrialisation of all the other countries, including the U.S.A. in the period after the Civil War.⁵²

** Cf. Engels in *Anti-Dühring*: "Each new mode of production or form of exchange is at first retarded not only by the old forms and the political associations which correspond to these, but also by the old mode of distribution; it can only secure the distribution which is essential to it in the course of a long struggle". Cf. also Marx, in *Critique of the Gotha Programme*: "What we have to deal with here is a communist society, not as it has developed on its own foundations, but, on the contrary, just as it emerges from capitalist society . . . Hence, equal right here is still in principle—bourgeois right . . ."

† Cf. Marx: "Within the co-operative society based on common ownership of the means of production, the producers do not exchange their products; just as little does the labour employed on the products appear here as the value of these products . . . since now, in contrast to capitalist society, individual labour no longer exists in an indirect fashion but directly as a component of the total labour."⁵³ And Engels: "The seizure of the means of production by society puts an end to commodity production . . . From the moment when society enters into possession of the means of production and uses them in direct association for production, the labour of each individual, however varied its specifically useful character may be, is immediately and directly social labour."⁵⁴

46. Stalin: 9th July, 1928, "Industrialisation and the Grain Problem", (*Works*, English edition, Vol. XI, p. 167).

47. Marx: *Das Kapital*, Vol. III, FLPH edition, pp. 430, 431.

48. *Nuremberg Trials*, Vol. VI, pp. 19, 699.

49. *Frankfurter Zeitung*, 8th and 11th May, 1943.

50. Bergson: *Soviet Economic Growth*, pp. 11, 46-48, 77.

51. Engels: *Anti-Dühring*, 1934 English edition, p. 167; Marx: *Critique of the Gotha Programme*, FLPH edition, pp. 20, 21.

52. A. Yugov: *Russia's Economic Front for War and Peace*, p. 261.

53. Marx: *Critique of the Gotha Programme*, FLPH edition, p. 20.

54. Engels: *Anti-Dühring*, 1934, English edition, pp. 311, 339.

2. Maginot Marxism: Mandel's Economics

Michael Kidron (Reprinted from *International Socialism*, April/May 1969, pp33-36.)

Mandel's *Economics*¹ is a Marxist failure. It is unsure of the central capitalist dynamic. It evades the essentials of the system as it operates today. It is more concerned with defending Marx's categories of analysis than with applying them. In consequence, it does little damage to the system intellectually or, by derivation, in practice.

1. The central dynamic

If capitalism is peculiar among class societies, it is not because a surplus product is systematically pumped from the mass of producers — this happens in any class society — nor because a small section of society, the ruling class — organizes that pumping and benefits from it — that too happens in any class society — but because there is no central, public arrangement to ensure that the process will go on in an orderly, continuous and predictable way. Key choices about the deployment of resources are left to individual capitals, big and small, public and private.

Within nation states the doctrine of *ultra vires* holds, permitting individual capitals to do anything not expressly forbidden by laws whose scope and content they themselves determine to a large extent. Beyond, in the world shared between national capitals or the states with which they are more or less identified, positive constraints scarcely exist. Not even the largest state is coextensive with the system, so there are no overriding institutions that can make binding decisions for it. Yet a sort of order emerges from the chaos.

That it does, so is because the behaviour of individual capitals is narrowly determined by the competition between them. Simply in order to exist over any length of time each capital must grow as fast as it possibly can, by reinvesting the major part of its share of surplus-value (accumulation) or by absorbing and taking over other, less successful capitals (concentration), or by doing both. If an individual capital did not grow, it would ultimately be unable to afford the rationalization and innovation with which to meet those that did, or unable to ride as successfully the sudden changes in market conditions which are part of the system. For an individual capital growth is the ultimate compulsion.

Growth does not come about automatically. Since capital is not a being but a systematic relationship between beings, somebody has to decide to make growth happen, to devote the freely-disposable resources as they become available to investment rather than consumption. That somebody, whether an individual or a group, must be able to measure its performance against very clear criteria. It must also be very strongly motivated to make the right decisions, for primordial Adam has still not been gorged, not even by affluent late capitalism.

The precise forms these criteria and incentives take are unimportant. Historically the former have been as different as the amount of money profits and the volume of gross physical output; and the latter as different as material privilege or superior status at one end of the spectrum, and material loss or physical

punishment at the other. What is important is that the criteria measure consistently the contribution of an individual, or group's, decisions to the growth of any single capital; and that the incentives elicit as consistently the decisions that promote such growth.

This distinction between the behaviour of capital and the social and psychological mechanisms which ensure that behaviour, between the rules and the players of the game as it were, is obscured. It is nonetheless real, and of prime importance analytically. For the behaviour of capital — its blind unconcerned compulsion to grow — derives directly from the central peculiarity of the system — its fragmentation into more or less autonomous competing units — while the mechanisms whereby the ruling class organizes itself to promote that behaviour do not. These are common to all class societies.

The distinction does not exist for Mandel. On one page he concedes 'the accumulation of capital' as 'the great driving force of capitalist society'². On 'another it is 'the capitalists' thirst for profit'³; and on yet another money is 'the initial and final form of capital, towards which the whole of economic activity is directed'⁴.

2. The essential model

The primacy of growth is essential to Marx's model of the system at work. Each capital is driven to jack up productivity by coupling its workers with more, and more costly, machinery, while simultaneously trying to hold down wages. As this rationalization spreads, labour power becomes a smaller component of total capital (the 'organic composition of capital' rises) and smaller even in absolute terms (the 'reserve army of labour' grows); the value added in production and surplus value become smaller in relation to total investment; and so the average rate of profit falls. Booms become progressively less profitable and shorter; slumps more lasting and severe. Stagnation threatens and the system becomes increasingly restrictive.

The model is a closed system, in which all output flows back as inputs in the form of investment goods or of wage goods. There are no leaks.

Yet in principle a leak could insulate the compulsion to grow from its most important consequences. If 'labour-intensive' goods were systematically drawn off, the overall organic composition of capital would rise faster than in a closed system. However, if 'capital-intensive' goods were drawn off, the rise would be slower and — depending on the volume and composition of the leak — could even stop or be reversed. In such a case there would be no decline in the average rate of profit, no reason to expect increasingly severe slumps, and so on.

Capitalism has never formed a closed system in practice. Wars and slumps have destroyed immense quantities of output. Capital exports have diverted and frozen other quantities for long stretches of time.

A lot has, since World War II, filtered out in the production of arms. Each of these leaks has acted to slow the rise in the overall organic composition and the fall in the rate of profit. But since their size and composition have been spontaneously arrived at and not tailored to attaining these results their impact at any given time has been unpredictable except in broadest outline.

3. The historical perspective

Arms production has clearly provided the largest and most effective normal drain since the second world war. Being a 'capital-intensive' drain it will have had a restraining effect on the tendency of the organic composition to rise. Without separating out the organic composition of the arms-producing industries and firms from that of the non-arms-producing ones and then carrying the exercise through all the backward linkages to their suppliers, their suppliers' suppliers and so on — an exercise which has yet to be undertaken — there is no way of measuring the effect directly, but it must have been considerable. For the expected immediate-consequence of a rising organic composition, namely a fall in the average rate of profit, has not occurred. If United States figures are any guide, the rate of profit has kept more or less level for the entire post-war period, as the accompanying table shows.

US: Corporate Profits Before Tax and Net Working Capital, 1948-1967
\$ billion

Year	Pre-tax profits	Net working capital	Profit rate
1948	32.7	68.6	47.7
1949	26.2	72.4	36.2
1950	40.0	81.6	49.0
1951	41.2	86.5	47.6
1952	35.9	90.1	39.8
1953	37.0	91.8	40.3
1954	33.2	95.0	34.9
1955	44.9	102.9	43.6
1956	44.7	107.4	41.6
1957	43.2	111.6	38.7
1958	37.4	118.7	31.5
1959	47.7	124.2	38.4
1960	44.3	128.6	34.4
1961	50.3	148.8	33.8
1962	55.4	155.6	35.6
1963	59.4	163.5	36.3
1964	66.8	170.0	39.3
1965	77.8	180.1	43.2
1966	85.6	189.4	45.2
1967	81.6	200.1	40.8

From Federal Reserve Bulletin, relevant years.

There having been no long-term slide in profit rates, there has also not been a series of ever-deepening slumps or signs of growing restrictiveness. In fact output has seldom fallen from one year to the next since the war and then never by more than 2 per cent, and the tendency throughout the system has been generally away from inconvertibility, tariff barriers, resale price maintenance and so on. Nor has there been a steady increase in unemployment. Despite the evidence that has accumulated this last year or so of growing instability, the system has been kept open.

Mandel will have none of this. He does not so much as hint at the stringency of Marx's assumptions or at the extreme abstraction and simplicity of Capital's theoretical construct. Marx said, therefore it must be. Models turn into the real thing; and the real thing becomes as simple as the model.

We are told, quite rightly, that 'increasing organic composition of capital... is the basic tendency of the capitalist mode of production'. But then tendency is assumed to be fact and the next tendency in Marx's logical sequence — that of the average rate of profit to fall — is quickly tagged on as fact too: one table shows it to have dropped by two-fifths between 1889 and 1919⁶; another that net accumulation of capital fell catastrophically between the 1860s and the 1930s⁷; and two others that, depreciation has claimed more and more of gross output between the 1880s and the 1920s and between the 1880s and the 1940s (to 1948).⁸ Since nothing beyond the forties could sustain Mandel's thesis, the facts are suspended then.

On to 'the inevitable slump'. Since the key fact here — the mildness of post-war recessions — is too public and obtrusive to be suppressed, it is conceded and even explained⁹. But, incredibly it is not allowed to affect the larger analysis: the elusive inevitability is still announced at regular intervals¹⁰; slumps still punctuate a trend towards stagnation¹¹. The uncomfortable fact is, attached, not incorporated.

The same is true of the drive to restrictiveness, immobility and decay. One by one they come: the 'absence of fresh fields for investment'¹² (as if interest rates were not constantly pressing upwards to attract scarce money capital, or were not now at a historically high level); the decline in trade relative to production¹³ (as if trade in manufactures has not gone up at twice the rate of output since 1948)¹⁴; the growth in the rentier class¹⁵ (as if it has not been nearly euthanased since World War II by the combination of high profit retentions and high personal taxation); the march of cartellization in Britain¹⁶ (as if competition for and from world markets were not increasing, or Resale Price Maintenance were still with us). There is even the quaint assertion, based on a crude misunderstanding of what insurance is about, that 'the chief preoccupation (of the capitalist regime) has become security, that is, conservation, and is no longer expansion'¹⁷.

But since this sort of statement and others about 'monopoly capitalism' limiting and fettering 'the development of the productive forces' look harmless even to Mandel, we are given a sop: it 'does not mean that world production, or even that of the leading countries, sinks into stagnation; but it falls even further short of the possibilities offered by modern techniques'¹⁸.

But once again, the admission is not allowed to affect the argument. The magpie goes gathering on, and we are left wondering what to make of non-stagnating stagnation, slumpless slumps and similar Mandelania.

4. State Capitalism

Nothing in Stalinist (including post-Stalin) Russia defies analysis in terms of Marx's model. The process of pumping our surpluses from the mass of producers is as vulnerable in Russia to wild and random encroachments from other capitals as it is anywhere else. The people, that organize and benefit from it, are under as oppressive a compulsion to fast economic growth as is any similarly placed class elsewhere. They need to be as clearly motivated to ensure growth as their counterparts abroad; and if their criterion of success has been the volume of gross physical output rather than money profits, the distinction is one of detail not essence — output has served the bureaucracy perfectly well as a success indicator, at least until very recently.

Some of these signals do get through. Mandel does concede that the deployment of resources in Russia is determined by its competitive relations with the outside world. As he puts it:

International competition with capitalist economy also necessitated an increased shift of emphasis to the quality

of products, the productivity of labour and the rationalization of investment, the volume of which moreover necessitated the maintenance of a high rate of growth even on the purely quantitative plane.¹⁹

He even recognizes that with an 'excessive rate of accumulation' 'the bureaucracy becomes the regulator and chief (sic) director of accumulation'²⁰, that the 'central political, economic and military administration' has exclusive 'controlling power over the social surplus product'²¹, and that the 'Soviet leaders' 'deliberately chose to base themselves on the interests of privileged minorities rather than those of the mass of the workers, in order to give the necessary impetus to industrialization'.²²

Typically, none of this means anything in terms of the analysis as a whole. Within fourteen pages of reading that 'international competition' determines the 'emphasis . . . on quality . . . productivity . . . rationalization . . . high rate of growth', determines in other words the content of the Plans, we are told that on the contrary, 'Soviet planning . . . is real planning, insofar as the totality of industrial means of production is in the hands of the state, which can thus centrally decide the level and rate of growth of production and accumulation'.²³ In even less space we make the transition from a bureaucracy organized as 'regulator and . . . director of accumulation', which is nothing if not a productive role, to a bureaucracy whose key characteristic is 'bourgeois norms of distribution'.

Part of this sloppiness derives from Mandel's original confusion about capitalism. Part from his determination to cast Russia as a 'transitional' society, neither capitalist nor yet socialist, a 'contradictory combination of a non-capitalist mode of production and a still basically bourgeois mode of distribution'.²⁴

Russia is not capitalist, he writes, because the bureaucrat is not 'subject to the tyranny of profit's,²⁵ (true, the tyranny is of plan fulfilment); because there is no tendency for the rate of profit to fall (untrue, the tendency is there but checked as in the West); because there is no internal competition nor unimpeded operation of the law of value (true, nor is there - by definition - within any single capital); no flow of capital from low-productivity to high-productivity sectors (untrue, how else do the planners ensure growth); little exporting of capital to backward countries (true, but there is little of that from the West too); no overproduction (untrue, Mandel himself draws attention to the billions of rubles of unsold retail stocks of unwanted, socially unnecessary consumer goods²⁶); no bourgeoisie (true, but a bureaucracy with 'remember - controlling power over the social surplus product'); no free contractual relations between enterprises ('controlling power over the social surplus product'); no free contractual relations between enterprises (less true as economic reform embraces a growing part of industry); no crisis (true, but not highly significant given the situation in the West). And so on.

But Russia is not socialist either: there is 'extensive social-inequality, bureaucratic privilege, lack of self-determination for the producers, etc.'²⁷ For, you see, 'the Bolshevik Party did not understand in good time the seriousness of this problem (of bureaucratic management), despite the many warnings sounded by Lenin and by the Left Opposition'.²⁸

So Russia is transitional. But what is a transitional society in Mandel's context other than a verbal convenience? Is such a form possible between capitalism and socialism? True, there have been transitional societies in the past. For centuries after the Renaissance individual capitals were growing within feudal society, gathering economic power, weakening the host, becoming more able and willing to seize political power. They

could do so because the dynamic of capitalism - accumulation - does not and never did require centralized control over the whole of society in order to function. It is a dynamic that operates within autonomous units, small or large, and for that reason it could coexist with the localism, the traditionalism and subsistence-orientation of feudalism.

But socialism is a total system. It cannot grow piecemeal within the interstices of a capitalist society. How does workers' control of production coexist with control by a ruling class when the means of production in dispute are one and the same? How does self-determination and consumer sovereignty ('production for use') coexist with the external compulsion and blind accumulation that results from capitalist dispersal? There may be room for transitional forms in distribution, but at the level of production and control over production the only possible transition is a sudden, revolutionary one.

5. The politics of confusion

It is useless to look for independent or critical thinking in Mandel. Nowhere in the two volumes is there a sense of fresh exploration or the feel that capitalism is posing old problems in new ways, and that the explanations need to be worked afresh out of the loose body of analysis written in the Marxist tradition. On the contrary, doctrine is first, its use secondary: 'we seek to show', he announces in his Introduction, 'that it is possible, on the basis of the scientific data of contemporary science, to reconstitute the whole economic system of Karl Marx'²⁹. And in his final chapter we find him still waving the truncheons of uncritical orthodoxy: 'Marxism rejects . . . it readily admits . . . Marxism explains'.³⁰

Here at least Mandel is consistent. In the defense of orthodoxy the medium becomes the message. Since facts are to be paraded as so many defense witnesses rather than used to explain what is actually happening, only the most docile, old and used ones are selected. Since precision might entail a critical inspection of the doctrine, it is drowned in irrelevant detail. And since there are other Marxists who do better as critics of the system, because they think rather than intone, they are swept under the text into a footnote and their ideas passed over.³¹

Vagueness and sloppiness swamp everything: parallel to that bureaucracy which is only the chief (sic) director of accumulation' there is a working class whose 'conquest of power' and whose 'socialization of the major means of production and exchange . . . fail of their purpose to some extent (sic) if they are not accompanied by radical changes in the atmosphere (sic) in the enterprise'.³² Crude philosophical idealism suffuses every thought, whether it is about the individual unconscious still harbouring 'echoes from the primitive communist past' of 7,000 years ago, or about the amazing triumph of disembodied Marxist theory 'capable of inspiring, and not unsuccessfully, the economic policy of states both large and small'.³³

Behind it all lies a confusion between social power and its packaging, between control and its forms. It is a congenial confusion for Mandel because it allows him to practise his unique fugitive accent - the easy shift from urban workers, to 'third world' peasants, to students as the revolutionary focus; the rapid transitions from reforms to 'structural reforms' to direct action as the current tactic; the indiscriminate loving-up to the only fixtures in his political world - the dissident and not so dissident bureaucracies of both Social-Democracy and Stalinism.

In the realm of theory it places him plumb in the centre of 'the school of "vulgar" economics - a school characterized by the abandonment of all attempts to systematize and synthesize'.³⁴

1. Ernest Mandel, *Marxist Economic Theory*, translated from the French by Brian Pearce, London: Merlin Press, 1968, two volumes 4 pns.
2. *ibid*, p 706 (emphasis in the original).
3. 'the totality of production... is urged onward only by the capitalists' thirst for profit. The private form of appropriation makes profit the only aim and driving force of production' (p 171); 'Profit remains the purpose and driving force of capitalist production' (p 561); and so on.
4. *ibid*, pp 568-9
5. *ibid*, p 166
6. *ibid*,
7. *ibid*,
8. *ibid*, p 167
9. *ibid*, pp 529-34
10. See pages 168, 171, 346, 437, 529 for a fair sample.
11. *ibid*, p 531
12. *ibid*, pp 511, 520-1
13. *ibid*, pp 488, 489
14. Alfred Maizels, *Industrial Growth and World Trade*, Cambridge University Press, 1963, p 80
15. Mandel, *op cit*, pp 436-7
16. *ibid*, p 492
17. *ibid*, p 516
18. *ibid*, pp 437, 437n
19. *ibid*, p 575
20. *ibid*, p 584
21. *ibid*, p 631
22. *ibid*, p 592
23. *ibid*, p 561
24. *ibid*, p 565
25. *ibid*, p 561
26. *ibid*, pp 571-2
27. *ibid*, p 564
28. *ibid*, pp 572-3
29. *ibid*, p 17
30. *ibid*, p 726
31. Three out of a 'number of sociologists (sic!) who try to make use of the Marxist method of analysis' are mentioned by name in a footnote to 'The Social Character of the Soviet Economy', a key section (p 560). The one whose ideas on the subject are most developed and who has succeeded in implanting them in an active, revolutionary organisation - Tony Cliff - is not mentioned in the extensive Bibliography nor referred to in the Index. The one whose ideas are of an earlier vintage and less commanding, but who can still claim something of an organised following in Italy - Amedeo Bordiga - makes the Index but not the Bibliography. And the third - D. Dallin - with few, and reactionary, ideas and no following - makes both.
32. *ibid*, p 643
33. *ibid*, p 13
34. *ibid*, p 707

3. The Inconsistencies of State Capitalism Ernest Mandel

(Reprinted from *The Inconsistencies of State Capitalism*, IMG Publications, 1969.)

Michael Kidron's "Maginot Marxism"¹ cannot be considered a serious criticism of "Marxist Economic Theory". It takes up only three chapters out of eighteen and even these in an unsystematic and haphazard manner. It does not try to understand, let alone refute, the internal logic of the book, or any of the contributions it makes to the development of marxist theory. Nevertheless it denies that any such contributions are contained in the book at all. But if it does not represent a serious critique of contemporary marxist economic theory, it strikingly reveals most of the contradictions into which adherents of the theory of "state capitalism" enmesh themselves, when they have to tackle problems of economic analysis on a larger historic scale. A discussion of Kidron's article is therefore useful, less as an "anticritique" than as a starting platform for a critique of the "state capitalist" theory.

"The Central Capitalist Dynamic"

Kidron starts out with an amazing accusation: *Marxist Economic Theory* is "unsure of the central capitalist dynamic". This would be indeed an unforgivable sin for a marxist, because "the central capitalist dynamic" is precisely what marxist economic theory is about.

So in order to teach us a lesson, Kidron starts explaining what this "central capitalist dynamic" is in his opinion. First he says that what is peculiar to capitalism, among class societies, is the fact that "there is no central, public arrangement to ensure that the process (of pumping a surplus product systematically from the mass of producers) will go on in an orderly, continuous and predictable way. Key choices about the deployment of resources are left to individual capitals, big and small, public and private". Then he continues to say that under capitalism "growth is the ultimate compulsion," "the primacy of growth is essential to Marx's model of the system at work".

Unfortunately for Kidron, both "definitions" of the "central capitalist dynamic" get him immediately into trouble if considered in the light of economic history. In most class societies, there is no "central public arrangement" to ensure that the process of accumulation goes on "in an orderly, continuous and predictable way". On each medieval *demesne*, it is true, a serf was forced to deliver say half of his output to the noble lord. But what was sowed and reaped on each *demesne*, what (if any) surplus was left over after the lord's consumption needs were covered, how much local, regional, national or international trade was made possible as a result of this surplus, how much (if any) development of productive technique took place, was not only not "ensured" in an "orderly, continuous and predictable way" but was even much more disorderly, discontinuous and unpredictable than under capitalism. To think that Alexander the Great (slave society), the Emperor of China (Asian mode of production) or Charlemagne (feudalism) were in possession of some mysterious "central, public arrangement" to ensure that the process of surplus product extraction went on in an "orderly, continuous and predictable way" in the societies they dominated, is a complete misreading of history. In fact, under precapitalist class society, interruptions in this process were much more numerous and much more disastrous for all involved than under capitalism (one has to think only of the regular recurrence of famines).

With his second definition, Kidron has no more luck than with his first one. The "primacy of growth" is not only true for capitalism; it is true for several other historic formations. The transition from dry to large scale irrigated agriculture, sometime between the 35th and the 30th century B.C., triggered off a tremendous process of growth which led us in the course of no more than 400 years from small isolated villages to large cities, extended international trade and the building of empires. The victory of the socialist world revolution tomorrow will also trigger off tremendous economic growth (and, perish the thought, even large-scale "accumulation"), unless of course we conceive of a world socialism with two-thirds of mankind condemned to the miserable standard of living they are "enjoying" to-day.

So the very charge raised by Kidron against us boomerangs against him with a loud bang, right at the outset of his article. It is Kidron who quite plainly shows himself unable to define the specific characteristic of the capitalist mode of production. It is Kidron who is unable to define any "central dynamic" of capitalism which sets it apart from all other social formations in the history of mankind. And this is all the more amazing, because "Capital," and all Marx's economic writings, are built upon precisely that *differentia specifica* which, in all modesty, we claim to have fully understood and made the cornerstone of *Marxist Economic Theory* as well.

It is sufficient to open "Capital" and to read chapter 1 of the first vol. to understand what constitutes this "central dynamic" of the capitalist mode of production. Capitalism is the only form of class society in which *commodity production becomes generalized*, in which all elements of production (land, labour power, labour instruments, etc.) become commodities². Generalization of commodity production creates a constantly growing but also constantly uncertain and changing anonymous market, and this implies in turn universal competition. It is this universal competition between separate capitals (owned by separate capitalists) which is the main driving force for the accumulation of capital, the only means to systematically reduce production costs, because any individual capitalist who stays behind in this race will be pushed out of the market through being forced to sell at a loss (or at too small a profit). Capitalism is therefore a mode of production in which the generalization of commodity production unleashes a historic process of accumulation of capital, which is in turn a constant (be it discontinuous) growth of *commodity production*, of production of *exchange values* and reinvestment of surplus-value.

Starting from this definition we can easily distinguish capitalism from previous class societies "with no central arrangement to ensure that the process will go in an orderly, continuous and predictable way," as well as from other societies where there is a "primacy of growth". Capitalism is the only society in which economic growth takes the form of a general growth of commodity production, whereas economic growth in the period in which irrigation agriculture became generalized, was essentially growth in the output of use-values (as it will be under socialism). Disorders, discontinuity in accumulation, and unpredictable developments in pre-capitalist class societies arose essentially from sudden decline in production, i.e. *underproduction of use-values* (famine, epidemics, population decline, decreasing fertility of the soil, wars, etc.); whereas disorders, discontinuity in accumulation and unpredictable developments under capitalism arise from *overproduction of exchange-values*, i.e. from the contradictions of commodity production (which most of the time are caused not by a decline but by an increase in the production of use-values).

Competition, economic compulsion and "psychological mechanisms"

It is true that Kidron uses, in passing, the concept of "competition" which would normally imply the notion of commodity production. He writes: "The behaviour of individual capitals is narrowly determined by the competition between them . . . If an individual capital did not grow, it would ultimately be unable to afford the rationalization and innovation with which to meet those that did, or unable to ride as successfully the sudden changes in market conditions which are part of the system. For an individual capital growth is the ultimate compulsion" (p. 33). We fully agree with this description. But a moment's thought will show that this is true only if one assumes a generalization of commodity production and competition between individual owners and sellers of commodities³.

"Competition" between different feudal landowners for the occupation of "land without a master" or the submission of free peasants; "competition" between Rome and Carthage; "competition" even between merchant cities (e.g. between Venice and Byzantium, or between the Dutch and the Hansa towns) *does not* lead to the results which Kidron just described. Under such conditions, the failure to "accumulate capital" does not make a feudal *demesne* "unable to ride as successfully the sudden changes in market conditions which are part of the system", precisely because sudden changes in market conditions are *not* "part of the system", as long as the means of production have not become commodities and are not submitted therefore to constant and unpredictable technological changes. Lack of growth of merchant capital is no barrier to success, when supply as well as demand are more or less narrowly limited, as a result of limited markets, traditional techniques, and relatively stagnant output. Under such conditions, "competition" does not lead to *productive* reinvestment of capital, and especially not to its reinvestment in industry. Accumulation of capital takes the form of hoarding, of usury capital, of buying up of land.

So the *rationale* of capitalism can be understood only under conditions of *constantly expanding commodity production*, of a constantly expanding and insecure market, and of firms, or producing units, facing that anonymous market independently from each other and competing for larger and more profitable shares of the market. If one abandons that specific form of competition—*capitalist competition*, that is—then any rational explanation of the drive to accumulate becomes impossible, and we are left with mystifying tautological formulas like "capital must accumulate because it is its function to accumulate", or "the bureaucracy is the personification of capital in its purest form". But if we assume generalized and constantly expanding commodity production, we assume also the absolute need to realize the exchange-values of these commodities, in order to accumulate capital. It is the specific nature of commodity production that a ship full of shoes cannot be transformed into additional machinery, additional quantities of leather, and wages for additional manpower, if it is not sold, i.e., transformed into money. Innumerable capitalists have suffered a fate worse than death because they happened to forget that simple little rule which Kidron, curiously enough, seems to consider a special idiosyncrasy of Mandel's. Because capital is tied to commodity production, and

to commodity production only, because no capitalist production is possible on the basis of producing use-values. Money is indeed the initial and final form of capital, towards which the whole of economic activity is directed. And for that same reason, capital accumulation, the final money form of capital, and the capitalists' thirst for profit, far from being distinctive from each other—the one "behaviour of capital", and the other "social and psychological mechanisms which ensure that behaviour"—are just different synonymous expressions of the same basic *economic compulsion*, determined by the structure of capitalist society.

There cannot be the slightest doubt that Marx understood the working of capital exactly in this way, and in this way only⁴. For Marx, "capital" could only exist in the form of different capitals; otherwise, there was no more compulsion to accumulate. Consequently, capital could only exist in the form of "different capitalists", i.e., a social class constituted so that each part of it was, by compelling economic interest, tied to the survival of "its" own unit of production or circulation. Consequently, the "thirst for profit" of each part of that class, and the "drive to capital accumulation", are identical, the second one being only realizable through the first (the attempt at profit maximisation of each unit or firm).

For Marx capital implies commodity production, i.e., the need to sell commodities before one can reconstitute and expand capital. "Returning to the money form of capital", "thirst of profit" (i.e., drive to profit maximisation) and compulsion to accumulate capital are therefore exactly identical expressions, which uncover the basic tissue of capitalist society and capitalist mode of production: a dialectical unity between a class structure (*based upon the interests of the ruling class*), a specific mode of production (*generalized commodity production, which, be it repeated again, implies that labour power has become a commodity, which implies therefore the existence of a proletarian class, forced to sell its labour power*), and a specific set of laws of motion resulting from them (*capital accumulation and its contradictions, among them, of course, the class struggle*).

Kidron's attempt to unravel this tissue is based on semantic misunderstandings, which ultimately reflect lack of clarity of what capitalism really means. To say that the capitalists' "thirst for profit" (or the firm's tendency to profit maximisation) is a "social and psychological mechanism" through which the behaviour of a mythical abstraction called "capital", divorced from social classes, is assured, and that these "mechanisms" are common to all class societies, is committing a gross confusion between *individual psychological motivations*—on which much discussion is possible—and *economic compulsions*, to which social classes are ruthlessly submitted in a given social framework (under the impact of a given mode of production). The capitalists' "thirst for profit" is not a matter of individual psychological motivation at all; it is an economic compulsion, as Kidron should infer from his own description of capitalist competition. And it is just not true that this "thirst for profit" is "common to all class societies". On the contrary, all class societies in which the social surplus product took essentially the form of use-values produced ruling classes which had no "thirst for profit" whatsoever, but only "thirst" for luxury consumption, and which went so far as to systematically destroy the very sources of "profit" (i.e. of *capital accumulation*) in their thirst for consumption.

According to Kidron, Mandel confuses "social control" and its "form". This argument is especially unfortunate, because Marx himself made explicitly the point that it is precisely the specific *form* of the social surplus product which implies the dynamic of the system⁶. Kidron seems to be under the impression that if precapitalist class societies did not know the kind of growth which capitalism witnesses, it was because the ruling classes had "everything under control". We were then presumably living under "economic law and order". The truth is of course quite different. Precapitalist ruling classes had no economic compulsion to capital accumulation because the form of the social surplus product was essentially that of use-values, and unlimited accumulation of use-values is economically irrational and meaningless: the limit to economic growth was more or less given by the limit of luxury consumption of the ruling class and its retainers (including of course conspicuous consumption, *vide*: the pyramids).

Acceleration of economic growth could start on a tremendous scale only when the social surplus product took the *form* of money, which could be used not only to acquire consumer goods, but also to buy land, means of production and labour power, and when the generalization of commodity production, the creation of an expanding market, and the appearance on this market of independent producers and sellers of commodities, made it not only profitable but indispensable to reinvest money in expanding production. It is this *economic compulsion for a social class to productive accumulation of the social surplus product*—which was only possible because this surplus product had taken the form of money, had become surplus value—which created capitalism. And for marxists, the tremendous revolutions involved in these transformations are inconceivable without a social class whose interests must be served—and indeed were served—through them; because for marxists, unlike for vulgar "economic determinists", no economic transformations are possible without social forces imposing them, and no social forces impose such transformations if these are against their basic economic interests.

That's what Marx taught about capital, capitalism, the capitalist class (and incidentally, more generally about historical materialism. That's what we tried to illustrate, with new empirical data, and at least in the historical parts of *Marxist Economic Theory*, in a more extended way than Marx had found time to do. We don't say of course: this is true, because Marx said so. We only say: Marx truly said this. Kidron can either claim to approve Marx's analysis of capital—and then he has to withdraw his clumsy criticism of our dealing with the "central dynamic" of the system. Or he has the perfect right to challenge Marx—but then he must come up with an analysis which covers the whole history of capital, from its inception till to-day, and which distinguishes this system from

all other modes of production, either previous or ulterior, and that he hasn't done so far. Perhaps he is, after all, afraid that he will look a bit silly pretending to know better than Marx what is the real essence of "Capital" . . .

The Laws of Motion of Capitalism and the "Pure Model"

This is all the more important as Marx himself has clearly defined what method he used in his analysis of capitalism. In his preface to the second edition of "Capital", he quotes approvingly an article in a Russian magazine which states that the scientific value of his analysis lies "in the unveiling of the particular laws which regulate the origins, existence, development and death of a given social organism, and its replacement by another and higher one". Marx adds to this quotation that the author of that magazine article has most correctly ("treffend") defined his method, which is the dialectical one.

This means that no understanding of capitalism is possible without the understanding of general laws of motion which explain both its origins, its development through its successive stages, and its final and inevitable decline and fall. To say, as all "fashionable" professors of economics do to-day, that Marx discovered laws of motion which were correct "only for 19th century capitalism", but that they don't apply any more to-day, means to say that Marx was completely wrong. His ambition was not at all to analyse and given limited period of the history of capital; his ambition was to explain its whole history, from its beginning to its death.

Kidron, under the obvious influence of "fashionable" (i.e. bourgeois) economics, moves around this hot stew, quite unsure of himself, and does not dare either to eat or to refuse it. The "solution" with which he comes up is that in Marx's "pure" system, the laws of motion apply, but that real life is quite different from this "pure" system, and in real life Marx's laws of motion do not apply "completely" (or even not at all, which is at least implied in some of Kidron's remarkable statements about contemporary capitalism).

Let us first state that Kidron's way of summarizing the laws of motion of capitalism contains several "classical" oversimplifications, fashionable in academic circles and in the Kautsky-school of vulgarized marxism; this is no accident, as we shall presently note. Kidron will have a hard time finding any evidence in Marx's "Capital" that there is a tendency for labour power to decline in absolute terms under capitalism; that "booms become progressively less profitable and shorter; slumps more lasting and severe".⁷ But be this as it may, let us now follow Kidron's argumentation of how the absence of a "closed system" of capital upsets the workings of the laws of motion of capitalism discovered by Marx:—

"The model is a closed system, in which all output flows back as inputs in the form of investment goods or of wage goods. There are no leaks.

"Yet in principle a leak could insulate the compulsion to grow from its most important consequences . . . If 'capital-intensive' goods were drawn off, the rise would be slower and—depending on the volume and composition of the leak—could even stop or be reversed. In such a case there would be no decline in the average rate of profit, no reason to expect increasingly severe slumps, and so on.

"Capitalism has never formed a closed system in practice. Wars and slumps have destroyed immense quantities of output. Capital exports have diverted and frozen other quantities for long stretches of time.

"A lot, since World War II, filtered out in the production of arms. Each of these leaks has acted to slow the rise in the overall organic composition and the fall in the rate of profit." (p.33).

A truly remarkable constant confusion between use-values and exchange-values, between physical goods produced (or destroyed) and their counterpart in form of value of commodities, appears throughout these lines. It is worthy of inclusion in a textbook simply to show what misunderstanding a lack of clarity on the dual nature of the commodity necessarily leads to.

What seems to lie at the basis of this whole conception is some vulgar theory of over-production, according to which it is a glut of physical goods which is at the basis of all capitalism's evil. Slumps result from too many consumer goods; increased organic composition of capital and declining rate of profit result from too many investment goods (too many machines). When there are "leaks", and other goods are produced instead of these, or, even better, when these goods are destroyed, then there is rejoicing in the sky of Capital, and laws of motion are magically put out of action.

Kidron forgets that what capitalism is about is the accumulation of capital (i.e., stored *value*) and not the disposal of the use-values of commodities. A certain proportion of these must, of course, fill physical needs and give production its needed physical material. But these physical conditions of reproduction are only material *preconditions* for the successful realization of capital accumulation. They don't guarantee in themselves either the realization of that process, nor its realization under conditions where the laws of motion of the system apply, apply only partially or, presumably for Kidron, don't apply at all. These conditions depend exclusively on the composition, exchange, valorization and reproduction of *capital as value*.

The example of slumps clarifies this easily. A slump is not primarily a destruction of "immense quantities of output" (of physical goods). Sometimes, this destruction does not happen at all; and even when it does happen, it is only a secondary side-effect of what is the real meaning of slumps (and, incidentally, also their objective *function* in the dynamics of capitalism): the *destruction of capital as value*, through massive depreciation of stocks of goods, or fixed capital (parts of which even lose all their value: machines are turned into scrap iron, etc.) and of 'fictitious capital'. Whether this essential process is accompanied by physical destruction of goods is immaterial.

Because slumps are destroyers of capital and not of "output", they tend to lower the organic composition of capital⁸, and allow a rise in the rate of profit which sets off a new cycle of increased capital investment, boom, rising organic composition of capital, decline in the rate of profit, which eventually leads to a new decline in production, etc. There is therefore no need at all to discover any "leak" in the "closed system" to "explain" why slumps temporarily reverse the trend towards increased organic composition of capital and declining rate of profit. On the contrary, this "safety-valve" is built-in in the "closed system", as Marx himself clearly stated and as we explicitly repeated in *Marxist Economic Theory*⁹.

The same thing is true for capital exports. This process can only be constructed as a "leak" from the "closed system", if this "closed system" is viewed as being established in a single country, surrounded by a world outside of the realm of capitalism—a construction which is completely alien to Marx's "model". Once the "closed system" of capital is viewed as an international system (the capitalist world market), then capital exports are neither a "diversion" nor a "freezing" of output (?) for "long stretches of time", but simply the manifestation of the *basic* law of motion of capitalism, the tendency of capital to flow from branches, regions, areas, countries with lower, to those with higher rates of profits. It is no accident that Kidron does not even mention this law of motion in his description of the model. And such a flow (be it "export" or not) of course counteracts the trend towards a declining rate of profit, inasmuch as it leads to capital investments with a lower organic composition of capital or (and) a higher rate of surplus-value. Again, the counteracting tendency does not represent any "leak", but is built-in in the "model" as such, and clearly stated by Marx himself.

Kidron's third "leak" is represented by wars. The same confusion between use-values and exchange-values, between physical goods and capital, occurs here. All wars destroy physical goods; but whether they destroy capital is not so obvious nor so automatic.

In order to destroy capital, they must not only destroy consumer goods, including durable ones like houses, but also destroy industrial equipment to a larger degree than is newly built. Wars, it should not be forgotten, not only can *destroy* capital but also can lead to a tremendous *increase of capital accumulation* (as happened, for example, in the USA both during the first and second world war). Often the two processes occur side by side (like in Britain during the second world war), and only if the first process is larger than the second one is there real capital destruction (i.e., *does over-all capital accumulation become negative*). We have described the mechanics of this process of contracted reproduction under war economy in *Marxist Economic Theory*; incidentally one of the examples of "fresh exploration" which Kidron somehow managed to miss in the book. Kidron seems to labour under the impression that wars and war production are "unproductive" and "destroy capital" because weapons are "destructive goods". He forgets that a manufacturer of tanks, munitions and fighter planes makes a huge profit, uses a large part of it to accumulate capital (i.e. to buy new machinery and to hire new men) and that this represents a process of capital accumulation identical to the similar steps embarked upon by a manufacturer of tinned milk or by a firm producing turbines.

We have now arrived at Kidron's fourth "leak": arms production. According to him, it represents a "drain", and "being a capital-intensive drain, it will have a restraining effect on the tendency of the organic composition to rise" (pp. 33-34). Why arms production is a "drain", and why it has a restraining effect on the tendency of the organic composition of capital to rise, remains an absolute mystery.

The whole construction is completely artificial and misses the main "law of motion" of capital accumulation altogether. For arms production is not conducted on some mysterious planet Mars, but on this wicked planet of ours; it is not conducted under conditions of some mysteriously unknown mode of production, but under "normal" and "classical" capitalism, with a constant flow of capital between all sectors of profitable investment, including arms production. So the calculation of an "organic composition of capital" in the arms industry, separate and apart from that of the "civilian sector", is completely meaningless to establish the trend of the average rate of profit, which results precisely from the *social average* between all sectors, including the arms sector. What Kidron would have to prove, to show that the effect of capitalist arms production is to weaken or to stop the tendency to a declining rate of profit, is that the average social organic composition of capital (including of course the arms sector itself) has become lower than it would have been if that arms production sector would not have existed. And that conclusion just does not make any sense, if one assumes that the organic composition of capital in the arms production sector is actually higher and not lower than the average organic composition of capital in the "civilian" production sector, because it is nearly entirely situated in the "capital intensive" sector of heavy industry¹⁰.

Kidron's assumption could only imply an element of truth if the average organic composition of capital would be actually lower in the armament sector than it is in the other sectors. In that case, of course, strong expansion of a sector with lower organic composition of capital would lower the social average organic composition of capital and thereby successfully counteract the tendency of the rate of profit to fall. But this hypothesis—which Kidron would be the first one to reject!—does not correspond to reality. And even if it would, it would not represent a "drain" but only a particular manifestation of the same basic law of motion of capitalist accumulation of the "pure" model, which we described above.

Kidron would have spared himself much confusion, if instead of talking about "leaks" and "drains", he would have started from the key-difficulty which monopoly capitalism has encountered for three-quarters of a century. This is *not* the difficulty of disposing of *surplus goods* (thereby welcoming any turn in development which would lead to a sudden decline in the "surplus" of consumer

goods and investment goods), but the difficulty of disposing of *surplus capital*, which derives from the very nature of *monopoly capital*¹¹. Thence both the drive to increasing capital exports, and the drive towards arms production. The economic function of arms production is to provide additional fields of investment for capital surplus, not to reduce the increase in the organic composition of capital and/or the declining rate of profit. Its overall effect—if it is large—will be to ensure a higher rate of overall growth (obviously, because the alternative would be not to use at all the capital invested in arms production) and to reduce the volume of investment and output fluctuations (because arms production, unlike “civilian” production, generally does not decline in phases of recession). But whether all this leads to a rise or to a decline in the average rate of profit depends on other circumstances (e.g., on the effects of arms production on the rate of surplus-value), not on the nature of arms production as a “drain”.

Contemporary Capitalism and Vulgar Economics

So Kidron's whole construction of “leaks” and “drains” collapses as an explanation of why the laws of motion of capitalism don't apply to-day. He is faced with the same dilemma as all those who call themselves marxists: either he has somehow to accept that there are “tendencies” which do not manifest themselves (*which is of course something different from saying that there are tendencies which don't manifest themselves permanently or without counteracting tendencies*), or he has to have a fresh look at reality, try to shake off impressionism, and to find behind superficial phenomena and doctored “statistics” more fundamental economic processes which do, after all, correspond to Marx's laws of motion.

That's what we tried, in *Marxist Economic Theory* and subsequent writings, and we think we can prove our case. As we have shown, between 1869 and 1919, the output of producers' goods increased more than twenty times in the USA, whereas the output of consumer goods only increased twelve times. Between 1919 and 1964, the output of machinery and instruments in the U.S.A. rose from 14.1% to 20.5% of total manufacturing production. Again, the output of machinery increased threefold between 1947 and 1968, whereas total industrial production rose by 250% in the same period. So one might infer that for one century the output of department I has indeed grown more rapidly than the output of department II, which implies that there is a definite tendency for the organic composition of capital to rise¹², and that, from a long term point of view, this tendency is neither stopped nor reversed during the last decades (although it obviously slows down percentwise, when the *absolute* volume of department I reaches a higher and higher level. The same *rate* of growth of the organic composition of capital would require, starting from a certain absolute volume of constant capital and given the average rate of capital accumulation, an *absolute decline* in variable capital—or in output of department II—which has obviously not been the case, and could not be the case given the existing relationship of forces between Capital and labour in the U.S.A.).

Now given the evidence of a long-term trend of rise in the organic composition of capital, given the complete lack of evidence of any long-term rise in the rate of surplus-value proportional to it, one can only conclude either that there has to be long-term decline in the average rate of profit, or that Marx's labour theory of value does not hold any more (*that constant capital is somehow mysteriously “producing surplus-value”*), and in that case, the whole of Marx's economic theory collapses. Let us repeat again that we are not talking of a couple of years here and a couple of years there, but of long-term trends. Kidron makes a caricature of our analysis when he says that for us “the real thing becomes as simple as the model”¹³. But surely, a model which has no relation whatsoever to the “real thing” is a wrong model, I would presume . . . And the denial of any long-term decline in the rate of profit leads Kidron smack into vulgar economics accepting the labour theory of value with one hand and denying it with another.

In studying capitalist statistics on “rates of profit”, one has to take a whole series of precautions, in order to translate them into marxist terms.

In the first place, the average rate of profit marxist economic theory is concerned with is the rate of profit on the flow of current production $\left(\frac{pl}{c+v} \right)$, in which $\frac{pl}{c+v}$ is the fraction of the total capital

stock actually used up in annual output and not the rate of profit of the *stock* of total capital investment $\left(\frac{pl}{K+M} \right)$, in which K is the value of all fixed capital invested and M the value of total circulation

capital available in capitalist industry). Most statistics—and balance sheets of capitalist firms—calculate profit rates on the stock and not on the flow—and the difference can be quite striking.

In the second place, Marx's laws of motions are concerned with *value* production, not with *price* calculations. It takes a lot of analytical labour to deduct from national income and national expenditure statistics the sum-total of surplus-value produced by industrial labour. Part of that surplus-value is appropriated by other sectors of capital (*banking capital, commercial capital, capital invested in the service industries, etc.*) through the market (*i.e., through the purchase of “services” by the manufacturing firms, which appears in the balance-sheets as “production costs”, or through the sale of commodities below their prices of production*), is thus deducted from the income of industrial capital, and is not included in the category “profit of industry before taxes”. If this part of surplus-value, while increasing in absolute figures, is declining in relation to “industrial profits”, then the rate of growth of surplus-value as compared with the rate of growth of current capital expenditure might be in fact lower than appears from the statistical “series before taxes”, and the average rate of

profit might in fact be declining although the series "profit before taxes" does not show so.

In the third place, ever since corporation taxes became "burdensome", a whole new "service industry" for doctoring balance-sheets has arisen. Most marxist commentators have insisted especially upon the profit-concealing function of this doctoring (e.g., camouflaging important part of surplus-value as constant capital consumption, through the method of accelerated depreciation)¹⁴. They seem to have forgotten that this also implies a systematic under-valuation of capital itself, in the first place an under-valuation of the total capital stock—which is all the more formidable because it becomes cumulative—but also an under-valuation of current capital expenditure (part of which is marked down in the books as "current costs of repair", another part of which does not appear at all, because the value has already been "written off" before). Now if the real value of capital is much higher than appears in the balance sheets, then of course statistical series which appear to show uncertain fluctuations of the rate of profit, or even an increase of that rate, can actually hide a long-term tendency of a declining rate of profit¹⁵.

All this being said, do the statistical series really warrant any conclusion that the trend towards a declining average rate of profit has somehow been reversed by contemporary capitalism? Kidron's own series, whatever may be its serious shortcomings indicated above, actually prove the opposite. In order to interpret them, we have to understand that the rate of profit-oscillation works on two wavelengths, so to speak. They work within the span of each cycle, going up in the boom and going down under conditions of recessions; and they work in longer-range periods, tending to reach peaks, during booms, which have a tendency to become lower (which does not mean naturally that each boom must have automatically a lower maximum rate of profit than the previous one had. Increases in the rate of surplus-value can momentarily offset the effects of increases in the organic composition of capital). One can dispute the first type cyclical decline only if one disputes the inevitability of cyclical variations of capitalist production at all; and one cannot dispute this inevitability neither in fact (recessions have occurred in the USA economy in 1949, 1953, 1957, 1960, and one is starting right now) nor in theory (it flows precisely from the fragmentation of productive resources between different owners, i.e., from the existence of "different capitals", viz., from capitalist competition without which as we have seen above, capitalism cannot be conceived).

But what about the long-term trends of the rate of profit? Kidron's statistics show that on "net working capital" the rate of profit declined from 49% in the boom year 1950 to 43.6% in the next peak boom year 1955, 38.4% in the next peak boom year 1959 and an average of 43.1% for the three boom years 1965, 1966 and 1967. There is no "linear" decline, but the tendency towards decline is quite clear.

The same applies to the two main European capitalist countries, West Germany and Great Britain. In West Germany, net profits as a percentage of net capital worth declined for all industry from 20.9% in 1951 to 18.5% in 1955, 18.4% in 1960 and 14.9% in 1965 (each peak years of the cycle; the rates for the intermediary years are each time lower than the peaks). And for Britain, the *Financial Times*' "Annual Trend of Industrial Profit" series indicate a similar trend: for all industrial companies, the rate of profit as against net assets declines from an average of 9.3% for the 1952-1960 period to an average of 7.8% for the 1961-1965, and an average of 6.9% for the 1965-1968 period.¹⁶

So Kidron is wrong when he assumes that "nothing beyond the forties could sustain Mandel's thesis . . ."

It is true, that *Marxist Economic Theory* does not treat in a systematic way the problem of the sharp rise in the rate of growth of the capitalist economy after world war II, a rate of growth which is now declining—as we foresaw correctly since the early sixties, and as the very same issue of "International Socialism" which prints Kidron's critique also confirms (p. 31). The reason for this does not lie in our "maginot marxism" (it is not difficult to explain that rise with Marx's analytical tools). It lies simply in the fact that most of *Marxist Economic Theory* was written in the late fifties, i.e. more than ten years ago, when many of the postwar trends were not yet clear.

The further development of what we believe to be the explanation of the peculiarities of "contemporary capitalism" can be found in a few of our later writings.¹⁷ Briefly, we think that what we have been witnessing is a third industrial revolution, similar in effect to the second one which ushered in the phase of monopoly capitalism in the last quarter of the nineteenth century. We believe that each of the three industrial revolutions which capitalism witnessed till now have had a similar effect of pushing the rate of investment and of growth upward during a first series of cycles, while inevitably preparing thereby the grounds for a later "long cycle" with a much lower rate of growth. We believe, in other words, that the cyclical movement of the rate of profit is three-fold: inside each 5 to 10 years cycle (first up, then down); between the peaks of several cycles constituting together a long-term period of 20-25 years (generally down); and between several long-term periods (more erratic, but downward in the "secular" sense: obviously, the average rate of profit is today lower than it was in the first half of the 19th century).

Does this view of a new industrial revolution overthrow the classical marxist-leninist conception of imperialism as the final stage of capitalism? It does not, no more than the appearance of monopoly capitalism overthrew the classical marxist conception of competition being the driving force of capitalism.

The third phase in the history of capitalism reproduces most of the basic features of imperialism on a higher scale, just as monopoly capitalism reproduced competition on a higher scale. But it does so in a changed framework. Whereas "free competition" capitalism was largely limited to a small part of the world, imperialism embraced the whole earth. "Neocapitalism" (or late capitalism) is again limited to only part of the world. But whereas early expanding "liberal"

capitalism of the 19th century had only to face decaying older social orders, "late" capitalism is confronted with the formidable challenge of anti-capitalist forces and a post-capitalist social order which enjoys both a higher rate of growth and a much larger popular appeal to at least two-thirds of mankind.

One can also add that during the "long period" of stagnation of capitalist world economy (1913-1940) a great "reserve" of scientific and technological inventions had been built up, whose large-scale productive application was delayed as a result of the unfavourable economic conditions prevailing during that period. The dynamic of these inventions, accelerated by the results of the war economy boom itself, laid the basis for a real explosion of technological innovations, which could be widely applied under conditions of reconstruction, stepped up capital accumulation¹⁸ and continued expansion of arms production, itself strongly determined by the conditions of "competition" with a non-capitalist economy in the Soviet Union.

In any case, the key aspect of this development is to understand the oversimplification of the assumption (of which even Lenin and Trotsky were at moments victim of) that the structural crisis of the world capitalist system, which undoubtedly began with the first world war and the Russian revolution, somehow is identical with an absolute decline in the development of productive forces. There is no trace in Marx's "Capital" and his mature economic thought of such an idea.

The structural crisis of the capitalist world system means that the system begins to break up, that there is an uninterrupted chain of social revolution erupting, some victorious and some defeated, that the restriction of world capitalism to only parts of the world (and the challenge which the other part represents to it) put formidable supplementary constraints on to it, that the fundamental contradiction between the level of development which the productive forces have reached and the capitalist production relations, leads periodically to big social explosions, and that thereby the objective pre-conditions for victorious socialist revolutions exist, historically for the whole epoch, and conjuncturally at successive phases in various countries. This structural crisis of the capitalist mode of production is intertwined with the periodic crisis of overproduction, but by no means identical or synonymous with it. And each time when a period of revolutionary upsurge of the working class in the industrialized imperialist countries ends in defeat, this creates a situation in which an economic recovery is not only possible but inevitable for the imperialist bourgeoisie.

In other words: the basic notion here is that there are no "economic situations without a way out" for the imperialist bourgeoisie, as Lenin rightly stated. Capitalism cannot collapse simply out of its own inner economic contradictions. This Kautskyist conception—which, through the intermediary of English mechanistic "marxists" of the Strachey type, has exercised a deep influence on marxist thought in Great Britain—is the underlying assumption of much of Kidron's misplaced critique against *Marxist Economic Theory*. We don't share this conception, and Marx had nothing to do with it. The only thing he showed was that the inner contradictions of capitalism lead towards periodic economic crisis and social explosions. The fact that even in a period of accelerated investment and growth a tremendous inverted pyramid of monetary inflation and personal indebtedness had to be erected to keep the system going—a pyramid which cannot be expanded in an unlimited way—clearly shows that all these contradictions are still very much with us, like in Marx's time. But whether capitalism collapses or not depends on the successful revolutionary action of the working class. And what happens when it does not collapse depends on a variety of factors, some of which we have just sketched.

We shall not take up Kidron's laborious attempts at irony, accusing us of pandering to the notions of "non-stagnating stagnation" and of "slumpless slumps".¹⁹ It is very significant that in none of the passages of *Marxist Economic Theory*, which Kidron cites as proof that we did not "incorporate the uncomfortable fact of the mildness of post-war recessions" into our general analysis, but continue to speak of the "inevitable slumps" (presumably on pages 168, 171, 346, 347, 529, etc.) in none of these passages does the word "slump" even so much as appear! The only "inevitability" we mention in all these passages is the inevitability of periodical downward fluctuations, of periodic declines in output, of periodic increases in unemployment, of periodic overproduction of commodities and excess capacity of equipment. That's what capitalist crisis means for marxist economic theory. And these continued to occur regularly, after world war II as well as before.

Kidron does not understand at all the point we made about "recessions" and "slumps": that the difference is purely quantitative and not qualitative (and very often quantitative only after a certain stretch of time; the first manifestations of a recession are very often as violent as the first manifestations of the 1929 slump, as we statistically proved). Recurrent recessions prove precisely that capitalism is not capable of regular, harmonious growth, is not capable of avoiding unemployment and is not capable of avoiding fluctuations of income; all this for the simple reason that it is generalized commodity production conducted under conditions of private property (of "many capitals") which inevitably implies irregular, spasmodic ups and downs of investment. A mild recession is a recession, i.e., a crisis, after all; and a million unemployed in a country like West Germany or Italy are, after all, a million unemployed, and not full employment. That they don't have the gravity of the 1929 and the 1938 slumps, we concede willingly. But what does that prove? How about comparing them to the pre-1929 or the pre-1913 crises of overproduction (these were, after all, those which Marx wrote about)? What about determining their tendency? Will they tend to become "milder" and "milder" till they fade away? Or will they become stronger and stronger?

These matters are all connected with the very heart of marxist economic theory. Is it possible to avoid fluctuations while generalized commodity production exists? Is it possible to avoid crises of overproduction (pardon me: "recessions") when "key choices about the deployment of resources"

are left to individual capitalists? If Kidron thinks it isn't, he, too, believes in the inevitability of crises of overproduction under capitalism, and then, following his own absurd vocabulary, he too is a believer in "slumpless slumps". And if he doesn't believe in the inevitability of crises under "contemporary" capitalism, then he can in no way hide his complete and total break with marxist economic theory, method, analytical categories and doctrine as a whole. His impressionist refusal to answer these questions is, in fact, a typical "refusal to generalize", characteristic of vulgar economics.

Capitalism and "State Capitalism"—the Nature of the Soviet Economy

How does it happen that a trained and not talentless economist like Kidron, who has also read some Marx, can make such elementary blunders, constantly confusing use values and exchange values, physical goods and capital, absence of slumps of the 1929 type and absence of capitalist crisis of overproduction? The reasons obviously do not lie in his lack of analytical ability. They lie in his desperate attempt to cling to the myth of "state capitalism" existing in Russia, and to the need which flows from that attempt to show somehow that there is no "basic" difference between the functioning of "contemporary capitalism" and the functioning of the Soviet economy. That's why he has to slur over or even deny fundamental aspects of capitalism and fundamental laws of motion of the capitalist mode of production.

Ever since social-democratic opponents of the Russian October revolution hatched the theory of "capitalism" continuing to exist in the Soviet Union, supporters of that theory have been faced with a difficult choice. Either they consider that Russian "capitalism" has all the basic features of classic capitalism as analysed by Marx, to start with generalized commodity production, and that it also shows all the basic contradictions of capitalism, included capitalist crisis of overproduction—and then they have a hard time discovering evidence for this. Or they admit the obvious fact that most of these features are absent from the Soviet economy, and they then have to contend that these features are not "basic" to capitalism anyhow, which in the last analysis only means exploitation of wage-labour by "accumulators". This then implies unavoidably that there are qualitative differences between the functioning of capitalism as it exists in the West and the functioning of the Soviet economy, and that "state capitalism" is a mode of production different (i.e., corresponding to different laws of motion) from classical private capitalism. Bordiga is the outstanding representative of the first current, Tony Cliff of the second current. The peculiarity of Kidron is to try to have it both ways: he intends to eat his "state capitalist" cake and have it too!

He starts by conceding that Soviet economy is not subjected to the tyranny of profit nor to internal competition nor to crisis (p. 35). The explanation is that in Russia we are living under the regime of "a single capital". But if there is no competition, if there is only a single capital, then, obviously, there is a "central, public arrangement to ensure that the process will go on in an orderly, continuous and predictable way" (Kidron's definition of what *does not* exist under capitalism) and this "arrangement" is called central planning. Obviously, too, if there is no competition, "key choices about the deployment of resources" are not left to "individual capitals" (which do not exist), but are centrally determined in a coherent way, and we have continuous growth. And then, equally obviously, there is no capitalism, because all these "arrangements" are unattainable under capitalism.

But at the same time as he concedes all this, Kidron makes a series of statements which completely contradict this conception of the laws of motion of capitalism not applying inside Russia. We read that "nothing (!) in Stalinist (including post-Stalin) Russia defies analysis in terms of Marx's model. The process of pumping out surpluses from the mass of producers is as vulnerable in Russia to wild and random encroachments (!) from other capitals as it is anywhere else. The people, that organize and benefit from it, are under as oppressive a compulsion to fast economic growth as any similarly placed class elsewhere" (p. 34). We wait for any substantiation of these breathtaking statements. There is none to come. And none can come because they are based on a crude conceptual sleight-of-hand. Here all the initial confusion between use-values and exchange values, between accumulation of machines and accumulation of capital, between conflicts of different social systems and capitalist competition, come finally into their own.

Let us take for a minute the concept of a "single capital" seriously and see where it leads us. Inside *General Motors* there is of course no capitalist competition going on. The department producing car bodies does not "compete" with the department producing gear-boxes. Capital does not "flow" from one department to the other, when gear-box production is "more profitable" than car body production. *General Motors* normally can do nothing with gear-boxes in excess of cars produced (we leave aside the marginal case where a large corporation would actually sell parts to competitors; this does not change anything in the logic of our reasoning). Normally, the production of all parts is "planned" so that a maximum number of cars can be sold profitably.

Now if there is no "market economy" inside *General Motors* corporations; if the flow of goods between the departments of that "single capital" is not a flow of commodities but a flow of use-values, why then in *General Motors* a capitalist trust, why is the final product indeed a commodity, why are the owners of the corporation under the economic compulsion to exploit their workers and to accumulate more and more capital? Obviously because they have to sell their cars on a market, in competition with other car manufacturing corporations. If the wages in their firm go up quicker than productivity of labour, cost prices go up and the *General Motors* cars would be priced out of the market. If the rate of exploitation goes down, capital accumulation goes down, technology

becomes obsolete compared to that of competitors with higher capital accumulation, and again the firm not only would quickly lose its share of the market, but would even be in danger of finding no market whatsoever for its goods. It is through the fact that the final products of *General Motors* are commodities, have to be sold on a market, and are therefore subject to capitalist competition, that the inner organisation of the plant which appears at first sight as "planned economy" is subject to "wild and random encroachments from other capitals", and that anarchy of production, increased exploitation, capital accumulation, periodic crisis, firing of workers, inflow and outflow of capital from the auto branch to other branches, in brief, all the laws of motion of capital discovered by Marx, assert themselves.

Now let us presume that through some "miracle" called the October Revolution the workers of *General Motors* expropriate their owners and reorganize production in such a way that they do not have to sell any commodities on the outside market (later, after some soul-searching, they decide to divert 1% of their annual output for such a sale, but this does not change anything decisively in the set-up; even if this 1% were to be suddenly suppressed, no basic change in the organization of their would occur).²⁰ Diversification of production tends to cover at least the elementary needs of all the manpower of the firm. Would this still be "capitalist" production? Of course not, no more than that of the "communitistic" colonies of 19th century America. Do the laws of motion of the capitalist mode of production apply to that outfit? Evidently not. There would be no capital accumulation, only an accumulation of industrial equipment, produced according to plan, in the form of use-values. There would be no flow of capital from less to more profitable areas.²¹ There would be no cyclical movement of investment, income and output, no periodic crisis, no periodic unemployment, but steady growth (provided the planning functions more or less adequately).

Would there be threat of encroachment by capitalism? Of course there would be such a threat; capitalism, by its very nature, is adverse to any part of the earth and any potential market being taken out of its grip. This threat would take the form of a threatening police action (or a military action) to restore private property and "free enterprise" in the domain of the collectivised outfit. It would take the form of trying to lure away the G.M. workers, by showing them at least that elsewhere they could enjoy a higher standard of living. These threats would, obviously, influence the behaviour of whoever administers collectivized *General Motors*. Part of output would have to be diverted for arms production, for purposes of self-defence, and there would be a powerful incentive for technically more and more advanced arms production. Plans would also have to be drafted (and redrafted) in order not to fall too much behind capitalist production technique for consumer and investment goods too (or even for overtaking them). The division of total output inside the collectivized domain would be influenced by these challenges and the desired response to them. This would be true, incidentally, independently from the fact whether collectivised domain were administered under a perfect scheme of workers control and workers self-management, or whether it were administered by a hideous gang of foremen and engineers, who grabbed power inside the domain in order to reserve for themselves the cream of the output, achieving thereby a much higher standard of living than the modest average made possible by the given capacity of output. And the possibility of political power and self-administration being taken away from the workers of the plant would in its turn depend on the degree by which general consumers needs would be satisfied (if they were, there would be no "incentive" for anyone grabbing power in order to satisfy consumer needs!), on the degree of political activity, awareness and socialist consciousness of the workers (in its turn depending at least partially on their standard of consumption, of leisure and of culture), and on their class cohesiveness (in part a function of the existence and leading influence of a revolutionary organization).

But by no stretch of imagination, and especially, by no clever word-play (first using "wild and random encroachments" instead of pressure or threat of encroachments; then using "encroachment" instead of "competition for shares of a market"; and finally substituting accumulation of capital for accumulation of use-values, could these conditions be pressed back into the categories of Marx's model of the inner logic, the laws of motion and the contradictions of generalized commodity production, i.e., of the capitalist mode of production.

So the conclusion is inescapable. There is no "single capital" in Russia (capitalist production under "single capital" was ruled out by Marx anyway). It is absurd to assume that capitalist production was somehow reintroduced because of "competition on the capitalist world market" (i.e., that the tail of 1% of output imported from and exported to advanced capitalist countries is wagging the dog of the Russian economy).

And it is even methodologically wrong to assume a mechanical and automatic identity between the fact of a country being submitted to "encroachments" of foreign capital and the fact of that country becoming capitalist. Only if and when these encroachments change the internal mode of production do they lead to introduction (or reintroduction) of capitalism.

Marx made the point that India and China, although gradually drawn into the capitalist world market, did not for several centuries become capitalist countries (i.e., acquire a capitalist mode of production), because of the strong resistance which the basic mode of production of these countries continued to oppose to the "encroachments" of international capital. And if such was the capacity of resistance of a decadent and decaying Asiatic mode of production, surely the capacity of resistance against encroachments by the world market of a superior mode of production, based on collective property of the means of production and planned economy, could be understood to be a thousand times stronger. History proves that it has indeed been so.

The Meaning of the Economic Reforms in the U.S.S.R.

All these questions become even clearer if one tries to fit the current economic reforms in Russia and Eastern Europe into this analytical framework. If we assume, as Kidron does, that Russia is a capitalist economy "accumulating capital" under pressure of and in competition with the capitalist world market, then these reforms become meaningless (indeed, any analysis of the Russian economy made by "state-capitalists", cf. Tony Cliff's "The Nature of Stalinist Russia" written in the fifties, completely failed to foresee anything of the kind). There is the need to "accumulate capital". The bureaucracy is the "agency for accumulation". Accumulation leads to "class struggle" like in the West. But because there is "fascist-type dictatorship", this can only erupt violently (and not for reforms). That's all they had to say.

If one starts however from the assumption that Russia's economy is not capitalist; that it is a specific non-capitalist mode of production, then one has to analyse the specific contradictions of that mode of production, and then one can foresee the specific economic and social problems, conflicts and crisis, which will arise from these contradictions (completely different from those of bourgeois society). That's what we tried to do in *Marxist Economic Theory* and events have shown us to be right. Indeed, the very contradictions which we laid bare were admitted by the leading economists there and used as starting points for the economic reforms being introduced in Eastern Europe and the USSR since the early sixties (these reforms, be it said in passing, will only temporarily provide solace and can in no way solve the said contradictions, which can only be overcome by a political revolution introducing democratically-centralized, i.e., planned, workers management).

We cannot here reproduce the whole argument; but let us concentrate on the main points. As we have said above, it is simply not true that all ruling layers (classes and castes) in history have had an urge to pump more and more surplus product out of the producers. And it is even less true that they all have an urge to "accumulate capital". This "urge" is typical only for the capitalist class, under the concrete conditions of the capitalist mode of production (universal commodity production and private property of the means of production, i.e., the existence of "several capitals", i.e., competition). Now the Soviet bureaucracy is *not* a capitalist class. It does *not* manage factories under conditions of universal commodity production. It is *not* in the process of competition for markets with other capitalists. So it is under no economic compulsion to maximize output and under even less economic compulsion to optimize resource utilization. In fact, it accepts the "tyranny of the plan" (as Kidron states, without seeming to understand that this is a qualitatively different "tyranny" from that of profit) only because it wants to keep its managerial position, as a means of achieving the optimum standard of consumption available under the given conditions. In other words, the consumption desires of the bureaucracy (like the consumption desires of precapitalist classes) and not the need to maximize accumulation and output, are the motive force behind bureaucratic management. And this unavoidably clashes with the inner logic of a planned economy which calls for maximising output²² and optimizing deployment of resources.

How did Stalin solve this contradiction? Essentially through two means. On the one hand, "material consumer incentives" to the bureaucrats were greatly increased, and were made much more meaningful in the light of the miserable standard of living of the mass of the producers. On the other hand, the bureaucrat was trapped in a mass of orders which he had to fulfill, lest he lose not only his consumer privileges but also his liberty and very possibly his life. It was tacitly understood that among all these contradictory indicators, that of attaining or surpassing gross output figures had the absolute priority, and that he was allowed to disregard some other indicators to attain these. But from time to time he was harshly reminded, through violent sanctions, that he had to respect plan discipline as a whole, and not only parts of it.

Why did this combination of carrot and stick increasingly fail to deliver results starting with the fifties? From the point of view of the overall interests of the planned economy, because it had been geared essentially to the needs of an extensive industrialization (with large reserves of land, natural resources and manpower); in which cost calculations in relation to alternative investment projects were of less importance; this period was over and the Soviet economy needed urgently to grow from extensive into intensive industrialization, with much more closely calculated use of resources than before. From the point of view of the bureaucracy as a social layer, because both the carrot and the stick were rapidly losing their effects. The incentive effect of the bureaucracy's consumer privileges was dwindling, when the general standard of life in the country rose and in fact inequality in income declined somewhat: e.g. the salary of a director of the biggest machine-building plant, first category, was only five times the minimum wage of a cleaning woman, after the latest rise of minimum wages on January 1st, 1968, instead of eight times in 1966 or ten to twelve times under Stalin. The fear of violent repression was also receding as a result of the "liberalization" of the Krushchev era and the general decrease in the use of arbitrary trials, deportation (not to say killings etc.), against individual bureaucrats.

Looking for a way to overcome the growing contradictions between the general needs of the planned economy and the material interests of the individual bureaucrats (which are pure consumer interests, be it repeated!) as the driving force of economic growth, the leaders and ideologists of the bureaucracy gradually evolved a system of economic reforms which would tie the income of the bureaucrats to an objective measurement of economic performance. Instead of these privileges depending only on the managerial position and carrying out the plan, they would henceforth increasingly depend on the performance of the factory the bureaucrat manages. And profit was

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partially "rehabilitated" as a faithful indicator of such overall economic performance. In this way, the bureaucracy's ideologues thought the managers would be forced to a higher degree of optimization in resource utilization than before. The machine-building plant's director we referred to above would receive his "incentive" through bonuses tied to profit, instead of through a very high salary.

Contrary to what superficial Maoist and semi-Maoist critiques in the West assumed—these strange new "state capitalist" bedfellows of Kidron!—the reforms do not mean that capitalism is being reintroduced in the Soviet Union. They do not mean that profit becomes the motive force of economic growth, i.e., starts to direct investment "spontaneously" from branches where it is lower towards branches where it is higher. No real competition in the capitalist sense of the word (i.e., competition for selling on an anarchic market) occurs. Means of production have not become commodities. Rather, what has occurred is the use of a pseudo-market to optimize resource utilisation quite along the lines which the late Oscar Lange postulated already in the thirties²³.

But do these reforms mean a smooth and rational use of the planned economy's resources, in order to achieve the maximum growth of output? By no means. They only substitute one set of contradictions for another. Income of the bureaucracy is now increasingly tied to the factory's "success" on the "market". But this "success" does not depend only, or even essentially, upon a rational utilization of given resources available to the factory. It also, and above all, depends upon the technology of the factory (i.e., new investment taking place) and upon a given relationship between the "prices" the factory has to pay for what it "buys", the amount of manpower it has to use and its wages bill on the one hand, and the "prices" the same factory receives for what it "sells" on the other hand. As long as these prices, the mass and form of investment, the amount of manpower and wages, are determined by the plan, the bureaucrat will quickly feel cheated by the new arrangements. He will say: "You want us to perform "optimally", but you fix things so from the start, that such a performance is, in fact, impossible"²⁴.

So the economic reforms *must* unleash a constant tug-of-war of a new type between the plan and the bureaucrats administering the units of output. The old tug-of-war was essentially about allocations (the bureaucrats systematically overestimated the factories' needs of workers and material, while they undervalued the productive capacity of the same factories). The new tug-of-war will be about power of decision. The factory managers will demand the right to hire and fire workers as they like. They will demand the right to "negotiate" wages (regionally, locally, or even by branch or unit) according to "market conditions". They will demand the right to retain the major part of the "profit" of "their" factory to be invested there. They will ask for a rising (and specific) share in total investment to be realized autonomously by themselves, inside "their" factory. They will above all demand that they should fix the prices of the products they "sell" as they seem fit to do (i.e., as the "market" dictates). And the "planners" will of course stridently resent all these demands which run counter to the elementary principles and needs of central planning.

Let us assume for a moment that the factory managers were to be successful in their demands, and gradually conquer these supplementary rights (this is the actual formula used to-day in Soviet discussion: "increasing rights for the factory managers"). What would be the outcome of that process? Surely, we would have to drop the inverted commas around the words "market", "buy" and "sell". Surely, each factory making its own investment, trying to establish its own prices, negotiating its own wages, would have become an independent firm, and the market would then "arbitrate" between these firms and give birth to prices which would no more be determined by plan, but would result from the inter-play of market forces. Surely, in that case, capital would flow from less to more profitable branches. It would no more be the plan, but this flow of capital which would determine the general lines of growth of the economy. Surely, more and more firms would then find it profitable to export part of their goods instead of selling them in the inner market, and would establish direct connections with foreign firms which would increasingly also sell on the Russian market, as well as export capital to that country. Surely, the growth of individual investment would inevitably lead to overinvestment which in a market economy could only be corrected through periodic crises of overproduction and unemployment (never mind whether "mild" as recessions, or "grave" as slumps).

In that case, of course, the Soviet economy would have become a capitalist economy, for everybody to see and acknowledge the fact, even the dogmatic and myopic Mandel. But would it be a "state capitalist" economy? The whole process started because the income of the factory manager being tied to the factory's "profit", the manager had received a strong economic incentive to determine this "profit" by his own decision (i.e., to establish control over most of the decisions on which that profit depends). But once he actually succeeds in doing this, he has an even stronger incentive to remain tied to "his" factory for the rest of his life, and to transmit these "ties" to his children and family. Imagine how cheated he would feel if, after having succeeded in making a factory a "profitable" concern, he would then be transferred to another factory which makes a loss (with the loss of income which this would entail for him!). So the process could only end by the reintroduction of private property. And when, even before this ultimate outcome, the ties with foreign firms become stronger, villas bought on foreign coasts and mountains, bank-accounts established in foreign banks and used for some "profitable investment" (e.g. the purchase of foreign stocks and bonds) would become additional stepping stones in this process.

One could say that all this is purely imaginary and only invented for argument's sake. But is it indeed? Hasn't that process actually begun in the Soviet Union? Have not the managers received the right to fire some "excessive workers"? Has not pressure to grant them the right to "fix their own prices" (i.e. to have them fixed by supply and demand on the market) already started, and

isn't it referred to in the Soviet press? Have not certain ideologues of the "managerial layer" (whose existence is now openly admitted and whose formation and education is surrounded with the greatest care by the leaders of the bureaucracy) claimed the right to decide upon the closure of "unprofitable factories"? Has not even Liberman raised his voice in favour of the enterprise becoming more and more "self-financing"? Isn't there already an experiment with a whole industrial branch financing "its own" investment?²⁵ Haven't the trends towards a disintegration of planned economy begun to assert themselves in Yugoslavia, since the "economic reforms" of 1965? Hasn't even an open conflict arisen between "workers self-management" (in its distorted Yugoslav version) and "socialist market economy", the most "aggressive" wing of the Yugoslav factory managers openly defending the idea that management should be freed from day-to-day "encroachments" by the workers' councils, whose functions should presumably be reduced to one of "deciding income distribution", e.g. to similar functions of a capitalist firm's general stockholders meeting? And isn't the possibility of this process going further and further in that direction conceivable to-day, with all the social forces and contradictions involved in it before our eyes, in broad daylight so to speak, in the Yugoslav case?

What we deny of course, is that this process could lead to "gradual" and "imperceptible" restoration of capitalism. We do not believe that this restoration of capitalism can be achieved "behind the backs of society", so to speak, in the first place behind the backs of the working class, which is already by far the numerically strongest class in the Soviet Union and in many other Eastern European countries. We are convinced that the workers will put up the strongest possible resistance to such a disintegration of the planned economy, especially when it entails a loss of job security, reappearance of large-scale unemployment, wage decreases and the strong increase in inequality of income²⁶. We are therefore convinced that capitalism could be restored in the Soviet Union or in any Eastern European country only after breaking the fierce resistance of the working class. And we are likewise convinced that the state apparatus is tied in its majority to the preservice of social ownership of the means of production and of planned economy, and that its resistance would have to be broken too on the road of capitalist restoration (that is the reason why we still call it a workers' state, incidentally be it a very degenerate one), nay that it will have to be broken and shattered to pieces, and replaced by a state apparatus of another type, geared to the defence of private property and "free enterprise". Given the present constellation of social forces, both nationally and internationally, we think it very unlikely that this resistance could actually be broken under these conditions, and that capitalism could be restored either in the Soviet Union, or in Yugoslavia, or in any other bureaucratically degenerated or deformed workers' state.

But the beginning of the process is here, for everybody to see. And it reveals the inconsistencies and contradictions of the theory of "state capitalism" in a striking way. For Kidron will have to answer two sets of questions:

First, are all these contradictions, conflicts, trends and processes anywhere similar or identical to the laws of motion of capitalism, observed by Marx? Have they anything to do with what has been going on in the West during the last 20 years? Aren't they obviously contradictions, conflicts and laws of motion of a mode of production qualitatively different from capitalism? Aren't they precisely those conflicts between "the logic of the market" and the "logic of planning", which the late Preobrazhensky analyzed as characteristic for the period of transition between capitalism and socialism, which is ushered in by the overthrow of capitalism? How could capitalism become restored under capitalism? Would Kidron deny that the above-sketches process, if it would unfold till its ultimate logic, would actually lead to the replacement of one social system by another? Would he then concede that "state capitalism" is different from "private capitalism", exhibiting different and specific laws of motion? But what's the use of calling it then "capitalism"? And what becomes of the preposterous statement that "nothing in stalinist Russia defies analysis in terms of Marx's model"? Would it indeed not be more correct to postulate the opposite: the whole development of stalinist Russia follows other laws than those elucidated in Marx's mode of capitalism?

Second, if one presumes that the process of disintegration of planned economy proceeds till the bitter end, and that "classical" capitalism, based upon the private ownership of the means of production, is restored in the Soviet Union, what would Kidron call that process, and what would be his political attitude towards it? Would it be just the change of one form of "capitalism" into another? Would Kidron's attitude be one of indifference, or even of glee, "liberal capitalism" replacing a "totalitarian" one? Would the change in the mode of production and in the nature of the state be a historical progression or a historical regression? If it would be a regression (and the more intelligent "state capitalists" tend to admit that), wouldn't Kidron then be in the unfortunate position of having to call it a *social counter-revolution*, and to give a positive connotation to what he calls the "ruling class" in the Soviet Union, rehabilitating it and "defending" it against its "reactionary enemies"? And if he were "indifferent", how could he reconcile this with the obvious economic and social regression encompassed in this process? If he were even to deny this regression, how could he reconcile this with his own admission that there reigns to-day in Russia "the tyranny of the plan" and not the "tyranny of the market"?

The society in transition between capitalism and socialism

The most irresponsible of Kidron's statements is the one that denies the existence and the very possibility of a society in transition between capitalism and socialism. (In all fairness, one must state that Tony Cliff does not agree with him on this point.) Calling such a society a mere "verbal convenience" is not only in opposition to the whole body of theory of Marx, Lenin and Trotsky and

to more than a century of experience of the revolutionary labour movement (it is not Mandel who invented that category, after all), but also puts a question mark over the possibility of socialist revolution anywhere in the world to-day, to begin with in Britain and Western Europe.

Kidron's argument is again a typical example of his mechanistic and unhistoric thought. True, he says, there can be a transition between feudal society and capitalist society²⁷, because capitalism can grow piecemeal within the interstices of feudal society. Then he goes on: "But socialism is a total system. It cannot grow piecemeal within the interstices of a capitalist society. How does workers' control of production coexist with control by a ruling class when the means of production in dispute are one and the same? How does self-determination and consumer sovereignty ('production for use') coexist with the external compulsion and blind accumulation that results from capitalist dispersal? There may be (!) room for transitional forms in distribution, but at the level of production and control over production the only possible transition is a sudden, revolutionary one" (p. 35).

The first striking feature of this argument is Kidron's definition of socialism. We can hardly believe our eyes: Kidron appears here as a pupil of . . . Stalin! For it was Stalin who first dared to introduce into marxist thought the utterly revisionist and primitive notion that socialism = wresting control over the means of production from capitalists, big and small. It is true that for Stalin, socialism equals nationalisation of these means of production, whereas Kidron, loudly protesting, calls this a farce and claims that socialism = workers control over production. But when the smoke has cleared from the verbal battle-field, and all the epithets and insults are pushed out of the way, the notion is exactly the same in both cases, and it is exactly as wrong!

For classical marxism, to which we continue to adhere notwithstanding all of Kidron's sneers, socialism means a classless society. It therefore presupposes not only the suppression of private property of the means of production, henceforth managed in a planned way by the associate producers themselves, but it also calls for a level of development of the productive forces which makes possible the withering away of commodity production, of money, and of the state. It is therefore a new social system having its own mode of production, its own mode of distribution, and its own economic automatism, which constantly reproduces basically socialist relations between men.

Now the working class is perfectly capable of overthrowing capitalism in a single country (it did so in Russia, Yugoslavia, China, Cuba, North Vietnam, and is busy doing so in South Vietnam right now). But it is not capable of building a socialist society in a single country, not even in the U.S.A. (not to speak of Britain or Western Europe). When it has taken power and has organised a planned economy it is not able to suppress commodity production completely because output is not yet high enough to cover all social needs. If it tries to do this artificially, commodity production (with some "private" monetary standard) will re-emerge spontaneously from universal rationing, independently of the will of the "associated producers"²⁸. Commodity production will therefore still prevail in the realm of consumer goods. Economic automatism will not reproduce "socialist" relationships in society; state coercion will be necessary to correct that. And we will therefore have a society in transition between capitalism and socialism, characterised (like the Soviet Union) by the basic contradiction and combination of a non-capitalist mode of production and essentially bourgeois norms of distribution²⁹. It is no more capitalism, because there is no universal commodity production, no capitalist competition, no capital accumulation, no laws of motion of capital. It is not yet socialism, because there is still partial commodity production, not yet universal production for use, there is still money, there are still social conflicts, and there is still a state.

Kidron could object: "I admitted that there might be transitional form in distribution, didn't I? But what about control over production?" Unfortunately, it is not possible to separate production and distribution in such a mechanistic and total way. If bourgeois distribution norms still reign, there is still some inequality of income. If there is still inequality of income, some social tensions subsist (the more so the more backward the country is from the outset, or the greater this inequality), and the state is still necessary and cannot wither away. True, if the state is administered by the workers themselves, this role of arbiter will function in the general direction of greater equality; if it is administered by a privileged bureaucracy, it will arbitrate in the sense of maintaining and consolidating these differences of income. But the inevitability of social tension and the survival of the state correspond to the survival of precisely these bourgeois norms of distribution, which in turn reflect precisely the degree of development of the productive forces: insufficient for an immediate and general introduction of free distribution of goods and services. And the concrete way in which the economy will be managed will again depend at least partially upon the effects which the existing money economy and inequality of income will have on the activity and consciousness of the producers, on their class cohesion and political involvement, etc., etc.

If this is so, such a society still has the need for accumulation (not of capital, of course, but use-values in the form of equipment, etc.). The division of the social product between consumption and accumulation remains a problem, creating new social tensions. Whether there is workers control of bureaucratic management will make a lot of difference in the way this problem is solved; but it cannot make the problem disappear through magic. And all these problems and tensions are neither those of a socialist society, nor those of a capitalist society, but precisely those of a society in transition from one to another (in the larger historical sense of the word, like Marx and Lenin characterised it: "the epoch of the dictatorship of the proletariat", which is most certainly not the epoch of socialism).

Of course accumulation will not be "blind" (it is not in Russia either). But external compulsion will still very much be with us (except if one assumes simultaneous revolution in the whole world),

and will lead to new distributions and allocations of the social product (not only between consumer goods and investment goods, but also between them and weaponry). And this will again create many problems, and increase social tensions all around.

So a society in transition from capitalism to socialism, far from being a mere "verbal convenience" of Mandel's, is a basic historic category which maintains its fundamental significance for the whole epoch of world revolution. That's what was built in Russia by Lenin and Trotsky. That's what still will subsist in the Soviet Union when the working class will have overthrown the parasitic rule of the bureaucracy, through a political revolution, and when it will have restored full Soviet democracy. That's what we shall have to build, when the workers take power and establish "genuine workers control", in any country of the world tomorrow. That and not fully fledged socialism and "production for use" without commodities, money, at state and—alas—weapons. Anybody who promises otherwise is only creating meaningless illusions among workers, which will cause havoc and deception when reality exposes them. "A society in transition between capitalism and socialism (i.e., the historical epoch of the dictatorship of the proletariat, under whatever form this may appear) doesn't exist", thunders Kidron. "A society of transition between capitalism and socialism, i.e., nationalisation of all means of production under workers control, democratically planned economy, but still with commodity production of consumer goods, with the survival of money, with foreign trade and with a workers army as long as the threat of strong bourgeois states subsists: that's the only thing we can build immediately, when we overthrow capitalism tomorrow", revolutionary socialist workers in Britain will answer.

If Kidron wanted to be consistent—but can one ask an adherent of the theory of "state capitalism" to be consistent?—he would have to reply to them: "Back with you, sons of Satan! You want to entice me to build not a society in transition between capitalism and socialism—because such a society doesn't exist—but state capitalism. This I will steadfastly refuse. I will tell you that you are unable to overthrow capitalism anywhere, anytime, as long as it is not overthrown in all countries simultaneously, as long as there is compulsion to accumulate and to manufacture weapons. For socialism can only be born by one stroke, or it won't be born at all". Will Kidron dare draw this ultimate conclusion from his irresponsible denial of the existence of a society in transition between capitalism and socialism, and dare tell the British workers they should wait before overthrowing capitalism even if and when conditions for this overthrow would be most favourable in their country, till they can do it simultaneously with the American and . . . the Soviet workers, lest they get themselves entangled unwittingly in the building of "state capitalism"? We bet that he would not retain followers with such a defeatist statement.

The politics of "state capitalism"

Kidron might shrink back before this ultimate conclusion of his thinking but it is its logical conclusion. It shows the uselessness and danger of the theory of "state capitalism" for the working out of a revolutionary strategy in the present world.

If one starts from the assumption that capitalism to-day reigns supreme not only in Russia, but also in Yugoslavia, Eastern Europe, China, North Vietnam, Cuba—an assumption, incidentally, which you won't find a single capitalist in the world sharing—then it follows that world capitalism is to-day stronger than it ever was before in history. Then capitalism has ushered in a new and sensational phase of universal development of the productive forces, above all in backward countries like Russia and China, much more impressive even than anything Marx described for 19th century capitalism. Then Trotsky was deadly wrong with his theory of permanent revolution, and his denial of any possibility for capitalism to solve the historic tasks of the bourgeois revolution in underdeveloped countries. Then any suggestion that there is a "world crisis of the capitalist system" can only be so much empty talk.

In the best of cases, we would just be faced with intensified international competition between two imperialist blocs, which eventually could lead to war, but with which revolutionists could have nothing to do. And it then follows that there do not exist to-day any objective conditions ripe for socialist revolution, anywhere in the world, as long as capitalism continues its triumphant march forward. Only after some major breakdown of the system (perhaps after a war?) could such a possibility arise. Strangely enough, a consistent "state capitalist" would thus arrive at a very similar conclusion as a pro-Moscow CPer (the pro-Peking CPers will in good time arrive at the same conclusion too): socialist revolution is not on the agenda anywhere just now.

The strategic conclusions which follow are concrete and very deadly. Kidron himself has spelled them out at least for two of the three sectors of world revolution.

In Western Europe, basing himself on his assumption of capitalism triumphant, Kidron, as late as 1967, while recognizing that some slowdown of growth would probably occur, saw as the only possible strategy for the working class movement the perspective of . . . "mass reformism" from below³⁰. We, on the other hand, understanding, we believe, much more correctly the structural crisis of the world capitalist system, could make the prediction that notwithstanding the temporary increase in the rate of growth of the Western economy in the fifties and the early sixties, this remained a deeply crisis-ridden system, in which periodic social explosions, which would put the revolutionary conquest of power on the agenda, were unavoidable³¹. The French May 1968 events have shown who has been right and who has been wrong in that respect, and what Kidron's analysis objectively leads to: to furnish a theoretical apology for all those reformist and neo-reformist tendencies in the Western labour movement—to start with the French CP!—who all claim that no more than a defence of workers' real wages and the like is possible to-day

For the colonial and semi-colonial countries, Kidron's medicine is an even more bitter one. As the colonial revolution can only lead to capitalism in one form or another—a current exercise of the British adherents of the “state capitalist” theory is to explain even the cultural revolution in China by reference to the need “to step up capital accumulation”; presumably, if tomorrow, after Mao's death, most of the decisions of the “cultural revolution” were reversed, the same explanation would then be given for the reversal. We had better stop chattering about “permanent revolution”. Anybody who comes to power there, including through a popular uprising, can only submit himself to the laws of competition of the world market. As these laws evidently play against the poor countries (and poor classes), workers and poor peasants in these countries can only expect higher burdens, nothing else. It sounds unbelievable, but that's exactly what Kidron has to say about the perspectives of the Ceylon “trotskyists”³²:

“Ceylon is poor. She is terribly dependent on the export of plantation products, primarily tea, whose prices are steadily falling. Unless she can break into new export markets for manufactured goods, she will simply become poorer.

“Exporting new goods is not easy, particularly in competition with speculators like Hong Kong, Taiwan and Singapore and it is made less easy by Ceylon's relatively high level of social welfare expenditure . . .

“If the transition is to be made at all—and it is undeniably necessary—productivity will have to be jacked up and wages held down. *There is no alternative.* All the LSSP can hope for is that the workers will make the sacrifice willingly.

“This then is their dilemma: they are a working-class party in theory yet much of their policy is directed at making palatable the sacrifices they intend demanding from the workers, they are ostensibly a socialist party, yet much of their programme is concerned with making Ceylon competitive in a capitalist world.

“It is a cruel dilemma, and one that can become only crueller as, and if, the left-coalition implements its economic programme. For as they do so they must become increasingly isolated—foreign capital will put on the squeeze, the coalition's small business allies will take fright and the anti-coalition left will nibble successfully at their working class support” (Socialist Worker, July 3, 1969—our emphasis).

If all this were true, one should have to draw two conclusions. One that it is useless to try today to make a socialist revolution in Ceylon; things could only become worse, and a socialist should limit himself to fight for modest democratic and economic reforms, postponing “revolution” till some better age. Second, that it would be utterly irresponsible to condemn, not only the reformist LSSP of entering a bourgeois coalition government, but also and above all the various reformist CPs of supporting national bourgeois governments (as the Brazilian, Iraqi, Persian; Indonesian CPs have done and the Indian CPs are doing now, one knows with what magnificent results!) Because they had no more choice than the reformist LSSP, and wasn't it preferable, after all, to have the capitalists do the dirty job of squeezing the workers' standard of living themselves, rather than do it for them under the false signboard of “socialist revolution”?³³

So Kidron's politics lead to utter despair for a revolutionist. No revolution possible in the West; no revolution possible in the South; as for the East, insofar as the “objective conditions” are similar either to the West (in Russia, Czechoslovakia, East Germany) or to the South (China, Vietnam, etc.) why hope for revolution there? The only place to withdraw, for a revolutionist, in Kidron's universe, is to the study, where intelligent commentary can be made about the failures of past revolutions and perspectives of new ones, in the 21st century. The members of “International Socialism” should ask themselves whether that's what they joined their group for.

No wonder that Kidron scolds us for “shifting easily” from urban workers to “third world” peasants, to “students as the revolutionary focus” (p. 35). If world revolution is some vague prospect for a distant future, then of course the only thing to do today would be—outside of studying—to involve oneself with the day-to-day economic struggles of the workers, meanwhile preaching socialism, as good social-democrats did around 1890.

But if world revolution is seen as the main reality of our epoch, drawing larger and larger parts of mankind in its orbit, as a result of the world crisis of the capitalist system, then the objective shifts of the process—whose main epicentre did pass in fact during twenty years (1948-1968) from Western Europe to China, Vietnam, the Arab world, Cuba, Bolivia, etc.—must be followed and evaluated with the greatest care, and the fact that the students did trigger off a general strike and revolutionary struggles in two industrialized countries, France and Argentina, within the same year, should be given all the importance it merits. This does not detract from the concept that the industrial proletariat remains, on a world scale, the decisive social force to overthrow capitalism and build a socialist world. But it leads back to the Leninist concept of “What is to be done?”, that a truly revolutionary organization can only challenge Capital's power—here on a world scale, and not in the framework of Russia—if it succeeds in integrating and orienting towards socialism all objectively revolutionary demands and movements of other social layers, be it “third world peasants” (nearly two-thirds of mankind by the way)—students in revolt.

The inconsistencies of “state capitalism” do not stop there. The adherents to “state capitalist” theories were at least consistent when they refused to back North Korea and China against American imperialism in the Korean war; why back one “imperialist camp” against the other? Now, all of a sudden, they back North Vietnam and the South-Vietnamese Liberation Front (the nucleus, presumably, of the ‘bureaucratic class’ which is going to extract tomorrow the last drop of surplus-value from the South Vietnamese labourers under the “state capitalist” system they are busy establishing):

What has happened? Isn't Russia "state capitalist" or "imperialist" any more? Has China ceased to be "state capitalist"? Is the conflict no more a conflict between two "imperialist camps"? Have the South Vietnamese communists suddenly more "choice" than the "tropical trotskysts" in Ceylon? Could they—God forbid!—actually lead a socialist revolution and build a society "in transition form capitalism to socialism", instead of state capitalism? One can't make head nor tail of this "logic". Here all the inconsistencies of the theory of "state capitalism" are revealed quite nakedly³⁴.

Smile

Let us add that Kidron's dilemma for the Ceylon trotskysts (and revolutionists in the backward semi-colonial countries in general, at that) does not make much sense from an economic point of view either. Kidron assumes that the "terrible dependence" of Ceylon on the capitalist world market is somehow the result of that country's poverty and backwardness; but couldn't it be conceived as the *origin* rather than the *consequence* of that poverty? What does Ceylon (or rather the Ceylonese capitalists and foreign plantation companies) receive in exchange for tea, rubber and coconut exports, and what do they do with these results of unequal exchange? Do they use it for industrializing the country? Only to a small extent. Don't they rather import a lot of consumer goods, to begin with food? Couldn't most of these consumer goods, to start with food, be produced in Ceylon itself? Isn't there a tremendous reserve available for this, half a million unemployed plus all the underemployed able-bodied adult men (not to speak about the unemployed adult women)? Shouldn't this underemployment of the nation's resources be viewed as one of the main roots of underdevelopment too? Shouldn't the enthusiasm of the population be mobilized for these productive purposes, rather than for having them "accept sacrifices in their standard of living"? Couldn't this "labour investment" under conditions of socialist democracy (i.e., majority consensus and workers control) lead to an increase in output, where increase in the standard of living could go side by side with increase in investment (in fact, isn't that the economically *optimum* solution, i.e., the one which guarantees fastest economic growth)? Wouldn't the main condition for such a "take-off" be the expropriation of foreign and native capital and the establishment of a state monopoly of foreign trade and isn't the trouble with the reformist LSSP that it can achieve this neither in alliance with the bourgeois SLFP nor by electoral means? Couldn't Ceylon answer an economic blockade by Britain (if it came about) like Cuba did, by exchanging rubber, tea and other goods for Russian, Czechoslovak and East German industrial equipment? Couldn't the administration of the tea estates by the Tamil workers, and the subsequent rise of their standard of living, create tremendous sympathy and enthusiasm for a Ceylon workers and peasants republic among the starving, downtrodden but politically already alert or even radicalized population of South India and Bengal? Couldn't a victorious Ceylonese revolution become a powerful factor for triggering off a revolution in India, which would be one of the most important and far-reaching upheavals in the history of the human race? That is the answer to Kidron's dilemma, which any revolutionary marxist could have mapped out to him. If he himself hasn't found it, it is not because of lack of intelligence, but because the theory of "state capitalism" makes him colourblind to the real problems of world revolution today and their answers.

Under these circumstances, one cannot be surprised that, faced with the accusation of "crude philosophical idealism" hurled at us by Kidron we are not at all upset. Yes, in our view marxism *does* imply that Ceylonese revolutionists have a choice today, and that "capitalist exploitation and accumulation" does not fatally flow there from a certain set of economic circumstances. Yes, in our view, the tragic lack of understanding by the leadership of the Bolshevik party, in the twenties, of the problem of bureaucratic deformation of the workers state, and of the means to fight it till a new upsurge of world revolution came about, was the main cause of Stalin's conquest of power, and not any economic fatality against which there was no avail. Yes, we are not "economic determinists" in Kidron's way, which is really Kautsky's and Otto Bauer's tradition, excluding revolutionary party as a determining factor of history, anywhere, any time. To be accused of "philosophical idealism" by such a fatalist cannot but confirm us that we are right.³⁵

After all, some people, before Kidron, thought that socialists in a backward country had no choice but to act as a benign opposition to capitalists, because they thought that whatever one did, capitalism was on the agenda in that country (as long as it would not have been overthrown in all or most of the industrially advanced countries of the world). That's why these people were furiously opposed to the October revolution, which they called a "voluntarist adventure", inspired by "crude philosophical idealism". That's why they proclaimed triumphantly, as early as 1920, that facts had proven them right, and that "capitalism" (some actually said: state capitalism) existed in that country. The name of that country was Russia, and the people were called mensheviks. They are Kidron's models and inspiration, whether he likes it or not.

August 10, 1969

Ernest Mandel.

NOTES

1. Michael Kidron, "Maginot Marxism: Mandel's Economics", in "International Socialism", April-May, 1969.
2. Capitalism is the transformation of labour power into a commodity and of means of production into capital, which means that they have to become commodities too.
3. "Objects for use only become commodities because they are products of private labours, conducted independently from each other. The complex of these private labours constitutes global labour. As the producers establish social contact only starting with the exchange of the products of their labour, the specific social character of their labours appears only through this exchange" (Volume I, chapter I, p. 39)—"In order that these objects may enter into relations with each other as commodities, their guardians must place themselves in relation to one another as persons whose will resides in these objects. . . . They must, therefore, mutually recognize each other as private proprietors" (Volume I, chapter II, pp. 50-51)—"In the existence of the product as commodity, determined historical conditions are embedded. In order to become a commodity, the product couldn't be produced as means of immediate subsistence for the producer himself. If we would have pursued our investigation and asked: 'Under what conditions do all or even the majority of products take the form of commodities?', we would have discovered that this happens only on the basis of a very specific mode of production, the capitalist one" (Volume I, chapter IV, p. 132)—"The transformation of a sum of money in means of production and labour power is the first movement which a quantity of value passes through, if it has to function as capital. This takes place on the market, in the circulation sphere. The second phase of the movement, the production process, is finished as soon as the means of production are transformed into commodities, whose value is greater than the value of their component parts, and thus contains the advanced capital plus surplus-value. These commodities must then be thrown back into the circulation sphere" (Volume I, 7th part, preface to chapter XXI, p. 527). All references are to the German edition of "Das Kapital" of Karl Marx, edited by Engels (9th printing, Hamburg, Otto Meissners Verlag 1921), and have been translated by us.
4. "This absolute drive (Trieb) of enriching himself, this passionate chasing after value, is common to both the capitalist and the hoarder, but while the hoarder is but a mad capitalist, the capitalist is a rational hoarder. The indefatigable increase of value, which the hoarder tries to attain through salvaging money out of circulation, the more intelligent capitalist realizes it by throwing money again and again into circulation" (Volume I, chapter 4, p. 116)—"Commodity production presupposes commodity circulation, and commodity circulation presupposes the presentation of commodities as money, monetary circulation; the duplication of commodities in commodities and money is a law of the appearance of products as commodities. In the same way capitalist commodity production presupposes—from a social as well as from an individual point of view—capital in monetary form or monetary capital as *primus motor* for each new beginning business, and as a continuous motor. . . . The whole advanced value of capital, i.e., all component parts of capital, which are composed of commodities, labour power, labour means and productive material, must constantly be bought by money and bought again. What is true here for individual capital, is also true for social capital, which can function only in the form of many individual capitals" (Volume II, chapter 18, p. 328)—"Money is the form in which each individual capital (abstraction made of credit) must appear, in order to transform itself into productive capital, this follows from the nature of capitalist production itself, in general from commodity production" (ibidem, p. 332, for source, see note 3).
5. "Capital exists and can only exist as many capitals, and its self-determination appears therefore as interaction of these many capitals on each other," (p. 317)—"The concept of capital implies that the objective conditions of labour—and these are its own products—become embodied in confrontation with labour (literally: take up a personality in confrontation with labour, E.M.), or, which is the same, that they are posed as property of a personality alien to the worker. The concept of capital implies that of the capitalist" (p. 412)—Karl Marx: "Grundrisse der Kritik der politischen Oekonomie, (Rohtentwurf) 1857-1858", Dietz-Verlag, Berlin 1953, our own translation.
6. "The specific economic form, in which unpaid surplus labour is pumped from the direct producers, determines the conditions of domination and submission (Knechtschaft) as they emerge directly from production itself, and react in its turn in a determining way upon production" (Volume III, chapter 47, p. 324 of "Das Kapital", source as in note 3).
7. Marx made the point, in several parts of "Capital", and in "Theories of surplus-value", that real wages are higher in the capitalist countries with higher productivity of labour than in the less developed capitalist countries. As for Marx the reserve army of labour is the regulator of wages, this implies that there is no absolute decline of labour foreseen by Marx, when capitalist industrialization unfolds. The movements of accumulation of capital can produce several results: absolute increase of labour accompanied by relative increase (in comparison to the mass of production and the mass of capital); absolute increase accompanied by relative decline; and absolute decline accompanied by relative decline. The first case (which implies a decline in social productivity of labour) is exceptional under conditions of industrial capitalism, and so is the third one, characteristic for periods of primitive accumulation of capital; the second case is the more common one.
8. Karl Marx, Theorien über den Mehrwert, 2er Band, pp. 267-8 (2nd edition by Kautsky, Stuttgart, Dietz Verlag 1910).
9. Karl Marx, Das Kapital, Volume III, chapter 15, pp. 236-7 in the edition indicated in note 3.
10. There is of course one peculiarity of arms production which we stressed in "Marxist Economic Theory": the fact that its products do not enter the enlarged reproduction process, as they are neither means of production nor means of consumption, and reconstitute neither constant capital nor labour power. But capital invested in the arms sector is part of total social capital; its profits enter the accumulation process, exactly like any other capital; and its own organic composition of capital enters in the determination of organic composition of global social capital, hence in the determination of the average rate of profit, exactly like any other capital.
In his book "Western Capitalism since the War" (Weidenfeld & Nicolson, London 1968, pp. 46-7), basing himself on writings of von Borkiewicz and Sraffa, Kidron tries to explain the "drain" nature of arms production by equating them to "luxury goods". He forgets that by the Marxist definition of luxury goods, these are bought by the non-accumulated part of surplus-value. So what we have here is a perfect *petitio principis*. If the non-accumulated part of surplus-value grows, accumulations slows down (and, with it) the effects of all laws flowing from increased accumulation: that's what he wanted to prove from the start. But is arms production indeed paid for by the "non-accumulated" part of surplus-value? What interest has the capitalist class in suddenly slowing down accumulation for a quarter of a century? Has arms production actually resulted in a slowdown, or has it rather led to a speed-up of accumulation? And if it has resulted in a speed-up, how can one then present arms as "luxury products"? These questions show that Kidron's analysis of arms production does not hold water.
11. This Kidron does not want to admit, because he labours under the impression that there exists not a plethora but a scarcity of capital. The "proof" he produces is the high rate of interest, i.e., high demand for money capital. If conjunctural factors—as those which exist in the USA in 1968-9—are abstracted

from the general rise of interest rates during the last decade is a result of inflation and not of scarcity of capital. When secular inflation—which Kidron could have linked to the weight of arms production, among other things—becomes a permanent feature of the economy, the interest rate is composed of two factors: the "price" of loaning money capital plus an insurance premium to offset annual losses of purchasing power of the currency. When this premium is evaluated at 3%, then the "price" for loaning money capital is much lower than it appears to be. Evidence for the plethora of capital can be found (1) in the movement of capital export from the main imperialist powers, which is today stronger than ever before; (2) in the high rate of self-financing; one of the striking changes of today's monopoly capital as compared to monopoly capital in Hilferding's and Lenin's description (a change which we noted and explained in "Marxist Economic Theory"). Incidentally: inflation can increase the demand for money capital side by side with the existing plethora of productive capital. As capitalists big and small don't want to hold cash, they buy up all kinds of "real values", and have an interest to do this on credit as far as possible. Thus inflation creates credit expansion, which in turn feeds inflation. Whether this leads to a scarcity of productive capital can be studied in the annual reports of the big corporations. Do they have difficulties in selling stocks and bonds? Can't they finance important expansion projects due to lack of capital, etc., etc.? Posing the question is answering it. The excess productive capacity in key sectors of industry is the real basis of this plethora of capital.

12. The figures 1869-1919 from "Historical statistics of the USA, from colonial times till 1957"; the figures 1919-1964 from "Long Term economic growth 1860-1965 (US Department of Commerce, Washington 1966)
13. In "Marxist Economic Theory" we have clearly indicated the counter-acting tendencies, which slow down and, momentarily, even reverse the tendency for the average rate of profit to decline.
14. Cf. Baran-Sweezy: *Monopoly Capital*, pp. 372-378, Monthly Review Press, 1966, New York.
15. We have already indicated elsewhere a very telling example: when the Mobutu regime of Congo nationalized the Union Minière du Haut-Katanga and proposed to pay compensation on the basis of the net book value of assets, the gentlemen concerned cried out like wounded animals: "But our assets are worth three times as much. . . ."
16. West German figures "Zeitschrift für allgemeine und textile Marktwirtschaft", Heft 2, 1968—The British figures are not completely comparable, because till 1965 they express the relation between net profits (gross profits less depreciation and taxes) and net assets, whereas the post 1965 figures deduct financial charges too from gross profits. The difference is however less than 1%, and therefore cannot change the general trend.
17. See especially "The Economics of Neo-Capitalism", published in the "Socialist Register", 1964, London, Merlin Press.
18. Stepped up capital accumulation can be explained in Germany, Italy and Japan, the three countries with the highest rate of growth for the period 1950-1965 among the major imperialist powers, essentially as a result of a sudden upward push in the rate of surplus-value. Reconstruction of the ruined economy increased profit and productivity of labour rapidly, whereas wages lagged behind, as a result of the large surplus of labour (from Japanese and Italian agriculture on the one hand, the strong influx of East German refugees on the other hand).
19. Kidron denies that there has been a decline of world trade in relation to total industrial production, and states that "trade in manufactures has . . . gone up twice the rate of output since 1948" (p. 34). He forgets that there was a tremendous drop in the relation: trade in manufacturers/output of manufacturers for the capitalist countries after the 1929 slump; that the pre-1929 relation was reached again only in 1965; that the pre-1929 relation was in itself lower than the 1913 relation; and that the 1965 figures are strongly inflated as a result of the expansion of trade inside the European Common Market (which, at least partially, resembles the trade inside the United States more than international trade). A tendency which verifies itself for more than half a century is surely a historical tendency, even if it is reversed for four years.
20. Imports from capitalist countries fell from 0.7% of the Soviet Union's national income in 1940 to 0.5% in 1950, after that slowly to rise to 1.2% of the national income in 1959 and 1.5% in 1964. These figures don't tell the whole story though, for a large part of these imports come from semi-colonial countries which have an average productivity of labour much lower than that of the Soviet Union and can therefore neither "encroach" nor "wound" anything inside the Soviet economy. Imports from advanced capitalist countries have till now remained consistently lower than 1% of the Soviet Union's national income.
21. Kidron alleges that the planners ensure growth by a flow from low-productivity to high-productivity sectors, and equates this with the flow of capital from sectors with low profits to sectors with high profits. He seems to forget that in a capitalist economy, it is not physical productivity of labour, but financial profitability of capital (through the prism of the market) which directs the flow of resources from one sector to another—and that both parameters by no means automatically coincide. Unwittingly he has thereby stressed another qualitative difference between the Soviet economy and a capitalist economy, instead of "discovering" a *simile*. Just in passing: doesn't Kidron believe that in a socialized, or even a socialist economy, resources will also have to flow from low-productivity to high-productivity sectors, inasmuch as economic growth is still needed? Doesn't this indicate the basic similarity between the Soviet economy and any economy in the epoch of the dictatorship of the proletariat, after the overthrow of capitalism, in whatever part of the world this occurs?
22. Not, of course, maximizing accumulation. We showed in "Marxist Economic Theory" that the Maximum rate of accumulation never leads to the fastest rate of growth, also some "fresh" thinking which escapes Kidron's attention.
23. Cf. Oscar Lange and Fred M. Taylor: "On the Economic Theory of Socialism".
24. The economic rationale of central planning as against "individual profitability" of the factory lies in the fact that the optimum combination of national (or international) resources gives a higher economic result (whether counted in net revenue or in economy of labour-time) than the sum total of the optima achieved on a factory level.
25. A few recent Soviet articles referring to these debates can here be mentioned: V. Komin: "Economic Reforms and Tasks in Further Improving Price Formation", in "Planovoie Khoziaistvo", 1968 nr. 4; V. Lisitsyn and G. Popov: "On administrative cadres", in "Planovoie Khoziaistvo", 1968, nr. 5; E. G. Liberman and Z. Zhitnitsky: "Economic and Administrative Methods of Managing the Economy", in "Planovoie Khoziaistvo", 1968, nr. 1, etc.
26. Cf. The outcry and near-open revolt of the Yugoslav workers since 1968 against the results of the "economic reforms", especially in the form of increased unemployment, increased inequality of income and increased encroachments by managing bodies on the workers' rights.
27. In fact, there have been "transitional societies" between all major stages of man's history. Cf. George Novack's excellent article in the November-December 1968 issue of "International Socialist Review".
28. In "Marxist Economic Theory" we analyzed for the first time (except for the contribution by Preobrashensky, essentially geared however to the problems of an underdeveloped agrarian country) the concrete process of withering away of commodity production, in the course of building a socialist economy. One would have expected some comments of Kidron's on this example-of "fresh exploration".

29. Kidron eagerly picks up our remarks about unsold stocks in the Soviet Union to show that overproduction, after all, exists in that country. He doesn't understand that from a *partial* survival of commodity production, *partial* overproduction would emerge inevitably, as we correctly predicted already in the fifties, but that the whole difference between capitalism on the one hand, and petty commodity production or society in transition between capitalism and socialism on the other hand, lies precisely herein, that in the first case, generalized commodity production leads "by natural law" to generalized overproduction, i.e., to periodic decreases in investment, in income, in output and in employment in the economy as a whole, whereas under partial commodity production this is not the case, no more in medieval Italy than in today's Russia. Here notwithstanding unsaleable stocks in various sectors of consumer goods, global investment, income, output and employment don't interrupt their continuous growth. Kidron has again, unwittingly, clarified a major qualitative difference of Soviet economy and of capitalism, instead of the simile he thought to have discovered.
30. Michael Kidron: "Western Capitalism since the War", pp. 147-8. Kidron's prescription was based upon the assumption of permanent full employment. Once this is eroded, the resistance of workers of individual factories or firms against the increasingly centralized determination of real wages has no chance of success.
31. See our article: "Une stratégie socialiste pour l'Europe capitaliste", in "Revue internationale du Socialisme", No. 9, mai-juin 1965.
32. Kidron should have been at least objective enough to tell his readers that after entering a coalition government with the bourgeoisie, the reformist LSSP was expelled by the Fourth International, while a minority, the LSSP (R)—which has the secretary of the strongest Ceylon trade union in its ranks—maintains the continuity of revolutionary marxism, i.e., trotskyism, in the island.
33. Incidentally, this conception equals a rehabilitation of Stalin too. The poor fellow had obviously no choice—no more than the reformist LSSP—but to industrialize Russia at the expense of the workers' standards of living. And the alternative programme of Trotsky's Left Opposition? So much "philosophical idealism", undoubtedly. . . .
34. We could continue the tale. The same issue of "International Socialism" which publishes Kidron's "article contains an excellent report by Ibrahim Ali, which ends with the following sentence: "Only a revolutionary and internationalist solution is capable, not only of solving the Palestine problem, but all other problems of social and national emancipation in the region". We fully agree. But let Kidron explain why "developed Arabs" can solve all (!) their social problems through a socialist revolution, while "underdeveloped Ceylonese" cannot. Let the editors of "International Socialism" explain why what is true for the Arab revolution, Eastern sector, was not applicable to the Arab revolution, Western sector (i.e., the Algerian revolution). Wouldn't it then have been necessary to give the Algerian armed struggle against French imperialism the same kind of critical support "International Socialism" is giving today the Palestinian guerillas? And wouldn't it have been necessary to try and push the Algerian revolution forward to a socialist revolution, exactly like Ibrahim Ali proposes today to the Palestinians?
35. Even on this very minor question Kidron cannot keep his categories clear. "Philosophical idealism" is a doctrine which affirms the primacy of spirit (mind) over matter, the first creating the second. When we say that the individual unconscious still harbours echoes from the "communist part" of 7000 years ago, we don't imply thereby that instincts or ideas "create" material conditions; we simply assume that they can linger on after the material conditions which gave birth to them have disappeared. This statement has therefore nothing to do with either philosophical or historical idealism, but is an elementary truth of historical materialism, conceived in a dialectical way. Doesn't Kidron know that the peculiar ideas of the Catholic Church, born out of material conditions of feudalism, still have a powerful impact a thousand years after their formulation? Doesn't he know that superstitions born from material conditions, which have disappeared for many more centuries also linger on? Why is it then so difficult to conceive that some of the elementary customs of social solidarity and cooperation, born under tribal communism, and maintained in the village community, could still strongly affirm themselves today? Perhaps because Kidron's way of thinking is narrowly mechanistic and based upon vulgar determinism, where everything flows automatically from economic fatality?

4. The Inconsistencies of Ernest Mandel

Chris Harman (Reprinted from *International Socialism*, Dec/Jan 1969/70, pp36-41.)

Any attempt to 'examine the economic basis of the theories of International Socialism' and to 'demonstrate . . . in fact the Menshevik theories of International Socialism lead to a very bad political practice' would merit attention in this journal. When the author of such an attempt has been considered for many years the leading theoretician of the 'Fourth International' and has also acquired a reputation in certain circles as a 'Marxist economist', a serious assessment of his arguments can not only enable us to clarify our arguments, but also to see to what extent his reputation is deserved.

There are, however, two practical difficulties in an overall assessment of Mandel's pamphlet.¹ The first is that the range of points covered is so great as to prevent us attempting to deal with other than the major ones. The second is that his critique is not of 'the theories of the International Socialism group as a whole'. It is a critique of one short presentation of these theories in a review by Mike Kidron; the books and articles by Cliff, Kidron and others where our arguments are put fully are only mentioned a couple of times in passing in Mandel's pamphlet.

However, by looking at the major points on which Mandel takes dispute with us, the basic untenability of his position can be shown, together with the extent to which he is forced into inconsistencies, distortions and simple misunderstandings in order to defend it, and the overall shallowness of his critique.

The nature of capitalism

The first central point in Mandel's criticism concerns the nature of capitalism. He argues that 'Capitalism is a mode of production in which generalised commodity production unleashes a historic process of accumulation of capital, which is in turn a constant (if discontinuous) growth of commodity production, of production of exchange values and of reinvestment of surplus value'.² 'The rationale of capitalism can be understood only under conditions of constantly expanding commodity production, of a constantly expanding and insecure market, and of firms, of producing units, facing that anonymous market independently from each other and competing for larger and more profitable shares of the market. . . . But if we assume generalised and constantly expanding commodity production we assume also the absolute need to realise the surplus value of these commodities, in order to accumulate capital.'

The argument is developed at some length and the central idea is repeated, in different forms, several times. As far as it goes it is a fair summary of a part of Marx's conception of the nature of capitalism.³ But there is an odd omission. Nowhere in the whole section of the pamphlet dealing

with this question is there a single mention of the working class or a single reference to the wage labour/capital relationship. Now this is curious. For it was not Michael Kidron but Karl Marx who wrote 'The relation between wage labour and capital determines the entire character of the mode of production'. And this is not an accidental aside. Marx's original starting point was alienated labour, the situation in which the products of man's labour appear as independent forces, constraints on his activity. In its developed form this implies the separation of the worker from control of the means of production, expropriation of the actual producers, the creation of a proletariat.

The significance of this omission will become apparent later. For the moment, however, let us look at the conclusion Mandel thinks can be drawn from his definition. He sees it as meaning that commodities produced have to be transformed into money, and that therefore that 'capital accumulation', 'the final money form of capital' and 'the capitalists thirst for profits' are 'exactly identical expressions'. But this is plain unadulterated nonsense. Thirst for profits is not 'synonymous' with 'the basic economic compulsion determined by the structure of capitalist society'. Thirst for profits existed, for instance, among usurers in the 'slave society of Roman antiquity or in Chinese oriental despotism. So did the 'final money form of capital'. In neither case did they produce systematic 'capital accumulation'. What Mandel is trying to say is that in capitalism as Marx describes it they are different elements in an integrated ongoing system. But if that is the case, it is difficult to see the particular sin in describing them as social and psychological mechanisms that make the system function. Yet it is for this that Kidron is subjected to attack. What really matters, of course, is whether they are the only such mechanisms that produce the peculiar features of that system as opposed to other historically existing modes of production.

This leads us to the central argument: whether the capitalist mode of production is to be defined by a system involving the 'thirst for profit' and 'commodity production' for a 'constantly expanding and insecure market', or by something else of which these are but manifestations. Kidron argues that this something else is the competition between rival owners of means of production that forces each to try and resist the inroads of the other by continually expanding the means of production. This establishes a relationship between the different accumulations of alienated labour making up the competing means of production that defines each as capital, and their owners as capitalists. It also determines the dynamic of interac-

tion of capitalists with each other and with those who produce the means of production so as to continually reproduce on an enlarged scale, the competition.

Mandel's argument is that this cannot be a definition of capitalism because:

1—The primacy of growth 'is not only true for capitalism'. He instances the 'tremendous process of growth' of the fourth millennium BC and 'the tremendous economic growth' that would occur under socialism. Yet, in fact, neither of these actually refers to a situation in which there was a 'primacy of growth' in Kidron's terms, that is, a system in which growth is compulsive. Rather each refers, even according to Mandel, to growth that occurs as a result of historically contingent factors. In fact even Mandel is unimpressed by his own argument here. For 12 pages later he writes: 'this urge (to accumulate capital) is typical only for the capitalist class under the concrete conditions of the capitalist mode of production'.⁴

2—More importantly, he argues that competition alone cannot be the definition of capitalism, because in the past there have been societies competing with each other (eg Rome and Carthage, Venice and Byzantium) that have not been capitalist. Therefore, what counts is only competition on the basis of 'generalised commodity production'.

The trouble with this definition is that it leaves the concept of 'commodity' as unproblematic. This might not matter if one were dealing with small-scale capitalist production with many competing firms exchanging all their produce on the market. With modern capitalism of the Western sort, let alone with that which dominates in countries like Egypt or Syria, this raises immediate problems. For instance, what happens when the capitalist produces for the state? According to Lenin:

'When capitalists work for defence, ie for the government treasury, it is obviously no more "pure" capitalism, but a special form of national economy. Pure capitalism means commodity production. Commodity production means working for an unknown and free market. But the capitalist "working" for defence does not "work" for the market at all'.⁵

Or again, in a monopoly when the capitalist has a degree of control over his own prices? As Hilferding has put it: 'The realisation of the Marxian theory of concentration—the monopoly merger—seems to lead to the invalidation of the Marxian law of value'.⁶

The Commodity

Unfortunately Mandel does not even begin to discuss these points. He continually refers to 'generalised commodity production' as essential to capitalism, but does not begin to analyse what it means. He is so

concerned to try to show Kidron as deviating from the picture of capitalism that Marx paints that he does not see any problems arising as capitalism itself begins to deviate from Marx's picture. But precisely in order to understand how the system we live under is the same as that analysed by Marx, one had to go beyond mere surface definitions, so as to see how the form of commodity production may undergo profound changes, become hardly recognisable, but the content remains the same. In other words, what is needed is a clear analysis of what commodity production is, the analysis that Mandel does not even refer to in his critique of Kidron.

Despite Mandel's claim that he is only repeating what Marx wrote — 'We only say: Marx truly said this' — he does not in fact take up a point central to Marx's whole analysis of commodity production: which is precisely that the commodity cannot be taken at face value, that 'its analysis shows that it is in reality a very queer thing, abounding in metaphysical subtleties and theological niceties'.⁸ One of the most important sections of *Capital* is after all called 'the fetishism of commodities'. The commodity is not just a good whose character is clearly visible from the fact that it exchanges with another good. It is a reflection of a more deep-rooted characteristic of social production. As society develops, what is manifested on the surface is the exchange of commodities. But through this one recognises what is beyond: the economic relations of production.⁹ Marx's conclusion is quite clear. 'The reason why the products of labour become commodities, social things whose qualities are at the same time perceptible and imperceptible by the senses' is 'because the relation of the producers to the sum total of their labour is presented to them as a social relation, existing not between themselves, but between the products of their labour'. 'As a general rule, articles of utility become commodities, only because they are products of the labour of private individuals or groups of individuals who carry on their work independently of each other. The sum total of the labour of these individuals forms the aggregate labour of society. Since the producers do not come into social contact with each other until they exchange their products, the specific social character of each producer's labour does not show itself except in the act of exchange. In other words, the labour of the individual asserts itself as a part of the labour of society, only by the relations which the act of exchange establishes directly between the products, and indirectly through them, between the producers.'¹⁰ Marx argues that this process forces the labour of the individual labourer to have a two-fold character: on the one hand it is concrete, useful labour of a particular sort; on the other hand it represents a portion of the total labour of the whole of society. 'The different kinds of private labour, which are being carried on independently of each other . . . are continually being reduced to the quantitative proportions in which society requires them. . . .'

What is central for Marx's analysis of commodity production then is that through it the labour of individuals is related in a quantitative fashion to the labour of all other individuals with whom they enter into social relations, not consciously, but rather through the relations that come to exist between the products of their labour. This in turn means that the production process itself is determined by factors outside of it, that is, by the relation of its

costs to that of production taking place elsewhere. There is 'regulation of mutual production by the costs of production . . . the product is related to itself as a realisation of a determined quantity of general labour, of social labour time'.¹¹ For the particular commodity producer this means that his methods of production — his particular relationship with nature and other men in the production process — has continually to be changed as there are unplanned and anarchic changes in the methods of production of all other producers. This commodity production becomes capitalist production when labour power, the capacity for performing labour, as well as the products of labour, becomes a commodity, the price of which (ie wages) is determined by the unplanned social interaction between its exploiters that continually forces them to pay for it no more than an historically and culturally determined minimum.

We can sum up what we have been saying up to this point: yes, capitalism is, as Mandel argues, competition on the basis of commodity production. But to fully understand it one has to go further and see that what makes man-produced objects — and above all labour power — into a commodity is precisely competition between producing units that has advanced to the point where each is compelled to continually rationalise and rearrange its internal productive processes so as to relate them to the productive process of the others.

Now if one examines why, say, the competition between Rome and Carthage was not capitalist, the reason is not just the tautological one that it was not based upon 'commodity production', but rather that the labour processes which the citizens (and slaves) of Rome were engaged in were not being continually transformed and rationalised so as to keep pace with such changes in Carthage and vice-versa. The 'social relation' between the Roman and the Carthaginian citizen established by the competition did not continually intrude upon the actual act of production in this way.

On the other hand, one is now able to see why, and in what sense, production where commodities as defined by common-sense (and Mandel) do not exist can be 'commodity production'. In monopolies both the goods produced at each stage in the production process and the labour power employed are 'commodities' because in the long run the internal organisation of the labour process — ie, the number of goods produced, the exchange relations between different goods, the percentage of the total social labour time employed in producing them, the price paid for labour power — is determined by its relationship to production taking place in society outside the monopoly. Similarly, with arms production for the government; because there exist complex and unplanned relationships between the process of arms production (albeit not ones arising from competition between commodities on the free market) and the production processes for other goods in society, commodity production can be considered to take place. In both cases, the 'law of value' — the complete determination of production by its unplanned market relation to production taking place elsewhere, is negated in a certain sense. But at the same time, it alone provides a necessary basis for understanding how the production process is in fact regulated. An object falling freely through the atmosphere certainly does not fall at 32 feet per second per second, but to

understand how it falls one has to begin from the law of gravity.

In an advanced capitalist society most production is not pure commodity production; but one can begin to understand its dynamic through the law of value. There is a partial negation of the law of value, but on the basis of the law of value itself.

The Stalinist States

The argument about the nature of capitalism in general is a necessary preparation for the discussion about Russia and the other Stalinist states. For Mandel it is settled in advance that these cannot be capitalist states of any sort because a producing unit is, as argued previously, only capitalist when its products 'have to be sold on the market'. 'It is absurd to assume that capitalist production was somehow re-introduced because of "competition on the world market" (ie, that the tail of 1 per cent of output imported from and exported to the advanced capitalist countries is wagging the dog of the Russian economy)'. Mandel does not, however, stop at this point. He feels the need to go on and argue his case in more depth. Rather than take time to point to some of the limitations of his argument here — for instance, the crude empiricism implied in a mere quantitative estimation of the role of foreign trade, without any examination of whether at certain points the qualitative significance of commodities obtained by foreign trade might have been much greater than 1 per cent¹² (after all, Magdoff has argued persuasively that the very low proportion of US trade with the third world is of central importance to the US economy) — merits some of the absurd conclusions that must follow (which if Mandel does not accept, other 'Trotskyists' do), that Cuba, say, with the major portion of its productive resources devoted in the next five-year period, as in the last one, to attempting to produce 10 million tons of sugar a year to sell on the world market in competition with other sugar producers, is engaged in commodity production and is therefore capitalist, while Russia is not — we will analyse his arguments further.

Not only is it not true, argues Mandel, that there is commodity production in Russia, neither is there an urge to accumulate capital. 'As we have said above, it is simply not true that all ruling layers in history have had an urge to pump more and more surplus product out of their producers. And it is even less true that they all have an urge to "accumulate capital". This "urge" is typical only for the capitalist class under the concrete conditions of the capitalist mode of production (universal commodity production and private property of the means of production, ie, the existence of several capitals, ie, competition). Now the Soviet bureaucracy is not a capitalist class. It does not manage factories under conditions of universal commodity production. It is not in the process of competition with other capitalists. So it is under no economic compulsion to maximise output and under even less economic compulsion to optimise resource allocation' (Mandel's emphasis). One can only thank Mandel for putting the logic of his argument so clearly. There are two premises and an irrefutable conclusion: only under capitalism is there an 'urge' to accumulate capital, Russia is not by Mandel's definition capitalist, and therefore the Soviet bureaucracy is under 'no economic compulsion to maximise output . . . and to optimise resource allocation'. Clearly if we can disprove this conclusion, we can seriously question (to say the least) Mandel's whole position. It would seem

that we should devote considerable effort to doing so. We do not, however, intend to. For Mandel himself saves us the effort. Only one sentence later he writes that 'the inner logic of a planned economy calls for maximising output and optimising deployment of resources' and a paragraph later that the 'Soviet economy needed urgently to grow from extensive to intensive industrialisation, with much more calculated use of resources than before'. But Mandel himself has just argued that there can be no such 'inner logic', no such need 'urgently to grow from extensive to intensive industrialisation', or as he put it earlier no 'urge to accumulate' in a non-capitalist society. In a non-capitalist society the consumption needs of the ruling class determine the dynamic of production. A 'plan' is merely the organisation of production to fulfil these needs. A 'plan' has no 'inner logic' to accumulate. The ruling class (or bureaucracy) may want to accumulate and plan accordingly — or it may not and plan otherwise.

Reifying the Plan

In talking of the 'need' of the plan to accumulate, Mandel is making precisely the mistake that Marx castigates again and again of ascribing human properties to things, of accepting reified appearances, of worshipping the commodity fetish. The only 'need' plans in general have is that of ensuring a proportionate division of inputs to produce the desired outputs — people — whether consciously or unconsciously through their unplanned interaction — not 'plans' determine whether this output should be large or small, and for that matter whether it be the result of an 'optimal utilisation of resources' or otherwise. Rosa Luxemburg, at least, was very clear that one sort of 'plan' would be subject to no such reified pressures: 'The aim of socialism is not accumulation but the satisfaction of humanity's wants by developing the productive resources of the entire globe'¹² But why does Mandel, who has certainly read Marx's strictures against reification and fetishism, so readily fall into this trap himself? The reason is not difficult to find. Clearly something other than the 'consumption needs of the bureaucracy'¹⁴ is behind the forced development of the economy. It was obviously not the privileges of the bureaucracy that determined the need for hundreds of millions of tons of iron and steel in the thirties and forties. Nor was it these that produced the collectivisation of agriculture and the near stagnation of consumer good production after 1929. Nor, for that matter, could it have been the consumption needs of other sections of the population. The bureaucracy itself implemented the plans (there were no long term plans before 1928-9) yet according to Mandel it was only motivated in its 'economic management', by its 'consumption desires'. Therefore, something else has to be responsible for all the rest. Given Mandel's premises it must have been the plan. (What an argument for 'planning', that its 'logic' entails subordination of consumption to accumulation!) In real life something other than the 'consumption desires of the bureaucracy' did determine the dynamic of economic development in Russia, something that makes possible the 'reification' of the plan. There can be a 'tug of war' between the plan and the desires of individual bureaucrats precisely because the plan is determined by something outside itself other than these desires (and not by some metaphysical 'logic of the planned economy').

There is only one thing this something else, in contradiction to the desires of individual bureaucrats, can be: the pressures of rival ruling classes outside Russia. It is these that continually determine the pace and direction of economic processes inside Russia. If Mandel is not clear about this, he only reveals that he is more myopic even than Stalin was.

'The environment in which we are placed . . . at home and abroad . . . compels us to adopt a rapid rate of growth of our industry' (Stalin, 19.11.29).¹⁵

Or again:

'To slacken the pace of industrialisation would mean to lag behind; those who lag behind are beaten. . . . We are fifty years behind the advanced countries. We must make good this lag in 10 years. Either we do it or they crush us.'¹⁶

It was this continual pressure from world capitalism that was responsible for the development of the Russian economy from 1929 onwards. It was this, not the 'needs of the plan' or the 'desires of the bureaucracy' that produced an accumulation of means of production devoted to further accumulating means of production. Only on such a basis was it possible for the bureaucracy (once its interests had made it abandon a perspective of revolution abroad) to develop the material base to defend its control over Russian society from the intrusions of foreign ruling classes. And, it is worth adding, this is still what determines both the structure of the plan and the degree of fulfilment of its different sectors. Again, the Russian bureaucrats are more aware of this than the 'Marxist' Mandel:

'Owing to the international situation it has not been possible to allocate as many resources as intended to agricultural investment and whilst the 1969 figure exceeds that for 1968 it is below that envisaged in Directives for 1966-70. . . .'¹⁷

It is worth adding that Mandel is quite prepared to concede the importance of 'continued expansion of arms production' due to competition with the non-capitalist economy in the Soviet Union in determining economic development in the West. But apparently, this 'competition' does not play the same role in relation to Russia. If, on the other hand, this competition does determine the whole development of the Russian economy, then the anarchic and unplanned relations between the products of their labour with that of producers outside Russia (comparisons of levels of arms production and of the development of heavy industry generally) will determine the conditions under which Russian workers will produce and live. Because the price of labour power in the West is continually being forced down to a historically determined minimum in the long run, so will the price they receive (ie, their real wages). Every change in production processes in the West will force changes in production processes in Russia, and vice-versa. Accumulation in the West will force accumulation in Russia (and again, vice-versa). In other words, a total system of reified relations is set up in which the anarchic and unplanned interaction of the products of labour determines the labour process, in which dead labour dominates living labour, in which every concrete act of labour is related to abstract labour on a world scale — in which although there may be many partial negations of the law of value these are on the basis of the law of value.

Encroachment and Transformation

Of course, it is 'methodologically wrong to assume a mechanical and automatic identity between the fact of a country being submitted to "encroachments" of foreign capital and the fact of the country becoming capitalist. Only when these encroachments change the internal mode of production do they lead to the introduction (or reintroduction) of capitalism'. In this at least we wholeheartedly agree with Mandel. That is why Russia in the 10 years after 1917, although continually threatened by foreign capitalism, was not itself capitalist. Until the inauguration of the first five-year plan it was certainly not the needs of competing against foreign capital that determined the inner structure of the production process in Russia. It is clear (both from old sources like Cliff's *Russia* and newer ones like the most recent volume of E H Carr) that the differing levels of real wages, the consumption level of the peasants, the relative sizes of heavy and light industry, were until 1928 the result of differing pressures of different social groups on the state. There was growth, but no 'urge to accumulate'. Until 1924 not economic and military competition with the West, but spreading of the revolution was seen as the basis for establishing socialism in Russia. Even after the proclamation of 'socialism in one country' in 1925 the bureaucracy did not accept the programme of competing with the West. Rather, it tried to ignore the power of world capitalism in a quite utopian fashion (as Mandel, incidentally, still does). But it is also the case that in 1928 reality did overtake the bureaucracy and force it to industrialise. In doing so it did bring about changes that are on such a scale quantitatively and qualitatively as to bear description as a 'change in the mode of production'. Firstly, pressures of world capitalism led to a rapid change in the mode of production in agriculture on an unprecedented scale. Tens of millions of individual peasant farms were collectivised. The Stalinist bureaucracy brought more of the economy into state ownership than the great October revolution had. This was necessitated not by the arbitrary 'desires' of the bureaucracy, still less by the 'logic of the plan' but by the pressures to build up heavy industry on a scale that could not be sustained without a forcible pumping of surplus agricultural produce out of the countryside.¹⁸ Secondly, in industry there was also a change in the mode of production. In a matter of months changes were carried through that were to endure for decades: wages were cut, the rate of production speeded up, piecework introduced, the elementary rights of workers to defend themselves done away with, the independence of the trade unions abolished, the labour camps expanded on a massive scale. These measures were all symptomatic of a change in the whole mode of operation of the economy. Building up of heavy industry in competition with the West was on the basis of such measures. It was that which brought them about. In other words, production and the conditions of production were no longer determined by the needs of people, ie, by the production of use values, but by the 'needs' of competition, the production of exchange values. In other words, through the mediation of arms production, the allocation of resources between consumption and accumulation, between living and dead labour, was determined by (and in turn determined) the allocation operating outside of the Russian economy, in the capitalist world. A leap

from 'freedom to necessity' had been imposed.

There is no way of rationally understanding the dynamic of development of Russia either in the thirties or today if one denies that a change in the mode of production was forced through by the bureaucracy when it decided to defend itself against capitalism by imitating capitalism. Only this can make sense of Mandel's own talk of a 'logic' to the plan that is different from the desires of individual bureaucrats. But this does not mean that acceptance of this logic of competition with the West was either 'mechanical' or automatic—it was in fact resisted in 1928-9 both by a substantial section of the bureaucracy around Bukharin, and by a section of the left opposition who, despite ambiguities, wanted to defend Russia against capitalism by revolutionary means, not by an internal imitation of capitalist exploitation. But it is a matter of fact, unfortunately or otherwise, that these lost out in the struggle and that the Stalinist transformation of the economy took place. It is worth adding here that with the development of the newer Stalinist-type regimes, it is no longer merely competition with private capitalist states that imposes its laws upon them. It is also the needs of competition with other state capitalist ones (eg with orientation of the Russian economy to defence against China and vice-versa). Nor is it only or necessarily military competition. The general crisis confronting the Czechoslovak regime from the mid-1960's on arose from an inability to sell the produce of its economy on the world market (including to other Stalinist regimes)—that is, from a classical inability for the state capitalist bureaucracy to realise its surplus value.

The analysis of modern capitalism

Mandel's criticism of Kidron's analysis of modern capitalism can be more quickly dealt with than the analysis of the Stalinist states, because the issues involved are less profound. Mandel begins by apparently quoting Kidron's view of Marx's model of capitalism and of why it should mean that there is a 'tendency for labour power to decline in absolute terms under capitalism; that "slumps become progressively less profitable, and shorter; slumps more lasting and severe"'. Incidentally, Mandel claims that Kidron 'will have a hard time finding any evidence in Marx's *Capital* for these assumptions. One can only suggest that Mandel refers to pp 630-635 of *Capital* (vol 1). Thus Mandel quotes Kidron:

'The model is a closed system, in which all output flows back as inputs in the form of investment goods or of wage goods. There are no leaks.

Yet in principle a leak could insulate the compulsion to grow from its most important consequences. . . . If "capital intensive" goods were drawn off, the rise would be slower and—depending on the volume and composition of the leak—could even stop or be reversed. In such a case there would be no decline in the average rate of profit, no reason to expect increasingly severe slumps, and so on.

Capitalism has never formed a closed system in practice. Wars and slumps have destroyed vast quantities of output. Capital exports have diverted and frozen other quantities for long stretches of time.

A lot since World War II, filtered out in the production of arms. Each of these leaks has acted to slow the rise

in the overall organic composition of capital and the fall in the rate of profit.'

According to Mandel what is involved in this account is 'a vulgar theory of overproduction, according to which it is a glut of physical goods which is at the basis of all capitalism's evil', which depends for its plausibility on 'a truly remarkable confusion between use-values and exchange-values . . . worthy of inclusion in a textbook simply to show what a lack of understanding of the dual nature of the commodity necessarily leads to'.

What is amazing is that Mandel feels capable of writing this criticism down without mentioning what is central to Kidron's stress on leaks: their effect on the organic composition of capital and the rate of profit. Kidron never once refers to an 'overproduction' of either use values or exchange values in the passage referred to, unlike Mandel who earlier writes that 'unpredictable developments under capitalism arise from an overproduction of exchange-values . . . (which most of the time are caused by . . . an increase in the production of use-values)'.²⁰ The 'rise' Kidron is concerned with is a rise in the organic composition of capital (Mandel judiciously omits one sentence from Kidron making this clear in his long quotations, so the reader might well not be aware of this). Further, his 'closed model' is precisely a model of the circulation of exchange values: given that all value produced is transformed either into consumer goods or capital goods, and that the value of labour power does not rise, then there will be an overproduction of values than can only be disposed of either by an overproduction of consumer goods, leading to a crisis, or an increase in ratio of constant capital to variable capital in new investment (leading to a fall in the rate of profit, to less investment and therefore to crisis); the only alternative is for there to be a leak whereby values can be drawn from the system. At no point in this argument can there be, given its very form, the confusion of 'use-values' and 'exchange-values' invented by Mandel.

It is only because he ignores the actual model presented by Kidron, that Mandel is then able to pretend that 'leaks' from the system which occur through war, foreign investment, slumps, etc, involve the physical destruction of goods. For instance, Kidron's whole point is that wars cause possibilities of growth for the system by destroying value that would otherwise have to be transformed into constant capital. This certainly does not mean that wars have to destroy physical means of production in order to counteract the contradictions of the system; indeed, in arguing in this way it is actually Mandel, not Kidron, who confuses capital as accumulated value (the Marxian definition) with a given accumulation of particular use values, ('to destroy capital . . . they must destroy industrial equipment to a larger degree than is newly built').²¹ Similarly, Kidron's whole point is not that slumps destroy goods, but that they result in a devaluation of goods, ie, value is destroyed or 'leaks' from the closed system, so as to permit new capital investment at a lower organic composition than would otherwise be the case.

One can put Kidron's argument another way. It deals with the circulation of value in the system as a whole. For the individual entrepreneur if there are no leaks in this total system, there is an ever-growing abundance of capital available. This means that the possibilities of expanding and cheapening production always exist for the

individual. Indeed, if he does not seize them by utilising a greater portion of constant capital, then his competitors will, his costs of production will be relatively too high, and he will be forced out of business. Enlarged constant capital means an overall (throughout the system) fall in the rate of profit. But if there are leaks whereby value is taken out of the total system, the opportunities for each individual capitalist obtaining value to transform into constant capital will be less, and therefore the constraints on each capitalist to expand his means of production will lessen. The immediate pressures to expand constant capital (and therefore of production) will diminish, the overall rate of profit will fall less, and therefore there will exist the basis for a longer term steady expansion based upon a lower average organic composition of capital. This will be true whatever the form the value that leaks from the system takes, providing its creation employs relatively more dead labour than living labour.

Mandel's analysis of modern capitalism

Mandel's own analysis of the nature of the 'key difficulty facing monopoly capital' is that this difficulty is not that of 'disposing of surplus goods' but the difficulty of disposing of surplus capital'. Here Mandel makes the mistake he accuses Kidron of, of distinguishing capital and goods as different use-values, without seeing that as values they are equivalent (ie, if you can dispose of surplus goods profitably, then you can dispose of surplus capital). Mandel goes on to distinguish between the effect of 'the economic function of arms production'—'to provide additional fields for investment for surplus capital'—and any reduction 'in the tendency of the increase in the organic composition of capital and/or the decline in the rate of profit'. But on the classical Marxist model precisely such a distinction is impossible, because only if the rate of profit is prevented from falling too drastically is any long term, steady growth of investment possible. To put it another way; there are always opportunities for capital investment, arms expenditure or no arms expenditure, but these are only seized if the rate of profit is high enough.

Even more fascinating, however, is Mandel's excuse for not treating 'in a systematic way the problem of the sharp rise in the rate of growth of the capitalist economy after World War Two', in his book *Marxist Economic Theory*. This is apparently because most of it 'was written in the late fifties, ie, more than 10 years ago, when most post-war trends were not yet clear'. This statement is nothing short of preposterous. One does not have to go back to the early post-war period, when already in 1946 and 1947 there was an argument by Marxists such as Tony Cliff²² against Mandel's views then that 'there is no reason to believe that we are facing a new epoch of capitalist stabilisation and development'.²³ Mistakes at that time were quite natural, given the short duration of peacetime conditions. But by 1950 the post-war expansion was already pronounced enough, despite many Marxist predictions, for writers such as Vance (in the *New Internationalist*) to be attempting theoretical explanations of it. Fully five years before Mandel began writing his book, Cliff and Kidron had substantially developed (in *Socialist Review*) explanations of 'post-war trends' that five years later, according to Mandel 'were not yet clear'. Yet even stranger is Mandel's analysis, developed since, of the reasons for this

post-war growth. Apparently, it is because capitalism is undergoing a third 'industrial revolution'. This has been possible because 'during the "long period" of stagnation of the capitalist world economy (1913-1940) a great "reserve" of scientific and technological inventions had been built up, whose large-scale productive application was delayed as a result of unfavourable economic circumstances prevailing during that period'. The argument, however, is simply contradictory. One moment these innovations are responsible for the economic expansion; the next they were allowed to accumulate for 30 years because there was no economic expansion. In that case, something other than the innovations must be responsible for their present employment — otherwise why did they not cause expansion in the thirties? Mandel seems as incapable now as when he wrote his book 10 years ago of identifying what this other cause might be.

Permanent Revolution

At this point we have dealt with Mandel's arguments of substance. But there are a few others worth referring to. There is the claim that the 'working class has overthrown capitalism... in Yugoslavia, China, Cuba, North Vietnam and is doing so now in South Vietnam'. One wonders when the 'working class' actually did 'overthrow capitalism' in, say, Yugoslavia. In 1944-45? If so one wonders not just how (through what institutions of mass self-activity and struggle) and led by what revolutionary party, but also why Marxists at the time did not notice this monumental fact. For three years afterwards Mandel certainly did not regard Tito's regime as any sort of workers' state. It was, he and his colleagues argued, an 'extreme form of Bonapartist dictatorship'. In particular relation to Yugoslavia and Albania he himself wrote that the Stalinists had constructed 'a new bourgeois state apparatus'.²² And when someone argued otherwise, they were not merely wrong, but carrying through 'a complete petty bourgeois revision of the Marxist-Leninist concept both of the state and of the proletarian revolution'.²³ Again, one wonders when the overthrow took place in North Vietnam. With the establishment of the first Vietminh government in 1945? But those who took power then were described without equivocation by Mandel's organisation as 'the Stalinists who themselves long ago abandoned the Communist banner of Lenin and Trotsky...'.²⁴ Far from what was taking place in Hanoi being described as a socialist revolution, Ho Chi Minh, like Soekarno, was said to have been 'logically brought to betray and sabotage the national emancipation'.²⁵

Now, of course, Mandel can change his mind. But one would like to hear his reasons for doing so, to see what evidence there is of workers' power in Yugoslavia or Vietnam now that was not available previously. It would also be interesting to see Mandel justify his own claimed commitment to the theory of permanent revolution in the light of the avowed policy of the Chinese before taking power and of the NLF today being the 'bloc of the four classes'.

Instead of doing any of this, Mandel merely asserts that these countries have seen workers' revolutions, and that to deny this is to assert that 'capitalism today is stronger than it ever was' and 'has ushered in new and sensational phase of development of the productive forces, above all in backward countries' so that 'Trotsky was

deadly wrong with his theory of permanent revolution'. Such according to Mandel is what Kidron does, and such is 'Menshevism'.²⁶

Perhaps Mandel reads different editions of Trotsky to the rest of us. The theory of permanent revolution according to Trotsky I know asserts quite unequivocally that the tasks of the bourgeois revolution in the underdeveloped countries can only be solved by the working class, led by a class-conscious revolutionary party. It is not 'Menshevism' to assert that as a matter of fact not only has no such party yet led the working class to the taking of power in Vietnam, or China or Cuba, but those that did take power executed (in Vietnam and China) or imprisoned (in Cuba) those trying to build such parties. Neither Mao's party nor Ho Chi Minh's party were workers' parties in anything other than name. Their membership and leadership were not workers, nor was their theory that of proletarian revolution (it was that of classical, unrepentant Stalinism).²⁷ Nor for that matter have the regimes in China, Vietnam or Cuba carried through all the tasks of the national bourgeois revolution. It is mere apologetics to pretend that they have solved the problem of industrial development. The 'cultural revolution' in China occurred precisely because the Maoist regime cannot. (Here again Mandel shows his ignorance by asking what would our attitude be if 'tomorrow most of the decisions of the cultural revolution were reversed' — in reality most of these 'decisions' were reversed two years ago with the setting up of the 'three-in-one' revolutionary committees.) In Cuba, despite desperate attempts to overcome the dependence on the world market by diversifying agriculture, the road to development is now seen as lying through the production of more and more sugar to sell in competition with other sellers on the world market. Finally, in Vietnam, the Stalinist leadership has twice already shown itself incapable or unwilling to solve the most elementary of bourgeois national tasks — that of national unity — when opportunities to do so were at hand (in 1945 and in 1954).

It is Mandel who is actually the modern Menshevik, tailing behind a petty bourgeoisie trying to transform itself into a state capitalist class with varying degrees of success in Yugoslavia, in Algeria, in Vietnam and in China. He does so, moreover, at a time when in the largest of these, the Shanghai general strike of January 1967 and the emergence of groups like the Sheng Wu Lien, has revealed new forces challenging completely the pretensions of the bureaucracy.

The theory of permanent revolution cannot be applied in our epoch without certain important modifications.²⁸ But its most important conclusions — that the problems of the backward countries can only be solved by proletarian revolutions and even then not without the revolution spreading — become more and more apposite as the successes of the petty bourgeoisie in a few countries prove increasingly limited and transitory. But it is us who draw these conclusions, not Mandel.

Finally, it is worth noting that in order to try and justify himself Mandel pretends complete ignorance of the Marxist position on the national question. 'All the inconsistencies of the theory of "state capitalism" are revealed quite nakedly' because we are able to support 'North Vietnam and the National Liberation Front', even though we believe their present leaders are 'the nucleus of a "bureaucratic

class" that is 'going to extract tomorrow the last drop of surplus-value from the South Vietnamese labourers'. One wonders at the inconsistencies both we and Mandel's organisation have fallen into in the past without him noticing — supporting say, the Kenyan struggle against colonialism, although its leaders 'were the nucleus' of an African capitalist class, or the Cypriot struggle led by the cleric Makarios and the fascist Grivas. In fact we found no contradiction whatsoever in giving wholehearted support to these struggles against imperialism, without believing their leaders to be socialists; we have no such problems in the case of Vietnam either. 'All the inconsistencies of the theory' we adhere to must lie in the fact that, unlike Mandel, we hold that the fundamental problems facing the populations of these countries cannot and will not be solved until these struggles are led by a real, not a mythical, working class with a revolutionary Marxist party committed to an explicit programme of socialist revolution on an international scale.

In his pamphlet Mandel has set out to 'reveal most of the contradictions into which adherents of the theory of "state capitalism" enmesh themselves'. Unfortunately, all that he has done is to show himself as ignorant, both about these theories and about quite fundamental questions in Marxism (such as the analysis of the commodity, the relationship between capitalist production and commodity production, and the relationship between use and exchange value); as self-contradictory (over the questions of the dynamic of the Russian economy and of the unprecedented expansion of capitalism in the post-war period); and as dishonest (in making omissions when quoting Kidron so as to distort his argument). I say 'unfortunately' because it is only through serious and scientific debate that Marxist analysis can develop. Mandel has made no contribution to this in his pamphlet.

1 E. Mandel, *The Inconsistencies of State Capitalism*, IMG, 4s.

2 *Ibid* p. 2.

3 Which is not to say that the details are beyond criticism.

4 *Ibid* p. 13.

5 Lenin, 'Works' (Russian) vol XXV p. 51, quoted in T. Cliff, *Russia: A Marxist Analysis*, London, n.d., p. 153.

6 R. Hilferding, *Das Finanzkapital*, Vienna 1910, p. 286.

7 Mandel, *op cit* p. 4.

8 *Capital*, vol I p. 71.

9 K. Marx, *Fondements de la Critique de l'économie politique* (French translation of the Grundrisse), Paris 1967, p. 169.

10 *Capital*, I, p. 78.

11 K. Marx, *Fondements de la Critique*, *op cit* p. 147.

12 In fact foreign trade has played a crucial role at certain points in the history of Stalinist Russia — particularly in the early thirties when Stalin expected to be able to buy foreign machinery for industrialisation. In order to pay for this he had to be able to sell agricultural produce. But the violent fall in the terms of trade associated with the world depression greatly increased the cost of imported machinery in terms of Soviet primary exports'. (M. Kaser, *Comecon*, London 1967, p. 19.) In order to pay for the machinery, more primary

produce had to be obtained from the peasantry, hence increasing the pressures for collectivisation.

- 13 Rosa Luxemburg, *The Accumulation of Capital*, London 1963, p 467.
- 14 E Mandel, *op cit* p 14.
- 15 Quoted in E H Carr and R W Davies, *Foundations of the Planned Economy 1926-29*, London 1969, p 327.
- 16 Stalin, quoted in Deutscher, *Stalin*, p 328.
- 17 *Finansy SSR* 28/69.
- 18 For the direct relationship between threats to Russia from the West and the decision to build up heavy industry see, for instance, E H Carr and R W Davies, *op cit* p 295.
- 19 E Mandel, *op cit* p 2.
- 20 *Ibid* p 5.
- 20 See, for example, Tony Cliff, *All that glitters is not gold*, London 1947. Incidentally, at another point, Mandel finds it possible to blame Cliff for 'not foreseeing' the need for reforms in Russia in his writings of the 'fifties' such as 'The Nature of Stalinist Russia'. But that work was not written in the 1950's at all, but in the early months of 1948. And it certainly does point out the major contradiction that the bureaucracy has attempted to solve (unsuccessfully) since: 'The historic task of the bureaucracy is to raise the productivity of labour. In doing this the bureaucracy enters into deep contradictions. In order to raise the productivity of labour above a certain point, the standard of living of the masses must rise, as workers who are undernourished, badly housed and uneducated, are not capable of good production. . . . But workers, besides having hands, have heads. The raising of the standard of living of the masses means to raise their self-confidence, increase their appetite, their impatience at the lack of democratic rights and personal security and their impatience with the bureaucracy that preserves these burdens. On the other hand, not to raise the standard of living of the masses means to endanger the productivity of labour which is fatal for the bureaucracy in its present international relations, and sooner or later drive the masses to revolts of despair.' For a full description of the reasons the reforms in Russia have not worked one has only to add this, not Mandel's 'tug of war' 'between the plan and the bureaucrats administering the units of production' between 'factory managers' and the 'planners', but (1) the existence of certain groups in the bureaucracy with a vested interest in resisting changes that would be beneficial to the bureaucracy as a whole—not just 'planners' as a group or 'factory managers', but rather those associated with the police apparatus and with certain sorts of planning mechanisms together with 'factory managers' in heavy industry; (2) the continuing short-term pressure of world capitalism that prevents the allocation of resources to agriculture and light industry needed if labour productivity is to be raised to a level competitive in the long term.
- 21 Quoted in Hallas, 'Building the Leadership', *IS* 40.
- 22 *Soviet Union After the War*, September 1946.
- 23 *Ibid*.
- 24 Resolution of Fourth International, in *IVeme Internationale*, 1946.
- 25 Editorial in *IVeme Internationale*, December 1946. This same journal also published an interesting description of events in Saigon during 1945-6 in its issue of September/October 1947. Finally Mandel's organisation also published a pamphlet by Ahn-Van and Roussel, where they write that: 'The direction of the Vietminh profited by its influence to block the revolution and . . . to fulfil its counter-revolutionary role. That is why it decreed in November 1945 the dissolution of the CP. . . . That is why it forbade the confiscation and division of the land, satisfying itself with decreeing the taking of "collaborators" lands; that is why it maintained and legalised the usury system, merely pleading for a lowering of interest rates. . . . The Stanlist direction sought a compromise with French imperialism and struck at the avant-guard: the Trotskyist leaders Ta Thu Thau, Tran Van Trac and numerous others were assassinated in February 1946 so as to prepare the way for the accords of March 6.'
- 26 It is not only Kidron who, according to Mandel's argument must thus be "Menshevik", but also such lifelong revolutionaries as the late Natalia Sedova Trotsky (see for instance her letter breaking off relations with the Fourth International in *Socialist Review* 1950) and the late Alfred Rosmer, Zimmerwaldist, founder member of the French CP and founder member of the Fourth International.
- 27 For example, the programme of the Vietminh addressed itself to 'Rich people, soldiers, workers, intellectuals, employers, traders, youth, women. . . .' Today, the worker content of the Vietnamese Communist Party 'is only 18.5 per cent and the higher the party echelon the lower the worker stock' (Le Duc Tho, quoted in *Sunday Times*, 7.9.69).
- 28 For attempts at this, see T Cliff, 'Deflected Permanent Revolution' in *IS* 12 and N Harris, 'Perspectives for the third world' in *IS Internal Bulletin*, December 1969.

5. The Mystifications of State Capitalism

Ernest Mandel (Reprinted from *The Mystifications of State Capitalism*, IMG Publications, 1970.)

In his attempt to answer our criticisms of the theory of "state capitalism"⁽¹⁾ Chris Harman carefully avoids all the main problems. He does not tell us whether "state capitalism" is a mode of production equal to or different from the capitalism analysed by Marx. He does not prove that, if it is equal to "capitalism", its 40-year history in the USSR can be explained by the "laws of motion" as revealed in *Das Kapital*. He does not even give us an inkling of the mysterious "laws of motion" which guide Russian "state capitalism" as different from those of capitalism—if it is a different mode of production. He does not explain to us whether the (re)introduction of "state capitalism" in a relatively backward country having successfully achieved the overthrow of capitalism is inevitable, in the absence of victorious world revolution, as a result of "pressure from the world market", or whether it can be avoided (and if so, how). He does not answer the question whether there is an inevitable period of transition between capitalism and socialism, wherever the socialist revolution takes place. He does not relate the emergence of "state capitalism" on one-third of the globe to the question whether capitalism has still a globally progressive role to play or not, i.e. whether we are justified in speaking of an epoch of "general crisis of capitalism", whether world revolution is on the agenda or is for the time being only a utopian pipedream. And he does not relate the theory of "state capitalism" to the realities of the class struggle on a world scale in the last twenty years, except by the childish device of talking about "national liberation movements led by the petty-bourgeoisie"—presumably unrelated to the capitalist mode of production, capitalist private property and the imperialist world system. We do not know whether for Harman, more than for Michael Kidron, the "tropical trotskysts" have a choice or no choice, whether capitalism can be overthrown in a country like Ceylon or not, and we are left with the preposterous proposition that it has somehow not been overthrown in China, Cuba, North Korea, North Vietnam, and is not in the process of being overthrown in South Vietnam.

Having left out all the key questions, the only thing Harman can do is to make numerous debating points, mostly without any interest.⁽²⁾ He skulks around, throwing a few pebbles into the pond. This is then called "serious and scientific debate" which we are supposed to be incapable of. But even these pebbles contain their pinch of worth, because they underline once again how, when you start from the incorrect theoretical presumption, you are forced not only to make incorrect political conclusions, but also to "develop" theory further and further in a mystifying way: instead of explaining reality, hide it all in a cloak of formulas which sound very "deep" but tend to obscure real social relations and real social struggles.

First Mystification: Commodity Fetishism

Harman concedes that capitalism as a system of *generalised commodity production* is a "fair summary" of part (?) of Marx's conception of that system's nature. That concession already deals a death blow to Kidron's contention about our having missed the "central capitalist dynamic": the very term "commodity production" was lacking from Kidron's definition of capitalism. But Harman, being an adept of the school of "state capitalism" which hinges on the assumption that there can be "capitalism" in a country like the USSR where obviously there is not generalised commodity production, has to try and take back his concession as soon as he made it. He therefore finds a way out by accusing us of "leaving the concept of 'commodity' as unproblematic", of not taking up "a point central to Marx's whole analysis of commodity production.....that the commodity cannot be taken at face value."⁽³⁾

In our naivety we thought that the mysteries of commodity production had all been revealed in *Das Kapital*. In particular we quoted Marx as explaining that (at the beginning of *The Inconsistencies of State Capitalism*), "objects of use only become commodities because

they are products of private labour, carried on independently from each other." But this, you see, leaves the concept "unproblematic". Harman will teach us some deeper, "below the surface", truths about commodities. But what we get is exactly the same quotation which we quoted from part IV of Chapter I of *Das Kapital*, into which Harman simply proceeds to inject a mystification. We can catch the mystifier red-handed, so to speak, in the following passage:

Yes, capitalism is, as Mandel argues, competition on the basis of commodity production. But to fully understand it one has to go further (?) and see that what makes man-produced objects—and above all labour power—into a commodity, is precisely competition between producing units that has advanced to the point where each is compelled to continually rationalise and rearrange its internal productive processes so as to relate them to the productive process of the others.⁽⁴⁾

Now, that is *not* what Marx says in part IV of Chapter I of *Das Kapital* (the famous passage on "commodity fetishism"). He says clearly that "the fetish character of the commodity" results from the "specific social character of labour which produces commodities." He precises that use values become commodities only because they are products of private labour carried out independently from each other. And he goes on to make his point crystal clear. In a society divided by division of labour, but in which mutual dependence of individuals—i.e. the social character of labour—continues to assert itself (where every family does not live completely autarchically and independently from other units), there are two ways in which this inter-relation can be established. In a society in which there is common (collective or cooperative—Marx uses the word "gemeinschaftliche") property of the means of production, labour is *immediately social*, i.e. it is the community (or its leaders, e.g. the elders in certain tribal communities) which consciously allots resources to different branches of production. On the contrary, in a society in which there is private property, social labour is not directly recognised as such. Private individuals establish connections between each only as "commodity owners", appearing on the market. The social nature of their labour is only recognised *post festum*, to the extent to which they succeed in selling their commodities. Commodity fetishism consists in this, that relations between things, commodities, hide and obscure a specific relation between men, *resulting from the fragmentation of social labour into private labours carried on independently from each other, i.e. resulting from private property.*

Now we can re-read this whole sub-chapter of Marx's on commodity fetishism from A to Z, not once will we find a mention of the mystifying formula of Harman's: "What makes man-produced objects...into a commodity, is precisely competition between producing units that has advanced to the point where each is compelled to continually rationalise and rearrange its internal productive processes so as to relate them to the productive process of the other". And the reason why Marx could not follow Harman's "deeper" analysis of the commodity is of course the fact that he knew quite well that commodity production had been going on for thousands of years *before* capitalism blossomed as a separate mode of production—and that only under that separate mode of production does commodity production lead to "competition between producing units...compelled to continually rationalise and rearrange its internal productive processes". Mediaeval handicraftsmen were commodity producers, but their "productive processes" were not "continually rationalised and rearranged"; they remained very stable for long periods, sometimes several centuries.

Harman's mystification begins by defining the commodity by its end result, capitalist competition, instead of defining capitalist competition as a result of generalised commodity production, it puts the historical sequence and the theoretical analysis on its head. It then goes on by

mystifying competition itself. Once one "forgets" that for Marx, commodity production is essentially social labour fragmented into "private labours carried on independently from each other", one can then separate "compulsion to continually rationalise and rearrange productive processes so as to relate (sic) them to the productive process of the others" from its social basis and economic purpose, deny that competition born from commodity production is always in the last instance competition for selling commodities owned by different proprietors on a market, and discover that the "compulsion" which exists *for any workers state*, even managed by the most perfect system of workers control, to defend itself against imperialist armaments, or to relate, in some way or to some extent, its output to that of the outside world, is "proof" of the existence of...capitalism. A very nice way of "deepening" Marx's analysis indeed.

Second Mystification: "Reification of the Plan"

No wonder that Harman, not having understood the relation of commodity production to private labour, cannot understand what *planning* really means in relation to social labour, and accuses us of "reifying the plan". For, according to him, in Russia

"a total system of reified relations is set up in which the anarchic and unplanned (sic) interaction of the products of labour determines the labour process, in which dead labour dominates living labour, in which every concrete act of labour is related to abstract labour on a world scale—in which, although there may be many partial (!) negations of the law of value, these are on the basis of the law of value."⁽⁶⁾

Again we are faced with a breathtaking revelation, completely unproved and completely mystifying. Why does arms production competition with the West "determine the whole development of the Russian economy"? Through what economic mechanism? By what economic results? One could make a point of saying that arms competition with the West would be a factor slowing down the increase in the standard of living of the workers, or the rate of economic growth, that it would prevent the building of a fully developed socialist society (obviously the impossibility of "socialism in one country" is related to the class struggle going on on a world scale, and the attempt of the world bourgeoisie to reintroduce capitalism into the USSR). But by this, one has not yet proved that, as there is not yet socialism, there has to be capitalism "in which every concrete act of (Soviet) labour is related to abstract labour on a world scale".

Harman takes for granted what he assumes, but in the absence of any concrete proof, this can only be called a mystification. Otherwise he should prove that Soviet prices are "in the last analysis" (or in the long run) determined by prices on the capitalist world market; that Soviet wages are determined by "competition" with, say, USA or British (or should one say: Indian?) wages; that investment flows from one branch to another according to "relative profitability" (the search for surplus profit); that the inferiority of Russian productivity of labour, as compared to American, has prevented the industrialisation of the country, like it did prevent the industrialisation of all under-developed countries encompassed in the worldwide imperialist system, governed by "the law of value". If he cannot prove anything of the sort, then the whole talk about "every concrete act of Soviet labour" being related to "abstract labour on a world scale" and "anarchic and unplanned interaction of the products of labour" determining Soviet labour processes (all because Soviet Russia had to defend itself against Hitler's armies and the American A- and H-bomb, like any workers state would have to!), is just a lot of hot air.

"The only 'need' plans in general have is that of ensuring a proportionate division of inputs to produce desired outputs; people...not 'plans' determine whether this output should be large or small, and for that matter whether it be the result of an 'optimal utilisation of resources' or otherwise"⁽⁶⁾

says Harman. He does not seem to notice that exactly one sentence after having castigated us for "ascribing human properties to things, of accepting reified appearances", he repeats exactly the same "mistake": for what is this "need" of "plans" in general "to ensure proportionate division of inputs to produce desired outputs", independently of social relations between human beings?

The solution of the riddle lies in the understanding of what a planned economy resulting from an overthrow of capitalist property relations really means. "State capitalists"—and not only they—generally tend to reduce production relations to relations between producers and "overseers of labour" at factory level. But that is of course a gross oversimplification, and a distortion of Marxism. For Marx, production relations are all relations between producers which are indispensable for

the "production of their material life" at a given level of development of productivity of human labour. This means that they encompass not only the relations *inside* factories, but also those *between* factories. Production could not go on for one week in Russia without raw materials being sent from one factory to another, machines going to where they are needed (inclusive to raw material producing units), material resources being constantly shifted from one place to another.

Under capitalism, the "law of value" governs these shifts. All producer goods are commodities. All producing units react to increases or decreases of sales of their commodities on the market, to increases or decreases of profits. The "law of value"—i.e. commodity production—allocates and re-allocates resources behind the backs of the producers in a society in which social labour is fragmented into private labours as a result of the private property of the means of production.

Once these means of production are collectively owned, however, they are no more commodities. They are not sold and bought on the market. The "law of value" ceases to govern their allocation and reallocation between different producing units. "Competition" between "commodities" or "capitals" has ceased to be the basic force to regulate investment. And then the only other means to assert the social nature of human labour is planning.

In other words: conscious economic "planning", far from being "reified appearances" or "a thing", is a specific set of relations of production resulting from the suppression of the private property of the means of production and the beginning of the withering away of commodity production, through which labour performed in collectively owned factories is recognised as immediately social labour.⁽⁸⁾ And this essential part of the conquest of the socialist October revolution not only should not be eliminated from the Soviet economy by the coming political revolution against the bureaucracy, but it should be consolidated, strengthened and generalised: for there is no other alternative to the rule of the "law of value". Even those who call the coming revolution in the USSR a "social" one should recognise this.

Now, when we wrote that "the inner logic of a planned economy calls for maximising output and optimising deployment of resources", Harman shouts triumphantly: "A 'plan' has no inner logic to accumulate" (p. 38). We beg his pardon: the word "accumulate" (especially: accumulate capital) has been surreptitiously introduced by himself. We didn't speak about an "inner logic to accumulate". We spoke about "the inner logic of a planned economy for maximising output and optimising deployment of resources". What does that mean, in the light of what we just stated about the nature of planning as a specific set of production relations arising out of the suppression of private property of the means of production by a socialist revolution? Obviously, that when means of production have stopped being commodities, but when there is still a scarcity of consumer goods, and therefore a need to ensure rapid economic growth, the interest of the producers (i.e. their inclination to "minimise" inputs of labour and "maximise" their standard of living) calls for such an optimal deployment of resources. The farther this will be from realisation, the greater will be the workload for the producers, and the smaller their consumption. This rule, which would even be true on a world scale (after the victory of the world revolution)—as long as we are in a period of transition, as problems of industrialisation and increasing per capita output are still very urgently with us; as saturation of demand of basic consumer goods has not yet been achieved for all men is of course much truer in a relatively backward country and under capitalist encirclement, which imposes the supplementary constraint of military self-defence against imperialist threats (the main constraint remains that of overcoming backwardness, i.e. the low standard of living and of culture of the mass of the producers).

We stress again that we are talking of "maximising output" and of "optimising deployment of resources". We are not talking of "accumulation of capital", or even of "maximising investment". We tried to prove that excessive investment (like that practised under the two first Five-Year Plans) does not lead to maximum output and optimum deployment of resources⁽⁹⁾. That is one of the aspects where the bureaucratic management of the economy comes into conflict with the "inner logic of planning" (i.e. the production relations born from the October revolution)—and by no means the only one. We think that "in the long run", the conflict is irreconcilable. Either the workers will consolidate and harmonise planning by eliminating bureaucratic mismanagement, or the "consumer interest" of the bureaucratic managers of the economic will destroy planning and reintroduce private property. These, like several other basic contradictions of the Soviet economy, are incomprehensible in the light of the theory that some form of "capitalism" exists in the USSR. They can only be understood in the light of the theory

which sees the Soviet economy and society as a society of transition between capitalism and socialism. And in the light of the same theory it is evident that Harman's identification of "maximisation of output" with "capital accumulation"—of use values with exchange values—is exactly the same "theoretical" mystifying sleight-of-hand which Kidron was guilty of, and which we revealed in *The Inconsistencies of State Capitalism*.

But aren't the Soviet workers exploited by the bureaucrats, Harman thunders on? Doesn't Mandel "forget" the wage labour/capital relationship (which he is accused of "forgetting" even in his definition of capitalism)⁽¹⁰⁾? We don't "forget" anything; we just tried to explain the *specific* nature of the relationship between labour and capital, as against all other forms of "exploitation".

Producers have been exploited in all societies since the beginning of disintegration of primitive communism (even in the "society of transition" between tribal communism and the first form of class society, there was exploitation of labour—see the misuse of communal labour in favour of tribal chiefs).

What is *specific* under capitalism is not simply that part of the product of labour is appropriated by other classes or layers of society, as part of the social surplus produced by the Soviet workers is, for sure, appropriated by the bureaucracy. What is *specific* of capitalism is that exploitation takes the form of labour power becoming a commodity, which is being bought by the owners of the means of production, and whose price is determined by the laws of supply and demand on the "labour market", and the fluctuations of the reserve army of labour. Having sold their labour power to the owners of the means of production, the producers have to abandon the property of the products of their labour to that very same class which monopolises the means of production. This class thus appropriates the surplus value contained in the products of labour, realises that surplus value by selling the commodities, and transforms it into additional property, additional capital.

None of these processes are at the basis of the "exploitation" of Soviet labour. If anything, wages have gone down not when unemployment went up, but when it disappeared. And since the Second World War, they have gone up in the most rapid way, when frictional unemployment reappeared, in the '50s, and after Krushchev's fall, in the middle '60s: they are, in other words, unrelated to any "fluctuations on the labour market".

The largest part of the social surplus product in the USSR does not consist of surplus value (which must be realised through the sale of commodities), but in additional machinery and raw material, given as use-values. It is precisely because "accumulation" in the USSR, is "accumulation" of use-values and not of capital, that the bureaucracy is in no way a necessary agent for economic growth—which could perfectly have been realised, since 1927 till this very day, by the "associated producers", within the framework of a planned economy. And for the very same reason it is preferable not to speak about "exploitation" of the Soviet workers in the scientific sense of the term, but to state that the bureaucracy appropriates in a parasitic and pilfering way an important part of the consumer goods product produced by the Soviet working class. Social parasitism is not the same as exploitation, and the mediaeval robber barons were not a class "exploiting" the merchants which they regularly plundered, as long as they had the political power to do so.⁽¹¹⁾

Third Mystification: The Industrialisation Process in the USSR

Harman argues that, if we were right in saying that the consumer needs of the bureaucracy do not provide any socio-economic mechanism for assuring maximum economic growth, this growth could only be explained by the "pressures of rival ruling classes outside Russia".

"Pressures of world capitalism led to a rapid change in the mode of production in agriculture on an unprecedented scale... This was necessitated not by the arbitrary 'desires' of the bureaucracy, still less by the 'logic of the plan', but by pressures to build up heavy industry on a scale that could not be sustained without forcible pumping of surplus agricultural produce out of the countryside... Secondly, in industry there was also a change in the mode of production... Building up of heavy industry in competition with the West was on the basis of such measures. It was that which brought them about. In other words, production and the conditions of production were no longer determined by the needs of the people, i.e. by the production of use values, but by the 'needs' of competition, the production of exchange values."⁽¹²⁾

The *petitio principis* is worthy of a textbook: the "exchange values" suddenly pop up at the end of the reasoning, without having been

defined, demonstrated or even proved to exist with so much as a single word. It will be hard for Harman to prove that the machine tools of the factories of Magnitogorsk, that the equipment of the Dnjeprostroy, or the lathes of the automobile works of Moscow suddenly became commodities, only because the workers who produced them received lower wages, or because their "conditions of labour" were no more determined by their needs. And as long as you don't have commodities, you have no exchange values.

But the mystification goes much deeper. Harman presents things as if industrialisation sprang up because of "pressures of rival classes" (presumably the international bourgeoisie) outside Russia. He should admit that a point could be made about this pressure coming above all from *inside* Russian society (kulaks and Nepmen). In fact, hadn't Trotsky and the Left Opposition foreseen years before 1927 that as a result of the NEP (i.e. of the reintroduction of wide-scale petty commodity production) there would be a process of primitive accumulation of private capital which would cut across the needs for developing state industry, and that this would lead to a sharpening of the class struggle which would express itself in an attempt of rich peasants to starve the workers by making a delivery strike of grain surplus? Wasn't this exactly what happened in the winter 1927-8?

That this "internal pressure" (more correctly: sharpening of the class-struggle and polarisation of class forces) in Russia was linked to "external pressure", neither Trotsky nor any Trotskyist would deny. Let us leave aside the question which of them was basic, and which was—at that moment—subordinate. Isn't it clear, however, that *accelerated industrialisation and siphoning off of part of the agrarian surplus product* to further industrialisation were also (a) in the interests of the working class; (b) in the "logic of the plan" (i.e. of the new production relations created by the October revolution); (c) indispensable to thwart the tendency towards restoration of capitalism which would come about as a result of strengthened primitive private capital accumulation in Soviet society trying to link up with the capitalist world market? Wasn't it precisely Trotsky and the Left Opposition who were clamouring for more rapid growth, more planning, more industrialisation, before 1928? Were they perhaps the spokesmen of "state capitalism", or expressing the "pressures of rival ruling classes abroad" by doing so?

By differentiating "growth" before 1928 and "urge to accumulate" after 1928, Harman commits a double mystification. Before 1928 *growth was too slow for fulfilling the needs of the people* (i.e. the workers and poor peasants). After 1928, there was no "urge to accumulate" (Harman hasn't proved the transformation of means of production into commodities, exchange values, capital, after 1928) *but a speed-up of growth (industrialisation) under specific forms*. But without a speed-up of industrialisation, not only could the needs of the people not have been satisfied, but the transformation of the means of production into commodities, capital, i.e. the restoration of capital, would have been unavoidable. So the "state capitalists' sleight-of-hand appears here again in a striking way. What was in reality an empirical, panicky, uncalculated and barbarous attempt to *prevent the reintroduction of capitalism* into Russia, to prevent the absorption of Russia by the capitalist world market and the "law of value", is presented as a succumbing to pressure of capitalism!

Of course industrialisation and collectivisation of agriculture were introduced *under such a form and under such leadership* that the immediate and long-term interests of the Soviet proletariat were deeply harmed. They were introduced under the leadership and to protect the interests of a specific social layer of Soviet society, the Soviet bureaucracy, which during this period crystallised into a hardened caste. (Incidentally, when Harman dismisses the "desires of the bureaucracy" as a motive force for the way the change occurred, he mystifies and reifies social relations: how can the "pressure of world capitalism" lead to changes inside Soviet society unrelated to the interests and "desires" of specific layers of that society?) The *specific form* of Soviet industrialisation resulted from a political and social defeat of the working class from the hands of the Soviet bureaucracy. But that industrialisation itself meant also a political and social defeat of capitalism (as well Russian capital, or semi-capitalist primitive capital accumulation, as international capitalism) from the hands of the bureaucratically deformed workers state. It is because they are unable to understand this specific and unforeseen combination of social and economic conflicts in Russia and on a world scale, that the adherents to the theory of "state capitalism" cannot make head or tail of the world they have been living in over the last thirty years.

Let us formulate the question in other words. Was it in the interests of Russian producers to greatly and rapidly increase the mass of modern means of production in Soviet society in the late '20s? Only an ignoramus can answer this question with "no". Was it therefore in their

interest to "accumulate means of production" (as use values, of course)? Again the answer must be emphatically 'yes'. Does it therefore make sense to present such a rapid increase in industrialisation as a result of the "pressure of world capitalism", this meaning an adaptation to capitalism (of course, workers also make strikes as a result of the "pressure of capitalism"; but strikes are not exactly an adaptation to capitalism; they happen to be means to fight against it)? There is no sense whatsoever in such a mystifying statement—except the old-time Menshevik and social-democratic "sense" that a socialist revolution in a backward country is impossible and that, whatever you do, capitalism, and only capitalism, can flower there.

But, clamours Harman, industrialisation was realised through lowering the standard of living of the workers. Quite true. Wasn't that therefore an "adaptation to capitalism"? Wasn't that "accumulation of capital"? "Accumulating" his sophisms, Harman has forgotten his starting point. The "pressure" was supposed to have taken the form of the need to build a strong armament industry, "heavy industry", "in competition with the West"; it was decidedly not the pressure of "competition" for selling goods on an international market. But it is only such a "competition" which would have made it imperative to lower wages. When Harman says that only through lowering the standard of living of the Russian workers could there have been rapid build-up of heavy industry and armament industry in Russia, he in reality swallows the classical apology for Stalinism hook, line and sinker. He implies that, without lowering wages, there could have been no heavy industry, no armaments industry in Russia. But as, without such an armament industry, the USSR would have ceased to exist long since, given Hitler's onslaught, it then follows that Stalinism—"lowering wages" and all the miserable rest—was really unavoidable. Stalin saved the USSR. "You couldn't make an omelette without breaking eggs", etc., etc., *ad nauseam*.

In reality, this classical Stalinist apology is rotten and false through and through. The excessive rate of investment did not increase but decreased the "rate of accumulation of means of production" in the Soviet Union. Forced collectivisation did not help, but disorganised, "heavy industry" and "armaments industry". "Arms competition with the West" was not helped but hindered by Stalin's peculiar set of economic policies. A lower rate of investment, with a much higher productivity of labour as the result of higher wages, would have enabled to get much better results than those of Stalin's. Trotsky's alternative economic proposals would have led to much more efficient "competition with Western armament and heavy industry" than Stalin's.

If that is so, Stalin's policies can no more be explained by "objective needs" of "competing with the West". They can only be explained by the specific social interests of the privileged Soviet bureaucracy. The difference between Trotsky's policy and Stalin's was not that Trotsky was in favour of "slower economic growth", but that he was in favour of a ruthless elimination of social inequalities and a putting of the working class in command of the industrialisation process. The bureaucracy, not wanting to lose its power and privileges, crushed the working class political proponents and introduced industrialisation, in a delayed and spasmodic fashion, in such a form as to tremendously increase the bureaucracy's privileges. By doing so, it also tremendously increased the waste of economic resources (in the first place the waste of labour power, of productive enthusiasm of the workers, and of productivity of labour) and led to a much weaker "competitive" position compared to the West than Trotsky's would have led to. This is the real, and not the mystified, history of the Soviet socio-economic developments in the late '20s and '30s. And it leaves no stone of Harman's laboriously built-up mystifying construction: "industrialisation-through-state-capitalism-in-order-to-withstand-the-pressure-of-Western-heavy-industry."

Let us try to put the question into historical perspective. Capitalist industry was born "dripping blood and tears out of all its pores", as a result of a violent and barbaric process of primitive accumulation (of exchange values). Marx denounced the momentous crimes—but he never for one instant forgot to mention that they were historically unavoidable. No other class of late feudal society could have realised industrialisation but the bourgeoisie, and by no other means. And without industrialisation, no tremendous increase in human productivity of labour, no historical possibility of freeing man from the curse of idiotic and repetitive labour, no possibility for expanding human needs towards realisation of all human possibilities, no possibility for the withering away of alienating social division of labour.

In the epoch of imperialism, as a result of the common "drain" by imperialism and native ruling classes on the potential investment fund for industrialisation (the social surplus product) and the tremendous constraint of competition from imperialist mass production, no underdeveloped country can really repeat this process of industrialisation

within the framework of the capitalist world market. This is a basic aspect of the "general crisis of capitalism", on a world scale, since World War I, the basic reason for nearly uninterrupted revolutionary convulsions in the "Third World" for more than forty years.

As a result of the socialist October revolution, Soviet Russia broke away from the capitalist world market, from the possibility of imperialist capital and imperialist commodities preventing a tremendous industrialisation process. This was realised on the basis of a planned economy, i.e. by freeing the country from the tyranny of the "law of value". For sure, this emancipation is only partial, not complete. This industrialisation cannot reach, inside one country, a higher productivity of labour than was realised by imperialism through international division of labour; it cannot, thereby, achieve the building of a socialist society. But the Russian *proletariat* can start such a construction. It can develop the productive forces and resist "world market pressures", without having to resort to barbaric means. The bureaucracy's crimes were neither unavoidable to industrialise the Soviet Union, nor historically necessary, nor progressive in any sense.

Fourth Mystification: Contemporary Capitalism

Harman tries to defend Kidron's preposterous notion that "arms economy" represents a leak which enables capitalist to avoid crises. But in order to extricate himself from Kidron's constant confusion between destruction of use values and destruction of exchange values⁽¹³⁾, he has to push the inconsistency of that theory to its extreme. For he now defines a leak as a *slowdown of economic growth*. Do we misrepresent him or exaggerate? Here is what he says himself:

"But if there are leaks whereby value is taken out of the total system, the opportunities for each individual capitalist obtaining value to transform into constant capital will be less, and therefore the constraints on each capitalist to expand his means of production will lessen. The immediate pressures to expand constant capital (and therefore production) will diminish, the overall rate of profit will fall less, and therefore there will exist the basis for a longer term steady expansion upon a lower average organic composition of capital."⁽¹⁴⁾ (Our stress).

If any sense can be read into this extraordinary nonsense, then it would run as follows: if capitalists accumulate less, the organic rate of capitalism will grow less rapidly, the rate of profit will decline slower, and accumulation can go on longer. This is an obvious truism—provided one does not forget at the end of the sentence what one said at the beginning, to wit: that *accumulation can go on longer because it is carried on at a lower rate*. But does this bear any resemblance to the economic history of post-war capitalism, as compared to that of the twenties or the thirties? Has economic growth been slower or quicker? Has capital accumulation been lower or higher? Has the organic composition grown quicker or slower? Has technical innovation been retarded or accelerated? To present the developments between 1950 and 1965 as being characterised by the fact that "the constraints on each capitalist to expand his means of production have lessened" is such a fantastic slap in the face of reality, that mystification here really hits the jackpot!

What Harman is as unable as Kidron to prove is that "arms production" is in any form a "leak". Arms, we repeat, are commodities produced for profit, exactly like television sets or machine tools. Even if one assumed that they are entirely paid for by surplus value, they would not constitute a "leak" but a redistribution of surplus value inside the capitalist class, the non-armament sector having part of its profits siphoned off—not outside the system, but to finance *capital accumulation in the armament sector*. And as this armament sector has a higher organic composition of capital than, say, textile production or even television production, one cannot understand how such a diversion would lead to a slowdown of the increase in the average organic composition of capital, or to a reversal of the decline of the average rate of profit.

In reality, of course, it is completely false to assume that armament production is paid for exclusively by surplus value; Rosa Luxemburg exposed that liberal-pacifist argument long ago⁽¹⁵⁾. Armament production is being "paid" for at least in part by a redistribution of the net product between wages and surplus-value (it is largely financed by direct taxes weighing on wages and indirect taxes weighing on consumer goods). It leads, in an indirect way, to an increase in the rate of surplus-value, and therefore to an increase in the rate of profit. It sets off temporarily the fall of the rate of profit neither through a decrease in the

organic composition of capital nor through a slowdown of economic expansion—but, on the contrary, through stepped-up capital accumulation and increased economic growth, accompanied by an increase in the rate of surplus value. In that way, and in that way only, does "armaments production" enable "profitable investment" of surplus-value, as we pointed out in *The Inconsistencies of State Capitalism*. But inasmuch as it steps up "capital accumulation", it increases the organic composition of capital, and thereby loses after a certain time on the right side what it gained on the left. Even under fascism, the rate of surplus-value cannot be constantly stepped up to compensate that process, as Hitler (and the German capitalists) found out to their cost. That's why armaments production as a cure for the ills of capitalism is only a short term solution. It has the tendency to lead to war—or to lose its curing virtues.

Now, the past twenty years have been characterised by a much quicker rate of capital accumulation, of economic growth, of development of the productive forces in the imperialist countries, than the period 1919-1939. If arms production is not the main explanation for this, there must be another one. Harman cannot follow our argument that each of the long-term periods of rapid economic growth under capitalism (1849-1876; 1900-1918; 1940-45-1965) have been characterised by a new industrial revolution (a quick transformation of basic industrial technology), followed by long-term periods in which existing technology became generalised throughout the system. He confuses technical inventions with innovation, and presence of surplus capital potentially capable of innovation, with circumstances inducing actual investment of that surplus capital for these innovation purposes. A friendly bit of advice: please compare the rate of surplus-value (or the increases of productivity of labour), say, in 1928 in the USA, Germany, France, Japan, Italy, with those of, say, 1953 in these last countries (and 1950 or 1960 in the USA): perhaps this will explain to you part of the mystery.

Evidently, the long cycles linked with industrial revolutions have to be explained by the inner motive forces of capitalism, i.e. must be seen in terms of long cycles of "over-accumulation" and "under-accumulation". We shall have occasion to come back to this in detail elsewhere.

Fifth Mystification: Permanent Revolution

When dealing (briefly) with the political implications of the theory of state capitalism for the under-developed countries, Harman again is forced to mystify realities and theories, which are quite transparent:

"The theory of the permanent revolution according to Trotsky I know asserts quite unequivocally that the tasks of the bourgeois revolution in the under-developed countries can only be solved by the working class, led by a class-conscious revolutionary party. It is not "menshevism" to assert that as a matter of fact not only has no such party yet led the working class to the taking of power in Vietnam, or China or Cuba, but those that did take power executed (in Vietnam and China) or imprisoned (in Cuba) those trying to build such parties... Nor for that matter have the regimes in China, Vietnam or Cuba carried through all the tasks of the national bourgeois revolution. It is mere apologetics to pretend that they have solved the problem of industrial development."⁽¹⁶⁾

The mystification begins by replacing a set of social relations by an ideal political norm, and then goes on to dissolve concrete historical tasks into vague generalisations ("solved the problem of industrial development"). By doing so, Harman has to entangle himself in passing into a new contradiction. He seems to have forgotten that the historical function of "state capitalism" was to "defend itself against capitalism by imitating capitalism", in building up heavy industry. Now we are told that Chinese "state capitalism" is unable to "imitate" capitalist industrialisation. The industrialisation of China (a backward country of 700 million inhabitants!) has not yet been "solved", according to Harman's yardstick. But has it made a decisive step forward compared to the prewar situation? Did China, under Chiang Kai-Chek, have a huge industry for producing industrial consumer goods and industrial machinery, including some of the most modern ones? Could it have built up such an industry in competition with the capitalist world market? Harman doesn't even understand the question, let alone answer it.

But all this is beside the point. For Trotsky has a clear and precise summary of the theory of permanent revolution, which sweeps away all the cobwebs of Harman's mystifications:

"With regard to countries with a belated bourgeois development, especially in colonial and semi-colonial countries, the theory of the permanent revolution signifies that the complete and genuine solution of their tasks of achieving democracy and national emancipation is conceivable only through the dictatorship of the proletariat as leader of the subjugated nation, above all of its peasant masses.

"Not only the agrarian, but also the national question assigns to the peasantry—the overwhelming majority of the population in backward countries—an exceptional place in the democratic revolution. Without an alliance of the proletariat with the peasantry, the tasks of the democratic revolution cannot be solved, nor even seriously posed. But the alliance of these two classes can be realised in no other way than through an irreconcilable struggle against the influence of the national-liberal bourgeoisie.

"No matter what the first episodic stages of the revolution may be in the individual countries, the realisation of the revolutionary alliance between the proletariat and the peasantry is conceivable only under the political leadership of the proletarian vanguard, organised in the Communist Party. This in turn means that the victory of the democratic revolution is conceivable only through the dictatorship of the proletariat which bases itself upon the alliance with the peasantry and solves first of all the tasks of the democratic revolution.

"...A democratic dictatorship of the proletariat and peasantry, as a regime that is distinguished from the dictatorship of the proletariat by its class content, might be realised only in a case where an independent revolutionary party could be constituted, expressing the interests of the peasants and in general of petty-bourgeois democracy—a party capable of conquering power with this or that degree of aid from the proletariat, and of determining its revolutionary programme. As all modern history attests—especially the Russian experience of the last twenty-five years—an insurmountable obstacle on the road to the creation of a peasants' party is the petty-bourgeoisie's lack of economic and political independence and its deep internal differentiation. By reason of this the upper sections of the petty bourgeoisie (of the peasantry) go along with the big bourgeoisie in all decisive cases, especially in war and revolution: the intermediate section being thus compelled to choose between the two extreme poles. Between Kerenskyism and the Bolshevik power, between the Kuomintang and the dictatorship of the proletariat, there is not and cannot be any intermediate stage, that is, no democratic dictatorship of the workers and peasants."⁽¹⁷⁾ (Our stress).

Let us first stress the fact that Trotsky starts from social and historical problems, and not from political norms. The words "class conscious revolutionary party" do not appear once; and when he uses the formula "Communist Party" or "Bolshevik power", he means it evidently in a socio-historical sense, i.e. a party capable of crushing capitalist-feudal power, like the Bolsheviks did in Russia in October. What the exact relations of that party are with revolutionary Marxism and self-organisation of the working class is not automatically implied in that historical role—and not an absolute precondition to this role. We have had a Paris Commune which was not led by a "class conscious revolutionary party", even before the theory of state capitalism was born. And we know that in its history, the working class has been led again and again, in its great majority, by parties which were opportunist or centrist, in all shades possible and imaginable, not only in periods of relative quiescence, but even in periods of great revolutionary upheavals.⁽¹⁸⁾

Trotsky defines the two key historic tasks of the bourgeois-democratic revolution in the backward country as the conquest of national independence and the agrarian revolution (the uprooting of all semi-feudal remnants and imperialist encroachments which brake the development of the productive forces in the countryside). He never says, and we never said, that this leads automatically to a thorough industrialisation of a backward country, after the victory of a socialist revolution. He only says, and so did we, that this opens the road for for industrialisation which a combination of imperialist and internal reactionary class structure otherwise block quite efficiently.

Now let us make the test for the four countries involved in the controversy. Is China today a semi-colonial country? Does imperialism maintain indirect rule as it does in Brazilia, Lagos or New Delhi, not to mention smaller countries? Is Cuba still under the thumb of American imperialism, as it was during the Batista regime? Is American (or French or perhaps British?) imperialism still the real ruler in Hanoi, just as it obviously is Saigon? Were the spies of the "Pueblo" just captured by "agents of American imperialism" in Pyongyang through an unfortunate oversight?

Anybody who does not have a completely mystified view of the present world will hardly doubt as to how to answer these questions. It is obvious that these countries conquered complete and thorough independence from imperialism not only formal-political, but also economic independence—and this through violent revolutions, generally ending in bloody anti-imperialist wars.

Nor can there be the slightest doubt that a thorough-going agrarian revolution (as a matter of fact, a more thorough-going one than that of Russia after 1917!) took place in these countries, sweeping away any remnant of landlord-usurer-comprador-kulak bourgeois rule in the countryside (i.e. with the exception of more urbanised Cuba, for between 80 and 90% of the population of these countries).

As these are self-evident facts, Harman has to involve himself in another inconsistency when defining these countries as "state capitalist". For the inescapable conclusion this would lead him to would be to declare these "state capitalist" regimes as highly progressive! Evidently, if tomorrow a non-working class party were to be capable of sweeping away all ties with imperialist exploitation and all remnants of exploitation of poor peasants by landlords, usurers, merchants, kulaks, as well as eliminate all rural unemployment, in countries like India or Brazil, this would be a gigantic historical step forward, which all Marxists should hail as at least as progressive as the great French revolution. (The theory of permanent revolution states that in the epoch of imperialism, this cannot any more be achieved but by a proletarian party; but Trotsky might, after all, have been wrong, think Cliff-Kidron-Harman & Co., at least partially wrong).

Now who led the revolutions which actually achieved these mighty social upheavals (even a "state capitalist" will have to admit that they were revolutions, and not friendly negotiations at tea parties)? Communist parties, and, in the case of Cuba, a revolutionary organisation called the "July 26 Movement" which was of non-communist origin. "These parties were workers' parties in nothing but their name," thunders Harman. Really? What about their social composition? Would Harman deny that an important part of the (relatively small) Indo-Chinese, and the (more important) North Korean and Chinese proletariat (not to speak about the Cuban plantation and sugar industry proletariat) gave political support, wide allegiance, and even participated to the best of its abilities in these parties? And what about their programme? Was that characterised only by "the bloc of four classes" (we shall come back to this in a minute)? Wasn't that bloc, or the "new democracy", only conceived as a transitional stage towards the dictatorship of the proletariat, which was spelt out in black and white as the historical goal of these parties (by Castro after the beginning of the revolution, it is true, but much earlier than the Cuban C.P. itself understood this)? Does Harman know any "peasant party" which has a programme in favour of the dictatorship of the proletariat, which claims to fight for collective property of all means of production and even to set out to build a classless communist society? "Words, words, just words," Harman obstinately insists. "In essence, these are peasant parties, petty-bourgeois peasant parties."

But this is precisely where you make your break with the theory of the permanent revolution, dear "state capitalist" blunderers, we answer. For the *mainstay* of that theory is the *inability of the peasantry to build a revolutionary party of its own*. If the peasantry is able to solve the problem of agrarian revolution and national independence by itself, the very possibility of the dictatorship of the proletariat in a backward country disappears. Where the working class is a small minority of society, this possibility *only* exists in function of the *incapacity* of the peasantry to successfully centralise and lead its own struggles for solving basic bourgeois-democratic tasks. Trotsky is crystal-clear on this in the above-quoted conclusion from *Permanent Revolution*. The peasantry split into two parts: one, the richer, going with the bourgeoisie; the other, the poorer, going with the proletariat. This happened in China after 1945, in Vietnam after 1945, in North Korea after 1945, in Cuba after 1959, *exactly* like in Russia after March 1917 or in China after 1925. So either you defend the preposterous proposition that national independence and agrarian revolution were not realised in these countries—or you have to admit what seems to us self-evident: that Mao, Ho Chi Minh, Kim il Sung, Castro, were leaders of proletarian parties, certainly bureaucratised ones, of Stalinist origins (in the first three cases), certainly opportunist ones, certainly parties a far cry from revolutionary Marxism—but nevertheless working-class parties (in the same sense as the French and the Italian C.P. are bureaucratised opportunist working-class parties).

The question does not stop there. The Chinese, Vietnamese, North Korean, Cuban, revolutions didn't limit themselves to establishing complete independence from direct or indirect imperialist rule, and radical agrarian revolution. They also abolished all native capitalist property as well, eliminated the native bourgeoisie, and destroyed the bourgeois state (the Yugoslav revolution did of course the same⁽¹⁹⁾). Nobody in his right mind really believes that the Chinese bourgeoisie is ruling today in Peking. Ask any Chinese capitalist in Hong Kong,

Taiwan or Honolulu: he'll tell you. He knows. He cannot afford to be mystified by "state capitalist" rhetoric. So here we have an even more mysterious situation for the poor adherents to the theory of "state capitalism": "Petty bourgeois leaders" (peasant parties) are seemingly not only able to eliminate imperialist rule and liberate the peasants from age-old landlord-moneylender-comprador exploitation; they can even destroy the "native" capitalist ruling class as well, together with its bourgeois army and its bourgeois state. And Harman has the cheek to pretend that this preposterous proposition is not in complete contradiction with the theory of permanent revolution!

"The Vietnamese merit support, because they are conducting a national liberation struggle": this is Harman's lame answer to our pointing out the inconsistency of supporting the NLF and seeing in it at the same time "the nucleus of a future state capitalist exploiting class". Let us leave aside the ridiculous comparison between the Vietnam war and the Kenyan or Cypriot struggle; we are eager to have Harman point out to us the five hundred thousand British soldiers sent to Kenya or Cyprus⁽²⁰⁾. But here again Harman in reality is forced to accept one typical Stalinist mystification, peddled by the C.P. "peace movements" all around the world: the mystification that "essentially" the South Vietnamese are fighting for the "independence" of their country against a "foreign aggression", and not at all against capitalism.

The reality is of course otherwise. In South Vietnam, a civil war started right after the Geneva agreement⁽²¹⁾. People rose because the fascist Diem regime clapped them into concentration camps by the tens of thousands, and eliminated the agrarian reforms realised in the territories liberated in the South by the Viet-Minh, before the Geneva truce. This civil war unfolded for years before there was any North Vietnamese intervention. Large-scale imperialist intervention only took place when this civil war was on the point of being successful. Its purpose was not to introduce "national oppression" into South Vietnam, but to prevent the overthrow of capitalism there. U.S. imperialism was afraid that such an overthrow would threaten capitalism in the whole of South-East Asia, and stimulate permanent revolution on an even wider scale. This, and only this, can explain the stupendous investment of arms, men and capital to stop the Vietnamese revolution—and not U.S. imperialism's "hatred" of national liberation struggles, which it could quite go along with (see Indonesia, Algeria, etc.) as long as capitalism wasn't threatened.

The question which Harman has to answer is the one relative to the class nature of the forces involved in that civil war. On the one side there were the landlords, the usurers, the fascist Diem bureaucrats, the compradors, the kulaks, the imperialists. Who was on the other side? Only the poorer peasantry? Is it then capable of leading a centralised revolutionary struggle all by itself, not only against a tottering collection of semi-feudal overlords, but even against the mightiest imperialist power on earth? Was Trotsky then so wrong in "underestimating the peasantry" 's capacity for independent political struggle? Or was there, after all, also the working class, and a working class party—a bureaucratised one of Stalinist origins, undoubtedly; but after all a *working class* one—leading those masses?

Harman feels it necessary to throw the pebble of the "bloc of the four classes" into the pond, too:

"It would be interesting to see Mandel justify his own claimed commitment to the theory of permanent revolution in the light of the avowed (!) policy of the Chinese before taking power and of the NLF today being the 'bloc of the four classes'."⁽²²⁾

Marx taught us to judge people not on what they say about themselves but by what they do (by their objective role in society). Harman the mystifier now turns this lesson upside-down. Never mind whether the Chinese C.P. has expropriated all private property of the means of production from the capitalist class; whether it has destroyed their state and their economy, left not one regiment from their army. That is unsubstantial. As that party has the "avowed policy" of the "bloc of four classes", any upright state capitalist has to presume that Chiang Kai-Chek and his henchmen are still today in power in Peking. How stupid can one get?

A "policy" is not a set of words on paper, but a line one follows in action. The "bloc of the four classes" meant the subordination of the C.P. to the Kuomintang, the subordination of the workers to the bourgeois army (which hastened to disarm and kill the workers), the refusal to touch the property of the landlords, urban capitalists and rich peasants in the countryside, for fear of "upsetting" the (bourgeois) army.

There were certain formal similarities between Mao's line between 1937 and 1946, and the disastrous line pursued by the Chinese C.P. between 1925 and 1927, although even before 1946 there was a basic difference: instead of disarming his own forces, Mao maintained them independent from the bourgeois army, which tried again and again to crush them militarily, and failed. In the towns, the similarity was probably more than formal, although the Japanese imperialist occupation introduced a complicating (and obscuring) factor.

But after 1946 a definite change set in, essentially under the pressure of a huge uprising of poor peasants and rural semi-proletariat in North China. In face of that uprising—and of a renewed military offensive against him by the Chiang Kai-Chek forces, Mao now made a decisive turn towards coordinating and centralising a peasant revolution throughout the country, towards destroying the bourgeois army, and conquering power in the towns, destroying capitalist property in the wake of conquering the towns (with a certain delay, for sure, but, after all, even the Bolsheviks didn't nationalise industry immediately after taking power, and had intended to do it still later than it actually occurred. To put a sign of identity ("avowed policy of the bloc of the four classes") between a complete subordination of the C.P. to the Kuomintang, and the destruction of Kuomintang power by a huge popular revolution led by a bureaucratised working class party (a bureaucratically deformed socialist revolution, if you wish) is a feat of "theoretical" acrobatics Harman can be really proud of.

We pointed out that Kidron's conclusions about developments in the colonial and semi-colonial countries were straight Menshevism—flowing from the Menshevik theory that in Russia—"under the pressure of the world market"—only capitalism was possible. Harman, having swallowed the Menshevik starting point of "state capitalism", is now forced to say B, after having said A. *Not only has he adopted Menshevism, but he is adopting also more and more of its Stalinist by-products.* We have already seen how his interpretation of the Soviet industrialisation process is nothing but a repetition of the classical apologetic theories of Stalinism: "Without Stalin, no efficient armaments industry in the USSR." Now Harman adopts another Stalinist "theory": the theory of "petty-bourgeois" states, neither workers states nor bourgeois states, neither the dictatorship of the proletariat nor the dictatorship of the bourgeoisie, neither fish nor fowl. This remarkable revision of Marxism has been elevated to the level of dogma by...the official programme of the CPSU under Krushchev. And how else but by this Stalinist formula of "national democracy" can one summarise Harman's definition of China, Vietnam, Cuba, Yugoslavia, North Korea, as being states of "a petty bourgeoisie trying to transform itself into a capitalist class" (23)?

Because for us the Yugoslav, Chinese, Vietnamese, Korean revolutions are distorted socialist revolutions (i.e. led by bureaucratically distorted working-class parties), we prefer not to call the parties which led these revolutions "Stalinist" parties. For us, Stalinism is essentially a conservative ideology of the ruling bureaucratic layer in the Soviet Union, historically committed to the *status quo* (the extension of its power and privileges into the Eastern European countries, at the end of World War II, on a world scale historically strengthened and not weakened the *status quo*, for it was being "paid for" by the attempt to stop the overthrow of capitalism in Western Europe and many other places, inclusive China). Stalinist parties are parties which are subordinating the interests of the working class in their own countries to the interests of the Soviet bureaucracy's diplomacy. They therefore have acted, historically, as props of the capitalist system in their countries. (24)

Of course, the Chinese, Vietnamese, Korean, Yugoslav, C.P.s are parties of Stalinist origin; many traits of their ideology, internal structure, attitude towards the masses, were inherited from Stalinism. But these traits, important as they are, and important as are their negative consequences for world revolution and for starting the process of building a socialist society in their countries—and against which traits we conduct an irreconcilable struggle—are not the decisive factor for determining their social nature. Decisive, on the contrary, is the fact that, when the overthrow of capitalism was put on the agenda, they led this overthrow, be it in a distorted and perverted form, instead of preventing it. In order to do so, they had to break with the rule of subordinating themselves to the Kremlin bureaucracy, they had to disobey Stalin's orders and instructions, and to throw overboard, at least in practice, some of the basic tenets of Stalinist "theory".

To say that the Chinese C.P. is the same kind of party as the Indonesian C.P., the Yugoslav as the Greek C.P., the Vietnamese as the French C.P.—to say, in other words, that there is no "basic" difference between destroying capitalism and upholding it!—is to throw overboard all objective criteria of judgment in favour of partial analogies (25). To say that

"Stalinism" has been capable of overthrowing capitalism in the most populated country on earth is decidedly giving too much honour to Stalin!

Because the Yugoslav, Chinese, Korean, Vietnamese, Cuban, revolutions were distorted socialist revolutions (the Cuban the least bureaucratised and distorted of them all, for it was led by revolutionary forces not originating from Stalinist ideology or organisations), they are part and parcel of the world revolutionary process started in October 1917—be it under unforeseen and specific forms. Their victory has meant heavy defeats for world capitalism and imperialism. It has strengthened and not weakened the international revolutionary vanguard, included that part of it consciously fighting for world revolution and for workers' states under workers' management through freely elected workers' councils (the same can certainly not be said about Stalin's victory in the USSR). It has weakened and not strengthened Stalinism in the Soviet Union, and its stranglehold on the international working class movement. It has deepened both the crisis of capitalism and the crisis of the Soviet bureaucracy, and created more favourable conditions for an extension of the world revolutionary process to the industrialised countries in Western Europe. This logic—and therefore everything which is happening with world revolution in the last decade—is incomprehensible if one falls under the sway of the mystifications of "state capitalism". It is only made comprehensible by Trotsky's theory of Stalinism and of the Soviet bureaucracy.

August 10, 1970

Footnotes

(1) Chris Harman: *The Inconsistencies of Ernest Mandel*, in *International Socialism*, December 1969-January 1970—an answer to Ernest Mandel: *The Inconsistencies of State Capitalism*, IMG pamphlet, 1969, itself an answer to Michael Kidron: *Maginot Marxism: Mandel's Economics*, in *International Socialism*, April-May 1969.

(2) One example will be sufficient for this type of debating point. Harman takes us to task because we are alleged to have identified "thirst for profit" with "capital accumulation" and "the final money form of capital". This is plain unadulterated nonsense, he proclaims (op. cit. p. 36). A moment's more careful reading would have shown him that we didn't identify any abstract "thirst for profit" with "capital accumulation" (and certainly not a Chinese usurer's one), but "the capitalists' thirst for profits". And that "thirst" is indeed determined by the economic compulsion to accumulate capital under conditions of private property (competition). Far from being "nonsense", unadulterated or not, this identification is one of the basic discoveries of Marx's economic theory.

(3) Chris Harman, op. cit. p. 36, 37.

(4) Chris Harman, op. cit. p. 37.

(5) *Das Kapital*, Engels Edition, 9th printing, Hamburg, Meissners Verlag, 1921, vol. I, pp. 39-40, 45-46.

(6) Chris Harman, op. cit. p. 38

(7) *Ibidem*.

(8) Inasmuch as only generalised commodity production is suppressed after the overthrow of capitalism, and that partial commodity production still survives, the economy is dominated by a struggle between the "law of value" ("spontaneous allocation of resources") and "the logic of planning" (i.e. conscious allocation of economic resources in the interests of those who administrate the economy). This struggle can only end by either a return to capitalism (in that case, "the law of value" takes over again), or by a definitive consolidation of planning (in that case commodity production starts to wither away in the field of consumer goods too). On the road to this second end-result, the bureaucracy's administration of the economy and the state must be overthrown. It is very unlikely that this second process could be achieved without an international extension of the revolution (although what is involved here is something more "primitive" than the final end result: the complete disappearance of commodity production, of classes and of the state, i.e. the completed construction of a socialist society, unattainable in a single country).

(9) Ernest Mandel: *Marxist Economic Theory*, Merlin Press, 1969, vol. II, pp. 621-626.

(10) An amazing accusation! On page 2 of our pamphlet, we wrote that capitalism is the only form of class society in which all elements of production (land, labour power, labour instruments, etc.) become commodities. The transformation of labour power into a commodity—isn't that "a reference" to the wage labour/capital relationship? This is repeated again on page 3, where it says that capitalism is characterised

by a class structure and a mode of production which imply that labour power has become a commodity, i.e. by "the existence of a proletarian class, forced to sell its labour power". Two lines further on we mention the class struggle between Capital and Labour as resulting inevitably from the laws of motion of capitalism. On p. 12 we explain at length what forces a capitalist corporation to exploit workers in order to accumulate capital. Yet Harman coolly writes: "Nowhere in the whole section of the pamphlet dealing with the question (presumably the question of the nature of capitalism and of commodity production) is there a single (!) mention of the working class or a single (!) reference to the wage labour/capital relationship" (p. 36)...

(11) Trotsky makes this distinction between the bureaucracy's "appropriation of the products of the labour of others" (*The Revolution Betrayed*, New Park Publications, p. 240, 1967), and "exploitation" in the scientific sense of the term (*In Defence of Marxism*, Pioneer Publishers, New York, 1942).

(12) Chris Harman, op. cit. p. 38-9.

(13) Harman accuses us of "falsifying" Kidron's position. But he fails to explain why a war would represent a "leak of capital". Slumps devalue capital, we all agree (and I indicated that, on that point, Kidron was only repeating Marx). But what about wars? "Wars and slumps have destroyed immense quantities of output," wrote Kidron. Isn't that inferring that destruction of exchange values (by a slump) equals destruction of use values (by a war)? How is war supposed to "destroy immense quantities of output" except through physical destruction?

(14) Chris Harman, op. cit. p. 39.

(15) Rosa Luxemburg: *Die Akkumulation des Kapitals*, pp. 370 et fol., Vereinigung Internationaler Verlagsanstalten, Berlin 1923.

(16) Chris Harman, op. cit. p. 40.

(17) Leon Trotsky: *Permanent Revolution*, New Park Publications, 1962, pp. 152-154.

(18) To avoid misunderstandings, and to prevent the inevitable shouts of "revisionism" by our dear friends of the Healyite persuasion, let us repeat for the nth time that Trotsky foresaw and predicted that "under exceptional circumstances (war, defeat, financial crash, mass revolutionary pressure)", opportunist and bureaucratised parties like the C.P.s could break with capitalism and initiate a revolutionary process leading to the dictatorship of the proletariat. (See the chapter of the *Transitional Programme* entitled "Workers and Farmers Government"). Isn't that precisely the description of what happened in Yugoslavia, China, Vietnam, etc.? The essential question is whether this is "highly exceptional" (as Trotsky predicted and we emphatically uphold) or whether this could somehow become a wider "rule", as opportunist split-offs from the Fourth International (to start with, Posadas, Pablo and the Ceylonese LSSP) are persuaded?

(19) Harman cannot resist making another dubious debating point: "Why didn't you recognise the Yugoslav socialist revolution when it happened, but only three years later?" We could start quoting to him some passages indicating that we had at least an inkling that something particular was going on in that country before 1948 (notwithstanding an evident lack of information). But look who's complaining: a member of a group which "discovered" the establishment of "state capitalism" in the USSR not three but more than twenty years after it had happened...

(20) In Algeria, French imperialism engaged on a large-scale colonial war, it is true. But this can be explained not only by the exceptional importance of French investment in the Algerian oil industry—uncompared to any U.S. imperialist investment in Vietnam—but also and especially by the special implications, for French internal politics, of the presence of a large French settlers' minority in that country, which made millions of petty-bourgeois rabidly attached to "l'Algerie française". Nothing of the kind exists in Vietnam with regard to American society.

(21) Harman's remark, that "in Vietnam, the Stalinist leadership has twice already shown itself incapable or unwilling to solve the most elementary of bourgeois national tasks—that of national unity—when opportunities (!) to do were at hand (in 1945 and in 1954)." This is an odious travesty of historical truth, for it completely mystifies the precise opponents of "national unity". It is not as a result of the Vietnamese C.P. "submitting" itself to some "bourgeois" leadership (presumably Bao-Dai? or Diem?) or the Chiang Kai-Chek type that national unity wasn't realised in 1945 or 1954, but due to direct foreign intervention of a ten-times-stronger military power (later backed by U.S. imperialism which was one hundred times stronger). Ho Chi Minh in fact proclaimed

independence in the whole country, and tried to unify it, but was driven away from the cities by superior foreign military strength (and only thereby). Perhaps Harman missed out telling Giap how he could have taken the "opportunity" to beat the French army, navy and air-force in 1945, supported additionally by British and Chiang Kai-Chek forces. Presumably, Dien-Bien-Phu was as easy a battle to organise, for experts of the Harman vintage, as it would have been in 1954 to start open warfare against American imperialism, without granting a breathing space to people who had been fighting for fourteen years. With the same irresponsibility, one could say that the Brest-Litovsk peace showed the Bolsheviks' "inability or unwillingness to solve the most elementary of bourgeois national tasks" in Russia. Harman should be ashamed of such kind of "arguments" used against revolutionists who have struggled longer against imperialism and capitalism, arms in hand, than any other group in the world since the international working class movement was founded.

(22) Harman, op. cit. p. 40.

(23) One class "trying to transform itself" (sic) into another class is certainly a daring "innovation" in the framework of historical materialism.

(24) "The chief accusation which the Fourth International advances against the traditional organisations of the proletariat is the fact that they do not wish to tear themselves away from the political semi-corpse of the bourgeoisie," writes Trotsky in the *Transitional Programme*.

(25) The Shachtmanite adherents to the theory of a "new bureaucratic class" tried at least to be more consistent; they saw in each Communist Party an "instinctive drive" to establish itself into a new "fascist-type like" ruling class. The cold war having given its verdict—and Shachtmanism having disappeared under its waves in a sea of ridicule and renegade behaviour—one sees how wrong that prediction was. But why are some C.P.s just "neo-reformists" (i.e. subservient to private capitalism) as the British C.P. presumably is the eyes of *International Socialism* (like the French, Italian, Greek, Spanish, Indonesian, Brazilian, C.P.s, and the list could be extended *ad libitum*), while just a few others are "trying to transform themselves into a new ruling class"? And if this distinction exists, what's the use of defining both categories of parties by the same label?

THE STATE CAPITALIST GENEALOGY

Erich Farl

We can divide the theories of those who do not regard the Eastern European states as workers' states into two main camps: theories which analyse them as capitalist states (either classical bourgeois or state capitalist) and those which hold that a 'new class' is in power in these countries.

The first group includes most social democrats (Mensheviks, Otto Bauer, etc.), the Bordigists, the neo-Trotskyist theorists of state capitalism (Grandizo Munis and Tony Cliff) and the Chinese theorists of the restoration of capitalism, as well as their 'sophisticated' variants (Sweezy, Bettelheim). The Yugoslav leaders could be included in this group at the beginning of the fifties.

As far as the second group is concerned, mention should be made of the theories of 'bureaucratic oligarchy' (Lucien Laurat in the early thirties); bureaucratic collectivism (Bruno Rizzi, Max Schachtman, James Burnham); the 'new class' (Milovan Djilas); the central political bureaucracy (Kuron and Modzelewsky); and 'statism' (S. Stojanovic in Yugoslavia).

Of course, any system of classification must be arbitrary to some extent. The differences within these two groups that we have outlined are considerable. Tony Cliff will not much appreciate — with good reason — being placed under the same heading as the Chinese leaders (we shall try to put this 'injustice' right later on by seeing what differentiates them). Some theories are difficult to classify (for example, the ideas of the French group *Revolution!*, which split from the *Ligue Communiste* in 1971 and occupies a midway position between the theory of the new class and that of the restoration of capitalism).¹ But our classification does have the merit of allowing us to distinguish these theories by virtue of what is their central aspect: the definition of the class nature of the Eastern countries.

In the framework of this article we will deal solely with the first group. We will therefore examine theories concerning 'capitalism' (classical or state) in the USSR.

We are dealing here with the group of theories least distant from Marxism. The theories of a 'new class' involve a clearer abandonment of Marxism (the fates of Burnham and Djilas provide us with evidence of this), since they try to invent a new mode of production with new laws of development, different from the Marxist analysis of modes of production and economic-social formations. The theories of 'capitalism' in the USSR are, on the other hand, often based on Marxist texts: on what Engels wrote in *Anti-Dühring* on bourgeois nationalizations; on what Lenin wrote between 1917 and 1923 on state capitalism;

on what Rakovsky said on the manner in which the State bureaucracy can be said to 'own' the means of production; and on what Trotsky wrote about restorationist dangers in the USSR.

Otto Bauer

The oldest of these theories is the one put forward by the Mensheviks. The historical reasons for this are not hard to find: was it not the Mensheviks who thought that the final proof of the adventurism of Lenin and the Russian communists was their seizure of state power in 1917? For them, Russia was too backward to be able to give birth to a workers' state. They believed that a one-to-one relationship existed between the level of development of the material forces of production and the corresponding state superstructures. In spite of all the heroism of the Bolsheviks, therefore, only a bourgeois state could be built in Russia in 1917. Without the intervention of the Mensheviks this state would be an authoritarian bourgeois dictatorship. In the best of cases, with the Mensheviks, a democratic bourgeois republic could be built.

It was Otto Bauer, the theoretician of Austro-Marxism, who gave a more polished expression to these theories.² In his pamphlet *Bolshevism or Social Democracy* written in 1920, he describes Soviet Russia as a 'transitional state', which, through the agrarian revolution, had created the conditions for the future development of a bourgeois class in the countryside, a preliminary to an evolution to bourgeois democracy. 'State socialism in industry, transport and the banking system; co-operative organization of the commune; the private activity of the peasants; the enrichment of the peasants on the basis of poverty in the town; the appearance of the new bourgeoisie thanks to the black market — which is inevitable given a private agricultural sector; the creation of new capitalist enterprises on the basis of special concessions to foreign capitalism: these are the elements which will make up Russia's new economic life' (p.70). In the pamphlet *The new course in Soviet Russia* written in 1922, Bauer sees the NEP as a striking confirmation of his theory. Instead of regarding it as a policy of *controlled concessions*

¹ There are also theories with a foot in both camps: e.g. Gerry Healy (who believes that China is a workers' state and Cuba a bourgeois state), or *Lutte Ouvrière* (who think that the USSR is a workers' state and China a bourgeois state).

² Otto Bauer, *Bolshevismus oder Sozialdemokratie*, Volksbuchhandlung, Vienna 1920; *De Nieuwe Koers in Soviet-Rusland*, De Wilde Roos, Brussels 1923.

by the workers' state, he thought on the contrary that it represented an acceptance of his theories by the Russian Communists. From then on he 'advised' the Bolsheviks to suppress the 'contradiction' between economic necessity and the form of political power. 'The economic turn represented by the NEP should be complemented with a peaceful political turn: the transformation of the dictatorship into a bourgeois democracy' (p.46-7).

Bauer's theory is interesting for us because it demonstrates an aspect that we shall meet again in other authors: an economic *fatalism*, which is due to an over-estimation of the role of the material forces of production coupled with an *under-estimation of politics*. In the framework of this theory, the State has — or should have — only a secondary role, simply registering the modifications resulting from the development of the forces of production.

Another (minor) aspect of Bauer's theory, but again something that we shall see more of when we come to deal with other theoreticians, is his use of Lenin's writings on 'state capitalism'. We shall return to them later.

Amadeo Bordiga

Bordiga — the founder of the Italian CP and initially its foremost theoretician, who passed over to the opposition in the Communist International after 1922 — put forward a left variant of this theory.³ For him, the October revolution was an anti-feudal revolution from which the bourgeoisie was absent. For that reason, the proletariat played the chief role in it. But later on, principally because of Russia's prolonged isolation, the new state was 'consolidated' as a political organ of emergent capitalism.

Here again we meet with the economic fatalism that we discovered in Bauer's writings — but under a slightly different guise. Aided by the proletariat of the developed European countries, the Russian working class could have been able to construct a workers' state. Isolated it was unable to do so.

What is missing from both these theories is any concept of a 'transitional' stage between capitalism and socialism. We have either *capitalism* (and a capitalist state) or we have *socialism* (and a workers' state).

Marx and Engels, as we know, envisaged the question in these terms: the 'lower' stage of the new society or 'socialism' (as opposed to 'communism', the higher stage) would be achieved practically immediately after the defeat of the bourgeoisie. It would be characterized by the suppression of the private character of the means of production; by the heightened development of the forces of production; by the absence of the market, money and commodities; by distribution of use values; by the abolition of wage labour and the disappearance of classes.

Most of these characteristics are either entirely lacking or only very partially present in the Soviet Union and the countries of the Eastern bloc. From this point of view, they are paying the price for the detour of history — for the fact that the socialist revolution did not take place, as expected, in the developed countries.

But Bordiga keeps to the old schema. His theory can be qualified as *schematic and normative*. He gives good definitions of what a socialist society and a communist society *should* be like. From these theories we can see in what ways the USSR and the other workers' states fall short of being socialist or communist. But that does not allow us to draw any further conclusions.

Bordiga goes on, however. Capitalism, he says, is a market economy. Well, in the USSR commodity production exists. Therefore, the USSR is a capitalist society. That is Bordiga's syllogism. His conclusion is false

because his starting-point is wrong. Capitalism is not defined by saying that it is a market economy (commodity production exists in pre-capitalist societies). What distinguishes capitalism is that it is a mode of production which *generalizes* commodity production, because under capitalism both *labour power* and *the means of production* become commodities. For capitalism to exist there must simultaneously exist both *wage-earners* and means of production *transformed into capital*. This is what differentiates capitalism from other societies where commodity production takes place.⁴ In a society in transition from capitalism to socialism, commodity production does still exist (for example consumption goods) but not in the essential sectors, which would allow us to qualify the mode of production as capitalist: the means of production are not commodities. The transitional society is a society where commodity production is *progressively restricted*. That is why we say that the mode of production there is *non-capitalist*, since, according to our definition, capitalism is characterized by the progressive generalization of commodity production.

Munis and State Capitalism

Grandizo Munis developed the theory of state capitalism at first inside the Fourth International and later outside (at the end of her life Natalia Sedova Trotsky shared his ideas).⁵ Munis' theory is simple enough. His argument is not based on empirical data (pretty scarce in 1946 as far as the USSR was concerned), but on what he considers to be Marx's model of the functioning of the capitalist economy. Munis took the well-known equation which represents the different elements which make up the value of the product ($P = C + V + S$). Under the capitalist mode of production, he said, the 'centre of gravity' of the formula is S (surplus value). The future increase of capital depends on the size of S. In a socialist society, however, V (variable capital — wages) becomes the centre of gravity. Capitalization will depend on the consumption needs of the masses.

Now this is not the case in the USSR. 'Behind S from this time onwards (the triumph of Thermidorian capitalism) there was, just as under capitalism, a group of men. S thus regains its character as surplus-value to the extent that the bureaucracy usurps power.' (p. 19).

Munis concluded that in the USSR a variant of capitalist exploitation exists, the bureaucracy not yet being finally structured as a capitalist class. He predicted that when that final restructuring took place, the bureaucracy would have to abandon planning.

Munis' error is in his model. It is incorrect to say that, under socialism, the formula for the social product will remain $C + V + S$. By definition this formula can only apply to a system characterized by the working of the law of value. Under socialism the equation $C + V + S$ disappears altogether. To be concerned whether the emphasis passes from one element of the formula to another, therefore, is to pose a completely false question. Munis' formula is strangely close to that of some Yugoslav theoreticians

³ A. Bordiga, 'Dialogue avec Staline', in *Programme Communiste* no. 8 1959; 'L'économie soviétique de la Révolution d'Octobre à nos jours', *Programme Communiste*, no. 19, 1962.

⁴ This is very clear in *Capital* and especially in the 'unpublished chapter of Capital' which—irony of ironies—his just been published in France through the efforts of . . . the Bordigist Roger Dengeville (K. Marx, *Un Chapitre Inédit du Capital*, Editions 10-18, Paris 1971).

⁵ G. Munis, *Les révolutionnaires devant la Russie et le Stalinisme Mondial*, Editorial Revolucion, Mexico 1946.

who define self-management as a system where the workers decide the size of V.

Some Soviet economists admit that C+V+S can still be applied to their country, while still pronouncing it socialist. We think that this proves that it is not. But it does not prove that it is capitalist. From this point of view, Munis' demonstration is even weaker than Bordiga's.

Tony Cliff and State Capitalism

As the main theoretician of the I.S. group, Tony Cliff is the best-known of the partisans of state capitalism. He has devoted a book to this question, which has gone through three editions.⁶ When Cliff talks about state capitalism, he talks at the same time about a state, a mode of production, relations of production and society, without making any sharp differentiation between the different levels. It will be useful, therefore, to see how the concept of state capitalism has developed in Marxist literature, so that we can construct a scientific concept to compare with Tony Cliff's ideas.⁷

Lenin used the term state capitalism in several senses. In 'The Impending Catastrophe and How to Combat it' (as well as in the Preface to 'State and Revolution') he talks about state monopoly capitalism, meaning by this term a centralization of capital in cartels and trusts (the 'sugar syndicate in Russia'), without indicating clearly whether he is talking about the creation of a *single monopoly per state* or of the creation of a *state monopoly*. The picture becomes clearer when we know that a young Bolshevik militant, J. Larin, had at that time just published some articles (they were later republished as *War-time State Capitalism in Germany*, Moscow 1928) dealing with the economic measures taken during the First World War in Germany. In other words, this state capitalism was not a distinctive mode of production. *It was a particular mode of functioning* — more precisely a *form of organization* of capitalist production.

In other works (beginning with the 1917 text '“Left-wing” Childishness and the Petty-bourgeois Mentality'), and especially after 1921, *state capitalism* takes on another meaning. In these writings Lenin defines the Russian *socio-economic formation* as a society where different modes of production coexist: patriarchal agrarian economy, petty commodity production, 'free' private capitalism and socialism. The state capitalist sector, here, is still capitalist, but it functions under workers' control (*nationalizations* were relatively few during the first months of the Soviet Republic's existence).⁸

But it is above all Lenin's writings from 1921 to 1923 which take up this question of state capitalism. They deal with the *concessions* made to foreign capitalism (American, Japanese) in the framework of the NEP, with the purpose of attracting the capital Russia needed and enabling her to benefit from its higher productivity (see items 3 and 4 in the bibliographical appendix).

In item 7, 'The Tax in Kind', Lenin lists the different forms of state capitalism: concessions to foreign capitalists; petty producers' co-operatives (small employers); commercial capital which plays the role of intermediary to sell the products of State industry; the leasing agreements made with Russian capitalists. He is thus dealing here with capitalist activities — an economic sector where the capitalist mode of production operates. The qualification *state* indicates that these activities are closely *controlled* by the proletarian state (see on this subject items 5, 6, 9, 11, 12, 13).

What conclusion can we draw from this rapid survey?

We can say that state capitalism for Lenin does not refer to a socio-economic formation, nor to a state, nor to a new mode of production, nor to new forms of property, but to a mode of functioning of capitalism under the control of a workers' state.

In his study Cliff does not refer to these latter texts of Lenin, which deal with state capitalism properly called. He refers to some writings of Engels in *Anti-Dühring* which deal with bourgeois nationalizations and (pp. 113-15) to Lenin's writings on *state monopoly capitalism*.⁹ Cliff's formula, according to which state capitalism is a 'partial negation of capitalism' (p. 110) is, moreover, copied from Lenin's formula on monopoly capital as a partial negation of capitalism. But for Cliff this state capitalism — and here is the crux of the matter — is developed under the protective shadow of a capitalist state, whose ruling class, the bureaucracy, is 'the personification of capital in its purest form' and 'the truest personification of the historical mission of this (capitalist) class' (p. 18).

It is at this point that we find the central contradiction of Cliff's work: *while Cliff uses the term 'state capitalism' for what Lenin called 'state monopoly capitalism' — i.e. a sector of the capitalist economy protected by the capitalist state — his analysis of the economic functioning of state capitalism leads him to the conclusion that it can no longer be capitalism.*

Cliff, in fact, considers that there is no commodity exchange in the USSR as far as the means of production are concerned. He even thinks that labour power is not a commodity in the USSR (p. 158), because only *one* buyer of labour power exists — the State.¹⁰ He admits that investment is not determined by the capitalist law of the tendential decline of the rate of profit (pp. 172-3).

Having admitted all this, it is difficult to talk of capitalism. From the point of view of his analysis of the Russian economy, Cliff is nearer to a theory of a new system of exploitation and a 'new class' than to one of state capitalism.

What arguments does he use to show that, in spite of all these factors, the USSR is a capitalist state? He uses four arguments: the lack of workers' power over the state; the lack of workers' power over the economy; the privileges of the bureaucracy; and the pressure of international capitalism. We will examine each of these arguments in turn.

First Argument

'Can a state not under workers' control be a workers' state?' (p. 132). Such a question demands a negative response — and Cliff does not hesitate to give it one. This first argument is exceptionally weak: it does not take into account the historical possibility of various different *forms* of state power. Thus a bourgeois state can be parliamentary or fascist, with a whole series of intermediate variations. Why, therefore, is it not possible for a workers' state to pass through different forms too, according to the historical context.

⁶ T. Cliff, *Russia. A Marxist Analysis*, International Socialism, London 1955. See too R. Maille, *Le Trotskysme et l'USSR*, Pouvoir Ouvrier, Paris 1965.

⁷ See bibliographical appendix on Lenin and State Capitalism.

⁸ See E. Lokshin, *How the Nationalization of the Economy was Achieved in the USSR*, Moscow 1965.

⁹ Cliff reserves the term 'State Monopoly Capitalism' for War Economy (p. 154).

¹⁰ We wouldn't go so far. The fact that there is only one buyer or seller on the market does not necessarily mean that the product bought or sold loses its commodity character. It would be different if there was only one seller and one buyer.

Second Argument

'The economy of a workers' state and a capitalist economy have many common characteristics . . . Common to both . . . is the division of labour, primarily the division between mental and manual labour. The distinguishing feature is the existence or non-existence of workers' control over production' (p. 98). Since there is no workers' control, we cannot be dealing with the economy of a workers' state.

Cliff forgets that workers' control is not the distinguishing feature of a workers' state: at certain times, workers' control can exist transitorily within the framework of a capitalist state (dual power: the metal factories in Turin in 1920, for example). In a workers' state, it is possible for a whole period for several economic sectors to coexist (antagonistically) — not all of them under workers' control or management. What distinguishes the two economies is that the capitalist economy generalizes commodity production, while the economy of the workers' state restrains it.

Third Argument

'The size of this (the bureaucracy's) income is in itself sufficient to reveal the *qualitative* difference between the income of the bureaucracy and the wages of the workers' (p. 119). We are not convinced by such an argument. Using this criterion such professions as doctors or architects in the West would be classes. Differences in standards of living or income have never been what defines a social class.

Fourth Argument

Even if the first three arguments were to be allowed, we could only reach the conclusion that the USSR is not a workers' state. We are told nothing about the positive qualification of such a state. At this point, Cliff brings in the pressure of international capitalism. 'The rate of exploitation, that is, the ratio between surplus value and wages (S/V) does not depend on the arbitrary will of the Stalinist government, but is dictated by world capitalism' (p. 159). This argument is not well-founded. The USSR's trade with the capitalist world is extremely limited: it constitutes a mere 35% of its foreign trade. What is more, this percentage lumps together trade with the developed countries (22%) and the underdeveloped (13%). Moreover, foreign trade represents only a small percentage of the total production of the Soviet economy. The argument is accompanied by a 'sub-argument', which invokes military pressure. As the preface puts it: 'The author shows that even after a victorious proletarian revolution, a backward country like Russia, isolated as it was by the defeat of the Socialist revolutions in Europe, and under the constant threat of imperialist attack, can exist only if it achieves military power equal to that of its enemies. Military power can be attained only by massive investments which, under conditions of backwardness, means forced savings, freezing the level of consumption of the masses, extracting as much surplus value from the workers as is possible in order to accumulate capital' (p. 8).

But this means that not only is it impossible to build socialism, but it is impossible even to establish a workers' state and set about *preparing* the foundations for socialism in backward countries. Once again we meet with the economic fatalism which we discovered in Otto Bauer.

The Chinese Theory and its Epigones

It is difficult to find any Chinese 'theory' about the USSR. We have to reconstruct an implicit theory from articles,

declarations and speeches.¹¹ Whereas the theories that we dealt with before were all more or less *economist*, we are dealing this time with an *over-estimation of the political level*.

Let us look first at a Chinese article where a synthesis is given of the process of capitalist restoration in Russia. This is what it says: 'After Stalin's death, great Marxist-Leninist that he was, the rotten careerist and conspirator Khrushchev, who had sneaked into the party, and his friends judged the moment right to launch a palace revolution. They usurped the leadership of Party, Army and State in the USSR. From that time onwards, the state power of the Soviet Union changed its nature. A dictatorship of the bourgeoisie replaced the dictatorship of the proletariat. The bourgeoisie, through the hands of its agents, carried out a counter-revolutionary restoration.'

The Chinese theory is, therefore, a thesis of peaceful *coup d'état*, a 'palace revolution'. It suffices to take power in the Party and imprint on it a counter-revolutionary line and the class nature of the State will automatically change.

This thesis has two main characteristics: firstly it allows for peaceful transition (gradual or reformist) from one type of State to another; secondly it gives primary importance to the political factor (the politics of the Party) in making an analysis of the class nature of the State.

The Chinese leaders have never explained why they believe that a peaceful return to capitalism is possible, since they admit that the opposite is not possible. We must say in defence of Tony Cliff that he has at least attempted to make this explanation. He thinks that a professional army cannot be peacefully transformed into a popular militia — hence the impossibility of a peaceful transition to socialism. On the other hand, a popular militia can be peacefully transformed into a professional army and the possibility of a peaceful transition from socialism to capitalism follows from this (op. cit. p. 127). However, even if for a moment we allow what he says about the army to be true, this still does not permit us to draw any conclusions about what the class nature of this army might be (the Swiss bourgeoisie still has a militia!) nor about the class nature of the State.

The more 'sophisticated' Maoists have a more refined argument to account for the seizure of power by the bourgeoisie. But it is, however, only a refinement of the same theory. Professor Bettelheim writes that 'the diversity of concrete forms that the power of the working class can take does not modify its class character, as long as the relationship of the organs of power to the masses is not a relationship of domination and repression but a mass/vanguard relationship, allowing the masses to express their opinions and the leadership to centralize the correct ideas coming from the masses. When the organs of power become separated from the masses, however, these organs cease to be those of a working-class state and become those of a bourgeois state pure and simple.'¹²

Here we come across the same arguments that we met with Cliff: a workers' state which is not democratic cannot be a workers' state. This normativism is doubled in Bettelheim's case with a real *salto mortale*. When Bettelheim was a critic of Stalinism, he still regarded the bureaucratic state as a workers' state despite everything.¹³ Today

¹¹ *Peking Review* since 1967. Also see *The Great Chinese Revolution and the Tragedy of the Soviet Union*, and *Let Us Go Forward on the Road Opened by the October Socialist Revolution*, Foreign Languages Publishing House, Peking 1967.

¹² Paul M. Sweezy and Charles Bettelheim: *The Transition to Socialism*, Monthly Review Press 1972.

the same Bettelheim, having become an admirer of Stalin, rejects the Soviet state since it is separated from the masses!

In another work Bettelheim puts forward this key idea on the restoration of capitalism in the following way:

1. The concept of vanguard describes the governing workers' party, but only to the extent that it is a workers' party through its social base, through its close links with the immediate producers and through its ideology.

2. If such a vanguard does not exist, in particular if the governing "workers' party" no longer has the characteristics which make it a vanguard of the working class, the political and ideological conditions which permit the domination of planned relations over market forces no longer exist. When this situation has come about, there may well be a document which still bears the name of "plan" but this only serves to mask the absence of real planning.¹⁴

Ideological factors thus have a privileged status. Not only can they be responsible for the stagnation or the blocking of the transition to socialism, but the workers' state can even be destroyed and replaced by another state through their influence! 'The domination of the State bourgeoisie brings about a tendency for the rapid spread of market relations and monetary accounting.'¹⁵ This privileged status accorded to ideology is accompanied by an *under-estimation of the resistance that the working class will put up to the new economic structures and the state and governmental structures accompanying such a transformation.*

Sweezy's point of view is a little more nuanced. 'I consider the process in a slightly different way. The relationship between the development of a new bourgeoisie and the extension of the market is not a simple relationship of cause and effect but rather a relationship of a dialectical type, with reciprocal interaction.'¹⁶ Sweezy evades replying to the question on the nature of State Power itself.

Sailing beside the Cliffs in the China Sea

The *Revolution!* group in France takes an original position.¹⁷ It has developed the theory that a new exploiting class took power in the Soviet Union in 1928, at the time of the final victory of Stalinism. In fact it is the theory of a new class. But this new class has internal differentiations and is giving birth to a classical bourgeoisie. The process is, however, far from being finished.

In other words Russia is passing from a workers' state through state capitalism to classical capitalism.

What is this view based on? Its argument is not so very far from the over-estimation of the political level that we found in Bettelheim. The point of departure is the difference in nature between a bourgeois revolution and a socialist revolution. The first is a *purely political* revolution whose relations of production have *already come into being* under feudalism. The second is a social revolution, *which is still faced with the task of creating new relationships of production.* Up to this point the analysis is correct, as is the conclusion which the *Revolution!* group draws from it. 'We can judge the class character of political power and the existence or otherwise of the dictatorship of the proletariat by the *functions* that the state performs.' But a little further on these functions are described in a more limited way. To examine the nature of state power, we have to look at the relations of production '*whose emergence it assures or prepares*' (p. 11). The function of the state is sharply limited here, for one particular aspect is lost sight of: a state can also be defined by its defence

of existing relations of production, that is by defence of the *status quo*. When they lose sight of this essential aspect, the *Revolution!* comrades are then able to turn the terms of the debate upside down and say that '*the class meaning of the relations of production depends to some extent on the nature of political power*' (pp. 10-11). This is exactly the opposite of what they started out by saying.

In order to be able to over-politicize the relations of production in this way, the *Revolution!* comrades take one precaution: they push the date of the Stalinist counter-revolution back as far as possible, to a date (1927) when they claim the new relations of production did not yet exist, even in an embryonic form; to a time when there was nothing to defend except the Party: 'Under the conditions of civil war, the pressure of the peasantry and the imperialist encirclement and the delay of the European revolution, the proletarian dictatorship was confronted with such difficulties that the revolutionary character of the Soviet state was guaranteed only by the revolutionary line of the Bolshevik leadership' (p. 4). In other words, the counter-revolution has been pushed back so far that *nothing* else except the Party existed in Russia. This analysis overlooks a few details. The new state, the nationalizations (the most important took place in 1918-19), the creation of the first planning bodies (well before 1927), the liquidation of the bourgeoisie, etc. etc.

To explain the second stage (reconstruction of the bourgeoisie), *Revolution!* makes use of the economic reforms. They assert that 'plant autonomy already extends by and large to investments and these latter are therefore at least partially dependent on the profits realized by individual concerns' (p. 62). This demonstrates a great ignorance of the actual facts.

Even after the economic reforms, major investment still remains centralized in the USSR. What is involved is only putting part of the profits at the disposal of individual production units. And only a part of this part is allotted to funds which make self-financing possible. In fact only 8-15% of profits go to enterprise funds.¹⁸ They are divided into three parts: funds for material incentives; money for social and cultural needs and the construction of housing; and, finally, funds for the development of production. With these last funds, pilot enterprises self-finance investments to the extent of some 10-15% of centralized investment. So the situation is a long way away from widespread autonomy! The real meaning of the economic reforms was different. If we look at the first fund (material incentives) we can see that it is to pay bonuses — as much to the workers as to the managerial personnel of the factories. But while the bonuses of the workers are only partially dependent on these funds (another part comes from the wages fund which is still centralized), the whole of the managerial bonuses are financed by the material incentives funds. What this means is that an organization which does not make a profit will not receive any bonuses. This is the 'carror' that the economic

¹² See Charles Bettelheim, *La Planification soviétique*, Marcel Rivière, Paris 1945.

¹⁴ Charles Bettelheim, *Calcul économique et formes de propriété*, Maspéro, Paris 1970, p. 91.

¹⁵ *ibid.*, p. 88.

¹⁶ Sweezy and Bettelheim, *op. cit.*

¹⁷ *Révolution et Contre-révolution en URSS*, Cahiers Révolution!, no. 3.

¹⁸ See E. I. Liberman, 'The function of profit in the incentives system of the Soviet economy', and G. D. Sobolewa 'The new Soviet incentives system: study of its functioning in Kiev', *Revue Internationale du Travail*, January 1970.

reform offers to the enterprise bureaucrats so that they show initiative.

We do not dispute that these reforms 'stimulate' the factory bureaucrats to reduce the size of the work-force and wages costs. We will not deny either that the factory bureaucrats — or at least some of them — would like to be free to dispose of more sizeable investment funds. It is obvious that this process can provoke differentiations in the bureaucracy, one wing of which will wish openly for the return of capitalism. Moreover, this is one of the points on which the Fourth International has always insisted, in its criticism of the Soviet economic reform. But we should not confuse a movement with the final destination. For to do so is a characteristic of reformism — including reformism in reverse!

The bureaucracy is still obliged to manoeuvre and its behaviour is still far from that of a ruling class. Before such a transformation takes place, the ruling class in name — the working class — still has time to prepare itself to take back its heritage. For that to happen a political revolution must be made, which will give it the possibility of controlling the state through representative bodies of workers, an anti-bureaucratic revolution, which can alone guarantee that the long journey will reach its end: socialist society.

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IS THE USSR AN IMPERIALIST COUNTRY?

Since the invasion of Czechoslovakia in August 1968, the Chinese leaders have termed the USSR an imperialist country. This designation is by no means a new one. It has appeared regularly in the writings of members of tendencies which consider that the USSR is a capitalist country.¹ There is even a *certain logic* in this position. For if the USSR is really a capitalist country, and if we have been witnessing a real expansionism on its part, then this—in the epoch in which we live, termed by Marxists the epoch of imperialism, 'highest stage of capitalism'—can be nothing other than imperialism in the classical sense of the term.

The aim of this article is to examine this theory according to which the USSR is 'imperialist'. Leaving aside versions of it which have by now been forgotten, it will concentrate on views which have some influence within the revolutionary vanguard today: the position developed by Tony Cliff and the International Socialism group; the position of the Chinese Communist Party and its followers throughout the world; and the position of the French organization *Révolution!*.

Tony Cliff and 'Russian Imperialist Expansion'

The International Socialist position was developed by Tony Cliff in his *Russia: a Marxist Analysis*, which contains a chapter on 'The Imperialist Expansion of Russia'. State capitalism is therefore, in his view, an imperialist capitalism.

In discussing Cliff's views, I shall deliberately ignore certain of his arguments concerning the Russification of the Soviet republics. This aspect of a manifestation of great-Russian chauvinism already existed—and was de-

nounced at the time by Lenin—in 1922-3, i.e. at a time when, even according to Cliff, there was not yet any question of Russian imperialism.

Cliff's overall theoretical approach to the question is somewhat individual. He begins by asserting correctly that the indiscriminate use of the term 'imperialism' to denote different forms of expansion generates confusion. He then recalls the criteria developed by Lenin in *Imperialism: Highest Stage of Capitalism* to characterize imperialism. Then he attempts to show that one of these criteria (the export of capital) does not apply to certain cases (Japan). Since, after this, he feels justified in abandoning this criterion, he considers that its non-applicabil-

¹ Erich Farl, 'The State Capitalist Genealogy' in *International*, Vol. 2, No. 1. For some typical examples see:—

(a) R. Louzon, 'L'héritage du Czar ou celui de Lénine?', *La Révolution Proletarienne*, 1 August 1929; *Contre le Courant*, 21 September 1929, p. 11.

(b) Daniel Logan, 'L'explosion d'impérialisme bureaucratique', *Quatrième Internationale*, February 1946, pp. 5-10.

(c) Tony Cliff, *Russia: A Marxist Analysis*, International Socialism, London 1963, pp. 176-191.

(d) *Peking Review* (and other publications from People's China), *passim* since 1968.

(e) *Cahiers Révolution!* No. 3, 'Révolution et contre-révolution en URSS', Paris 1972, pp. 62-4.

(f) Milovan Djilas, 'Thèmes contemporains', *Questions Actuelles du Socialisme* No. 1, April-March 1951. (See also E. Germain's refutation, 'The Theory of State Capitalism', in *Fourth International* No. 112, September-October 1951). Djilas's article represented the official view of the Yugoslav leadership in the early fifties—a view, however, which they subsequently abandoned.

² Lenin, *Selected Works* in three volumes, Moscow 1967, Vol. 1, p. 745.

ity to the Soviet Union has no significance whatever, and that, in spite of that non-applicability, the USSR is indeed imperialist. In this way, as we shall see, he forgets what he himself had taken as his starting-point, i.e. that the indiscriminate use of the term imperialism leads to confusion. For to abandon the Leninist definition of imperialism leads inevitably to using the term for all cases of economic and territorial expansion.

Let us take a closer look at the arguments we have so summarily outlined. The criterion used by Lenin to distinguish imperialism from the other stages of capitalism and referred to by Cliff is the following: 'the export of capital as distinguished from the export of commodities acquires exceptional importance.' This feature itself results, as Cliff recognizes, from the tendency of capital to go where the rate of profit is highest and, in a more general way, imperialism results from the decline of the rate of profit as the organic composition of capital (c/v) increases.

Now Japanese imperialism, Cliff asserts, which all agree in characterizing as an imperialism, does not have this feature. At the time when it was exporting vast quantities of capital to Manchuria—its only important colony prior to the Sino-Japanese war—profits were high in Japan itself. Cliff notes that Japanese investments in Manchuria went up from 97.2 million yen in 1932 to 263 million yen in 1936 and to 1.103 million yen in 1939, while average profits were extremely high: between 16 and 20% in 1936 and 1937 (see pp. 178-9). The source of Cliff's error is here plain to see. He takes as his starting-point the fact that there were high rates of profit in 1936. But the starting-point which he should have taken is 1. not an absolute rate of profit but changes in the rate of profit, and 2. not rates of profit in 1936 but those in 1930-31—i.e. at the moment when Japanese capital began to move into Manchuria on a large scale.

Henri Claude⁴ informs us in this respect that the profits of all Japanese industrial companies taken as a whole fell from 531 million yen in 1928 to 268 million yen in 1931. It was precisely at this moment that Japanese capital began to invest massively in Manchuria. Inversely, the figures given by Cliff himself for 1936-7—a period in which the rate of profit was exceptionally high (and in which it moreover incorporated the profits from Manchuria)—show that at the moment the tendency to invest in Manchuria was declining: 378 million yen in 1936; 263 million in 1936; 348 million in 1937.

The first part of Cliff's argument thus rests on an incorrect selection of facts. However, it allows him to ignore the key criterion: the quest for a higher rate of profit.

Having admitted that the USSR does not have this feature of imperialism, Cliff then develops an argument which can be summed up as follows: the aim of Russian imperialist expansion is to provide itself with the means to close the gap which separates Russia from the capitalist West; essential elements in this policy were the dismantling of factories in the satellite countries and their removal to the East; the use of 'unequal exchange' in commercial dealings with the satellite countries; and the installation in these countries of Russian enterprises. The dismantling of factories and the 'joint stock companies' now belong to the past (it should be noted that this chapter of Cliff's book was originally published in 1955). Moreover, this dismantling is not an export of

capital, but rather the precise opposite! As for the 'unequal exchange', we shall be discussing this below when we examine the views of Peking.

The Chinese Positions

Since the invasion of Czechoslovakia, and in particular since Chou En-lai's speech of 23 August 1968 to an official reception offered by the Rumanian ambassador in Peking, when Chou declared that 'the clique of Soviet revisionist renegades has degenerated long since into social-imperialism and social-fascism', the term 'imperialist' has been used by the Chinese leaders on numerous occasions in referring to the Soviet Union. According to the Chinese, the USSR carries out imperialist policies in two spheres: in the people's democracies and in the colonial and semi-colonial countries.

The People's Democracies

The 'USSR revisionists', it is alleged, use Comecon to pillage and exploit the peoples of East Europe. Czechoslovakia, for example, is a 'Soviet revisionist colony'.⁵ In Mongolia too, 'the Soviet revisionists' follow a policy of colonial domination, forcing Mongolia to develop its stock-rearing and pillaging the country by demanding exorbitant prices for exports to it of Soviet industrial products.⁶ Similarly, the Soviet republics of Kazakhstan and Central Asia are allegedly transformed into grain-stores or into producers of wool and cotton, while being unable to develop their local industry. Moreover, their agricultural produce is bought up at low prices, while they have to pay top prices for what is supplied to them.⁷

However, these denunciations of Soviet 'imperialism' in East Europe have become muted since the 1971 right turn in Chinese foreign policy.

Asia, Africa and Latin America

In the countries of these three continents, 'Soviet revisionist social-imperialism' is said by the Chinese to infiltrate under cover of economic and military 'aid'. 'By giving "aid", Soviet revisionism aims not only to pillage the peoples of Asia, Africa and Latin America, but above all

⁴ Henri Claude, *De la crise économique à la guerre mondiale*, OCIA, Paris 1945, p. 8.

⁵ It should be added that Cliff's entire line of argument on Russian imperialism is merely a secondary aspect of the theory of state capitalism. Indeed, according to Michael Kidron, one of the principal theorists of the IS group, imperialism is only the penultimate stage of capitalism (see Michael Kidron, 'Imperialism: Highest Stage but One', *International Socialism* 9, Summer 1962). A capitalist country may therefore have 'passed beyond' the imperialist stage.

⁶ *Peking Review*, 26 August 1968, p. 9. See too the 'explanatory note' in *Peking Review*, 2 September 1968, p. 12.

⁷ *Peking Review*, 2 December 1968, p. 24; 13 January 1969, p. 23.

⁸ *Peking Review*, 4 November 1968, p. 44.

⁹ *Peking Review*, 29 July 1969, p. 19.

¹⁰ *Peking Review*, 25 August 1969, p. 31.

to control politically the beneficiary countries in order to establish its colonial domination as new tsars.¹⁰ Although the Chinese leaders recognize that the USSR often only asks for a very low rate of interest (2.5%) on its loans, they consider that the 'real rate of interest is to be found in the high prices of their goods' and that what is involved is in fact a disguised system of usury.¹¹

It is above all with respect to India that Soviet aid policy is criticized.¹² According to the Chinese, Russian economic 'aid' is nothing but a simple export of capital. The USSR has become India's second biggest creditor, to the tune of 10.22 thousand million rupees since 1955. Through its aid to the public sector in India, the USSR controls 30% of steel production, 35% of oil refining, 20% of electricity production, 60% of power station equipment, 85% of heavy machinery production, 75% of production of electric motors, 80% of oil prospecting and extraction and 25% of aluminium production. India will have to export increasing quantities of goods to the Soviet Union and import increasing quantities from the latter, thus becoming more and more dependent.

Critique of the Chinese Positions: a new Kautskyism?

The Chinese positions on social-imperialism differ from those of Cliff in that they do not take as their starting-point the definition of imperialism given by Lenin. Yet that definition, despite its incomplete character, remains the most scientifically correct definition of imperialism to have been put forward up to now. Let us recall it briefly, well-known as it is:—

a) the concentration of production and capital has developed to such a high stage that it has created monopolies which play a decisive role in economic life;

b) the merging of bank capital with industrial capital, and the creation, on the basis of this "finance capital", of a financial oligarchy;

c) the export of capital as distinguished from the export of commodities acquires exceptional importance;

d) the formation of international monopolist capitalist associations which share the world among themselves, and

e) the territorial division of the whole world among the biggest capitalist powers is completed.¹³

The two first criteria are linked to the analysis of the development of the relations of production in the capitalist countries. We shall not discuss them here (but see our 'The State Capitalist Genealogy' in *International*, Vol. 2, No. 1). The last two criteria are the consequence at a world level of the functioning of the system. The kernel of the definition, which forms the crucial intermediary link between the first two and the last two criteria, is the third: the export of capital which becomes more and more important and which aims, as we said earlier, to find the possibility of making higher profits and thus of combating the tendency—inherent in capitalism—for rates of profit to decline. The Chinese hardly discuss this aspect of the problem.

In the same work in which he gives this definition (*Imperialism, the Highest Stage of Capitalism*), Lenin criticizes Kautsky, the representative of centrism in the workers' movement. He reproaches him with considering that imperialism is simply one policy among others, which may equally well be replaced by another policy, i.e. a question of choice, rather than an organic tendency of monopoly capitalism. The Chinese positions on the USSR are, in fact, nearer to this view of Kautsky's than they are to that of Lenin, inasmuch as they make no reference whatever to what conditions imperialism (the tendency of the rate of profit to fall), and inasmuch as Soviet aid to the countries of Africa, Asia and Latin America is often pre-

sented as a means which the USSR uses for the purpose of establishing its political domination.

There are two further arguments used by the Chinese leaders to prove that the USSR has imperialist policies:

a) arrangements like that with India, whereby the USSR buys goods manufactured in India thanks to Soviet aid, are presented by the Chinese as a measure for the subordination of the Indian economy;

b) the phenomenon—also, as we have seen, denounced by Cliff—of unequal exchange, above all in relations between the USSR and the people's democracies.

The first argument does not show that what is involved is imperialism, quite the contrary. For the arrangements under which the USSR buys products made in India are not necessarily a measure of subordination at all. Indian governments have long sought to safeguard the economic development of the country by arranging to pay for their imports in non-convertible national currency, in order to push the countries who supply them to spend the currency obtained either in India itself or in exchange for Indian products.¹⁴ This has been the case since the fifties with the USSR, the GDR and Poland.

As for 'unequal exchange', it should be noted that this criticism is made with respect to the people's democracies, and not with respect to economic and commercial relations between the USSR and the countries of the 'third world'. This problem has often been debated in the past with respect to exchanges within COMECON. These exchanges have certain specific characteristics¹⁵:

—the contracts were based, from the end of the war until 1951, upon current world prices;

—from 1951 until 1956, world prices in 1949 and the first half of 1950 were taken as a basis, in order to avoid the price fluctuations provoked on the world market by the Korean War;

—in 1957 the average 1956 prices were used;

—after 1957, hard prices were used for the entire period of the various trade agreements—in other words world prices 'corrected' to eliminate the fluctuations provoked by speculation or by the conjuncture;

—after 1962 the average of world prices between 1957 and 1961 was adopted;

—a further revision of prices was made in 1965-6, and the average of world prices for the period 1960-64 was adopted.

Now, the use of world market prices inevitably introduces an inequality between the countries involved, because of the unequal degree of economic development of each. As Marx explained in *Capital*, trade allows advanced countries to sell goods at a price which is higher than their value. At the same time, this does not alter the fact that this price is lower than that at which the less developed countries could themselves produce the same goods. For the quantity of labour incorporated in the exporting country is much less than that which the less advanced country would have to put in. Thus international trade between the 'socialist'

¹⁰ *Peking Review*, 14 July 1969, p. 25.

¹¹ *ibid.*, pp. 26-7.

¹² *Peking Review*, 24 January 1972, article 'Soviet Revisionism's Neo-colonialism in India', p. 20.

¹³ Lenin, *Selected Works* in three volumes, Moscow 1967, Vol. 1, pp. 745-6.

¹⁴ *India. A Reference Annual, 1960*, Delhi 1960, p. 339.

¹⁵ According to D. F. Fokin, *Vneshnjaja Torgovlja SSSR (1946-1963)*, IMO Moscow 1964.

countries involves a continuous drain of value from the poor countries to the rich countries.¹⁴

Here the criticism levelled by the Chinese is based on a reality. It will remain valid as long as there is exchange of goods at world prices. However, it should be noted that the solution to this problem is hard to find in economic terms: for it would be practically impossible to carry out exchanges systematically on the basis of the costs of production in each producing country. If such were indeed the case, the producing country would very often find it more advantageous to reorient its exchanges towards the capitalist world. Let us take an example. Suppose for a moment that Britain is a workers' state exporting cars to Yugoslavia and importing in return raw materials (copper, zinc, mercury, etc.). If the costs of production were taken as the basis, Britain would have to export its cars (which we can assume for the sake of the example to cost less than the world market price, since they would contain less crystallized labour than elsewhere in the world) extremely cheaply. On the other hand, it would have to import raw materials at very high prices. Consequently, it would go elsewhere for its raw materials and would sell its cars to other countries (Scandinavia, for instance).

Thus, the problem is by no means one related solely to imperialism. The solution of such a problem in the framework of the workers' states can, therefore, only be sought in another direction: the international coordination and planning of investment, aid, interest-free loans, etc. to permit the economically less developed countries to 'catch up' with the more advanced ones.

It should furthermore be noted that there are cases in which the USSR buys at prices above the world market. When the USSR and Cuba signed the 1965-70 sugar agreement—in 1964—the price fixed (6 cents a pound) was below the world market price. But all forecasts suggested a decline in world market prices, and indeed for almost the entire period covered by the agreement world prices were below 6 cents a pound. Moreover, the price fixed for the Chinese-Cuban agreement covering the same period was based on the terms of the Russian-Cuban agreement.

Thus all the criticisms levelled by the Chinese leaders, rather than adding up to a critique based on Marxist criteria, appear instead to be merely polemics against particular political actions on the part of the USSR (e.g. the occupation of Czechoslovakia).

The position of 'Révolution!'

The position of the French group *Revolution!* is more nuanced. It flows from the group's position on the class nature of the Soviet Union. For *Révolution!*, the USSR is not (yet) a capitalist state. As early as 1927-8 power was won by a 'new exploiting class'. The latter is forced by the economic crisis to orient itself towards the restoration of classical capitalism. Thus the thesis of *Révolution!* is situated midway between the notion of a 'new class' and that of a 'new bourgeoisie'. It sees a new class which is in the process of becoming differentiated and of giving birth gradually to a new bourgeoisie. This process, however, is far from being completed. The comrades of *Révolution!* consider, therefore, that the Chinese position on 'social-imperialism' is without theoretical foundation¹⁵ and that one will only be able to speak of imperialism when capitalism is fully developed (i.e. when the law of value dominates the entire social process of production in the Soviet Union).

Nevertheless, according to these comrades, the USSR is already inserted within 'the imperialism concert' (has

been since Yalta), having entered it 'for the purpose of redefining new spheres of influence'. During the last few years, the turn 'towards an active imperialist policy' has been particularly marked.

In the positions of the *Révolution!* group, the definition of this turn 'towards' an imperialist policy is marked by a predominance of the 'political level'. In reality, what they call 'insertion within the imperialist concert' covers Russian efforts to maintain the *status quo vis-à-vis* imperialism. But this is not an imperialist policy. At most, it is a policy of complicity with imperialism, i.e. a policy characteristic of a conservative bureaucracy.

The comrades of *Révolution!* also denounce the fact that, under cover of economic aid, Russian capital competes with American capital for the economic domination of certain countries. However, they do not offer any detailed explanation of the mechanism of Soviet aid which, in most cases, does not lead to economic domination of the firms or sectors which receive it, but on the contrary to a reinforcement of national bourgeoisies and national capitalism (sometimes 'state capitalism') in the 'third world' countries to which it goes.

Conclusion

In October 1939, Trotsky wrote as follows concerning the 'imperialism' of the Soviet Union:

'Can the present expansion of the Kremlin be termed imperialism? First of all we must establish what social content is included in this term. History has known the "imperialism" of the Roman state based on slave labour, the imperialism of feudal land-ownership, the imperialism of commercial and industrial capital, the imperialism of the Tsarist monarchy, etc. The driving force behind the Moscow bureaucracy is indubitably the tendency to expand its power, its prestige, its revenues. This is the element of "imperialism" in the widest sense of the word which was a property in the past of all monarchies, oligarchies, ruling castes, medieval estates and classes. However, in contemporary literature, at least Marxist literature, imperialism is understood to mean the *expansionist policy of finance capital* which has a very sharply defined economic content. To employ the term "imperialism" for the foreign policy of the Kremlin—without elucidating exactly what this signifies—means simply to identify the policy of the Bonapartist bureaucracy with the policy of monopolistic capitalism on the basis that both one and the other utilize military force for expansion. Such an identification, capable of sowing only confusion, is much more proper to petty-bourgeois democrats than to Marxists.'¹⁶

The theories of 'Russian imperialism' or 'social-imperialism' offered by the Chinese bureaucracy, or by groups like the International Socialists and *Révolution!*, attempt to provide us with an 'elucidation'. But this turns out, on analysis, to be an extremely fragile one, like every explanation based on analogies. It in no way arms us to study concretely the contradictory behaviour of the Soviet bureaucracy.

¹⁴ See Henri Valin, 'L'évolution du COMECON et les problèmes posés par la division internationale du travail entre Etats ouvriers bureaucratés', *Quatrième Internationale* No. 23, November 1964.

¹⁵ *Cahiers Révolution!* No. 3, pp. 62ff.

¹⁶ Leon Trotsky, *In Defence of Marxism*, New York 1965, p. 26.

Ten Thesis on the Social and Economic Laws Governing the Society Transitional Between Capitalism and Socialism

Ernest Mandel

1. Every socio-economic formation is characterized by a particular set of relations of production. This applies not only to the great historical periods of human history, called modes of production (primitive communism, slave-owning society, the ancient Asiatic mode of production, feudalism, capitalism, communism), but to each particular social formation, in each phase of its development. To deny that a particular social formation has production relations specific to it would be to deny a basic principle of historical materialism.

In the famous passage of the Preface to the *Critique of Political Economy* in which Karl Marx gives the basic definition of historical materialism, he does not say that it is only in each *mode of production* that men enter into particular relations of production. He says, on the contrary, that "*in the social production of their life men enter into definite relations that are indispensable and independent of their will, relations of production which correspond to a definite stage of development of their material productive forces*" (MEW, Vol. 13, p.8, Berlin 1961).** From the point of view of historical materialism there can be no society without specific relations of production. That would amount to a society without social production. Thus, from the standpoint of historical materialism, the first step in understanding *any* social formation, including a transitional society, and, therefore, including also the society transitional between capitalism and socialism, is to reach an analysis of the relations of production which prevail in it and determine it.

* Translated from the article by Ernest Mandel in *Probleme des Sozialismus und der Übergangsgesellschaften*, edited by Peter Henricke, Suhrkamp, Frankfurt am Main 1973, pp 15-38.

** Marx and Engels, *Selected Works*, p.181 (Lawrence & Wishart, London, 1970).

2. The decisive difference between one of the historically progressive modes of production, one of the great "progressive epochs of the economic formation of society" (Marx), and a transitional society, lies in the different degree of structural stability, or fixity, of the existing relations of production. The difference does not lie in a mode of production having specific relations of production and a transitional society lacking them. The same applies to the transitional society between capitalism and socialism as it formerly applied to the transitional epoch between the slave-owning regime and feudalism (the 4th to 7th centuries in Western and Southern Europe), and to the transitional society between feudalism and capitalism (15th to 17th centuries in the Low Countries, the North Italian cities, and England). All these are cases of not yet fully "established social systems", to use Walter Ulbricht's mistaken formula. To return to the old system remains just as possible as the advance to the new one. The victory of the new, higher mode of production is not yet economically safeguarded. It is only politically and socially facilitated.

This becomes especially clear if one looks at the development of the capitalist mode of production. The first great bourgeois revolutions of the 16th and 17th centuries broke the political and social class power of the feudal nobility, which was the chief hindrance to the appearance and growth of capitalism. They did not, however, ensure direct exercise of power by the bourgeoisie. Far less did they ensure the final and definitive breakthrough of the capitalist mode of production as a predominant one. That did not take place until the industrial revolution unfolded all its results. In order to have prevented the victory of the capitalist mode of production, the power of the feudal nobility would have had to have been restored. But to ensure the final establishment of the capitalist mode of production, it was necessary but not sufficient to smash this class power. The reason for this is that the prevailing relations of production in that transitional period were not those of capitalism (i.e. the relations of capital and wage labour in the production process), nor those of feudalism (serf labour, feudal rent, guilds), but those of simple commodity production, as a transition from feudalism to capitalism.

The transitional society is characterized by specific relations of production. These are not simply a combination of the old mode of production which is to be overcome and the new one which is gradually developing. Thus the production relations characterising the society transitional from feudalism to capitalism were not a "combination" of feudal and capitalist modes of production, but the relations peculiar to this epoch: relations of simple commodity production. The mass of producers consisted neither of villeins nor of wage labourers, but of free farmers and free manual workers, producing with their own means of production. Such production relations are different from both those of feudalism and those of capitalism. They are a result of the dissolution of feudalism before capitalism could fully develop in the sphere of production (capital "rules", but in areas outside production, such as banking and merchant capital).

One could make a similar analysis for the transitional epoch from slave-owning society to feudalism, say from Diocletian's reforms to the final subjection of the formerly free German settlers and colonists in the western Roman area of rule. This is not the place to work out the parallel in detail. But there is an analogy to be found in the specific development of that transitional society. The political and social power of the slave-owning class is broken. Slave labour is on the decline in the production process. But between prevalent slave labour and prevalent serf labour there intervenes an intermediate phase of semi-free and free peasant labour linked with the emancipation of slaves, which exists while slave production is dissolving to make possible the full development of feudalism.¹

The problem of the society transitional between capitalism and socialism must be treated according to the same method. The collapse of bourgeois class society (and of the bourgeois state), and the setting up of the dictatorship of the proletariat, create only the possibility of constructing a socialist and then a communist society. They do not ensure this automatically. Consciousness plays a considerably greater part in the socialist revolution, and in the process of constructing a socialist social order, than it did in the development of any earlier historical mode of production. Nevertheless, even here analysis cannot simply abstract from the existing production relations. It cannot regard them as immaterial, as insignificant for the further development of the society, or as secondary in comparison with the factors of "political leadership" and "prevailing consciousness". To do this is to retreat from historical materialism into historical idealism, and turn Marxism upon its head into a hypothesis based on the assumption that social consciousness determines social being and not vice versa.

3. At present, we are unable to analyse the production relations specific to the society transitional from capitalism to socialism in an exact way, because we as yet lack the decisive historical material. At this point, we are faced with a similar difficulty as if we were trying to explain simple commodity production on the basis of the economic relations of the cities of Venice or Florence in the 14th century, or the economy of the capitalist mode of production on the basis of the manufacture production in the Low Countries in the 16th century.

All the "models" that we have of the society transitional between capitalism and socialism are characterised by the relative immaturity of their production relations, as are the historical comparative cases of simple commodity production and of capitalism mentioned above. The history of the social sciences for half a

1. See on this *inter alia*, from a non-Marxist point of view, Bloch's *La Societe Feodale*, and from the Marxist side, the discussion between the Soviet authors E. M. Shtraiman and S. I. Kovaliev. Friedrich Engels expressed the same viewpoint in the *Origin of the Family, Private Property and the State*.

century has emphatically confirmed Marx's assertion that only when the abstraction from the concrete form of labour extended into practice, could economic theory develop a "pure" labour theory of value (Marx: Introduction to the *Grundrisse*, p.24-25, Berlin, 1953).^{*} Only when we have had actual experience of a mature transitional society between capitalism and socialism will a "pure" socio-economic theory of such a society be possible. What we have experienced hitherto — from the USSR through Yugoslavia to China and Cuba — are transitional societies in conditions of *socio-economic underdevelopment* (with an insufficient degree of development of the productive forces), which therefore show, in various ways, severe or extreme forms of bureaucratic deformation and degeneration. It is, therefore, at least possible, if not probable, that what today seem to be "general" features of this transitional society are in reality peculiarities having less to do with the internal logic of such a society than with the conditions of socio-economic underdevelopment.

These ideas are relevant to the debate on the social structure of the Soviet Union which has been going on for more than half a century. The historical possibility, or justification, of the socialist October revolution can only be correctly estimated on an international scale. That revolution was historically necessary *because the world had been "ripe" for socialist revolution* since the height of the imperialist age (since the inclusion of China in the imperialist world market), and because the continuance of the rule of the possessing classes in Russia would have meant the continuance of its integration into the international imperialist system (with all the consequences of that as we know them from the cases of Turkey, Persia, Greece, Spain, Portugal, Brazil and India). However, the forces of production in Russia were not sufficiently developed at the national level to make possible the development of a "mature" transitional society between capitalism and socialism, i.e. one in which production is controlled by the associated producers. The isolation of the October revolution in an economically underdeveloped country (with the resulting compulsion to "primitive socialist accumulation") thereby produced a whole series of distortions from a more mature model of transitional society which were enormously increased by the peculiar development of the subjective factor (the self-identification of the Communist Party of the Soviet Union with the Soviet bureaucracy, the bureaucratization of the party, Stalinism, etc.).

But the alternative must be seen on both sides. It is a mistake to conclude from these distortions that, even though the economy of the USSR has not been reabsorbed by the imperialist world market and its economic development is still not regulated by the law of value, nevertheless capitalism has already been restored there. The mistake lies in a failure to recognise the historical significance of the October revolution, and to construct, instead of a *dialectic* between productive forces and production relations, a *mechanical identity* of

both. There then follows an argument after the pattern: "On the basis of the productive forces which exist (then and now!) in the USSR, only capitalism was and is possible", without going through an exact scientific analysis of the prevailing relations of production. An error essentially identical to this was committed in discussions by the Russian Mensheviks, Western European social-democratic Marxists such as Otto Bauer, the adherents of the state capitalism theory who broke with Trotskyist and other oppositional communist movements, and lately the Bettelheim school among the Maoists.

4. To the extent that one can discover general laws for the existing societies in transition between capitalism and socialism, which are characterised by extreme bureaucratic deformation or degeneration, they would have to be formulated more or less as follows:

After the abolition of private ownership of the means of production and the transition to a socialized, planned economy, and given a certain level in the development of the productive forces, the spontaneous distribution of economic resources among the various branches of production through the law of value (i.e. by deviations from the average rate of profit and by subsequent corrections through inflow and outflow of capital, or economic resources, into and out of these branches) can be superseded. Conscious distribution of economic resources through the plan is now the *decisive* characteristic of the new production relations. On the other hand, however, exchange value cannot be fully suppressed all at once. The commodity-money relationships survive in the first place because the distribution of the producers' share in the given consumption fund by means of a general equivalent remains indispensable. This then makes the consumer goods retain the *form* of commodities with all the corresponding consequences.²

This commodity form of consumer goods reacts in its turn both economically and socially on the production relations. *The economic order of the society transitional between capitalism and socialism is therefore governed by the conflict of two antagonistic economic logics: the logic of the plan and the logic of the market* (distribution of the economic resources according to priorities consciously set by the society, or distribution of these resources according to objective market laws which hold sway behind the backs of the producers). The two sets of laws evidently correspond to two class interests which are in the broadest historical sense antagonistic: the first, the interest of the proletariat, and the second the interests of the bourgeoisie and of the classes and strata working on the basis of private enterprise and private profit.

2. Among other things the consequence of unsaleability, of overproduction, of non-realisation of their exchange-value.

* Karl Marx, *The Grundrisse*, pp. 103-105. (Penguin Books, London, 1973).

The main driving force tending to put through the planning principle (which in the last analysis can only fully conquer under the democratic rule of associated producers, as Marx formulated it) is the proletariat's interest in a maximum economy of the work effort, with a simultaneous increase of self-realisation of its human needs.³ The main driving forces tending to the triumph of the law of value are the insufficient level of development of the productive forces (i.e. widespread shortage), the pressure of the capitalist world market, the reactions of the commodity-money relationships on the total organisation of the economy, the consequences of the social inequality connected therewith for the consciousness of the proletariat on the one hand, and the petty-bourgeois intelligentsia and the bureaucracy on the other hand, etc. *The production relations specific to the transitional society are thus a hybrid combination of essentially non-capitalist economic planning and the elements of commodity production (with their drive towards private appropriation and private enrichment) which arise from the basically still bourgeois distribution relations.* This combination is specific to this social formation and can be reduced neither to regulation of the economy by the law of value (capitalism) nor to regulation of the economy by associated producers under conditions of a withering away of commodity-money relations (socialism). It marks the historical transition from the first social formation to the second, the result of the suppression of capitalism before socialism can fully mature.

5. Charles Bettelheim has put forward the thesis (subsequent to a formulation by Nico Poulantzas⁴), that the *technical integration* of the enterprises is not yet possible in the USSR and the other "socialist" states, that this is the reason why the commodity-money relationships survive there, and that, therefore, these relations, though not an unimportant factor for the determination of the class nature and the exact production relations of the transitional society, are in no way the decisive factor for this determination. This thesis is based on a misunderstanding of the Marxist category of production relations, i.e. on their *impermissible reification*. Production relations are never simply "technical". They are not simply relations between men and things, but are always *social relations between men*. The assertion that without "complete technical integration of all enterprises", the immediately and directly social character of labour cannot be realised, amounts to putting the reified appearance of bourgeois relations in the place of their social reality.⁵ If labour under capitalism does not have an immediately

3. We do not, of course, use the notorious Stalinist formula of the "unlimited rising need", which in reality implies the impossibility of communism. One can formulate the law that from a particular stage of saturation and from a particular cultural level onward, the need for additional material goods rapidly declines, the needs grow more and more in the direction of self-realisation of the personality (i.e. the possibility of creative activity) and in the direction of further development of social and human relationships.

4. Nico Poulantzas distinguishes in his book *Pouvoir Politique et Classes Sociales* between technical and social relations of production.

5. See *inter alia* Charles Bettelheim, *Calcul Economique et Formes de Propriete* (Paris, Maspéro), and also his correspondence with Paul M. Sweezy, *On the Transition to Socialism* (New York, Monthly Review Press).

social character, this is not because of a lack of "technical" integration between enterprises. It is because there is private ownership of the means of production; because there is private power of disposal over economic resources by productive units which are independently active and compete with one another; because of the private character of firms and of labour.

Certainly, the overcoming of this private character of labour is also linked to a particular stage of development of the productive forces. By reason of their low technical standard, very small enterprises cannot be socialised efficiently. But in capitalist industry, the objective degree of socialisation is without doubt sufficiently developed for efficient control of production by associated producers. Marx and Engels held this view as long as a hundred years ago, when the degree of objective socialisation of labour in the West was far below its present state in the USSR. The assertion that present day big industry is insufficiently "technically integrated" to guarantee a directly social character of labour, and that the survival of the commodity-money relationships corresponds to this "technical compulsion", amounts to questioning the objective possibility of socialist revolution and the construction of a socialist society altogether.

If the private ownership of the means of production is overcome, and the economic resources are distributed by a plan on a national (and tomorrow an international) scale, then the *immediately social character of the labour employed in the various units of production under these social relations of production is made possible by fiat* of the proletariat's power. The existence of different levels of productivity of labour in the various production units does not change this possibility in any way. The differing productivity of labour in modern industry is only to a vanishingly small degree a function of differing individual or collective levels of work effort (work load) by the producers, and is to a much larger extent an expression of differing production techniques, of differing material means of production put at the disposal of those units. Since it is, however, *society that distributes these means of production among those units*, it is not evident at all why the workers of the underequipped units should be punished for the society's decision by a reduction of their income. If, however, all living labour is measured by its quantitative input only (reducing the skilled labour to simple labour by the use of a set of coefficients) and rewarded *irrespective* of the different labour productivity of the different productive units in which it is performed, this then expresses the social fact that it is directly recognized as social labour, and that it is not only after the sale of the products it has created (which would then be commodities), and depending on the yield of this sale, that it has this social character recognized fully, partially, or (if sale is not effected) not at all.

6. Bettelheim confuses the power to dispose of the means of production with "full appropriation of all produced goods". The former concerns investment activities, i.e. the distribution of the economic resources available to society. The latter concerns the forms and degrees of direct acquisition and distribution of

goods, which is admittedly connected with the former, but is in no way identical with it. In the USSR and the other Eastern bloc countries, the overwhelming majority of the major investment decisions are taken centrally and not at enterprise level. It is, therefore, false to assert that the social ownership of means of production as an economic category (as distinct from a purely formal and legal one) has already disappeared there. It would only disappear if investment took place at enterprise level, and if enterprises could freely buy and sell machines, according to their own profitability calculations. Incomplete social acquisition of all goods, which can certainly be combined with a socialist planned economy and social ownership of means of production, is not to be explained by a lack of technical integration of the enterprises. Its explanation lies in scarcity phenomena and the objective effects of the commodity-money relationships (which can also go on working in cases of perfect technical integration), and in the lack of social control, i.e. of actual political rule, by the mass of producers.

The fact that many products, contrary to the dictates of the plan, are hoarded and distributed on the black market, and in general escape the net of the planned economy, is made possible because production, distribution and plan are not under constant, open democratic control by the workers, organised in councils and exercising direct public supervision. The system of individual enterprise profitability, already introduced by Stalin (khozraschet), does not correspond to any "technological compulsion" or "insufficient technical integration of the enterprises", but to a deliberate socio-political option. Because the relations between thousands of productive units no longer run via the market, and because the rule of the privileged bureaucratic stratum is irreconcilable with conscious control, through planned democratic association of self-managing producers (democratic centralisation), the long way round must be taken via an ineffective and top-heavy administrative bureaucratic centralisation. And, in order to attain even a minimum of economic results such a system of management must necessarily rest on the foundation of individual enterprise profitability.

The institution and dogma of individual enterprise profitability are not objective results of the given state of development of the productive forces, but of a social state of affairs: the monopoly of management of the economy and of the state in the hands of a privileged upper stratum, the use of the maximization of private consumption interests of the management bureaucracy as the main motor for the realization of the plan. All these institutions, conditioned by special social interests, could be abolished within the given state of development of the productive forces, and be replaced by forms of organisation and management which correspond to the control of associated producers, producing directly and immediately recognized social labour.⁶

6. Contrary to the reproach which Bernard Jobie directs against us ("La révolution culturelle et la critique de l'économisme", in *Critique de l'Économie Politique*, No. 7-8, April, September, 1972), we in no way support the view that planned economy "by itself" implies socialist production relations. What we emphasize is rather the fact that planned economy represents production relations specific to the transitional phase from capitalism to socialism. — The

7. The thesis that capitalism has already been restored in the USSR and other countries of the Eastern bloc, is based on a complete revision of the Marxist concept of capitalism. The capitalist mode of production is based on generalised commodity production, which exists neither in the USSR nor in the other countries of the Eastern bloc. The fact that the official economic "science" of these countries characterises the existing economic order by the absurd formula of "socialist market economy"⁷, is just as little proof of the existence of generalised commodity production as the fact that the official capitalist political economy proclaims the equality of all economic subjects under the capitalist market economy is a proof of the existence of such an equality. In both cases, these are obviously ideological theses, not the results of a scientific analysis or of a scientifically checked and proved hypothesis.

In fact, the mass of the big means of production in industry, transport, communications, trade, etc., has no commodity character. They cannot be freely bought and sold by the management units (productive units). Nor is their production and distribution the result of "private" decisions by the enterprises, but of central planning decisions; they are not products of "independently operating private labour" (Marx, *Das Kapital*, Vol. 1, MEW Vol. 23, p.87), i.e. they are not commodities.

The consumer goods industrially produced according to the plan have a commodity form only in as much as they are produced for an anonymous market and must be exchanged against money. They do not have that form in the sense that they are products of private labour. Certainly, the degree of socialisation of labour in the consumer goods sector is smaller than in the producer goods sector. In order not to deviate from the decisive aspects of the production relations in the state sector, we have deliberately left out the problem of combining socialised

(6- contd.)

rejection of the dogma of "individual enterprise profitability" does not entail a rejection of the most exact cost accounting. On the contrary: it is only when the accounting is separated from material income and consumption interests and placed under open, democratic social control, that it can develop objectively, irreproachably and completely. Workers' councils, which no longer have any kind of interest in the "hoarding" of supplies or in systematic under-evaluation of production capacities, because their income is no longer directly bound up with any sort of "plan fulfilment", will not practise such extravagances but will radically eliminate them because they imply additional work requirements, or additional postponed consumption, in which workers' councils can have no interest.

7. Marx in his *Critique of the Gotha Programme* expressly emphasized that even in the first phase of communism, the phase of actual socialism, commodity production no longer occurs: "Within the co-operative society, based on common ownership of the means of production, the producers do not exchange their products: just as little does the labour employed on the products appear here as the value of these products, as a material quality possessed by them, since now, in contrast to capitalist society, individual labour no longer exists in an indirect fashion but directly as a component part of the total labour. The phrase "proceeds of labour", objectionable also today on account of its ambiguity, thus loses all meaning. What we have to deal with here is a communist society, not as it has developed on its own foundations, but, on the contrary, just as it emerges from capitalist society; which is thus in every respect, economically, morally and intellectually still stamped with the birth marks of the old society from whose womb it emerges". (MEW, Vol 19, p.19-20).^{*}

* Marx and Engels, *Selected Works*, p.319 (Lawrence & Wishart, London, 1970).

planned economy with private or co-operative simple commodity production in agriculture and handicrafts, which without doubt complicates even further the hybrid combination of planning, bourgeois norms of distribution and (in the Eastern bloc countries) individual enterprise profitability.

The capitalist mode of production is characterized by particular laws of motion, which in no way determine the dynamics of the Soviet economy. None of these laws can be observed in the history of the USSR over the past fifty years: neither the falling rate of profit nor the to-and-fro flux of economic resources between the branches of production in accordance with the variations of the rate of profit in these branches, nor the periodic crises of overproduction, laws of motion which are everywhere constantly confirmed in the whole history of the capitalist mode of production. Still more exactly: the thesis that capitalism has recently been restored in the USSR after 1956 leads to the conclusion, ridiculous in terms of Marxism, that non-capitalist and capitalist societies could have *identical production relations*. For it is not hard to see that the production relations in the USSR have not changed in any important respect since 1930-32. It is incompatible with Marxism to assert that there was "socialism" in 1938 and 1949 under Stalin, but "capitalism" in 1958 under Khrushchev and in 1969 under Brezhnev, when there has been no change in production relations.

If it is asserted that "capitalist" production relations in the USSR can be deduced from the Soviet proletariat's lack of power to dispose of the means of production, and from the management technique of Soviet enterprises, (the adoption of capitalist incentive and wage determination methods), then the following answer must be made:

(1) All these characteristics have been present since the introduction of "one-man-management" into Soviet enterprises in 1930. They were at least as widespread under Stalin as they are today, if not more so.

(2) It is impermissible to reduce capitalist production relations to hierarchical relationships *inside* the enterprise. Among the most fundamental of production relations are the relations that obtain between different enterprises, and between enterprises and labour. These relations are shaped quite differently by generalized commodity production, than they are in a socialised economy.

(3) In the People's Republic of China the same organisation, labour, and wage forms, are gradually being introduced into big industry. Supporters of the thesis that the introduction of these forms has restored capitalism in the USSR, if they are to be consistent, should therefore conclude that the same process of restoration is in full swing in the People's Republic of China.

8. In reality, the Maoist supporters of this old Menshevik thesis base themselves on an historical-idealist identification of production relations, state power, evaluation of the political "general line" and prevailing ideology. This is standing

historical materialism on its head. Since the Maoists declare the revision of Marxism-Leninism in the USSR to be the expression of the triumph of a capitalist ideology, they assert that the "general line" of the state leadership in the USSR is that of a bourgeoisie; *therefore* the state is a bourgeois state, and *therefore* the economy is a capitalist one.

Historical materialism demands that the problem be defined in the opposite way. *First of all* the objective laws of motion of the Soviet economy, or the prevailing production relations and their dynamic, must be scientifically analysed. Then it must be clarified whether there is a capitalist mode of production and a ruling capitalist class. If there are no proofs for the existence either of a capitalist mode of production or of a ruling capitalist class, then the state cannot be a bourgeois state. If, on the basis of this socio-economic analysis, the state is recognized as a deformed workers' state, — that is, the ruling bureaucracy is recognized as a privileged petty-bourgeois upper stratum of the proletariat and not as a new socially ruling class — then the ideological revisionism and the deviations of the "general line" from the Marxist-Leninist tradition ("deviations" which are obviously at least as evident in Stalin's time as today) are disclosed not as the expression of a new class rule, but as the expression of the special interests of the bureaucracy and at most as results of objective pressure from social classes and strata which are under the influence of capitalism. To say that the Catholic church in France, after the 1815 restoration, won for its semi-feudal ideology a dominating ideological influence in society is not to say that feudalism was then restored in France as a social system. To say that the trade union bureaucracy is subject to the pressures of petty-bourgeois or sometimes even capitalist ideologies, is not to say that the trade unions are objectively no longer instruments of proletarian class struggle, but have become instruments of the capitalist employers.

If direct rule (exercise of power) by the associated producers is genuinely established, then the transition from first phase communism to communism itself may certainly take place in a gradual and evolutionary manner. But if such rule is not so established, as it is not in the USSR and other state forms similar to it, and if a hardened monopoly in the exercise of power has been formed in the hands of a privileged upper layer, then this must be corrected by a *political revolution* so that power can be established in, or returned to, the soviets. This is a *political* revolution, because the basic non-capitalist production relations are not overturned, but are allowed for the first time to develop fully. (This does not, of course, mean that the transition to the direct exercise of power by the associated producers would not bring with it great changes in the organisation of the economy, especially in enterprise management, in planning, in work organisation, in wage determination, etc.). On the other hand, a *social counter-revolution* would be unavoidable in order to re-establish a capitalist mode of production and bourgeois class rule in the USSR and the Eastern bloc countries. A gradual restoration of capitalism is excluded simply because the distribution of economic resources over the various branches of industry can be realised neither "simultaneously" through the plan and through the law of value, nor "a bit" through the

plan and "a bit" through the law of value. The preconditions for the restoration of capitalism would be on the one hand a new capitalist class forming (there is no capitalism without a capitalist class), and on the other hand the destruction of the resistance of the working class to such a restoration. To assume that these preconditions are already given, is to proclaim one's own class's battle lost before it has even begun.

9. The weakness of the thesis of the restoration of capitalism in the USSR (including that of "state capitalism")⁸ can be seen most clearly in the inability of its representatives for over fifty years to set up any historically confirmed law of development for this peculiar "capitalism". The advantage of our analysis of the transitional society, on the other hand, is that it puts us in a position at least to sketch out some such laws of motion. Here the exact evaluation of the social nature of the bureaucracy, and its specific place in the production relations of the transitional society, play an important role.

The bureaucracy is neither in the juridical nor in the economic sense of the word the owner of the means of production. It cannot use the control over these means of production, which it monopolizes, for the acquisition of private property, nor for any other specific economic purpose outside the consumption sphere. Its privileges are limited to the extension or conservation of advantages in income and direct acquisition in the consumer goods sector. The assertion that the "collective bureaucracy" represents the "principle" of investment maximization, or of the "maximum extortion of surplus value", or of the "growth of production for production's sake", which would correspond in the Soviet economy to the "principle" of "capital accumulation", is merely a mystification of the compulsion to accumulation peculiar to the capitalist class, and the capitalist mode of production. This compulsion does not flow directly from the material or technical conditions of big industry or of factory production, but from production relations peculiar to capitalism (and only capitalism).

It is private property, i.e. competition, that conditions the compulsion to reduce production costs, to extend production and technology, and to expand reproduction and accumulate capital. Marx expressly says that without competition, i.e. without "many capitals", the growth in capitalism would become extinguished. Too low a level of unemployment, it is true, could also lead to a compulsion for capital to reduce employment by massive investments in fixed capital and rationalization, in order to increase the rate of surplus value. But in the absence of competition, this would be a unique occurrence, and once unem-

8. There are, to be sure, some representatives of the thesis that state capitalism prevails in the USSR who avoid the difficulty by asserting that "state capitalism" is a different mode of production from "private capitalism". They are, however, incapable of analysing any key laws of motion of this "mode of production".

ployment was restored, it would eventually lead back to relative stagnation. The Soviet bureaucracy cannot in any way be subject to a "compulsion" to accumulation since there is no capital competition there. Still less is the bureaucracy subject to any compulsion to a lasting reconstitution of the industrial reserve army. On the contrary, it "hoards" labour power and has hardly had any significant unemployment since the first Five Year Plan. Why it should be interested in "investment maximization", therefore, remains a theoretical riddle.⁹

Practice entirely corresponds to these provisional theoretical conclusions. One of the main conflicts, which, for decades, has characterized the Soviet society as a bureaucratically deformed workers' state, is precisely that between (1) potential optimization of economic growth and use of economic resources which flows from planning and expresses the conditions of production of socialized property, and (2) the actual indifference to such optimization by the individual bureaucrats, whose aims are only those of maximizing their own consumption. Since the economic resources are managed exclusively by the bureaucracy and since there is no broad democratic control of the management by the workers (this is impossible without broad socialist democracy in general), the economic growth remains permanently below the optimum, bringing huge losses or waste with it.

For forty years, the central state and party organs, as representatives of the collective interests of the bureaucracy, have been striving to overcome this contradiction, at least partly. That was the "rational" core both of the Stalinist terror and of the wage differences linked to the bonus system. This is the "rational" core of the Leiberman reforms of yesteryear. But the successive stages of the management reforms or of the management forms of the bureaucracy, are all proofs that optimization of the economy is excluded under bureaucratic management. Every reform of this kind merely replaces one category of contradiction and waste by another.

The fact that the consistent defence of the private interests of the bureaucrats collides with the immanent logic of the socialized planned economy, instead of being congruent with it, is the clearest proof that the bureaucracy is not a new ruling class. In every class society there is a congruence between the private interests of the ruling class and the immanent logic of the given mode of pro-

9. Many supporters of this thesis assert that "foreign competition" compels investment maximization. If this means competition in commodity production on the world market with the imperialist countries, this thesis is nonsense: such exchange of commodities involves less than 1% of the Soviet gross social product. How this is supposed to bring about a general compulsion to "investment maximization" remains obscure. If it is "military competition" that is meant, then the only objective compulsion would be more in the direction of growth optimization than in that of an "investment maximization", which is both militarily, politically, and economically ineffective.

10. After 1920, Lenin coined the formula that Soviet Russia was a bureaucratically deformed workers' state.

duction (slave-owner interests consolidated the slave-owning society; the feudal nobility consolidated feudalism, by defending its own private interests; the capitalist class consolidates the capitalist mode of production, by trying to obtain profit maximization, etc.). The lack of a class ideology specific to the bureaucrat; — the fact that it remains incapable of independent ideological production; and has to limit itself to "ideologizing" Marxism, which expresses the class interests of the proletariat, that is to revising and castrating it — is only the reflection of this basic state of affairs of the transitional society in the sphere of social superstructure.

There is, to be sure, an interesting parallel to this special position of the bureaucracy in the society transitional from capitalism to socialism; the position of the officials, the "mandarins", in the old Asiatic mode of production, e.g. in China. But this parallel case confirms our characterization of the Soviet bureaucracy. The Chinese officials, just like the Soviet bureaucrats, owed their privileges exclusively to their position in the state apparatus and not to their property. Accordingly, they did not form a possessing class. However, since they could not ensure their privileges without possession, they regularly strove towards the acquisition of property in land, so as to rise into the landed gentry. To the extent that they became landowners, they could *no longer fulfill* the main socio-economic function in the given mode of production — the assurance of agriculture reproduction against, among other things, the landed gentry. They undermined the existing social order and laid the groundwork for a violent peasant rising, which, in the course of a dynastic change, re-established the rights of the peasants, pressed back the gentry, and replaced the corrupt, self-seeking mandarins by officials devoted to the state and to the reproduction of the mode of production — until the cycle started again. Here too, the conflict between private interest and state or management function comes clearly to the fore, confirming that the Chinese officials were effective officials only as long as they did not form part of a possessing class, and could only become part of a possessing class by negating their official function.

The parallel with the Soviet bureaucracy, or with the bureaucracy in the Eastern bloc, can be carried still further. Without doubt there are forces within the bureaucracy which objectively press in the direction of a restoration of capitalism. The demand that more powers be given to the enterprise directors; the demand for the power to dismiss workers; the demand in the context of Leiberman reforms for the power to "negotiate" "free prices" for raw materials and manufactured goods; all these tendencies objectively correspond to a pressure towards putting the law of value back into command.

Can such a tendency of development, however, realise its logical conclusions in the context of state ownership of the means of production? This seems less than probable. Linking the income of the director to the "profit" of "his" enterprise, must lead as a logical consequence to a lasting link of the enterprise to the director, i.e. to the restoration of private ownership. High incomes from

corruption (especially in foreign trade), the acquisition of bank accounts and property abroad, and the reappearance of a large private sector of the economy (especially in the service sector) with private exploitation of labour power, would be additional factors in such a development. They would all point towards a restoration of *classical private property*, which alone could guarantee the bureaucrats the *security* of a new ruling class, not at all towards some mythical "state capitalism" with a "state bourgeoisie".

In Jugoslavia, after the economic reforms of 1965, the tendencies in this direction were much further advanced than in the USSR, Hungary or Rumania. But, as we had predicted, what followed was their unavoidable *collision* with the planned economy, with social ownership of the means of production, with the elements of worker self-management which exist in Jugoslavia, and with the forces of the state and party bureaucracy which are linked to this mechanism. The working class, too, which in Jugoslavia is more independent than in the other Eastern bloc countries, actively intervened in this process, and clearly did so *against* the privileged and restorative groups. This confirms that a gradual restoration of capitalism "on the quiet" in the Eastern bloc is not possible, and that it is the living conflict of social forces, national and international, which will decide the outcome of this process.

10. Provided there is no privileged bureaucracy monopolizing power and management, or after such a monopoly has collapsed, a transitional society may grow into a socialist society. Such a growth requires in principle the simultaneous operation of six factors:

- a) The growth of the productive forces, of the standards of living, qualifications and culture of the workers, which overcomes the objective conditions of the social division of labour between managers and managed, and which by a radical shortening of the working day, among other things, gives the immediate producers the material possibility of self-management in the state and the economy;
- b) Worker self-management, which is not exclusively or mainly limited to enterprise level. An articulated worker self-management of general assemblies, workers' councils, and democratically elected local, regional, national and international congresses of workers' councils (with revocability of delegates, prescribed rotation, and large majorities guaranteed to members who are directly occupied in production); in which the associated producers freely plan production on the basis of various plan alternatives, determine priorities in the satisfaction of needs, and decide the extent of postponed consumption ("socialist accumulation").
- c) Political council democracy with full political freedom within the frame-

work of the socialist constitution, (freedom of organisation, including different political parties, freedom of the press, freedom of demonstration, right to strike, etc.) in order to guarantee in practice a democratic process in which to choose between plan alternatives, priorities and postponed consumption. With the present high degree of centralization of the productive forces (objective socialisation of labour), self-management which is limited to the enterprise or to the economic level does not allow the actual power of disposing of the social surplus product to lie in the hands of the workers, i.e. it does not permit any real proletarianization process. This can come about only by the direct exercise of political and economic power by the working class. A democracy of workers' councils also means the beginning of the "withering away of the state", by handing over more and more spheres of administration to direct democracy — i.e. the immediate self-management of those concerned;

d) Development and deliberate furtherance of the withering away of the commodity-money relationship. A growing number of services and consumer goods will be distributed according to the principle of satisfaction of needs and not in exchange for money. The radical reduction of income differentials works in the same direction.

e) Development and deliberate furtherance of a continuous revolution in daily habits, morals, ideology and culture, by which means the tendencies of the individual "struggle for existence", of individual enrichment and egoism are systematically pressed back, and the driving forces of voluntary co-operation and solidarity are promoted, not by state pressure, but by persuasion, education, and, above all, by the altered social conditions, through example and experience in day to day life;

f) Orientation towards, and furtherance of, the international development of the revolution, which alone in the last analysis is capable of creating the necessary preconditions for a successful *conclusion* to the process of constructing a socialist society, by extending the international division of labour and removing of the pressure from the surrounding capitalist world (including the compulsion to arm).

These processes cannot be looked at separately from each other. It is, above all, erroneous to take one or some of them and regard it or them as solely decisive. The basis of Khrushchev's revisionism was the conception that only the development of the productive forces was decisive, and that it would automatically create new production relations. Mao's revisionism rests on the assumption that political leadership and "cultural revolution" are decisive; it fails to realise that on the basis of an insufficient development of the productive forces, social reality as the main source of the education of the "socialist man" must remain ineffective. Growing productive forces with growing commodity-money relationships can in fact move a society farther from the socialist goal instead of

bringing it closer. But increasing abolition of the commodity-money relationships without sufficient growth of the productive forces decays into rationalisation of scarcity, which in turn moves socialism farther off, both objectively and subjectively.

Worker self-management without the political democracy of workers' councils can, especially in combination with "socialist market economy", raise new objective and subjective barriers on the road to socialism. But even worker self-management and political council democracy will not automatically produce a new attitude towards society and towards work. Conscious intervention of the "subjective factor", i.e. education and a permanent cultural revolution, are indispensable for that. In order to be effective, however, these must be able to rest on a rapid growth of the productive forces, which can make possible in practice an extension of distribution according to the principle of satisfying need, and a withering away of the commodity-money relationships (without which the private sphere of enrichment and alienated labour cannot wither away).

We can summarize laws of the society transitional between capitalism and socialism by stating that, in the last analysis, it is a matter of creating the necessary economic, political, social and cultural preconditions for the withering away of commodity production, of money, of classes, and of the state, i.e. the construction of a classless society: "Socialism is the abolition of classes" (Lenin).

Translated from German by Iain L. Fraser, January 1974.

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Some comments on H. Ticktin's "Towards a Political Economy of the USSR"

Ernest Mandel

Several differences between the analysis of the Soviet Union contained in my ten theses, traditionally defended by the Fourth International, and the analysis contained in Ticktin's paper, are of an essentially semantic nature. Some examples will show this.

Ticktin tries to reject the idea that the bureaucracy is a ruling privileged stratum in the Soviet Union by stating that it is not the case, and has not been for several decades, that "anyone who has a job in an office" is automatically a privileged person in the USSR.¹ He is right. But does it follow from that that the ruling and privileged group in the USSR is only the "elite of the bureaucracy"? Everything depends on the definition of "bureaucracy". I would agree with Ticktin that a definition which Trotsky sometimes uses ("anyone who has a job in an office") could lend itself to misunderstandings of the type on which Ticktin bases his argument. I would most strongly deny, however, that only the top layer ("the elite") of "office workers" is materially privileged.

The correct definition of the bureaucracy, it seems to me, is that of a social layer which comprises all those who exercise management (leadership) functions in any sector of Soviet social life: economy, state, army, science, arts, etc. All these people are materially privileged. Their number is much larger than that of

1. All references to H. H. Ticktin: "Towards a Political Economy of the USSR", in: Critique No. 1, Spring 1973 - Here p.38.

a small "elite". It probably goes into several millions. This group retains the control and administration of the social surplus product. It has a monopoly of power at every level of society. It cuts off the mass of the workers, the producing peasants, and a large part of the intelligentsia from direct participation in decision making, at least at power level. It reflects, in Marxist terms, and in the broad ("macro-social" and not only "macro-economic") sense of the word, the division of labour between production and accumulation. From the point of view of Marxist conceptualisation it is, therefore, justified to use *that* category of bureaucracy as a socially relevant one, much more than that of "technocracy" (what is Brezhnev a "technician" in?).

Whatever may be the sectoral differences of interests which undoubtedly exist in its ranks (of which Ticktin underlines that between those at the centre and those administering plants), there is a common social interest which binds it together to keep a monopoly of power, because it is the basis of important privileges (in the field of consumption).

Ticktin begins by stating that you can understand the functioning of the Soviet economy neither in terms of planning nor in terms of the market. He then goes on to say that its "central dynamic" is "self contradictory". "In other words, we find not one central dynamic but one which is compounded of several conflicting laws or tendencies reflecting the social groups in society".² Possibly, but this is just a paraphrase, not a definition in Marxist terms. Am I mistaken when I say that the "self-contradictory central dynamic" is exactly the same thing as the hybrid and self-contradictory combination of the logic of the plan and the logic of maximum private appropriation of consumer goods by the rulers of society, which I indicate as the basic contradiction of the Soviet economy? After all, Ticktin himself states that "the enterprise salaried personnel" is "only interested in maximizing their own personal welfare".³

Ticktin criticises a sentence of mine which states that "the bureaucracy has no political, social or economic means at its disposal to make the defence of its own material interests coincide with the mode of production from which it draws its privileges".⁴ He goes on to say that, insofar as the bureaucrats occupy a certain necessary function in production, they occupy a specific production relation. If they were to be removed, there would be either total collapse or another system.⁵ But this is obviously begging the question: Into *what* production relation does the Soviet plant manager find himself inserted? Evidently not only that of "commanding the workers" (quite incompletely, be it said in passing;

one of the merits of Ticktin's paper is to have brought this out clearly). He also finds himself in a specific relation with other managers: those of the plants or shops which deliver raw materials and machines, and those of the enterprises which take over the finished goods produced in the factory which he manages.

Now it is my contention that *this* production relation — to formulate it in a general way: the specific inter-relationship between different economic units — can basically take only two forms: the form of the market or the form of the plan ("a posteriori" adjustment or "a priori" decision). I, therefore, conclude, in conformity with everything which Ticktin writes, that the way in which the bureaucrats operate, in order to maximise their consumption, disorganises the plan. Ticktin replies that this form of production relation is not bureaucratically centralised planning at all. If you replace bureaucratic management by democratic workers management ("social control"), you will get "another system", namely, "real planning" instead of "bad administration". The dispute is again evidently semantic. Likewise one could say that under monopoly capitalism there are no longer any "real market forces" at work, but only "monopolistic competition", which is something "quite different". You can then change the basic two-fold subdivision of the forms of objective socialisation of labour from two, into four, five, six, etc. At the end of the operation, however, the annoying question will arise, whether the difference between "competitive capitalism" and "monopoly capitalism" in their mutual relation to the market, is not much slighter than the difference between, say, monopoly capitalism and the Soviet economy, whether the difference between a "centrally and wastefully administered economy" and "real socialist planning", in their mutual relation to planning, is not qualitatively smaller than that between a "centrally and wastefully administered economy" and monopoly capitalism. As the answer to these questions is obvious, we are back where we started, i.e. with the recognition that the Soviet economy is a bureaucratically deformed, degenerate and wasteful *variant* of a planned economy... but a variant nonetheless of a planned economy and not of a non-existent "third form" of socialisation of labour, neither spontaneous nor conscious...

Our main difference with Ticktin, which is not semantic but substantial, relates to "the central economic feature of the USSR today" which he identifies as "waste". This is a slight exaggeration when it concerns a country which became mysteriously transformed (through pure waste of resources?) from an underdeveloped country into the second industrial power of the world within a generation. It would be much more correct to say that the "central economic feature of the USSR" is growth plus waste, growth in spite of ("growing") waste, real growth beside growing waste. This is a rather pungent synthesis of the "contradictory central dynamic" to be sure. But it characterises the USSR as something quite different from a stagnant or retrogressive society which is basically wasteful and nothing else (e.g. the Roman Empire in its decadence).

Ticktin's refusal to admit a contradiction between the logic of central planning and the material self-interest of the bureaucracy leads to paradoxical results.

2. op. cit. p.22.

3. op. cit. p.32.

4. op. cit. p.34.

5. op. cit. p.35.

He is forced to formulate rhetoric: questions which remain without answers. Why doesn't the "central administrative elite" admit workers' control and social control over the planning mechanism, if not because it is afraid of losing its material privileges? Why is there a conflict between the "planners" and the factory managers, if not because the logic of the plan (i.e. the fundamental drive to recognise all labour as immediately social which results from the suppression of private property and private labour) works against management practices which are exclusively attuned to maximising the consumer needs of the managers? Why do the managers hoard (and waste) raw materials, equipment, etc., if not in order to maximise their income? Why would the introduction of a profit-system as the basis for calculating the management's rewards not operate any basic change in this, as long as planning subsists (i.e. as long as "market forces" and individual plant managers cannot determine prices, wages, and investments)? Answering these questions allows one to understand the basic contradictions of Soviet society much better than through putting a unilateral emphasis on waste, and waste alone.

Ticktin correctly states that the trend towards the strengthening of market forces implies a trend towards restoration of capitalism. He also correctly states that this trend cannot break through qualitatively, without previously disposing of the resistance of the workers (to the re-introduction of a "free labour market", i.e. right of managers to fire workers among other things. Though this would not be the only aspect of Soviet society which the workers would defend. We have the feeling that they would likewise resist the private appropriation of the plants by foreign or native owners.). This prognosis, which dovetails nicely with our analysis, leads, however, to a striking gap in Ticktin's definition of Soviet society.

When Trotsky states that the workers in-capitalist countries should defend their democratic freedom against a fascist threat, he phrased this as a defence *not* of the bourgeois state but of the "embryonic elements of proletarian democracy within bourgeois society". Would Ticktin say that the absence of a labour market and the existence of the proletariat's right to job security in the USSR are just "embryonic elements of socialised planning" in a "wastefully administered society"? The dispute would at first seem semantic. But the absurdity of such a position soon appears. Permanent job security and the absence of a labour market are just not side issues or some secondary aspects of the social system. They are part of the *basic* relations of production in the USSR. Together with others, they justify our definition of that society as still being a society in transition between capitalism and socialism (which is synonymous with a workers state), albeit an extremely bureaucratized and wasteful one, where the removal of the bureaucracy's monopoly of power and of bureaucratic mismanagement through a political revolution, through the establishment of workers democracy and workers management, would open the road to socialism without having to undergo the birthpangs of a new social revolution, and without having to remove a "social system" in favour of a completely new one.



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