

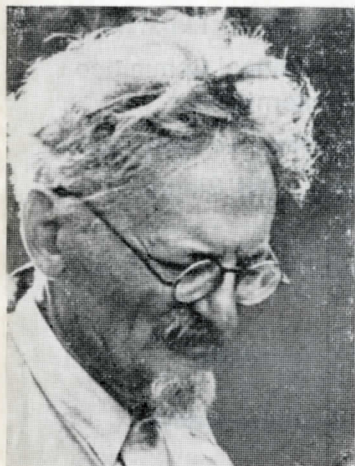
Fourth International

A JOURNAL OF INTERNATIONAL MARXISM PUBLISHED BY THE INTERNATIONAL COMMITTEE OF THE FOURTH INTERNATIONAL

JANUARY 1966

VOLUME 3 NUMBER 1

PRICE: 25¢



Two speeches and
an article by

LEON TROTSKY

Trade Unions at the Crossroads

**MARXIST POLITICAL
ECONOMY AND THE
'SOCIALIST WORLD'**

Imperialism and the Liquidity Crisis

Book

**Preobrazhensky's
'New Economics'**



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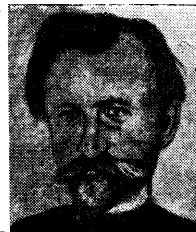
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of the Fourth International

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Editorial

TRADE UNIONS AT THE CROSSROADS

THE Minister for Economic Affairs, Mr. George Brown, is now engaged in final consultation with the Trades Union Congress over the proposed legislation against the trade unions on wages. The press announces that there is general agreement over the draft of the Bill which it is anticipated will be presented to Parliament early in February. Under its provisions the state will have power compulsorily to veto all wage claims and force trade unions to comply with its procedure and conditions under pain of heavy fines which may even lead to imprisonment.

The state in Britain which includes Parliament is, of course, a capitalist state whose main purpose is to serve the interests of monopoly capitalism. The actions of the T.U.C. and right-wing Labour leaders is tantamount to surrendering the future of the trade unions to their most bitter class enemies. It ties the trade unions to the state under conditions where they are no longer able to negotiate directly with the employers on behalf of their members around the vital issue of wages; and if the trade unions cannot do this what is the future for trade unionism?

In their usual empirical, blustering way the right-wing leaders have, perhaps, without knowing it, opened the doors to a new kind

of struggle in Britain. If the state is now to be the decisive force in determining wages, then all wage struggles must inevitably be fought for against the state. In other words, they pose the question as to who is most powerful, the state or the sections of the working class organised in trade unions demanding more wages. What is involved is an era of political struggle such as has never before been seen in Britain.

This political struggle in turn raises the problem of power under conditions where the leadership of the revolutionary party and its programme is decisive. Struggles for power pose sharply the acute limitations of 'industrial militancy'. Tendencies which in one way or another lean towards syndicalism and which preach against revolutionary leadership are reactionary and can only in the last resort help the capitalist class.

Legislation against the trade unions poses sharply the construction of the revolutionary party. The main brunt of this activity will have to be borne by the Socialist Labour League and the Young Socialists. The policy for guiding this work was adopted at our Annual Conference early in March 1964.

This resolution, as the following quotation shows, retains all its validity to this day.

'The trade unions cannot be politically neutral. In Britain the bureaucracy is very concerned to exclude "political questions" from trade union affairs. What they must exclude at all costs is revolutionary politics, our politics. For their part, they take a very definite political direction when they subordinate themselves more and more to the capitalist state. Reformists, they claim that the state is independent of class interests, that it regulates between the opposing interests. When the state takes more interest in industrial affairs, the trade union leaders, therefore, find it necessary to enter into closer relations with the state. Whether Social-Democratic or Stalinist, they do this in every one of the advanced countries; some justify it with the theory that capitalism has changed its character; others, like the Stalinists, justify their actions with theories of peaceful transitions to socialism.

'Reformism now serves capitalism more openly and directly than ever before, and revolutionaries must conduct a constant struggle against the reformist leadership. The trade unions are, therefore, a political battleground upon which the SLL members fight for the leadership of the working class. For this purpose, to defeat the reformists, and to lead the struggles **against the state** which arise from strike situations today, our members, must be **politically** organized, they must begin always from the political programme of the Fourth International.

'The election of a Labour government will not change these relations between capitalism, the state, the trade union leadership, the working class and the revolutionary party. On the contrary, the Labour government will attempt to speed up the process of complete integration of trade unions into the state, under the banner of 'modernising Britain'. A sharpening of the political preparation of our

members in trade unions is essential in the period between now and the election of a Labour government. If this is done, then the increased contradictions under a Labour government can be consciously grasped and a new leadership won in struggle. . . .

' . . . Our strategy cannot, therefore, be to simply build up militant groups or to take over positions within the unions as they are now. On the contrary we build into the trade unions a vital part of the overall revolutionary leadership required by the working class, i.e., we start from the building of the Socialist Labour League.'

The successful campaign for the lobby of Parliament on January 26 is the beginning only of an all-out struggle to implement these policies inside the trade unions. Thousands of rank-and-file trade unionists are now discussing the implications of legislation. More and more they will be drawn into the struggle against the government and the state in the coming months. More and more they will become conscious of the limitations of the old type of trade union 'leftism'. Such an arena for political action has not been seen in England since the early and middle twenties. It is from this development that the mass revolutionary Communist party of the future will emerge.

What is in fact happening within the unions is an extension of the experiences of the Young Socialists since early 1960. These experiences were the forerunner of a powerful movement towards Marxist policies as a result of the growing crisis of imperialism. Today the Young Socialists are in the leadership of the campaign to defend the trade unions. Their National Conference at Morecambe this year on April 2 and 3 must become the centre for providing the national alternative leadership so urgently required by militants everywhere.

IMPERIALISM

and the

'LIQUIDITY CRISIS'

**Paper read at a symposium
convened by Sheffield University
Marxist Society in October, 1965**

by Peter Jeffries

IN THIS PAPER, I want to tackle a discussion of the present crisis of imperialism from the point of view of an examination of the crisis in the world monetary system which has been the pre-occupation of the financiers, economists and statesmen of the world for the last few years. We shall deal with the present monetary crisis to the extent that it provides an indication of the more basic problems besetting the world capitalist system. After dealing in general with some aspects of the present world monetary situation and relating these to the basic movements in the economic system, we shall say something about the present problems afflicting British imperialism.

The present monetary arrangements between the leading capitalist powers are dominated by the Gold Exchange Standard. For much of the period between the wars, until the 1931 financial crisis, a system known as the Gold Standard was in operation. Under this system the currency of each country was governed by the amount of gold which it held in its Central Bank. Should it run into a balance of payments deficit there would be a drain away of gold to those countries which were running a payments surplus and the deficit countries would then be obliged to deflate the volume of cash and credit in their own banking system (bringing an increase in unemployment) to correspond to their loss of gold. As a result, at least theoretically speaking, this contraction of credit

and drop in wages (caused by the increased unemployment) would force prices down, including export prices, so that once more the external payments of the country would be brought into balance. This was, in essence, the manner in which the Gold Standard was supposed to operate.

The 1931 crash made its continuation impossible. In order to try and extricate themselves from the crisis many capitalist countries, including Britain, resorted to unilateral devaluation, producing, as a consequence, the disastrous 'devaluation cycle' of the '30s. The net effect of each country trying to open up markets for its exports by reducing the value of its currency was severely to check the growth of world trade and the recovery from the crash of 1931.

If such occurrences were to be avoided in the post-war world—especially in the face of the challenge presented by the enlarged bloc of 'Communist' states—alternative arrangements had to be devised. The establishment of the International Monetary Fund as a result of the Bretton Woods talks in 1943 represented just this attempt. The agreements which were eventually reached were a reflection of the supreme power of US imperialism in the post-war period. Most currencies in comparison with the dollar were extremely weak in that many of the commodities which were needed by these states could only be obtained from dollar sources. Two further problems made it necessary

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to devise an international monetary market which was different from the old Gold Standard. In the first place, the quantity of gold in the world (which was, of course, largely deposited at Fort Knox) had grown at an insufficient pace to meet the expansion in world trade, and secondly the supply of gold was still further reduced in relation to the supply of world currency which, under the impact of the war years, had greatly inflated in volume.

The system which replaced the Gold Standard was the Gold Exchange Standard. Under this system all currencies are linked together, not only through gold, but also to the dollar. At the basis of the arrangement is the undertaking of the US Treasury to exchange gold for dollars at the fixed rate of \$35 per ounce of gold. In effect, the dollar, under these arrangements, replaced the role which had formerly been the prerogative of the pound, around which the pre-1914 Gold Standard had revolved. Such a system, which involved the creation of the International Monetary Fund, the World Bank and other financial institutions, was the only one possible for imperialism in the conditions of the post-war world. Given the collapse of the old Gold Standard, US imperialism and the dollar had to bear the brunt of the attempt to restabilise imperialism and its currency system in the post-war world. The alternative: that payment for all sales and purchases of goods on the international market be made in the currency of the recipient country where possible. This would have required all countries to hold stocks of all others' currencies. But the weaknesses and instabilities of almost all other currencies except the dollar precluded this.

The strength and dominance of US imperialism meant that it was the only currency which, on a world scale, was acceptable as a general 'reserve' unit. In consequence many states built up large dollar balances.

We can note, in passing, the wide variation in the extent to which these various states hold their reserves in the form of dollars as opposed to gold, but the fact that the majority of Common Market countries tend now to keep a low proportion of their reserves in dollars is an important factor which we shall deal with later.

But it is clear that the willingness of most capitalist countries to hold a high proportion of their reserves in dollars brings enormous advantage to U.S. imperialism. The fact that U.S. liabilities now total close on \$30,000 million means in effect a loan of this size to the US. In other words, it means that countries who have earned surpluses with the USA by selling goods etc. in the States are not spending them but holding them in idle balances. This brings two important advantages to the USA. Firstly, it means that she can overcome any temporary balance of payments deficit which may result from the too-fast development of a boom in the US economy. Because of the privileged position of the dollar she can allow the deficit to pile up in the dollar holdings of other states. Second, and much more decisive from the point of view of the present disputes in the world monetary circles, this allows the US to acquire investments abroad, principally in Europe, which are, in effect, financed out of her balance of payments deficit. This is an important point which we shall expand later. One French economist has estimated, for example, that the cumulative payments deficit of the USA from 1951-63 totalled \$30,000 million, but of this only \$7,500 million was financed by means of a gold outflow from the States. This contrasts with Britain where every major imbalance has been more or less immediately corrected through internal deflation combined with a loss of gold. The dominance of the United States has allowed her to escape from these harsh rules which apply to the rest of the system.

The stability of these arrangements which have been briefly described rested upon the confidence which was generally felt in the dollar; it was 'as good as gold' and its strength was reflected in the place which it occupied in the post-war reconstruction of the world monetary system. The present crisis in the system, reflected in the many, often contradictory proposals to reform the present arrangements, is a reflection of the fact that this confidence in the basis of the system is rapidly falling away. This, in turn, is of course only a reflection of the growth in the US balance of payments deficit which has taken place in recent years, reaching a high peak of \$3,000 million in 1964, when for the first time since the '30s there was widespread talk

| | Per cent of | |
|-------------|----------------|---------------------|
| | Total reserves | reserves held as \$ |
| Austria | 925 | 35 |
| France | 5,392 | 31 |
| W. Germany | 6,257 | 32 |
| Italy | 3,729 | 43 |
| Netherlands | 2,055 | 18 |
| Norway | 214 | 86 |
| Portugal | 780 | 32 |
| Spain | 1,010 | 39 |
| Sweden | 833 | 77 |
| Switzerland | 4,095 | 33 |
| Turkey | 140 | 26 |
| Canada | 4,020 | 74 |
| Japan | 3,023 | 87 |

(Figures in \$ mn. as at 31.12.64)

of a devaluation of the dollar. At the moment the US gold reserves stand at around \$15,000 million, compared to over \$24,000 million in 1949 and over \$23,000 million in 1952. This growing imbalance in the US payments system represents not so much the immediate weaknesses of US capitalism domestically so much as the enormous burden which she has had to carry in relation to the whole of the imperialist system over the last 25 years. The balance of payments weakness stems from three main sources. In the first place it reflects the enormous outflow of US capital abroad, principally into Europe. Capital has gone abroad, especially to the Common Market countries, in order to avoid pressures on the rate of profit at home and in order to take advantage of the rich European market and the cheaper supplies of labour which were available. Secondly America has been responsible for large sums of money spent abroad in an attempt to bring some degree of social stability to a post-war world which had been dislocated by the war and in which the dangers of communism and socialism had to be combatted. Finally, the U.S. has spent vast sums since the Korean war in the international struggle against communism. Whilst this might have brought an increase in the profit-making possibilities for a section of the U.S. capitalist class and at the same time sustained a fairly high level of employment and economic expansion, externally it has meant a growing balance of payments deficit.

The present crisis in the monetary system derives from these factors: the size of the cumulative deficit run up by the US since the war, allied to the persistent imbalance of British capitalism and the glaring weakness of the pound, mean that these combined deficits now threaten to outstrip the gold holdings of the USA. The present heated debates in the international financial circles centre around methods of preventing a run on this major reserve currency while at the same time ensuring an adequate volume of 'liquid' resources which are acceptable as means of international finance and trade. This, in essence, is the meaning of the 'liquidity crisis'. The central dilemma for the imperialists is this: without a large balance of payments deficit by both the USA and (to a lesser extent) Britain there will be both an inadequate supply and a 'maldistribution' of liquid resources. But at the same time, the size of these required deficits, especially in the case of USA, necessarily places a question mark against the dollar and reduces the willingness of other countries to hold their reserves in this form.

This unwillingness is increased when, as we have

already seen, the ability of the USA to run up a large deficit without the economic consequences which would follow for other capitalist countries confers great advantages on American capitalism. This is especially so in the case of her ability to finance foreign investment out of these deficits in the manner we have explained. In recent years opposition has been growing from the Common Market countries and particularly from France. This growing resentment at what amounts to the privileged position now enjoyed by the dollar has coincided and is closely connected with the sharp rise of US investment in European manufacturing industry. From the '60s onwards U.S. capital penetrated the European engineering, rubber, food, pharmaceutical and petrochemical industries, with a more recent move into the fields of automobiles, agriculture and food processing and petrol. There is now about \$5 billion of US capital invested in the industries of the Common Market countries, especially in Western Germany and France. These investments are invariably in the most modern and technologically advanced sectors of European capitalism. The great size and enormous financial resources of US firms means that they are nearly always in a position of dominance over their puny European rivals. The entire turnover of the French electronics industry, for example, is about 30 per cent of that of IBM and only 20 per cent of that of General Electric. The biggest French computer firm, Machines Bull, is in a hopelessly weak competitive position. General Motors, the largest US car producer, has an output four times as large as that of Volkswagen, Europe's largest producer. The turnover of General Motors is in fact 10 per cent higher than the Dutch national income! These are only given as examples: in most cases the general position is one of several hundred small European firms competing against two or three US giants who are enormously better equipped, organised and managed.

This penetration of U.S. capital into Europe, which threatens, at the present rate of development, to turn the whole continent into some sort of appendage of the United States, is, of course, at the base of the political conflicts between Europe and America, especially between France and the United States. General de Gaulle now feels that too many French resources are in pawn to America, and his proposals for the reform of the world financial system are designed to end the privileged position of America. Before dealing with these proposals in more detail something must be said about the position of British imperialism and of the pound in the present arrangements.

In outline, this position is well known and need be only briefly touched upon at this juncture. British capitalism emerged from the war considerably weakened in relation to the other capitalist powers, principally America. As a result of the war, for example, Britain was forced to sell £1,000 million of overseas investments and the gold reserves were depleted by £300-400 million. In addition £3,000 million extra in debts were incurred as a result of borrowings to finance the war effort. In the post-war situation the pound was unable to look the dollar in the face at the prevailing rate of exchange and in 1949 devaluation was forced upon the City of London, greatly undermining its position as the leading financial centre in the world. But it was impossible, from the point of view of the capitalist system as a whole, to dispense completely with the role of the pound. Despite its relative and absolute decline it still remained the second most important currency in which a considerable volume of world trade and finance was conducted; the large sterling balances which had been built up in the hands of foreign Central Banks would have produced chaos had the pound been completely disposed of by America; finally, a factor of some importance was the great experience of the City of London as a centre for innumerable financial and commercial transactions with a network of world-wide contacts which had been established during the course of more than a century.

As a result of these factors, the pound was given limited status as a reserve currency, though its role was largely confined to the Sterling Area. In a sense British imperialism, to the extent that the pound remained tied to the dollar, in fact acted as the 'agent' of US imperialism in this part of the world. Not that this role, as the financial centre of the Sterling Area did not bring advantages to the City of London. As the banking centre for the area Britain held the gold reserves for the whole area and as a result was able, in some years, to offset her own balance of payments deficits by drawing on the surpluses generated by other members of the area—Australia, for example. In addition, of course, the Sterling Area continued to provide something of a sheltered and privileged market for British exports and also a field for the profitable export of capital. In recent years, however, the importance of the Sterling Area has diminished in both these respects as British firms have lost markets in these areas to German, Japanese and US firms and secondly as capital exports have tended to move to the more 'advanced' and 'developed' parts of the world economy.

Despite the advantages which the retention of the Sterling Area and the limited position of the pound as a reserve currency (i.e., a currency in which other countries were willing to hold their foreign exchange balances) British capitalism has declined steadily over the last 20 years. In many respects the role of the pound, even though it has provided a valuable source of income for the ruling class, has on the other hand held back the necessary reorganisation of British capitalism in its struggle to regain its place in the world. This contradiction is only a reflection, of course, of a real, historical, contradiction in the development of British imperialism in its relationship to the world economy. This crisis is marked in the declining proportion of world manufactured trade going to Britain (a drop from nearly 21 per cent as recently as 1953 down to under the current level of under 14 per cent); reflected in the loss of gold and dollar reserves which in September 1964 were down to a little over \$2,500 mn., about one-third those of Western Germany and under one-sixth those of the United States, who, as we have seen, has herself experienced serious falls in recent years. Above all this decline can be perhaps most clearly seen in the enormous technological backwardness of much of British industry which in the main remains dominated by older industries which mark an earlier phase in the development of the capitalist system.

This decline now places an even more serious question mark against the continuation of an even limited role for sterling. The contradiction between a capitalist country which is now undoubtedly the 'weak link' in the world chain and the role of the pound as a means of international trade and payments is too apparent to last for much longer. Despite this however the Americans cannot afford to drop the pound without having made the necessary institutional arrangements to cushion the blow which would undoubtedly result from the collapse of the pound as a result, for example, of devaluation. This is the main reason for the massive credits which have been provided by Wall Street to prop up the Labour government since November 1964.

The proposals which have come from France would mean not only the removal of the privileged position of the pound but also of that of the dollar. General de Gaulle has himself proposed the return to the pre-war Gold Standard and has threatened—a threat which to an extent he has, in fact, carried out—to convert all French holdings of dollars into gold as a means of putting pressure on the United States, who are already embarrassed by an external payments problem and a loss of gold. But a return

to gold along the lines of de Gaulle's proposal is impossible. The volume of gold in the world is completely inadequate to finance the necessary volume of world trade and payments. This was one of the main reasons why it was abandoned in the '30s when the volume of world trade was, in any case, considerably lower than it is at the present time. Any large-scale increase in the volume of gold production could only be effected by a sharp increase in its price, which would mean a devaluation of the dollar, which the U.S. cannot accept. De Gaulle's is an extreme proposal that was probably made to force the U.S. to take some steps to change the present arrangements. Other suggestions from economic experts have included proposals to strengthen the role of the IMF as a means of creating more liquidity, without, of course, disclosing who would control this 'supranational bank'. Others have proposed the creation of a new unit of currency for international purposes, again without any concrete indication of what relationship such a new currency would have to gold, the dollar and the pound.

The basic fallacy of all these 'schemes' is that they fail to recognise that the present malaise of the monetary system is a product of the uneven development of the imperialist system since the war and is not a separate, technical problem which can be solved in isolation from these developments. The basic question still remains: without the existence of a large U.S. external deficit the amount of liquidity in the world will be inadequate to sustain the necessary rising level of trade on which each capitalist country is dependent for its survival. On the other hand, the size of this deficit is, in modern conditions, so large that it now threatens to outstrip the holdings of gold in Fort Knox. As such it produces instability in the world and opposition from the ruling classes of Europe who rightly fear growing U.S. economic and financial dominance throughout the Continent. These problems reflect objective contradictions in imperialism and cannot, we repeat, be reduced to the level of mere mathematical or technical problems which can be solved by world conferences of economists, financiers and statesmen. The needs of each individual nation state increasingly conflict with the rational planning of the world's resources on an international scale.

Exactly how imperialism will attempt to tackle these problems is not at this stage clear. But it seems certain that the role of the pound as one of the two leading currencies must soon come to an end, its role almost certainly being taken over by the dollar. The last meeting of the IMF indicated that the U.S.

is now seriously tackling its balance of payments deficit so that it will soon be in a position to put its weaker European allies in their proper place. There are indications that during the current year (1965) the balance of payments position will show considerable improvement compared to the \$3,000 mn. deficit of 1964. But the balancing of America's payments will have profound consequences for the whole imperialist system, not least of all the ex-colonial and colonial territories of the world of Asia, Africa and Latin America.

In relation to these areas of the imperialist system two facts are clear. First that there has been no general improvement in the living standards of the workers and peasants of these areas since the war; in fact, the pressure of population and the slow pace of economic accumulation has probably brought a decline in living standards. Secondly, to the extent that the imperialists decide to attempt to solve their present monetary problems through a stabilisation of the present position of the dollar and the pound, the position of the colonial and ex-colonial countries will deteriorate even further.

Despite all the propaganda about the 'development decade', the U.S. 'Peace Corps' and the Ministry of Overseas Development in Britain, the imperialist system offers no prospect of any increase in the standard of living of the world's poor, concentrated in the Continents of Asia, Africa and Latin America. These areas remain tied securely to the imperialist world market, whatever their claims to be 'building socialism', etc. Brazil, Costa Rica, Ecuador, Sudan, Burma, Ceylon, and Mauritius—the list is far from complete—are all more than 90 per cent dependent upon agricultural products for their export earnings. In nearly every case the progress of these countries depends upon the prices of one or two commodities:

Brazil, cocoa and coffee, 64 per cent
 Costa Rica, coffee and bananas, 80 per cent
 Ecuador, coffee, bananas and cocoa, 92 per cent
 Panama, bananas, 71 per cent
 Burma, rice, 69 per cent
 Ceylon, tea and rubber, 82 per cent
 Mauritius, sugar, 94 per cent

Developments which are now widely appreciated in the industrial structure and technology of the metropolitan countries are having a serious effect upon this position. These developments are, briefly, (a) the growth of synthetic substitutes for many of the products which these areas formerly relied upon for their export earnings; fibres, rubber, the replacement of oil by natural gas, etc. In 1958,

for example, 12 million tons of natural wool and cotton were produced and 2 million tons of natural rubber compared to a production of 2 million tons of man-made fibres and 1 million tons of synthetic rubber. By 1963 the production of man-made fibres had doubled to a level of 4 million tons (compared to a production of natural wool and cotton which stood at 14 million tons) and the production of synthetic rubber had more than doubled to a level of 2.5 million tons (compared to the production of natural rubber which remained stagnant at 2 million tons).

Secondly, the developments of agricultural technology in the metropolitan countries means that the former markets of the underdeveloped world are more and more restricted. These changes are closely connected with the improvements in the chemicals and fertiliser industries which have made possible a sharp rise in agricultural productivity. Many of the countries listed above find themselves in a vicious circle: in order to combat falling prices on the world market they push up the production of their primary commodities, the net effect of which is to further reduce the prices which they can obtain. Since 1953 the terms of trade, i.e. the terms on which exports are sold in relation to the price paid for imports, have moved against the so-called 'backward' countries by 5 per cent and moved in favour of the metropolitan countries by a similar amount. Such movements have, in many cases, more than wiped out the so-called 'aid' which has flowed into these countries since the war. Many countries such as India now face a situation where they are forced to ask for increasing loans from the European and North American countries in order to service their existing debt obligations, quite apart from being able to raise more loans for new investments.

As we have suggested, the present monetary crisis will worsen this situation. The attempt by Britain and particularly the United States to bring their external payments into line will mean that in the first place their imports of goods from the underdeveloped world will be cut by means of tariff barriers, quota restrictions, and other means. In the second place it will mean a cut-back in the limited amounts of 'aid' which have hitherto been available for these areas. In fact, since 1961 the aid programme from the metropolitan countries has been frozen because of the balance of payments problems many of these countries were and are still facing. Despite the 'Development Decade' less is now being loaned to the states of Africa and Asia than during the '50s. In any case, most of this aid is wiped out by the continuing decline in

the prices of primary products in the world market. 'Stabilising the dollar' is a shorthand phrase which, in real terms, means poverty, starvation, misery, disease and early death for millions of peasants and workers throughout the world. So much for the revisionist theories about the 'End of Empire'.

One point must be re-emphasised which was made at the beginning of this paper. The problems in the existing financial and monetary structure—the 'liquidity crisis' are only a reflection of the basic economic problems of imperialism. These problems stem from the inability of the whole system to grow evenly in a planned all-round manner. Unevenness of development is one of the basic and inescapable features of the imperialist system. In contemporary terms this relates very much to the present position of U.S. imperialism *vis à vis* the rest of the system. No country has ever had the same 'specific weight' as the U.S. has at the present time. The stability of the whole international system increasingly rests upon stability in the United States. The present weakness of the dollar stems not so much from its relative or absolute decline (which is clearly the case with British capitalism and the pound) as from the great strains which the uneven growth of imperialism places upon it. Without the massive outpourings of military expenditure and 'aid' imperialism would be landed in a deep military and economic crisis: on the other hand such vast expenditures bring their own contradictions in terms of a growing imbalance in the U.S. payments which introduces new economic and political contradictions and tensions into the system. In a similar way the increasing penetration of capital into Europe is a function of the pressure upon profits which is a consequence of the development of the productive forces in the United States itself, especially in the field of automation. The export of capital is one attempt to overcome the contradictions inherent in this surge forward in the quality of the productive forces.

The main purpose of this Symposium is to examine, from a Marxist point of view, the present economic and political crisis and make some comparisons with the position in the 1930s. Finally, therefore, I shall make a few comments upon these matters, particularly in relation to the position of British capitalism.

It is clear that from the '30s Britain has continued to decline as an economic power and therefore as a political force in the imperialist system. This decline, in the present situation, now threatens to become absolute rather than merely relative. That is, the continuing decline of Britain

has, to an extent, been obscured in the period since the war by the absolute expansion of the capitalist system on a world scale. The attempts to solve the present monetary problems which we have examined by stabilising the system (i.e., by slowing down the rate of growth) has serious repercussions for Britain. The remedies which have been used in the past by the British ruling class are no longer possible: it is this factor which provides the base for the sharpness of the present struggle in Britain, and particularly the threatened legislation against the trades unions.

This can be demonstrated if we examine the remedies which British imperialism used after the crash of 1931; these were, from the point of view of the ruling class, partially successful in overcoming the immediate problems. These solutions were based upon firstly, devaluation of the pound—i.e., the abandonment of the Gold Standard. This cheapened British exports, at least for a short period until the 'devaluation cycle' got under way. In present conditions devaluation of the pound would have a quite different significance. Following on from the devaluation of 1949 it would virtually spell the end for the City of London and for British capitalism more generally. In any case the decision about devaluation rests more in the hands of Wall Street than it does with London. If the pound is to go the United States will decide the timing, in accord with her own needs. Secondly, after 1931, Britain was able to mitigate the social effects of the crisis through the continuing exploitation of the Empire and Commonwealth: through, i.e., the system of 'Imperial Preference'. The colonies were forced to buy British exports and to provide for the British ruling class with cheap imports. Once more the position of the Commonwealth is now quite different from the position of 30 years ago. As a viable economic and financial unit it is virtually dead. Markets have been lost in all the Commonwealth countries and the pound is increasingly unable to support the Sterling Area as a workable currency unit. Thirdly, after 1931 a moderate phase of internal expansion was possible in Britain, particularly in the field of house building along

Keynesian lines (although, of course, Keynes had still to work out his developments in economics in theoretical terms). The record of the present Labour government shows that internal expansion is impossible in view of the much weakened external position of British capitalism over the last 30 years. Any attempt at internal inflation inevitably means an immediate run on the pound, so weak are the present gold and dollar reserves. This, in its turn, calls for immediate action designed to cut back internal demand. This contradiction is at the basis of the 'stop-go' policy which has been the dominant feature of the last decade.

Most important of all, however, from the point of view of a comparison of the two periods are the enormous development in the productive forces which modern science and technology now makes possible. Many of the so-called 'new industries'—aircraft, motors, consumer durables, etc., provided some stimulus in the '30s for a climb out of the Great Depression. The present technological developments, enormously greater in their scope and their quality, will now play an opposite role. They occur, not in the depth of a depression, but at the end of a long phase of moderate capitalist expansion and boom which has brought, at least for the countries of Western Europe, North America and Japan, conditions of nearly full employment and rising wages. In these conditions, modern technology and science, represented above all in the possibilities opened up by automation, provide the basis, should they remain privately owned and controlled, not for the expansion and reinvigoration of the capitalist system, but, on the contrary, the basis for its deepening crisis, if not total destruction.

It is this leap forward in the productive forces, now a realisable possibility, which, when viewed against the present crisis in the world monetary and financial system of capitalism, provides the scientific and objective basis for the struggle for socialism and the fight by socialists for the provision of a leadership for the working class as the only way out of the present impasse.

MARXIST POLITICAL ECONOMY AND THE 'SOCIALIST WORLD'

by Michel Varga

In the June, 1965 edition of 'Les Temps Modernes' there appeared an article written by Ernest Mandel: 'The reform of Soviet planning and its implications'. Before examining this more closely, we must begin by placing the author in a certain historical and political setting. One can understand his present position in the USSR far better, if one takes his position with regard to the revolution of 1956 and if one is aware of the political function which he fulfilled at that time.

THE CENTRAL PROBLEM posed before the vanguard workers and the revolutionaries of Hungary was to achieve a link with the international working class. This link is not a question of a wish—whether vague or ardent—shown in messages, resolutions or appeals. It is very concrete and means above all the *organic liaison* between, on the one hand, the Bolshevik traditions enriched by the further experiences of the world working-class movement, and, on the other hand, the concrete struggle of the workers of the USSR, Eastern Europe and China.

Stalinism represents a break from these traditions and, as such, counter-revolutionary opposition to the international working-class movement and its experiences, for Stalinism 'has definitely gone over to the side of bourgeois order'. One of the most important manifestations of this break was—and is—the *total suppression* of the political and trade

union working-class movement in the countries oppressed by Stalinist dictatorship. With the liquidation of the Opposition and of the organised Trotskyists in the USSR, and through the coming to power of the Stalinists in Eastern Europe and China, the independent workers' movement has ceased to exist there. The working class has thus been separated both from the traditions of Bolshevism and from the world proletariat, and consequently been thrown back into its pre-Marxist state. It is in this that the split consists concretely between the proletariat of the advanced capitalist countries and that of the USSR, Eastern Europe and China.

In his study against the Pabloite revisionists (*La Vérité*, Nos. 530-531, September 1965), Stéphane Just posed, as a central problem to be resolved, the re-establishment of the international unity of the proletariat, broken by the Stalinists. I am trying

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to set out the same problem, concretely, from the point of view of the workers' movement of the USSR and Eastern Europe.

Revisionism and the Revolutions of 1956

For the Hungarian and Polish workers, the organisers and leaders of the Councils, it was impossible in 1956 to pick up the historical thread, to directly effect the link with Bolshevism and its subsequent enrichment. *It was—and is—impossible to jump directly and spontaneously from a pre-Marx state to the creation of the Marxist party of today.* As Just put it: 'The formation of revolutionary leaders and of a politically homogeneous organisation without bureaucracy cannot result from spontaneous production.' (*La Vérité*, Nos. 530-531, p. 15.) The initiative for such an undertaking could and can only come from outside, from the workers of the advanced capitalist countries having realized both the unity and the continuity of the international class struggle. The working-out of the Transitional Programme and the foundation of the Fourth International were, precisely, that realisation. This is the historical significance of Trotsky's work; it is in this way that I understand Just's comparison between the Manifesto of the Communist Party of Marx and Engels and the Transitional Programme. This was the preservation of the workers' movement from degeneration and, consequently, its development and enrichment, of which the basis, the centre, was proletarian internationalism. The *continual* building and strengthening of the International and its parties were and are both the materialisation and the development of this international *unity* and historical *continuity*. Without this, degeneration would be inevitable.

Now, in his study, Stéphane Just also shows how the revisionists have destroyed the Fourth International and how they aimed and aim to liquidate its sections. The great lesson to be drawn from this is that the French and English comrades have been able not only to undertake the struggle against the revisionist liquidators but also to lead it to good advantage, *solely* because they have leant on the Transitional Programme and the concrete workers' movement. In this way they have maintained and developed the international unity and the historical continuity of the class struggle. And it is in this

way that the liquidationist action of the revisionists has been prevented from going through to completion. But what was possible for the comrades of the advanced capitalist countries presented itself from an entirely different angle for the revolutionaries of Eastern Europe. With regard to the USSR, China and Eastern Europe, Pablo, Frank, Mandel and their consorts have clearly renounced all kind of activity towards the building of parties. As far as they are concerned, the International should come to a halt at their frontiers and politely request an entry visa from the bureaucrats.

That is why, at the precise moment when the workers of Eastern Europe were in revolutionary struggle against the bureaucracy, these revisionists chose counter-revolution, though naturally with all 'due' reserves and nuances. Instead of bringing in the Fourth International and its programme—at least in 1956!—that is to say bringing about the link-up between Marxism and these movements, between the working classes of the advanced capitalist countries and of Eastern Europe—the liquidators deepened the gulf while accusing the workers of those countries of not knowing how to and not being able to 'invent' the party and its programme. (Why not the International?) They presented this ultimatum to the Hungarian and Polish workers, at the same time recommending to them a 'gentleman's agreement' with the Kremlin! Messrs. Pablo, Frank and Mandel—you have the impertinence of swindlers! You are the servants (unpaid and humiliated, incidentally!) of the 'marvellous' and 'effective' apparatus of the bureaucracy which the workers of those countries 'dare' to fight—without consulting you. You dare to present yourself under the banner of the Fourth International—fighting the working class of the USSR, China and the Peoples' Democracies. *For this reason* you experience an imperious necessity to 'prove'—cost what may and even 'scientifically'—the progress of the bureaucracy towards 'soviet democracy', and an ever-growing 'harmony' between it and the workers. And the greater the clash of contradictions between the working class and the apparatus, the more the crisis shakes the latter, the more you present Soviet society as a happy *ensemble* marching straight towards the re-establishment of Soviet democracy, under the ever more 'enlightened' leadership of the Kremlin.

Mandel, enemy of Marxist method

Ernest Mandel begins his article by saying that the economics of transition from capitalism to socialism can be understood thanks to the work of Preobrazhensky. He writes: '... the discovery of Preobrazhensky remains the key for understanding the economy of these countries'. Because '... what was written before him on this subject was either generalities which did not allow understanding of the problems—and the contradictions of this specific society—or false notions which today make one smile.' (p. 2161)

Obviously, I respect the works of Preobrazhensky. But from there to pass over all that was written on this subject by Marx, Lenin and Trotsky makes me think ... about Mandel. In fact, it is indeed highly probable that—for Mandel—a reading of Marx, Lenin and Trotsky did not allow 'an understanding of the problems'. So here we have a person who requires, further, a key, and since Preobrazhensky provides him with such a key, he grasps at it. It should be mentioned in passing that this key would have to be perfect. But as far as Mandel is concerned, he finds it sufficient to believe that he has hold of the perfect key. (At this juncture let us at once point out that during the whole length of his article, this reference to Preobrazhensky serves him absolutely no purpose whatsoever.)

A key, plus blind faith. After such an introduction, the reader must pursue the article with redoubled attention. And lo and behold, he is rewarded on the very next page, in which the author compares an economy ruled by plan and an economy ruled by the market. Concerning the first type, one can never tell whether he is talking about the economy of the USSR or about planned economy in general. In this type of economy he discerns a centralised form and a decentralised form, stating that planning does not necessarily mean centralisation. (Well, that's very nice. But on this occasion Mandel has no key to enable him to understand that this depends on internal and external conditions.) He then goes on to the capitalist economy '... in which the principle of the market predominates widely in economic life. ...' (Very widely, indeed, this ... principle! p. 2163. Our emphasis.)

From all these shallow and false explanations a conception emerges according to which the economy is something in and of itself. Now, for Marxists, the economy is merely the anatomy of

class-divided society, in which, so to speak, the social relations between the classes are concentrated and reflected. Thus capital, for instance, is not a sum of money and material means but the concrete and concentrated relationship between the working class and the bourgeoisie. It is a pity to have to recall such elementary problems but we are obliged to, for Mandel, 'Marxist' economist par excellence, presents the economy as the totality of the material life of men and as having an autonomous existence. In its autonomy, the economy becomes a sort of administration ruling material life with two different schemas: one for capitalism, another for the epoch of transition to socialism. It is in this way that, throughout the entire length of his article, Mandel carefully avoids mentioning the class struggle or even the classes. This elegant detachment enables him to hover above our very terrestrial existence on a cloud—like a heavenly angel—whence he casts down the living and the dead with immutable 'economic rules'. He presents the period of transition as if it had nothing to do with a struggle between the proletariat and the bourgeoisie but was something in which '... the two (economic) principles fight against one another. ...' (p. 2164. Our emphasis.) According to him, it was not Soviet society which contained contradictions which were reflected in planning, but '... planning ... contained numerous contradictions' (*Ibid*). Therefore, it was a bad thing. Mandel says so expressly: 'This system was cumbersome, inflexible and basically unrealistic.' (p. 2167). As he soars over the earth on a cloud of schemas, it becomes evident that everything that is real shows a face of unreality to him. Not for one instant does he suspect that the system of planning under Stalin, far from being unrealistic, was all the more realistic because it reflected the social and political relationships of a degenerated workers' state. But no!—for Mandel, it is the system of planning which was full of contradictions, so full that it '... has basically decomposed, not because of the death of Stalin and a slow "liberalisation" ... nor because of a revolt by the masses; it has succumbed to its own internal contradictions.' (p. 2170.) Here we are up to our necks in that idealism which is the principal characteristic of Mandel the 'Marxist'. Planning, in itself, had its own contradictions—internal, what is more—and it succumbed to them. (Also, Mandel always speaks of an *old* system, just as one speaks of the 14-18 war!) But he quickly

corrects himself—he is a 'Trotskyist' after all—and on the following page contradicts himself: '... in proportion as the socio-economic context in which the Soviet enterprises are situated became completely altered, the maintenance of the old system risked putting a brake on the development of the productive forces to such an extent that a reform urged itself in a most imperious manner.' And further on: 'In proportion as the pressure of the consumers made itself felt ...' (p. 2171), it became necessary to modify the 'old' system of planning.

Planning and the World Market

Let us stop for a moment. We can already draw up a preliminary balance sheet of Mandel's method. First of all, he states that the 'old' system of planning succumbed to its 'internal contradictions'. That is pure idealism. Then he switches round and shows us his 'materialist' side, this time presenting the reason for the reform of planning in the 'socio-economic context'. Has he become a materialist? an astonished reader might ask. Oh, no! Let's go back to that phrase again, the panoply of Mandel's method. He speaks of a 'socio-economic context' determining the necessity for the reform. This expression, employed on several occasions, is nothing more than a *category*, without content and never specified, and therefore idealist with a materialist appearance, used as a necessary brick in his idealistic edifice.

Mandel is obliged to have recourse to the 'socio-economic context'. Hiding idealism behind a Marxist appearance—that gives one a certain style. Mandel has to employ the 'materialist' *categories*, but solely to empty them of their class content. Thus the working class disappear into the 'consumers', and the contradictions between the working class and the bureaucracy, and between the degenerated workers' state and world imperialism, likewise disappear into the 'socio-economic context'. Our swindling economist can then affirm without flinching that this 'context ... became completely altered' (Our emphasis). Nobody is going to ask him just what he means by 'completely', since he 'forgets' to give details of what the 'socio-economic context' is. But let us continue that sentence: '... the old system risked putting a brake on the development of the productive forces ...'. This peculiar style—the product of the amalgam of an idealism and a 'materialist' mask—is full of mental reservations: 'risked putting a brake on'. This is doubly false, since the 'thing' which Mandel calls the 'socio-economic context' has *effectively* put a brake on

this development, and for a very long time too. So this was not a 'risk', still less a new factor as Mandel attempts to persuade us. In 1932, Trotsky wrote: '... the abrupt jumps of industrialisation have dragged the different elements of the plan into menacing contradictions between them ... the economy is working without material reserves and without calculations ... a crisis is preparing itself, with all the consequences that follow on ...'. (Trotsky, *Ecrits*, Vol. 1, p. 130) Here we find no mental reservation. What is new is not the phenomenon but its *aggravation* charged with a richer and more explosive class content.

But in the same manner as he dilutes the economy of its class content, and makes the Soviet working class disappear, he makes an abstraction of world imperialism. He examines the problems of the Soviet economy not only as an economy in itself, but also as an economy for itself. The USSR appears as a country with a planned economy in a test-tube in which ... there are problems. The world imperialist market has *completely disappeared* under Mandel's pen, to the point where he does not even mention foreign trade. And this despite the fact that the reform of planning has as an important *declared* aim the regulation of the relationship to the world market!

This is how the different elements of his idealism come together. Inability to understand how the aggravation of the planning crisis springs, in the first place, from the aggravation of dependence on the imperialist world market which exercises a redoubled pressure on the USSR, is logically transformed into ignorance on the question of the planning reform itself, designed precisely, to a large extent, to 'remedy' this dependence. But ignorance and inability are here only the concrete forms of his idealism, which raises the economy above its world class content. This imparts a certain style to Mandel, and the whole thing taken together strengthens a basically idealist method and makes it homogeneous.

Bourgeois economists become the 'western economists', (p. 216), and world imperialism becomes quite simply 'abroad' (p. 2169). It is thus that, according to him, under capitalism 'the principle of the market predominates widely (only) in economic life'—and only the principle. Capitalism develops '... from free competition to monopoly capitalism, then to *neo-capitalism*' (p. 2163. Our emphasis). The Hungarian and Polish revolutions become 'explosions' (p. 2170). We enter a bizarre world where, as in the Tales of Hoffman, mysterious phantoms people the dark corners, fly over us and appear inverted, distorted. '*Real prices*'

chase 'administrative prices'; the 'logic' of profitability has an effect on the 'logic' of planning—both of them having been stood on their heads; the 'new elements' break down planning only 'in their logic'. There is a 'social and economic dynamic' which must be an extremely wicked phantom, for it is a bearer of 'grave problems' (p. 2177). Indeed, Mandel himself is so frightened by it that he dares invoke it no further. Evidently he prefers the in-offensive younger brother, the 'socio-economic context'. We learn that there are several of these, for Mandel adds the words: '... of all kinds'. But we see no more of them. Fortunately so, for this is already a nightmare. From out of a murky corner emerge two *principles*, and one must make an effort to recognise them; these are the market and the plan. All these phantoms want to frighten us, overpowering us with their weight from behind. But deep down they are wandering here in a state of profound sorrow, for they have lost their souls and their identities, void of all human nature. And so they lose their frightening allure. These are not real phantoms like Hoffmann's, which contained *reality*. Mandel's 'phantoms' are only scarecrows, for they only *replace* reality.

But before proceeding to the actual problems of the present-day Soviet economy and seeing Mandel against this background, let us look at him again quite bare.

Mandel offers his Services

As such, he is interesting. On page 2165 he writes: '... we have even tried to give a Marxist explanation of it (planning and its contradictions)'. (He refers to his book: *Treatise of Marxist Economics*.) To prove how correct he was, he spends a page and a half reproducing quotations from his book with quotations taken from Soviet economists of the bureaucracy. This deals with a simple description of the functional ills of the planning system. One might imagine him to be lacking in modesty. But not at all! For happily, at the end of the quotations, the reader is put more at ease when Mandel himself writes: 'We are not drawing this parallel in order to obtain some kind of glory from it' (p. 2166). You see—he is modest! He seeks no glory. Faced with such modesty, the reader feels disarmed. All the more so, since the author has an especially developed sense of justice. He informs us that: 'We are not the only ones to have laid bare these contradictions in the Soviet planning system.' (*Ibid.*) Then Mandel straightaway hands out the credits: to the Soviet and Polish economists, to Liberman, to Lange, etc. His modesty bows—I would even say: parades—in all

its splendour, giving priority to the bureaucrats. He has quite simply 'forgotten' Trotsky, as he has throughout his article. He does not even make any reference to Preobrazhensky who is nevertheless—if we remember rightly—the key to his understanding. . . . Elsewhere, speaking of the use of material incentives in production, he observes that they have '... corrupting and destructive effects on socialist consciousness, which was so well understood by Lenin.' (p. 2184). Well done, little Lenin! So you are worthy of a compliment from the great Mandel after all. And that despite the fact that you wrote '... either generalities which did not allow an understanding of the problems . . . or false notions which today make one smile.'

This is the naked Mandel, that is to say stripped of the faults with which his idealism lands him *objectively*. Here is Mandel in the subjective; no longer the personage but the person.

Let us see what he is concealing behind this modesty. We shall begin with that quotation in which he speaks of the negative effects of material incentive on consciousness. He scolds the bureaucrats: 'To hide and deny these effects . . . to embellish them, make a virtue out of necessity, is to definitively remove all means of fighting them and neutralising them, at least in part.' (*Ibid.*—at least in part, he says.) He improves on this: 'This point of view is today shared with much vigour by some Cuban comrades . . . like Guevara.' Ah, yes indeed! that is an argument of worth. It is certainly appreciated by the Soviet bureaucrats, but they cannot understand Mandel's indignation. Because they do not hide and do not deny these corrupting effects.

Mandel is badly informed. The rub is that they fully recognise these corrupting effects—on consciousness—just like Mandel. What they do not recognise—just like Mandel—is that these corrupting effects act, first of all, on incomes and, consequently, on consciousness. And it was that 'which was so well understood by Lenin' who, at the same time, grows far greater in stature and the great Mandel far smaller. So small in fact that he stumbles on the tiniest things.

And so, on page 2168, he explains to us how central planning sent out orders to the enterprises, expressed in multiple indices, one of the main ones being that of physical production 'often simply expressed in weight'. He informs us how the 'directors of enterprises producing tractors have an interest in making these as heavy(!) as possible in order to ensure the fulfilment . . . of the plan (calculated in physical production measured by weight) which implies enormous wastages of metal'. I really do not know where he gets these enormous

howlers from. What he says about the index of physical production is true. But unfortunately, our little Mandel made an unhappy choice for his example. In fact, the index for tractor production is not calculated by weight. The central organs of the plan choose and decide upon the model to be made calculating, in *units*, the number and the horsepower. These units are sent out to the enterprises as the index of the plan. Clearly, one cannot know everything . . . it is enough to say all that one knows, and even that is too much. . . . For elsewhere he states also that the Pole Brus was the first to analyse the contradictions in planning, in 1961. But even if one brushes aside the analyses of Trotsky and the Opposition—which is odd, to say the least, for a Trotskyist—Soviet and Eastern European economists have done so, since the death of Stalin: Kantorovitch in the USSR and Kornai in Hungary bear witness to the fact. What has changed, since 1961, is the publicity and encouragement given to these examinations by the bureaucracy. Mandel writes: 'It is . . . probable that the discussion unleashed by the publication of Liberman's article was decided upon by the authorities.' (p. 2166). First of all, the discussion was *not* 'unleashed by the publication of Liberman's article' (except for the Western bourgeois public); it began much earlier. Secondly, it *was* the authorities (what a wonderfully neutral title) and not 'probably' the authorities who decided upon it (announced in Suslov's speech to the XXIIInd Congress, February, 1962). This casts increasing light on Mandel's ignorance as to the functioning of the bureaucratic regime. But besides this ignorance, he lets it be understood—particularly in his unhappy example of the tractors—that the bureaucrats are imbeciles. Let us pause for a second.

His article is characterised by the presentation of an 'old' system of planning which was crazy, obscure and stupid, functioning ' . . . with the systematic elimination of the elements that were intelligent, creative and endowed with a spirit of criticism and a spirit of synthesis.' (p. 2169). In face of this we see the 'intelligent spirits', Liberman, Lange, and Co.—Attention, please! We are stepping into the internal thought mechanism of the Great Mandel. For deep down, who are these people, 'creative and endowed with a spirit of criticism and a spirit of synthesis'? Good Lord—It's Mandel himself! Why yes, it is he who poses as the counsellor of a regime emerging from 'the old obscurantism'. It is for this reason that he only *scolds* the present regime—along with Guevara incidentally; it is for this reason that he draws a demarcation line between the 'old', 'stupid' and the

new 'developed' regime. But it is obvious that he is thinking of himself, of this 'creator with a spirit of synthesis'. He even offers advice. Anxiously he wonders if the criterion of profitability ' . . . is really that most indicated for serving as a global index'. And straightaway he recommends two others, one of which ' . . . emanates from my friend Pierre Lammers' and 'consists in taking net cost as the synthetic index of accomplishment of the plan. . . .' (p. 2176). The 'old' system was Stalinist, the new one having gradually set itself free from it. That is the basis of his thinking. The system of planning under Stalin he characterises as 'stupid' and 'unreal', in order indirectly to reduce Stalinism to a general stupidity. Thus released he can fraternise with the 'new', de-Stalinised regime where a 'creative spirit' is so much needed. And since the 'old' system of planning, of 'methods of political direction *in vogue under Stalin*' (p. 2170) was distinguished by ' . . . the selection of cadres according to criteria of obedience and *good memory* (to know all the details of what was going on in the factory . . .) . . . and with the elimination . . . of the creative . . .' etc. (p. 2169. Our emphasis)—a system in which all that has disappeared—as Mandel believes—is not at all Stalinist, but new. It must therefore be improved. This curious method of thinking leads him directly to state: 'At least up to the present, we are not at all convinced that the criterion of profit is technically that most indicated of these three "synthetic" criteria'. (p. 2177.) We can imagine the despair of the Stalinists. . . .'

We shall come back to the analysis of Mandel's method. But to conclude this first section, the reader should be warned already. The real source of Mandel's method is his basic worry: how best to serve the Kremlin bureaucracy. Starting from this political servility, it is impossible to employ the Marxist method. He is forced to become an idealist; necessarily, he omits to mention Trotsky; he is obliged to render homage to the bureaucrats, and all this with the ardent desire to become the great general counsellor of the bureaucracy freed from its 'Stalinist stupidity'. We must point out however that he draws a distinction between Liberman, Lange and Nemchinov and the ruling bureaucrats. In his eyes the latter become more 'realist' only to the extent that they lend their ears to the former. Now, the bureaucracy was and is more realist than its counsellors, because it acts from the point of view of its power, and not of abstract intelligence. It is the interest of its power which determines the selection of its cadres (and not the latter's good memories . . .!). This interest prescribed the *massacre* of the Bolsheviks and also at

times the removal of 'counsellors' in order to maintain and reaffirm its centrist rule. Today, this same interest acts in the direction of bringing back the 'counsellors'; not because its rule has become 'more realist', but because the realism of its centrist rule today reflects and contains a different class relationship. We are in fact about to see just what is this relationship on the basis of which the bureaucracy continues to fight Bolshevism most vigorously while *lending an ear* to Lange, Liberman and Co. The change lies in the latter phenomenon. That Mandel should hail this 'evolution' and even that he should aspire to become such a counsellor, gives adequate evidence that he was an anti-Stalinist only while the centrism of the bureaucracy was still too far to the 'left' (that is to say 'stupid' and 'unrealistic'). For him Stalinism in no way meant the definite

break from the working class as reflected in the massacre of the Bolsheviks, but the elimination of those of 'creative spirit'.

Let us keep this picture of Mandel's position in mind and examine the real problems of the Soviet economy. We are obliged to confine ourselves to two basic problems, namely: the USSR and the world market and—in close and organic relation to it—the social relationships in the USSR, central problems of this economy and of the reform of planning. It is on this basis that one can understand the present interest of the bureaucratic regime and its class content, as well as that of the return of those of 'creative spirit'. And at the same time one will be able to understand why Mandel breathes not a word about it.

The world market, the USSR and the peoples' democracies

As our point of departure we could take any of Mandel's statements or affirmations and show how false it is, for he ignores the fact that the economy of the USSR is determined by world imperialism. We are therefore faced with the difficulty of choosing. But let us follow his tracks. If we remember, Mandel refers to Preobrazhensky. But why him? One might imagine that he wanted in this way to demonstrate his competence, but to us that would seem insufficient explanation. In fact, the works of Preobrazhensky, despite their importance and value, are characterised by a definite weakness; he considered the Soviet economy and its problems abstracted from the world imperialist market. Certainly he opposed the policy of Stalin and Bukharin with the necessity for industrialisation, based on and directed by a plan, controlled by the working class. But, in contrast to Trotsky, he thought that by adopting this policy the USSR could effectively build socialism in a single country. So if Mandel chooses his theory as the 'key' for understanding the Soviet economy there is nothing astonishing in the fact that he treats world imperialism as a non-existent quantity, while nevertheless remaining far and away below the level of Preobrazhensky.

Our unfortunate author considers that the great weakness of the economy of the USSR lies in a gap between the growth in production of production goods (Sector A) and that of consumer goods (Sector B). Throughout his article, he designates

as a great evil the considerable lag of the latter in relation to the former. If up to now we have seen him up on a cloud, we must now observe that on this occasion he has come down from it, now touching only things on the surface. In reality, the great lag of sector B in relation to sector A is only an *index* and partial even at that. The principal index lies in a continual drop in the rhythm of growth of gross social production (made up of: industry, 63.2 per cent, agriculture, 16.8 per cent, and commerce, 6.1 per cent) in the course of execution of the seven year plan. Which of course is different, because this approach enables us to penetrate into the real problems. Here is the relevant table, calculated in 1952 prices:

| Year | Per cent growth |
|------------|-----------------|
| 1959 . . . | 8.3 |
| 1960 . . . | 7.7 |
| 1961 . . . | 6.7 |
| 1962 . . . | 6.3 |
| 1963 . . . | 4.5 |

According to the American bourgeois economists (members of the Joint Economic Committee of the United States Congress, and university economists), while in 1958 the annual growth was of 8.5 per cent, in 1963 it fell to 2.6 per cent, the lowest level for many years. (Current Indicators for USSR, Washington, 1965.) These estimates were vigorously

criticised by the Soviet economists, but in its January 13, 1964 edition, in an article by Malychev, *Pravda* itself recognised the fact that in 1963 the rate of growth of production had fallen to 3 per cent.

This contraction is general in the European Peoples' Democracies. Those most affected are Czechoslovakia, East Germany and Poland.

The phenomenon reappears in the constant diminution of the growth in national revenue (made up of: industry, 52.2 per cent, agriculture, 22.3 per cent, and commerce, 10.9 per cent). Here is the table of its development, calculated in constant prices:

| | |
|------------|----|
| 1958 . . . | 12 |
| 1959 . . . | 8 |
| 1960 . . . | 8 |
| 1961 . . . | 7 |
| 1962 . . . | 6 |
| 1963 . . . | 3 |

(On the basis of: *Narodnoye Khoziaystvo*, 1962 editions; Communiqué of the Office of Soviet Statistics, January 24, 1964; *Pravda*, January 13, 1964; Lomakov's report to the Supreme Soviet, December 17, 1963.)

Such a slowing down, in itself, is not disturbing. It all depends on its origin. Now it is here that we have to start worrying; because it results from the unequal development of the sectors of the economy. Trotsky already warned us, in 1932: 'The problem of the relationship between the elements of production and the different parts of the economy is the very essence of the socialist economy.' *Ecrits*, Vol. 1, p. 117). And further on: 'The danger does not lie in a slowing down of growth, but in the discordance of different parts of the economy.' (p. 129). Let us examine this discordance. On the basis of the publications already quoted, the slowed-down growth is much clearer in the consumer goods industry (Sector B) than in that of production goods (Sector A):

| | 1959 | 1960 | 1961 | 1962 | 1963 |
|-----------------------|------|------|------|------|------|
| Sector A | | | | | |
| Plan | 8.1 | 8.8 | 9.5 | 8.8 | 8.5 |
| Accomplishment | 12.0 | 11.0 | 10.0 | 10.0 | 10.0 |
| Sector B | | | | | |
| Plan | 6.6 | 6.4 | 6.8 | 7.0 | 6.3 |
| Accomplishment | 10.3 | 7.0 | 6.6 | 7.4 | 5.0 |

Soviet Agriculture and Industry

Now, according to the fantastic 'theory' of Stalin, Sectors A and B concern only industry, and the Stalinists, followed by the Soviet economists, today still work out plans and evaluate their execution on the lines of this 'theory'. In reality, Sector A of production (production goods) *also in-*

cludes agriculture producing primary or semi-finished goods. In the same way, Sector B (consumer goods) comprises agricultural produce destined for consumption. In order therefore to establish a correct relationship between the two sectors, agricultural production must be included. A quick glance at certain figures relative to agricultural production will convince us that, correctly calculated, the gap between the two sectors must be far greater. The tendency in Soviet agriculture is not even a slowing down in growth but an absolute decline in production. Between 1958 and 1963 the cereal harvest diminished from 141.2 million tons to 120 million and the state purchases from 56.6 million tons to 44.8 million. A drop was registered in total production of milk, butter and eggs as well as swine, ill-compensated by an insignificant growth of cattle and meat production. (Office of Soviet Statistics, *Ibid.*) So, the Stalinists' arbitrary differentiation between the two sectors conceals a gap of most disquieting importance.

It is well known that Soviet agriculture is in regression and is becoming more and more incapable of satisfying needs. But this agrarian crisis puts a brake *directly* on the development of general production, and therefore on industrial production in Sector A just as much as Sector B. At the same time it is the expression of it. There exists between industry and agriculture a *deep relationship*, despite the particular character of the latter. Stalinist 'theory' (and practice) artificially and arbitrarily breaks this interdependence, or more exactly the unity of the process of production. If one considers agriculture apart, inevitably excluding it from production sectors A and B, one arrives at the conclusion that the cause of the lag in agriculture lies in agriculture itself. But one of its peculiarities is precisely that, while it is an integral part of the production process, it is nevertheless incapable of ensuring, *in itself*, the enlargement of reproduction. Naturally, nor can industry, without the concurrence of agriculture, but the initiative does fall upon it. The harmonious development of agriculture consists, paradoxically, in its industrial mutation, in its transformation into a special sort of industry. Only general industrial growth can restore agriculture and resolve this task. But the Stalinists insist on their 'theory'. In the April, 1965 edition of *Voprosy Ekonomiki*, an economist complained that between 1928 and 1962 while the basic funds of production in industry had increased by 45 times, and the volume of total production by 36.5 times, these same funds in agriculture had increased only by 3.2 times, and agricultural production, in comparable prices, by

only 1.9 times. Now the argument should be exactly the opposite: these funds and production in agriculture have increased only feebly precisely because their increase in industry was insufficient. That is to say that what is being shown in the *real* and very wide gap between the growth of the two sectors—including the component parts of agriculture—is the considerable and growing lag of industry and, *but only consequently*, of agriculture. The Stalinists leave out agriculture because the real image of the growth of production, that is to say the growing lag of industry, would be enough by itself to deal a fatal blow to 'socialism in one country'. And since it is impossible for it to have recourse to massive importation or to a policy of world revolution, the bureaucracy acts in such a way as to conceal its original sin.

But while we may understand the Stalinists, what can we say about our 'Trotskyist' Mandel who so easily swallows the bureaucratic pill of a false and mechanical separation of the sectors A and B? For so well does he succeed—despite all his economist's 'culture'—that he does not even speak about agriculture. Nor is it in his case a question of sheer ignorance. He adapts himself to the policy of the Kremlin to such an extent that he adopts the Stalinist formula almost unconsciously.

The International Division of Labour

We are now passing on concretely to the problem of the isolation of the USSR with regard to the world economy. In the industrial lag, demonstrated in the first instance by the fall of agricultural production, an incontrovertible fact clearly appears: despite its development, unequalled in the capitalist system, soviet industry is incapable of transforming agriculture. What is more, it cannot prevent the actual fall of production, which, with its repercussions on industry, brakes in its turn the development of the latter. The only solution to this problem is the effective concurrence of European industry, or, in other words, the organic liaison of the USSR with the international division of labour. To put it concisely: the permanent crisis of Soviet agriculture and the industrial lag are explained by the pressure of world imperialism which makes it impossible for the USSR to get into the international division of labour.

This is what is hidden behind the 'economic innocence' of the statistics of sectors A and B. And this is where we find the 'Trotskyist' Mandel, whose complete alignment with the Soviet bureaucracy goes up to and includes the statistics, the 'scientific' cover for the betrayal of the world

revolution.

But there is more. The complete fresco of the situation does not end there. If we go into the details of the Soviet statistical tables, accepted at face value, the following can be ascertained: a check in production of energy in relation to the forecasts of the plan, marked by a very feeble increase in gas production and a perceptible slowing down in coal production; a clearly inadequate result in the timber, paper and cellulose industries. In a branch as important as building materials, the average index of growth was 14.6 per cent in the course of the years 1959 to 1962, but has already been reduced by the plan to 10.7 per cent and fell to 6 per cent in 1963. The situation is catastrophic in building and especially in housing construction. The only 'classic' branch in which progress has not flinched, despite the slowing down in 1963, is the transformation of metals, and particularly the construction of machines.

This general weakness has been translated into an acute investments crisis. According to the American bourgeois source already quoted the average annual rate of growth of investments between 1951 and 1961 was 10.8 per cent. In contrast, between 1959 and 1963 this rate fell to 7.1 per cent, reaching its lowest level, 4.7 per cent, between 1961 and 1963. According to Soviet sources these rates were fixed by the plan for 1959 and 1960 at 12.8 per cent and 13.5 per cent respectively, and the results surpassed the forecasts: 13.5 per cent and 14 per cent. But in 1961, 1962 and 1963 the forecasts were reduced to 12, 9, and 10 per cent respectively, and the results obtained were below these: 9, 8.1 and 6 per cent.

In order to extend our sphere of investigation, let us glance at the development of investments in Czechoslovakia. This is a table—published in *Vestnik Statistiki* (Moscow), No. 4, 1965—of the sums of investments in thousands of millions of Czechoslovak crowns, calculated in 1963 prices:

| | 1960 | 1961 | 1962 | 1963 | 1964 |
|---|-------------|-------------|-------------|-------------|-------------|
| Total investments | 42.4 | 45.5 | 44.3 | 39.4 | 40.3 |
| Including: | | | | | |
| Industry | 17.6 | 19.0 | 20.0 | 18.1 | — |
| Agriculture | 7.1 | 7.7 | 6.7 | 5.7 | 5.6 |
| Construction | 1.4 | 1.5 | 1.2 | 0.8 | — |
| Transport and telecommunications | 4.1 | 4.6 | 4.5 | 4.1 | — |
| Local economy | 5.9 | 5.9 | 6.0 | 5.8 | — |

The crisis of investments, catalyst of the industrial lag, in the form of the discordance of the economic branches and of their unequal development, is reflected and concentrated in its turn

in the growing tension of the budget. It is therefore a perceptible thermometer of the planned economy and, as we shall see later, of social relationships and consequently of the political struggle. Up to now we have done no more than approach the deep-rooted cause of the economic crisis in the USSR. We are therefore still on the surface of things, although far deeper than Mandel with his unfortunate two sectors. And even in trying to determine the reason for the ills, our author arrived at the conclusion that this lay in the bad functioning of the planning system.

The American bourgeois are far more serious. In the study quoted above, they point out that from 1961 onwards the Kremlin definitely undertook a large-scale re-orientation of the industrial structure, with a drive in favour of the so-called 'progressive' branches such as chemistry, petro-chemicals and electronics, and also the huge purchases of industrial equipment and cereals, armaments and the space programme. For the Kremlin this was translated into a change of priority given to such and such a branch or, inside the branches, to certain products. This requires one to '... *slow down a bit, at least temporarily, the rhythm of growth of certain branches and to utilise their production more effectively.*' (*Pravda*, January 13, 1964. Our emphasis.)

We said earlier—following Trotsky—that the international division of labour on which the USSR economy depends made the latter victim to a *growing lag* because of its isolation. But what is the international division of labour?

It means, in the first place, that in the epoch of imperialism concordance between the various branches of the economy can only be established on an international scale. Inside any given country (and it does not matter which), there exists no harmonious economic proportion. It is for instance impossible to imagine British industry without the agriculture of the Commonwealth, or the American petro-chemical industry without Venezuelan oil. The economic disproportions of a country, or the national division of labour, 'fit in' with the disproportions of other countries, or with other national divisions of labour, to form a *whole*, the international division of labour, shown in international trade and the circulation of capital.

The USSR was obliged to isolate itself from the international division of labour because of the fact that the latter was (and is) ruled by the laws of the market. Its reintegration would require the overthrow, once and for all, of world imperialism. But being isolated does not only necessitate defence against the effects of an international division of labour ruled by the laws of the market, but also

suffering the consequences of it. That is to say condemning oneself, along with others, to economic disproportions. In the pre-war years the USSR did not succumb to this contradiction, for several reasons. Firstly, because it had inherited a backward economy for which the essential task was the first phase of industrialisation. Secondly, it was able, for the accomplishment of this task, to lean on its enormous resources. Thirdly, because the cost of industrialisation, 'normally' covered by the international division of labour, was harshly paid for by the Soviet people themselves, by the degeneration of the workers' state, and by the betrayal of world revolution.

But, like the national, the international division of labour is constantly developing. Trotsky shows that the real problem results from this development. 'The general growth of production on the one hand, and, on the other, the birth of new requirements and new disproportions, increase the necessity for a liaison with the world economy. The programme of 'independence', that is to say of the character of a Soviet economy meeting its own needs itself, increasingly reveals its reactionary and Utopian character.' (*Ibid*, p. 118). The general characteristics of the development of the international division of labour are the same as those of the development of the production which is its basis. It is a progression composed of a slow and uneven evolution but with rapid jerky and sharp jumps. It proceeds in the direction of a growth in capacity but with ever increasing specialisation of production, the simple functioning of which demands that the parties involved should be linked more and more with one another. The more specialisation and capacity—two linked phenomena—of the productive forces are developed, the greater are the national economic disproportions, and the less possible it becomes to remain inside a national framework.

The Bureaucracy reacts . . .

The USSR was incapable of harmoniously developing the different branches of its economy because it was isolated from the international division of labour. But when, on the basis of technical development, the branches whose development had been forcibly neglected became primordial, the situation turned towards catastrophe. At a terrible cost, the USSR may previously have 'been able' to avoid having recourse to the world market in order that its economic disproportions according to the international division of labour might be equalised from without. But this isolation has now become impossible. The disproportions were

worsened and new ones were born.

The bureaucracy had to give in to the evidence. It had to yield to this pressure of the world imperialist market shown in the suddenly lengthened economic lag. The hasty alteration of the seven-year plan in the course of its execution gave this eloquent expression. On December 16, 1964 the President of GOSPLAN, Ustinov, presented a special plan for 1964 and 1965. This was the plan for the 'chemicalisation' of the Soviet economy, pompously announced by the bureaucracy, with drums beating, as a miraculous discovery for curing the Soviet economy. Besides 'chemicalisation', this plan was also characterised by another priority, accorded, naturally, to agriculture. Here is the table of investments forecast for 1964 and 1965, compared with those actually granted during the two preceding years (in thousands of millions of roubles).

| | Average rate of growth | | | | | | | |
|------------------------|------------------------|------|------|------|--------------|------|------|------|
| | Results | | | | Altered plan | | | |
| | 1962 | 1963 | 1964 | 1965 | 1962 | 1963 | 1964 | 1965 |
| Whole economy | 30.8 | 32.6 | 36.5 | 39.0 | — | 6.0 | 10.4 | 9.8 |
| including | | | | | | | | |
| Industry | 15.7 | 16.7 | 17.7 | 18.8 | — | — | 6.0 | — |
| inc. chem. ind. | 1.1 | 1.4 | 2.0 | 2.7 | — | 8.7 | 13.4 | 15.0 |
| Agriculture | (average 2.7) | | 5.4 | 6.1 | — | — | — | — |

This brusque turn towards chemistry and agriculture could hardly be possible without planning in advance the slowing down of the rhythm of growth of other branches as *Pravda* announced. The following table presents them with the comparison of the average annual rates of growth accomplished in the course of the seven-year plan and the rates planned for 1964 and 1965 (in percentages).

| | Accomplished in seven-year plan | Planned for 1964 and 1965 |
|--------------------------------|---------------------------------|---------------------------|
| Electrical energy | 11.8 | 10.9 |
| Coal | 2.6—3 | 1.5 |
| Cast iron | 7.9 | 5.8 |
| Steel | 7.3 | 5.5 |
| Laminates | 6.3 | 4.9 |
| Steel tubes | 11.7 | 10.0 |
| Mechanical construction | 14.7 | 9.9 |

The real worsening of the USSR's dependence on the world imperialist market lies above all in the fact that even the alteration of the plan was only possible so long as it turned resolutely towards the world market.

According to our illustrious 'Trotskyist' author, the reason, or one of them, for the economic reform is that the USSR and the Peoples' Democracies '... risk "missing the bus" of the

third industrial revolution'. (p. 2172). But what is Mandel missing right here? He is missing the problem, which is posed quite differently: the development of the productive forces has made continuous economic reconstruction impossible without active participation in the international division of labour. And of course, what is more, this isolation was at the basis of the necessity for the reconstruction. It is not a question of a simple adaptation of new techniques which one can either 'miss' or not. Firstly, because even such an adaptation is only possible to the extent that one better integrates oneself in the world market. Besides, the development does not stop, and what would the USSR do if there were a 'fourth industrial revolution'? For technical development is only made in the framework of the international division of labour. This is what Mandel is missing here, just like the bureaucrats of the Kremlin making a sort of magic wand out of chemistry which as it touched the Soviet economy would achieve their Utopian dream of 'surpassing capitalism'. But Mandel misses the essential, particularly, that this phenomenon is not one of pure economy but is the expression of the relationship of forces on an international scale. The international division of labour is not at all neutral. It is ruled by the implacable laws of capitalism and is dominated by the international bourgeoisie. The question is to know whether, and on which conditions, they would allow the bureaucracy not to 'miss' reorganising its economy. This is the capital problem which has been quite simply left in the shadows by Mandel. We however have by no means finished on this point.

The Stalinist bureaucracy has been obliged to realise the importance of the international division of labour, of which Mandel remains in sovereign ignorance. The programme of 'chemicalisation', for instance, depends entirely on foreign trade, and the Stalinists evidently are well aware of this. The chemical equipment of the Soviet economy depends upon foreign firms, of which the majority are capitalist. Let us examine this foreign trade and in general the concrete relationship of the USSR and the Peoples' Democracies to the world market.

In 1965 more than 50 per cent of Soviet purchases of chemical equipment have been made in the capitalist world. The principal partners are the British firms (ICI, Simon Carves, Constructors John Brown, Courtaulds), the French (Air Liquide, Péchinay-St. Gobain), the German firms (UHDE, Höchst, Krupp), the Italian firms (ENI, Montecatini, Pirelli), and the Japanese firms (Mitsui Mitsubishi),

etc. During the preparation for the international chemical exhibition in Moscow, September, 1965, several capitalist firms asked for a guaranteed minimum quota of Soviet purchases of one million roubles. The reply pointed out that a guarantee would be useless, for on the occasion of the first exhibition in Moscow the value of the contracts exceeded 20 million roubles (*Ekonomicheskaya Gazeta*, Moscow, April 28, 1964). The world press is full of news about Soviet or Eastern European orders to capitalist firms running into millions of dollars for chemical products and equipment alone. Since May, 1962, the value of exports of complete factories from England alone has reached £58.1 million sterling for the USSR and 69.9 million for the European Peoples' Democracies. (*Le Courrier des Pays de l'Est*, Paris, September 2, 1965.)

Increased Dependence on Capitalist Market

Foreign trade is not confined to chemical products and equipment. The Soviet purchases of grain and other agricultural produce (barley, flour, etc.) from the USA, Canada, Argentina, Australia and France are well known. Since 1962, these massive purchases have become regular to such an extent that the big grain-producing capitalist countries are increasingly making them one of the permanent factors of their economic policy. In the course of the first seven months alone of 1965, the USSR ordered about 12 million tons of grain from producing countries.

Equal mention must be made of the Peoples' Democracies, which follow the broad lines of the development of the Soviet economy. They therefore encounter the same difficulties. Despite the situation of some of them, like Poland which is capable of exporting equipment, indeed even complete chemical factories, to the USSR, each one is in fact tributary to the world market. They follow the same policy of purchases from capitalist firms as the USSR. And because of the fact that their agriculture has in part been planned and, in conformity with the orders of the Economic Council for Mutual Assistance, has been specialised on the basis of massive Soviet grain deliveries, the USSR's agricultural crisis has pushed them strongly towards the capitalist grain market. With the exception of Rumania, they offer a comfortable and permanent market for the agricultural surpluses of the world imperialist market. On February 3, 1964, for example, Poland concluded an agreement with the United States for the purchase of agricultural surplus produce to the value of 90 million dollars with 18 months credit for payment,

which Poland has not yet repaid (*Bulletin Inostranoy Komercheskoy Informatsii (BIKI)*, Moscow February 25, 1964).

1964 saw a new phenomenon: the USSR and the Peoples' Democracies began in a generalised way to purchase licences and patents. On July 1, 1965, the USSR shook the world by adhering to the international convention on patents. Czechoslovakia and East Germany, being more industrialised, are the larger purchasers of licences. According to the '*Frankfurter Allgemeine Zeitung*' (April, 1965), in 1964 Eastern Germany sold licences to Western Germany for 199 million DM but bought others from her for 541 million. Balkow, East German minister for foreign trade, stated that his country had concluded 400 contracts of purchase or sale of licences with capitalist firms including 100 West German firms. These patents are expensive: for example, the East German republic bought a patent for the manufacture of synthetic fibre from the USA for the sum of 12 million dollars, a purchase financed by European and Japanese banks.

Given the fact that she can only settle these massive purchases in currency or in gold, the USSR has become the permanent supplier of gold to the world market. As in many others, it is impossible to obtain statistics established by the Stalinists in this field. According to *Ezhednevniy Informatsionniy Bulletin* (EIB, published in Munich, August 17, 1965), the development of extraction, reserve and sales of Soviet gold was as follows (in millions of dollars, calculated on the basis that 1 quintal of gold is worth 1,125.276 dollars):

| | Extracted | Sold | Reserve |
|------|-----------|------|---------|
| 1961 | 200 | 315 | 2,400 |
| 1962 | 210 | 215 | 2,395 |
| 1963 | 210 | 560 | 2,045 |
| 1964 | 220 | 450 | 1,815 |
| 1965 | 240 | 500 | 1,600 |

(Provisional estimate)

According to the annual report of Samuel Montagu & Co. (March, 1965), sales of Soviet gold in 1964 reached 283.5 tons for 120 million dollars. These deliveries of gold constitute a sure and permanent factor in the maintenance of the price of gold on the world market and, consequently, a support for the capitalist monetary system.

The development of the foreign trade of the USSR and the Peoples' Democracies unfolds generally so as to take in the entire economy. In this field, we observe that the Stalinist bureaucrats act so as to revise their 'theory'. For them the role and function of foreign trade have become the key factor of the economy. Before the Stalinis'

Party congress (June, 1964) the Polish press conducted a whole campaign on the question of economic problems, arguing that the key sector was foreign trade. Trompchinsky, Polish minister of foreign trade, stated that the principal task was to develop foreign trade, the rate of growth of which with capitalist countries was 14 per cent in 1964 (*BIKI*, Moscow, July 31, 1964). The Hungarian delegate to the East-West Economic Round Table (held in Belgrade, June 5/7, 1965) underlined the fact that the Hungarian national revenue equalled one tenth of France's, but that the part played by foreign trade in this revenue was 2.5 times greater than in France. And after specifying that the part played by exchanges with capitalist countries constituted 10 per cent (!) of the national revenue, he pathetically cried: 'The existence of normal conditions in international commerce allowing participation . . . in the international division of labour is, for us, a vital question.' Czechoslovakian foreign trade underwent an increase of 8.3 per cent in 1964; 4.6 per cent for exports (from 17.8 million crowns to 18.5 million) and 12.4 per cent for imports (from 15.5 million crowns to 17.4 million). (*BIKI*, Moscow, July 15, 1965). *The New York Times* has estimated (December 7, 1963) that the annual value of East-West exchanges now reaches several hundred million dollars. This is the table of the development of foreign trade for four 'socialist' countries, published in *BIKI*, March 25, 1965 (in thousand millions of roubles).

| | 1960 | 1961 | 1962 | 1963 | 1964 |
|----------------------------------|-------------|-------------|-------------|-------------|-------------|
| All 'socialist' countries | 30.9 | 31.9 | 35.0 | 37.4 | 40.4 |
| Exports | 14.8 | 15.4 | 17.2 | 18.3 | 19.8 |
| Imports | 16.1 | 16.5 | 17.8 | 19.1 | 20.6 |
| USSR, total | 10.0 | 10.5 | 12.1 | 12.8 | — |
| Exports | 5.0 | 5.3 | 6.3 | 6.5 | — |
| Imports | 5.0 | 5.2 | 5.8 | 6.3 | — |
| East Germany, total | 3.8 | 3.9 | 4.2 | 4.4 | 4.6 |
| Exports | 1.9 | 2.0 | 2.1 | 2.4 | 2.6 |
| Imports | 1.9 | 1.9 | 2.1 | 2.0 | 2.1 |
| Czechoslovakia, total | 3.3 | 3.6 | 3.7 | 4.1 | 4.6 |
| Exports | 1.7 | 1.8 | 1.9 | 2.2 | 2.4 |
| Imports | 1.6 | 1.8 | 1.8 | 1.9 | 2.2 |
| Poland, total | 2.4 | 2.8 | 3.0 | 3.2 | 3.7 |
| Exports | 1.1 | 1.3 | 1.4 | 1.5 | 1.9 |
| Imports | 1.3 | 1.5 | 1.6 | 1.7 | 1.8 |

We can see here a considerable annual growth, but we also notice a negative balance:

| | 1960 | 1961 | 1962 | 1963 | 1964 |
|------------------------------|-------------|-------------|-------------|-------------|-------------|
| USSR, E.Ger., | | | | | |
| Czech., Pol. | -0.1 | 0 | +0.4 | +0.7 | +0.8 |
| The other 'socialist' | | | | | |
| countries | -1.2 | -1.1 | -1.0 | -1.5 | -1.6 |
| All of them together | -1.3 | -1.1 | -0.6 | -0.8 | -0.8 |

The Meaning of 'Peaceful Competition'

On the basis of these statistics, one has to declare that *the trade balance is negative* for all the 'socialist' countries together. The Stalinists, however, would have us believe that this negative balance does not affect the USSR, East Germany and Czechoslovakia. It is unlikely that the other countries on their own bear the deficit of the general trade balance, and we shall see that in reality this is not the case. One year later the same Soviet journal, speaking in this instance of Czechoslovakia, wrote that its trade balance with the capitalist countries came out in 1963 at +225 million crowns, but that, for 1964, this positive balance dropped to 59 million. The journal added that the balance was favourable to the 'socialist' countries, but unfavourable for the UK (-244 million), Canada (-349 million), Austria (-11 million), Italy (-12 million) and Australia (-98 million). (*BIKI*, Moscow, July 15, 1965). In 1964, Polish foreign trade was characterised by a decrease in imports from the 'socialist' countries and an increase of 17.5 per cent in imports from the capitalist countries, the value of which for the first time exceeded 3,000 million exchange-zlotys. The exchange deficit with the United States and Canada reached the sum of 215 million zlotys in 1963, and rose to 381.3 million in 1964. (*Handel Zagraniczny*, Warsaw, no. 3, 1965.) A government communiqué from Warsaw on January 3, 1965 stated that, despite all this, the trade balance in 1964 was positive for the first time in years, thanks to brutal reduction of imports. However, the communiqué added: 'Since it is not possible to reduce imports, as in 1964, the foreign trade situation cannot be considered as satisfactory.'

Bulgaria's trade balance with the eight capitalist countries of EFTA, for example, also shows a negative balance (in millions of Bulgarian levas):

| | 1960 | 1962 | 1963 | 1964 |
|----------------|---------------|----------------|----------------|---------------|
| Exports | 30.512 | 27.846 | 32.580 | 52.804 |
| Imports | 29.111 | 47.962 | 65.096 | 60.410 |
| Balance | +1.401 | -20.116 | -32.516 | -7.606 |

(*Vnchna Trgovia*, Sofia, No. 8, 1965.)

According to the magazine *Külkereskedelem* (Budapest, No. 4, 1965), Hungary is deeply in deficit towards the capitalist countries, particularly those of the Common Market. (See also *BIKI*, September 4, 1965.) This is not really surprising, for, whilst in 1955 imported machinery constituted 7.5 per cent of total investments in Hungary, during the years 1961-1965 this proportion rose to 50 per cent (*Figyelő*, Budapest, July 14, 1965). Rumania had a negative balance of 85 million DM with Western Germany in 1964, and its trade balance

with the other capitalist countries also tends towards deficit.

Such is the general situation with regard to the Peoples' Democracies. Only the USSR seems to escape from this tendency, its trade balance showing a general equilibrium while from year to year undergoing sharp variations, depending on the massive purchases.

So we come to the problem of an East-West trade characterised by a particular growth. The greater part of the deliveries from the capitalist world consists of equipment, machinery and industrial consumer goods, as against primary materials, agricultural and food produce and semi-finished products. This phenomenon is particularly unfavourable to the so-called socialist countries, as the East-West Economic Round Table in Belgrade adequately demonstrated. There, the Polish delegate developed the point of view which is today generally accepted by the Stalinist bureaucrats. According to this delegate, the Peoples' Democracies and the USSR, having become industrial countries and having developed their productive forces, a new international division of labour was being established. However, the forms and structure of East-West exchanges had stayed the same as they had been when these countries had not yet reached the degree of their present, modern industrialisation. 'The fact is,' the Polish delegate considered, 'that the majority of the problems . . . spring from the difficulties encountered by the economies of Eastern Europe in obtaining an assurance from the West as to the continuation of their exports and the possibility of expanding these.' Because ' . . . the problem of financing a growing amount . . . of imports in Eastern Europe constitutes the key problem of East-West trade.' And that is why ' . . . a certain place must be made for exports from Eastern Europe designed to repay the credit given by Western Europe.' The absence of such a guarantee, said the Polish delegate as he continued his pleadings, ' . . . for a planned economy means the practical impossibility of adapting its production to the exact needs of a given Western market.'

We have quoted this speech at length because it sets out so well the Stalinists' fundamental problems and at the same time expresses their position. First of all there is full recognition of the fact and of the importance of the international division of labour, an importance redoubled by the industrial development of the USSR and Eastern Europe. That is, concretely, open admission of the fact that these countries have a need, an ever-growing need, for the assistance of the world market. But for the

Stalinist bureaucracy, recognition of this fact raises in no way the necessity of overthrowing capitalism but rather the need to re-cast the international division of labour . . . *with capitalism*. Consequently, since the bourgeoisie 'causes difficulties' (the deficient trade balances!) they ask it to be nice and gallant towards these poor countries and to buy their products. The meaning of the Polish delegate's intervention was: 'Guarantee us a stable market, or otherwise we'll go bankrupt.'

This is no joke. The Stalinist bureaucracy goes begging to the bourgeoisie, specifying its demand: the Western countries must import more from Eastern Europe in general and far more industrial goods in particular. The bureaucracy's spokesmen invariably present the same demand, most often in this sickening form of pleading. The Hungarian delegate to the Round Table even invoked the example of Great Britain, which widely liberalised her import quotas from Eastern countries; it was however a great pity, he added idiotically, that she had taxed the imports at 15 per cent, and then 10 per cent, cancelling the effects of this liberalisation. Characteristically, in this zoological garden of bureaucrats, no one apparently noticed this on-the-spot execution, involuntary but unrelenting, of the plea for a guaranteed market!

Concessions to Imperialism

For the international bourgeoisie is opposed to serving the degenerated workers' states and the Peoples' Democracies: by its very nature it is unable to control its 'own' market; and in any case it consciously opposes such a policy. The first aspect is not only shown in the case of the liberalisation of British imports when, through the extra tax on imports, the vital interests of the British bourgeoisie prevailed. It is far more significant in the contrast between the Soviet policy towards world trade and the reality of that trade. In the course of the preparations for the world conference on trade in Geneva, in 1964, Patolichev, Soviet minister for foreign trade, defined the aims of the Soviet bureaucracy in an interview given to *Vnechnyaya Torgovlya* (Moscow, No. 2, 1964). According to him, an international trade organisation must be set up, taking in all the others, like GATT, the FAO, the international agreements on primary materials, regional commissions of economies, etc. His argument was—and make sure we listen to this properly—that GATT is not representative enough and for this reason (!) it cannot fight effectively against inauspicious regroupments such as the Common Market. It would be difficult to imagine a more idealist 'argument' and position.

For even if the international bourgeoisie were at all likely to grant a favourable conclusion to the Soviet demand—a hypothesis absolutely ruled out under existing circumstances—it would still be incapable of resolving its own contradictions, Common Market included. Unless, of course, one assumes (like Kautsky) the existence of some ultra-imperialism. But the bureaucrats are incorrigible. The economic weekly of the Central Committee of the Soviet Communist Party, *Ekonomicheskaya Gazeta* (March 28, 1964), speaking of the international trade conference at Geneva, wrote: ‘. . . the simple fact of the calling of this conference shows the pointlessness of discriminations against the socialist countries’. As everyone knows, it showed nothing at all, unless it was the opposite. Now, this position is all the more false since the world bourgeoisie governs ‘its contribution to the building of socialism’ in conformity with the ‘degree of maturity’ of the Eastern countries, that is to say with the degree of compromise of the Stalinist bureaucracy. It has inaugurated restrictive quotas on imports and exports relative to these countries, as well as conditions and norms of credit. The position and practice in relation to these problems, of the bureaucrats, of the bourgeoisie as a whole, and then of its different sections, remain the important index of the ‘degree of maturity’ of the Stalinists. An ever-growing section of the bourgeoisie is prepared to grant long-term credits exceeding the five-year limit, because the bureaucracy is showing ‘encouraging’ signs.

The bureaucracy feels a growing need for it. The Hungarian delegate to the Round Table in Belgrade stated that 50 per cent of Hungarian exports to the countries of OECD was made up of agricultural and food produce, but that the preferential tariffs of the Common Market caused them a considerable loss. Given that, owing to the restrictions, finished and semi-finished products constituted only 15 per cent and machines only 4 per cent of these exports, the structure of the exchanges was unfavourable. His Polish colleague also argued in favour of wider possibilities for exporting, for ‘. . . in 1964, imports constituted almost 17 per cent of the value of the national revenue. The majority of our economists think that this percentage is still too weak.’

Consequently, the goodwill of the bourgeoisie is much sought after. This is demonstrated in, amongst other things, the payment of compensation for nationalized property. At the end of May 1964 a Czech government decree stipulated that all demands for compensation should be pre-

sent to the Commission on Foreign Compensation created for this purpose, up to November 30, 1964. In 1954, Czechoslovakia abandoned negotiations about a British demand for £20 million sterling, considering the sum to be too high. But she has been obliged to resume them, since one of the conditions of British long-term credit is payment of compensation. On May 14, 1965 an agreement was made between France and Hungary on the indemnification of nationalized goods: Hungary is to pay 1,150,000 francs by July 15, 1966. (Official Monitor of International Commerce (MOCI), Paris, July 24, 1965.) At present we do not possess any other exact facts about the redemptions. But if it is clear that the trade balance of these countries is deficient in respect of the capitalist countries, their balance of payments must be far worse. The trade balances are now increasingly published, with a certain amount of make-up from the bureaucrats. It is impossible to conceal their negative showing. But as far as the balances of payments are concerned, the Stalinists make sure not to publish them. They must be very unfavourable to the ‘socialist’ countries in general and to the Peoples’ Democracies in particular, in their relationship with the industrial capitalist countries.

Poland has gone further than the other countries because, following Yugoslavia, she presented her request to join GATT, as a member with full rights. As a counterpart the Polish bureaucrats proposed authorisation for capitalist companies to set up offices to represent them in Poland and to advertise there.

However, at the same time a duel is going on between world imperialism and the Stalinist bureaucracy. The latter yields step by step to ensure the concurrence of the international division of labour, which today it recognises. It has to make concessions, the principal of which is that in the economic reorientation these countries have become tributary to and more and more indebted to the capitalist world market. But the bureaucracy does not want to make the leap to a complete capitulation. That is why it tries with all its strength to counterbalance imperialist pressure. One of the economic methods is the pursuit of ‘strong’ Western currencies. Anything goes; no method, however dirty and low, is neglected in order to obtain such currency. Begin, like a usurer from the Middle Ages, by taxing (generally 30-50 per cent above the real tax) transfers of money by private individuals. Continue by sending delegates to scientific congresses and granting them only an inadequate amount of

currency. This hunt for currency leads to phenomena which are contradictory but perfectly complementary: the chemist sent to a congress in a Western capital, eating pickles in his hotel room, 'harmonises' with the night clubs of Prague and Budapest wide open to bourgeois tourists bearing currency. The money of a young emigré worker harshly taxed and ridiculously reduced before it is received by his mother, complements our knowledge about the gifts offered to the capitalists in the form of compensation. These (for some!) 'secondary' aspects further emphasise the importance the Stalinists have attached to tourism and the efforts they expend to develop it. Mention should also be made of the varying and arbitrary rates of exchange, depending on the country and on whether it is a question of a native or a foreign tourist.

Evidence shows that on such fertile ground all kinds of parasitism, speculation and contraband mushroom, against which the bureaucracy fights as fervently as it encourages 'honest private initiative' in the tourist industry. (Hotels, restaurants, garages, laying out of beaches, etc.) We shall return later to the social problems, while simply pointing out that tourism is an aspect, more or less secondary, of direct liaison between imperialist pressure and internal social problems.

Danger of Capitalist Penetration

But before we continue our examination, it is necessary to clear up a misunderstanding. We do not wish in any way to present trade by the USSR and the Peoples' Democracies with capitalist countries as a bad thing in itself. However, if we recapitulate what we have said up to now, it follows that trade is not a simple and innocent act of exchanging products.

After the Second World War, we witnessed rapid progress in technique and, on the basis of this, an economic re-orientation taking the international division of labour to a higher stage. The earlier economic disproportions of the USSR (and of the Peoples' Democracies) were worsened, and at the same time new ones developed. The *sign* of this worsening was that the economic lag was doubled, almost at one fell swoop. The USSR and the Peoples' Democracies are unable to overcome this lag by themselves, because in reality it is but the reflection of disproportions which can only be evened out in the international division of labour. So, in this sense, the development of the international division of labour and the planned economies' own progress have made these countries more dependent on the world

market. The considerable growth of their trade among themselves and with capitalist countries bears witness to this. In the national revenue of the USSR and the Peoples' Democracies, the part played by foreign trade increases ceaselessly, sometimes giddily. In this trade, the proportion of exchanges with capitalist countries also increases ceaselessly. But the structure of the latter makes them proportionally far more important than their numerical percentage. The increase of this commerce signifies that the direct influence of the world market over the economy of these countries is becoming greater and greater. The development of the exchanges and the influence of the world market are unfavourable to the USSR and the Peoples' Democracies in the sense that the world market is imperialist; it rules this commerce according to its needs, in no way bothered by the Stalinist parties or movements. These needs can be formulated in the following manner: in order to resolve its own crisis, which is deepening, imperialism experiences the urgent necessity to extend its markets in the USSR and the Peoples' Democracies. But this 'economic' need is subordinated to the complete capitulation of the Stalinist bureaucracy. This is why the bourgeoisie has a rope around the neck of the bureaucracy. How? Principally, by ruling over the degree of participation of these countries in the international division of labour, depending on the real possibilities for its own infiltration behind the 'iron curtain'. And the bureaucracy cannot manage to counter-balance this pressure, although it may try to resist.

At the end of 1964, its retreat was demonstrated in a particularly dangerous form. The representative of the German monopoly Krupp negotiated with Poland possible collaboration in production within the framework of common enterprises. According to the agreement that was reached for the construction of a factory for lorries and agricultural machinery, Poland would supply the land, workers and employees and would concern itself with the sale of the products, while Krupp would provide the plans, equipment and installations and also specialists. A good while after this spectacular piece of news became known, the Polish Stalinists denied it. On February 21, 1965 *Tribuna Ludu* wrote: 'The Western press lets it be understood that Krupp has concluded an agreement with Poland containing nothing less than the building of factories in Poland which would be the property of West German capital. All those who believe these allegations to be true have lost all sense of reality, for the principle of the socialist ownership of the means of production is at the basis of the

social system of Poland.' The paper added that Poland was co-operating with different countries in certain branches of production in order to stimulate technical progress and trade. The denial aimed to refute the hypothesis of capitalist *ownership* of the factory to be built, a hypothesis which had never been advanced. Reading it, one thinks inevitably of the political dictum: two denials equal confirmation. For, at the beginning of 1965, Beitz, the Krupp representative, also visited Hungary and then Rumania, negotiating on the construction of common enterprises. But unlike the Polish example, nothing precise filtered out into daylight, except a few vague declarations. Nevertheless, a few months later, Krupp came by some publicity in the Hungarian economic weekly *Figyelő*, which, in its eloquence, deserves to be quoted: 'Neighbours are complementary and their existences are interdependent. It would therefore appear desirable that they should co-operate, that they should tie between them links of friendship and that they should draw up a mutual project from this attitude. To live together and co-operate is better than to simply exist side by side. The world has become small. All the world's nations are tributary to peaceful co-existence and to constructive work carried out in common. . . . The peoples of Europe live in very close neighbourhood. The countries of our continent are linked to one another by trade, tourism and cultural exchanges. We have as much to give one another as we have to give to others. The industries of the Hungarian Peoples' Republic and of the Federal German Republic can make a great contribution, through close co-operation, to the building of a peaceful future for the whole world.'

Sing on, raven!—you have the most beautiful voice in the world! . . .—And the ravens keep their beaks half-open. . . .

At the beginning of June 1965, a delegation of leaders of Rheinische Stahlwerke went to Budapest to negotiate over industrial co-operation and the exchange of licences ' . . . as well as about mutual exporting to the third market, in the first place, to the African countries and to the Far East. . . .' (*Nepszabadsag*, Budapest, June 6, 1965). This is the generally widespread form: exporting to the market in the 'third world'. There already exists close co-operation between the Austrian enterprise 'Oesterreichische Alpine Montangesellschaft' and Hungarian industry for the co-production of mechanical cutters for mines. Documentation and technical assistance are provided by Hungary and the Austrian firm makes the machines, assured of an exclusive sale on the Western European market.

As a 'third world' country, Morocco has already ordered 100 mechanical cutters for its phosphate mines. (*Figyelő*, Budapest, May 5, 1965).

As for the Polish Stalinists, they fell in step with their Hungarian colleagues. On July 14, 1965, a Polish-Italian agreement was signed concerning economic and technical co-operation in the field of electrical power, building, transport and especially agriculture (*BIKI*, Moscow, August 3, 1965). On the same day, the Poles signed another agreement with France for ' . . . the joint construction of complete industrial installations destined for third countries . . .'; other agreements concerned collaboration between engineering enterprises, the exchange of scientific information, and mutual terms of education of technical cadres. (MOCI, Paris, August 18, 1965). During a stay in Warsaw, the Italian minister of foreign trade stated to the Polish press (July 14, 1965) that negotiations were under way about the possibility of production, under licence, of the Fiat 600 and the Fiat 1300 in the Zeran factories in Warsaw. If the agreement is finalised, starting from 1970 Poland will produce 50,000 Fiats per year. Even the USSR is getting into the running: there Fiat put negotiations under way which resulted, on July 1, 1965, in an agreement being reached in the field of car production. This agreement plans for Italian assistance in the co-ordination of the car industry and also for the common production of 400,000 cars per year. (*Le Courrier*, Paris, July 29, 1965).

Quite naturally, no specifications or details have been given concerning agreements for co-operation in production. We would like to know the niceties in order to judge, for instance, to what extent these agreements with Fiat signify a competition for the Soviet and Polish car industries aiming eventually to colonise these countries' car markets. Such silence from the bureaucrats' quarter is more than suspect. There is a whole series of such collaborations, of which we have mentioned only a tiny minority. What are their financial clauses, to determine the share of the profits? How do they set about establishing prices on the home as well as the foreign markets? A whole series of questions is left unanswered. What about information from the Stalinist bureaucrats? Here is a good example: at the beginning of May 1965, a conference took place in Bonn between economists from the Peoples' Democracies and West German capitalists. The Hungarian delegate stressed, amongst other things, the possibility of agreements on immediate co-operation in production. (*The Times*, London, May 8, 1965). In the May 7, 1965, edition of *Nepszabadsag* (Budapest)

in which the conference was reported, there was *no* reference to the interventions of the 'socialist' delegates at all. On the other hand, the paper loudly echoed the criticism of the West German government by the German capitalists, demanding the liberalisation of East-West trade.

The Case of Yugoslavia

In order to emphasise the gravity of the loading of the Peoples' Democracies' trade balance towards the industrial capitalist countries, we quote the case of Yugoslavia, whose situation foreshadows, *to a certain extent*, that of the Peoples' Democracies. The proportion of foreign trade in Yugoslavia's national revenue has increased rapidly: 18 per cent in 1959 and 25 per cent in 1963. Parallel to this, the debt increased (in millions of dollars) as follows:

| | |
|------------|-----|
| 1960 . . . | 386 |
| 1962 . . . | 778 |
| 1963 . . . | 910 |

We should point out that in this figure of 910 million dollars' debt, indemnities represented 14 million dollars and pre-war (!) debts 9 millions. On the other hand, it does not include 624 million dollars, the cost of U.S. agricultural deliveries (July 1963) which the USA can use for its purchases in Yugoslavia. (*Dengi i Kredit*, Moscow, No. 12, 1964). We should also add that, at the end of January 1963, the Yugoslav General Office of Statistics announced that the value of imports had increased to 396.4 million dinars in 1964 as against 316.9 million in 1963, and the balance of payments deficit from 79.8 thousand million dinars to 127.9 thousand million, respectively.

Now, the 'socialist' countries have to cover their imports by exports. In order to avoid the bankruptcy clearly represented by the recent measures of Yugoslavia, they want to develop exports at all costs. In his report to the Central Committee, Gomulka specified that the next five year plan (1966-1970) must increase exports 60 per cent. In Hungary, enterprises are entitled to supplementary credit for their purchases abroad if they guarantee that with the aid of the imported equipment their exports will exceed the value of these purchases by 12 per cent. (*Ekonomicheskaya Gazeta*, Moscow, August 11, 1965.) This practice is general in the so-called socialist countries. One can understand better the pleadings and attacks by the bureaucrats against the barrier put up by the world bourgeoisie restraining these exports. To out-manoeuvre it, they carefully go into every possibility of increasing exports. This is why they are developing with all haste secondary industrial branches, especially with the aid of the artisan co-operatives,

such as sewing, toy industries, manufacture of musical instruments, etc.

The growth of this commercial activity is reflected in the establishment and progress of the banks. Mentioning only banks such as the 'Moscow Narodni Bank' in London set up for the financial operations of East-West trade, and its large offshoot in Beirut opened in October 1964, we shall deal with the specialised banks founded at home in order to centralise the whole financial activity concerning foreign trade. In fact, following the USSR, Poland, Hungary and Czechoslovakia, on April 1, 1964, Bulgaria also opened a bank of foreign trade, detached from the National Bank. These banks carry out all payment operations with foreign countries, and all the contracts of the National Bank with foreign countries ('socialist' and capitalist) *have been transferred to them*. In Czechoslovakia, 35 shareholders, representatives of state organisations for foreign trade and enterprises working particularly for exports, founded this bank with 500 million crowns. Its task is to serve as an intermediary between the foreign trade organisations and the enterprises, to advance bank credits and the payment of premiums in the form of credit for purchases abroad. (*Ekonomicheskaya Gazeta*, Moscow, June 16, 1965.) For the moment, we shall not make a complete analysis of the significance of these banks (that belongs to the problems of internal social relations). We would only point out the importance the bureaucrats attach to foreign trade and, more especially, to exports.

But the desire to rid themselves through exports of the dangerous burden of the increase in imports from the capitalist countries, is a utopian attitude, worthy of the Stalinists. Not only because the volume and structure of their exports are limited by the bourgeoisie while the bureaucrats have need of imports, but especially because, whatever else may happen, the role of the world market is increasing in their economy. And that is the decisive question.

The increase of this role, the enlarged liaison of the planned economies with the capitalist world market, in fact determines their whole economic reform, and our account shows this. This liaison is established first of all through prices. As far as exports are concerned, because of the low level of productivity, production costs are clearly higher than world prices. Add to this their bad quality and we can imagine the difficulties involved. The first is the gap between export (and import) prices and prices on the home market. For exports, they have to fight sale prices at the world-market level, in the majority of cases below the net cost. As Gligorov, Yugoslav finance minister, declared at

the time of the devaluation of the dinar, Yugoslavia paid for its imports at the rate of 800-900 dinars to the dollar and sold for export at the rate of 1,055 dinars to the dollar, the difference being paid for by subsidies. (MOCI, Paris, August 4, 1965.) The general practice was also explained by the Hungarian delegate to the Belgrade Round Table. Given that in a planned economy, prices were fixed by the state, he said, they could not follow immediately any changes in world prices. There exists therefore an auxiliary system of prices: starting from world prices, a rate of compensation and prior deduction is established between home prices and export prices. If it is impossible to improve upon an export price, the special Commission decides to stop its manufacture. (!) To this tension in prices is added the gap between the real and fluctuating prices of imported products and the fixed internal prices. The increase of the role of foreign trade amplifies the pressure of world prices on internal prices, in the sense of a continual overturn of the state system of prices.

Mandel revises Marx

But let us not, in the course of our investigations, forget Mandel, the man who 'forgets' the world market. He writes: 'In the epoch of transition from capitalism to socialism it is the relative dearth of use-values which prolongs the life of exchange values, at least in the sphere of consumer goods'. (Note on p. 2171.)

Here is a true pearl of Mandel's 'scientific' wisdom. It even includes the automatic mental reservations: '... at least in the sphere of consumer goods', which one can understand all the less since it has no meaning. And then... And then!—he makes a gross revision of Marx. Between use-value and exchange-value there is no such cause-and-effect link such as that referred to by Mandel. The first is of a natural character, the second of a social character, appearing only when the products are exchanged as merchandise. As if he had foreseen Mandel, Marx wrote: 'The quantity of these products can change nothing in their quality of being *commodities* or representing an *exchange value* or having a definite *price*. Whether a tree is large or small it is a tree. Whether we exchange iron for other products in ounces or in hundredweights, does this make any difference in its character as commodity, as exchange value?' (Marx, 'Wage Labour and Capital', Foreign Languages Publishing House 1954 p. 46—emphasis in original.) If the exchange values have a 'prolonged life', it is not the fault of the poor use-values which Mandel so unjustly accuses. Exchange value is *determined* by the labour *socially necessary* for its production, but

labour is not the *cause* of its existence. As Marx wrote: 'Useful labour becomes . . . a more or less abundant source of products, in proportion to the rise or fall of its productiveness. On the other hand, no change in this productiveness affects the labour represented by value. . . . The same change in productive power, which increases the fruitfulness of labour, and, in consequence, the quantity of use-values produced by that labour, will diminish the total value of this increased quantity of use-values, provided such change shorten the total labour-time necessary for their production. . . .' (Marx, *Capital*, Vol. I, pp. 13-14, Allen and Unwin edition.)

This flows from the double character of labour: the latter produces a varied quantity of use-values which, under certain social conditions, and *solely in this case*, are bearers of exchange values. These conditions are those of commodity production. The products of labour become commodities *independently* of their quantity. It is true that their elimination will only be possible on the basis of abundance of use-values. However, this abundance will not *determine* the elimination; it will only *condition* it.

Why this distinction? Is it not true that under the conditions of the definitive victory of world revolution the transitional society of humanity will replace the production of commodities by that of products in proportion as it ensures abundance? Why yes. All that is true. The distinction made by Marx however takes on today its whole significance since there exists in the USSR and the Peoples' Democracies a transitional society.

The question is to know why production of commodities exists in the USSR. According to Mandel the reason is the relative dearth of products. But according to Marx, use-values become commodities because they are the products of independent private labour, i.e., the social production of producers isolated by the division of labour is realised only in the exchange of the products, which have an exchange value because they are products of *private* labour. Private, because in this sense they are determined by the nature of ownership which, in its turn, defines their relationships to the products. In examining social production in the USSR and the Peoples' Democracies, several considerations must be borne in mind. Firstly, that this production also takes place in a division of labour. But the *distribution* of the products still cannot replace their *exchange*, for even this national division of labour is based upon different kinds of ownership—state, co-operative and private. Secondly, that this national division of labour is linked to the world market based on the production of commodities. And this is the most important factor,

for, despite the relative isolation of the USSR, its cycle of social production must always take in a fraction of the world market, otherwise it would be disturbed. Thus, while maintaining the isolation, these disturbances grow and become more violent in proportion as production and the national division of labour develop. But participation by the USSR and the Peoples' Democracies in the international division of labour can only be made through exchange. That means that the products exchanged, products of which the 'national' cycle has an increasing need 'for its health', participate in the accomplishment of this cycle as exchange values. This takes place independently of the fact that anyone's intentions are opposed to it. The relations between producers in the USSR and the Peoples' Democracies is brought about then on the market, *in which the world market is more and more a participant*, since social production increasingly demands the exchange of products manufactured in the international division of labour. And inversely, it also demands the manufacture of products destined for this market.

Soviet Economy and the Labour Theory of Value

In reality, this is what is expressed in the growing proportion of foreign trade in the national revenue. Contrary to Mandel's assertion, it would be correct to say that the existence of exchange values is dependent on the existence of private and group ownership. But their maintenance or 'prolonged life' depends far more on the world capitalist market than on the home market. That is to say that the existence of varied types of ownership and labour in the USSR and in the Peoples' Democracies is dependent not on the dearth or abundance of products but on the influence of the world capitalist market, since the home market is subordinate to it. Why? Because we must also take into account the full significance of Marx's analysis. Let us recall what he said: 'The same change in productive power, which increases the fruitfulness of labour, and, in consequence, the quantity of use-values produced by that labour, will diminish the total value of this increased quantity of use values, provided such change shorten the total labour-time necessary for their production...' (Ibid.)

Exchange value (X) is determined by the labour (T) socially necessary for its production, together with previous labour for raw materials, machines, etc., giving the following equation: $X = T + T_1 + T_2$. But in the USSR and the Peoples' Democracies there is a supplementary element in the products determined by the difference between external and

internal conditions; and this element is an exchange value. So the equation becomes the following: $X = (T+x) \text{ plus } (T_1+x) \text{ plus } (T_2+x)$, or, replacing the x by t : $X = (T+t) \text{ plus } (T_1+t) \text{ plus } (T_2+t)$. Whence comes this difference and what is its explanation?

Value is determined by the labour socially necessary for its production. Now, what is 'socially necessary' differs tangibly from what is necessary in a society limited by national frontiers. The criterion of 'socially necessary' is determined in the international division of labour, on the basis of the productivity of the world productive forces.

In the so-called socialist countries, one allows *more* labour for the manufacture of products than is socially necessary, for productivity there is *lower* than that established internationally. In our equation, the 't' represents this supplement which the low productivity of the USSR and the Peoples' Democracies has to bear in their exchange values. This means to say that exchange value would not disappear in the USSR and in the Peoples' Democracies even if one managed to completely liquidate private and group property and to bring about complete industrialisation—a hypothesis which is excluded because, from the fact of the growing participation of the exchange values of the world market, the process is exactly the opposite.

So we have arrived, this time by way of the theory of value, at the same point as we reached before by way of the problems of foreign trade. That is, we realise that world prices exert pressure on home prices and the more their influence increases, the more they disrupt the system of home prices, forcing them to conform to reality. And since, in order to ensure the greatest quantity of products and the greatest degree of industrialisation, the USSR is integrating itself more closely into the international division of labour, this influence is strengthened. So, in reality, exactly the opposite of what Mandel said is actually happening. The real process is that the more use-values there are, the more solid become the exchange values. Not because the first determine the second, but because their growth is linked to the strengthening of the role of the foreign market and, thereby, of the home market.

Marx's genius lies, amongst other things, in the fact that by proceeding from the theory of value alone, one succeeds in posing all the fundamental problems of the USSR and, in this way, in unmasking the revisionists. Nor is it by accident that the latter sooner or later end up by smashing their heads against the Marxist theory of value.

(To be concluded.)

THE FIGHT FOR MARXISM

An introduction
by the editors
to two speeches and an article
by Leon Trotsky

TWENTY-FIVE years ago Leon Trotsky was assassinated in Mexico by an agent of the Russian Stalinist secret police. Today, Trotsky's ideas, the ideas of Marxism, developed in the modern epoch by Lenin, Trotsky and the Bolsheviks, are the inspiration of a new revolutionary generation of socialist youth, not only in Britain but internationally.

For 40 years and more, the theories and the revolutionary activity of Trotsky and his followers have been slandered and distorted. Stalin not only developed the greatest campaign of lies in political history, branding Trotskyism as an agency of big business and fascism. He led the bureaucratic leaders of the degenerated Soviet state in a bloody 'liquidation' of all those Bolsheviks suspected of opposition to the Stalinist tyranny.

But the ideas of Marxism, the revolutionary programme of Lenin and Trotsky, the necessity of the Fourth International, correspond to the deepest needs of the working people all over the world. Capitalism is continually faced with the resurgence of the struggle of the working class, as the decay of capitalism poses everywhere the need for the socialist transformation of society under workers' state power.

The 'revival' of interest in Trotskyism in recent years is no historical accident. Stalinism and Social-Democracy have now revealed themselves as political trends which support the continued existence of capitalism. What appeared to be immovable strength and solidity in the 1930s, during Stalin's purges, has been revealed as a regime of permanent crisis. The

workers of Eastern Europe, particularly Hungary, have shown that they are fighting to take their place alongside the workers of the capitalist countries in the world revolutionary struggle against capitalism and those who serve it in the labour movement. In Britain and the other capitalist countries, the Labour and Social-Democratic parties have governed on behalf of the employers. The Stalinists in France and Italy have collaborated with them, and have everywhere adopted the line of 'peaceful, parliamentary roads to Socialism'.

In no country do the young workers of 1965 give their support to these treacherous leaderships of the labour movement. The road of international revolutionary struggle is the only one which answers the needs of youth. Behind this banner, the Young Socialists in Britain have in fact inflicted heavy blows on the official Labour bureaucracy, and begun to build a movement which seriously challenges the employers. Their struggle is the struggle of the revolutionary youth of Vietnam, of Greece, of South Africa, of the Congo, of the United States and many other countries, who have already shed their blood in battle against imperialism.

For this youth, the scientific world outlook of Marxism is the first necessity. This is why the writings of Trotsky are being read with growing interest. Not only the experience of the Russian Revolution, but also the struggle of Trotsky against the Stalinist degeneration of the first workers' state, and his fight to build the Fourth International, contain priceless lessons for the construction of the revolutionary movement today.

We publish here two speeches and an article from Trotsky's days in the young Soviet Republic, in the period 1924-26, when the Stalin faction had already begun its campaign to denigrate and drive out Trotsky. At that time Trotsky was still part of the top leadership of the Soviet Communist Party, the Soviet state, and the Communist International. All of these items are of the greatest relevance to the development of the Marxist outlook among the revolutionary youth of today.

'Young People, Study Politics' is a speech delivered on April 29, 1924, on the Fifth Anniversary of the Communist Young Workers' Home. In this speech Trotsky explains that it is not enough for young people to have enthusiasm, or even to have the material weapons with which to fight. Above all, they must understand the political forces in the class struggle internationally, which determine the situation in which they find themselves. Thus, Trotsky explains how Europe and the world in 1924 found Social-Democracy in a position of openly serving capitalism against the Soviet workers' republic. 'Menshevism', that opportunist trend in the Russian labour movement against which the Bolsheviks had had to struggle, had now merged with international Social-Democracy as an enemy of the working class. Trotsky urges upon his audience the need to make a real study of the political roots of the struggle in which they are engaged. He indicates the process by which Social-Democracy, at one stage of history a force for

socialism and the struggle against militarism, turns into its opposite and becomes counter-revolutionary once the epoch of social revolution begins.

The second item in this collection, 'The Significance and Methods of Anti-Religious Propaganda', was published in English in 1925 in the volume 'Labour Speaks for Itself on Religion' (edited by J. Davis). Here Trotsky brings together in a brief and lucid article the essential views of Marxism on the question of religion. He explains that religion is the product of the conditions of insecurity produced by man's failure to control the economic system upon which his life depends. In primitive societies this was above all a helplessness before the forces of nature, but in all class societies the main root of religion is the oppression of the masses by the ruling class. Religion is a way of confirming and sanctifying the 'dependence' of the masses on economic and social forces over which they have no control. Consequently, the struggle against religion as such must be seen as part of the struggle to change the material conditions out of which religion grows. Our starting-point must be the struggle for workers' power and socialism. 'Only the abolition of the earthly chaos can end for ever its religious reflection.'

Today, as this struggle for socialism threatens the old rulers and their bureaucratic servants in the labour movement, there is an attempt to revive religion. 'Christian unity' is the cry, and the Pope of Rome becomes a performing ambassador at large, as always adapting the Catholic Church to the needs of the ruling class, this time in the final international struggle to preserve capitalism. Naturally enough, the more the class struggle mounts in intensity, and the reconstruction of the Fourth International proceeds, the Stalinist bureaucracy itself seeks a new understanding with the Roman Catholic Church. The role of religion today is thus clearer than it has ever been. All the more urgent is the study and understanding of the Marxist approach to this question.

Finally, Trotsky here tackles another vital question of the transition to Socialism: must backward countries go through the stage of capitalism before they can build socialism? He talks particularly about Soviet Georgia, on the occasion of the fifth anniversary of its foundation, and explains how all countries are today drawn into the world struggle against imperialism, how the revolutionists of all nations must understand the political trends which determine the international struggle of the proletariat. Once joined in this battle, the peoples of backward countries place their feet on the path to socialism, in alliance with the workers of the advanced capitalist countries.

The theme of all these writings is the development of the Marxist theory of dialectics and historical materialism in the struggle of the working class. This scientific world outlook represents the richest and most advanced consciousness of humanity, which must be embraced and carried forward by the new generation of young workers in the class struggle. This will be the fulfilment of Trotsky's heritage.

YOUNG PEOPLE, STUDY POLITICS!

By L. D. Trotsky

(Speech at 5th Anniversary celebration of the Communist Young Workers' Home, April 29, 1924. Translated by Brian Pearce from 'Collected Works', Vol. XXI, pp. 347-353, Moscow, State Publishing House, 1927)

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COMRADES! Not long ago, we released from the Red Army on indefinite leave the class of 1901. On this occasion we carried out in a number of places an inquiry among the men being discharged, questioning them as to what they had learned in the Red Army. From among the answers they gave one in particular struck my attention, a very brief and expressive answer. I have already quoted it at several meetings. One of the Red Army comrades answered thus: 'I have learnt about the machine-gun and about politics.'

Remember that answer, comrades! It is a very good one; in my opinion the thing could not be better put. Since he is a revolutionary soldier he is obliged to know, as Suvorov said long ago, his military art; he is to know his weapon and how to use it, otherwise he would not be a soldier. In this case, evidently, we are dealing with a machine-gunner, whose weapon is the machine-gun. 'I have learnt about the machine-gun, and besides that, I have learnt about politics,' he says. What does it mean when he says that he has learnt about politics? It means that he has learnt to understand why he was given a machine-gun. So long as he only knows about the machine-gun he is just the slave of that weapon, and cannon-fodder in somebody else's hands, but when he knows what purpose under certain conditions that machine-gun is to fulfil in the Red Army, he is a revolutionary fighter, a conscious citizen.

This applies not only to a soldier in the revolutionary army, it applies to every kind of service in our workers' and peasants' country. 'What have you learnt?' we must ask the young proletarian when he leaves the factory training-school. 'I have learnt about the hammer, the pincers, the plane and about politics.' And about politics! You know that in bourgeois countries there is a hypocritical and base notion that the army and the younger generation stand outside politics. This very day, in another connection, I have been looking through Volumes 2 and 3 of Comrade Lenin's works. (This is in general, comrades, a very useful occupation—whether one has any special reason for doing it or not—for everybody who has the opportunity to undertake it.)

It so happens that my eye fell upon a number of Lenin's plain, extremely sharp and merciless observations regarding this base and hypocritical conception about the younger generation being outside politics. We know that the army is in all countries an instrument of politics, or rather, that it serves political ends. When it is said that the army is outside politics, that means: you, soldier, master your machine-gun—politics, however, will be

looked after by somebody else on your behalf, i.e., obviously, by the ruling class. The bourgeoisie carries out a division of labour. Politics is in its charge; the workers and peasants in the army are cannon-fodder, slaves to the machines of destruction. And it is exactly the same so far as the younger generation are concerned, the young workers and peasants, that is. Politics fill the air; *it is not possible to live outside of politics, without politics, any more than one can live without air.*

But the bourgeoisie cannot reveal its political face to the young people. It cannot say: there you are, the 12- or 13-year-old son of a worker; you have been born into the world in order that, after serving an apprenticeship to some trade, you may go into a factory and there to the end of your days create with your sweat, blood and marrow, surplus-value for the lords of life, the bourgeoisie, which out of this surplus value will create its bourgeois culture, its luxury, art and learning for its children. The bourgeoisie cannot openly expound such politics to the young workers. It puts over its politics by way of circumlocution and allegories, imperceptibly or half-perceptibly, through its schools, its churches and its press. And this work of the imperceptible bourgeois education of young people, or rather the education of young workers and peasants in the interests of the bourgeois state, is concealed behind the slogan: 'the younger generation is outside politics'. And that is why Vladimir Ilyich so relentlessly and implacably fought against this base hypocrisy.

Young people live in society, they are born into definite conditions, they step forward into life's arena in particular historical circumstances, and the sooner these youngsters open their eyes to the world around them, the better and more profoundly they grasp the conditions in which they live, the easier will their path through life prove to be.

You, young comrades, are living in a workers' and peasants' state. This does not mean that your path through life is a very easy one in the years of your apprenticeship. But I think, nevertheless, that it is already considerably better than it was for the elder generation of the working class in their apprenticeship years. I don't know whether anybody in our country has collected together the works of literature—Chekhov's stories, for instance—which deal with the years of apprenticeship, the gloomiest in the life of the working masses. I think that all these stories, sketches and memoirs of the years of apprenticeship through which every worker has passed, should be collected and published and made one of the reference books for young people. *It is necessary to learn to hate the old order which*

we have overthrown but which we are still far, far from having got rid of. It has bequeathed to us monstrous deposits of ignorance, inertness, crudeness, vulgarity, and all this still surrounds us. And it is for you, young comrades, to sweep away these deposits. That is why it is very important that the work of mastering the hammer, the pincers and all the other tools and instruments of production must go hand in hand with the mastering of politics.

Today you are celebrating the fifth anniversary of your hostel. This anniversary falls very closely upon the May Day festival of the international proletariat. Allow me to say a few words about this. This festival, comrades, was inaugurated 35 years ago, as a festival in honour of the eight-hour working day and the international brotherhood of the working people and an international demonstration of the workers against militarism. And just now, as I was on my way here, I was looking, for lack of any papers to-day, through some recently received telegrams from our news agency. A great part of these telegrams, and a very significant part, so as not to exaggerate, deal with the preparations going on in Europe and in other parts of the world for the May Day festival. This preparation consists of the fact that in a number of bourgeois states, including the most democratic, all street processions, demonstrations and parades by the workers on May Day have been forbidden.

There is an instructive example for you of present-day European politics. Our state, the state which was built under the leadership of the teacher of all of us, Vladimir Ilyich, this workers' and peasants' state does not call itself democratic in the sense in which France, Germany and a number of other states are called democratic. We are reproached because we have a regime of dictatorship, an open one, i.e., the rule of the working people who have put down with mailed fist all resistance to the rule of labour. They have democracy over there, and universal freedom. Who rules Britain to-day? Menshevik Social-Democrats. Who plays a very big role in the political life of Germany? Menshevik Social-Democrats. In Saxony, one of the German states, there is a Social-Democrat government. The government of Berlin is in the hands of the Social-Democrats. This very day the Berlin authorities have forbidden the celebration of May Day in the streets of that city. The Saxon Menshevik government has forbidden May Day to be celebrated in the streets throughout Saxony. In Britain it is exactly the same.* There is no need to speak of Poland, Hungary and Rumania, nor of France—in that democratic

republic proletarian street demonstrations have been forbidden for several decades. Here is a stark fact. Who inaugurated the celebration of May Day 35 years ago? The Social-Democrats. Who is at the head of the German Republic? The Social Democrat Ebert. What is the point? The point is that the new revolutionary generation of the working class in Europe is growing more and more thoroughly filled with hatred for the rule of the bourgeoisie, and that over there in Europe democratic Menshevism is the last instrument the bourgeoisie has for keeping the working masses down.

And we see that those very governments which reproached us Communists for openly saying that only the transfer of power into the hands of the working people could abolish the rule of capital, those very same governments which belong to the parties which inaugurated the May Day celebrations, are forbidding the workers to go into the streets with the slogans of international brotherhood and the eight-hour working day. And the same telegrams report that the German Young Communists, the young people of Germany and those of France too are nevertheless doing all they can to be able to go out into the streets of their cities with slogans of protest and struggle. What are these slogans? The slogan laid down for May Day 35 years ago—the eight-hour working day—was achieved almost everywhere in Europe after the war, but in recent years the working day has been lengthened. If there were a country which had the right, if there were a working class which had the right to demand of itself and of its sons a working day longer than eight hours then it would be our country, exhausted and devastated, working not for the bourgeoisie but for itself—and yet in our country the eight-hour working day remains a pre-condition, based on the laws of the Republic, for the moral and spiritual advance and development of the working masses.

And on May Day we hurl this fact in the face of Europe's capitalist, lying, hypocritical through-and-through, bourgeois democracy. What sort of democracy is it for the working people if they are merely promised the eight-hour working day? And the fraternity of the peoples, respect for the working people of other nationalities, who speak other languages, fraternal feelings which we must absorb from our earliest years, for national chauvinism and national hatred are the poison with which the

* The TASS telegrams presumably misled Trotsky on this point. There was no ban on workers' May Day demonstrations in Britain in 1924 and these duly took place. (Trans.)

bourgeoisie pollutes the minds of the working people? I demand to know where this slogan of the May Day celebration has been put into effect more fully than in our country? I have been in Caucasia, that backward region. There are three main republics there and dozens of backward nationalities. That region was bled white by wars. But now the young generation there are learning to work and to create culture on the basis of co-operation between all the different nationalities. Have not we, the workers' republic, the right to contrast, with justified pride, this backward Caucasia which has been restored and given new life by the Soviet power, to any of the cultured countries of Europe, where on every frontier there is hatred, enmity and danger of new armed conflicts?

And the third slogan by which the Social-Democrats swore 35 years ago, the slogan of struggle against militarism? There is now in power in Britain the Menshevik Labour Government of MacDonald. What is it spending on arms? It is spending 1,150 million gold roubles a year. That is four or five times as much as we spend. Britain has 40 million people, we have 130 million. MacDonald may say that we are the poorer country and so, of course, we spend less. But, comrades, if we are the poorer, that means that we are threatened by greater danger, for throughout history it has always happened that rich peoples, led by their rich ruling classes, have conquered and subjected poorer and more backward ones. It is not China that will fall upon Britain and the United States, but the wealthy United States and Britain that may crush China.

If we did not have Soviet power—the power of the workers and peasants, the Communist Party boldly marching onward to battle—our country, weakened and exhausted by the imperialist war, would long ago have been torn to pieces by the barbarians of world imperialism. And when those very same Mensheviks reproach us for giving military training to our young people, for building the Red Army, when they tell us: 'You too are militarists', then it is sufficient for us to contrast the states which surround us with the first republic of labour in the world, surrounded for the last seven years by irreconcilable and ruthless foes.

If they are recognizing us now, and if we are carrying on negotiations in London today,* it must not be supposed that the world bourgeoisie has become better-disposed towards the republic of workers and peasants. A change of tactics does not do away with the hatred felt by the bourgeoisie of all countries for the republic where the rising

generation of working people is growing up in a new atmosphere, with new ideals—for we are overthrowing the old ideals in so far as we are teaching the young generation to have confidence in the power of the world working class. The world bourgeoisie will never reconcile itself to this. And is it surprising if we feel, and must feel, that we are the camp of emancipated labour? Study the technique of production, and remember that at any moment the workers' and peasants' government, threatened from outside, may call you to the colours of the workers' and peasants' Red Army.

Comrades, you know what a frightful misfortune another war would be for our Soviet Republic, which has still not healed its wounds. And when in today's news-telegrams I read about how we are supposed to be preparing to attack Rumania and Poland, I can only, like any of you, shrug my shoulders in contempt. The world revolution has been delayed. We are waiting patiently and confidently for the fate of Rumania and Poland to be settled along with the fate of the world revolution. We are not inclined to launch into bloody enterprises for the purpose of deciding piecemeal the question of the liberation of all Europe, including Poland and Rumania. It will be decided sooner or later. Our task in this period is to strengthen our economy and to raise the level of our culture, holding on until emancipated Europe's workers come to our aid.

Certainly our situation would be ten times, a hundred times easier if in Britain there was a revolutionary workers' government. It would grant us, on the basis of a comradely business-like agreement, a very substantial credit. We should be able immediately to increase our production, flood the market with all kinds of goods for the peasants' use, and in five years raise the level of our agriculture. What would that mean for Britain? It would mean abundant and cheap grain, timber, hides, flax and all kinds of raw material. The British people, the working people—that is to say nine-tenths of the total population of Britain—as also the people of the Soviet Union, would benefit to an extraordinary degree from such business-like co-operation, and we, comrades, would be able in a few years to rise to the summit of economic well-being, to a height from which we are still very, very distant. Alas, I do not believe

* Italy's recognition of the USSR, in November 1923, began a series of recognitions by the Great Powers. At the time Trotsky was speaking, an Anglo-Soviet conference was in progress in London. (Trans.)

that the present government of Britain, a Menshevik government, is capable of taking such a bold, decisive step.

No, we shall have to learn, for several years yet before the coming to real victory of the proletariat, to stand, in the main, on our own feet. This means that we shall advance, but slowly. We shall be frank with ourselves about this. And when the bourgeois newspapers ask us, and me in particular: 'Suppose our ruling classes don't grant you a loan—what will that mean? The collapse of Russia? The collapse of the Soviet power?'—we shall answer them: 'How can a gigantic country of 130 million people, who have been awakened for the first time by the revolution, where the young are learning to think critically—how can such a country collapse? A country with inexhaustible natural resources like ours cannot collapse and will not collapse.'

The bourgeois press of London, we are told by the latest news-telegrams, quotes our speeches, in particular my own, as evidence that by our sharp criticism we wish to break off negotiations. That is a slander. An agreement with the British people will be a good thing for us and for the British

people. But if the British bourgeoisie think that we shall say: 'Help, we are collapsing!'—if the British bourgeoisie think that we shall agree to any conditions they care to impose, then the British bourgeoisie are wrong.

We have already raised ourselves the two or three first steps and have already shown ourselves and others that we are able to work, to advance the economy and culture of our country. And, if I could, I would say to the City, that centre of London, to its banks and bankers, to the MacDonald Government, to all the ruling circles of Britain: here, take a look at these, our young generation, the flower of the working class. They are learning to work and to think. Our young generation has passed through the furnace of October, it has grown up in the great school of Lenin. We and our country, so rich in natural wealth, will not perish. With your aid we shall go forward faster, and that will be a great gain for you. Without you we shall go forward slower, but go forward we will, and the reign of labour will come to triumph in our country.

THE AGE OF PERMANENT REVOLUTION

A TROTSKY ANTHOLOGY

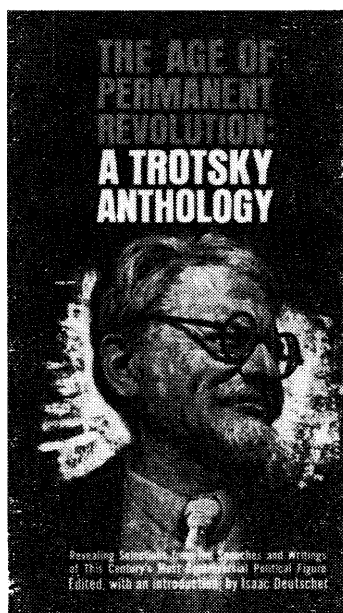
Edited with an introduction by Isaac Deutscher (with the assistance of George Novak). Published by Del: Publishing Co. Inc. Distributed in Britain by New Park Publications Ltd. Price 9s. 6d.

A concise and invaluable collection of Trotsky's writings. The theoretical genius of one of the world's great Marxists and co-leader of the first successful socialist revolution is brilliantly revealed in this book. It is an indispensable addition to the library of all communists who are serious about studying, understanding and grasping the method and programme of contemporary Marxism.

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The significance and methods of anti-religious propaganda

by Leon Trotsky

Early Soviet symbolist propaganda directing the attention of Communist youth to the struggle against poverty, illiteracy, and religious superstition.

From J. Davis (ed): 'Labour Speaks for Itself on Religion, 1925'—the original Russian text has not been located

IT IS PERFECTLY evident and beyond dispute at the present time that we cannot place our anti-religious propaganda on the level of a straightforward fight against God. That would not be sufficient for us. We supplant mysticism by materialism, broadening above all the collective experience of the masses, heightening their active influence on society, widening the horizon of their positive knowledge, and in this field we deal also, where necessary, direct blows at religious prejudices.

The problem of religion has colossal significance and is most closely bound up with cultural work and with the socialist structure. Marx in his youth said: 'The criticism of religion is the basis of any other criticism.' In what sense? In the sense that religion is a kind of fictitious knowledge of the universe. This fiction has two sources: the weakness of man before nature, and the incoherence of social relations. Fearing nature or ignoring it, being unable to analyse the social relations or ignoring them, man in society endeavoured to meet his needs by creating fantastic images, endowing them with imaginary reality and kneeling before his own creations. The



basis of this creativeness lies in the practical need of man to orient himself, which, in turn, springs from the conditions of the struggle for existence. Religion is an attempted adaptation to surrounding environment in order successfully to meet the struggle for existence. There are in this adaptation practical and appropriate rules. But all this is bound up with myths, fantasies, superstitions, unreal knowledge. Just as all development of culture is the accumulation of knowledge and skill, so is the criticism of religion the foundation for other criticism. In order to pave the way for correct and real knowledge, it is necessary to remove fictitious knowledge. In this case, however, it is true only when one considers the question as a whole. Historically, not only in individual cases, but also in the development of whole classes, real knowledge is bound up, in different forms and proportions, with religious prejudices. The struggle against a given religion or against religion in general and against all forms of mythology and superstition is usually successful only when the religious ideology conflicts with the needs of a given class in a new social environment. In other words, when the accumulation of knowledge and the need for knowledge does not fit into the frames of the unreal truths of religion, then one blow with a critical knife sometimes suffices, and the shell of religion drops off.

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From J. Davis (ed): 'Labour Speaks for Itself on Religion, 1925'—the original Russian text has not been located

IT IS PERFECTLY evident and beyond dispute at the present time that we cannot place our anti-religious propaganda on the level of a straightforward fight against God. That would not be sufficient for us. We supplant mysticism by materialism, broadening above all the collective experience of the masses, heightening their active influence on society, widening the horizon of their positive knowledge, and in this field we deal also, where necessary, direct blows at religious prejudices.

The problem of religion has colossal significance and is most closely bound up with cultural work and with the socialist structure. Marx in his youth said: 'The criticism of religion is the basis of any other criticism.' In what sense? In the sense that religion is a kind of fictitious knowledge of the universe. This fiction has two sources: the weakness of man before nature, and the incoherence of social relations. Fearing nature or ignoring it, being unable to analyse the social relations or ignoring them, man in society endeavoured to meet his needs by creating fantastic images, endowing them with imaginary reality and kneeling before his own creations. The



basis of this creativeness lies in the practical need of man to orient himself, which, in turn, springs from the conditions of the struggle for existence. Religion is an attempted adaptation to surrounding environment in order successfully to meet the struggle for existence. There are in this adaptation practical and appropriate rules. But all this is bound up with myths, fantasies, superstitions, unreal knowledge. Just as all development of culture is the accumulation of knowledge and skill, so is the criticism of religion the foundation for other criticism. In order to pave the way for correct and real knowledge, it is necessary to remove fictitious knowledge. In this case, however, it is true only when one considers the question as a whole. Historically, not only in individual cases, but also in the development of whole classes, real knowledge is bound up, in different forms and proportions, with religious prejudices. The struggle against a given religion or against religion in general and against all forms of mythology and superstition is usually successful only when the religious ideology conflicts with the needs of a given class in a new social environment. In other words, when the accumulation of knowledge and the need for knowledge does not fit into the frames of the unreal truths of religion, then one blow with a critical knife sometimes suffices, and the shell of religion drops off.

The success of anti-religious pressure which we

have exerted during the last few years is explicable by the fact that advanced layers of the working class, who went through the school of revolution, that is, the active relation towards the country and the social institutions, have easily shaken off from themselves the shell of religious prejudices, which was completely undermined by the preceding developments. But the situation changes considerably when the anti-religious propaganda spreads its influence to the less active layers of the population, not only of the villages, but also of the cities. The real knowledge which has been acquired by them is so limited and fragmentary that it can exist side by side with religious prejudices. Naked criticism of these prejudices, finding no support in personal and collective experience, produces no results. It is, therefore, necessary to make the approach from another angle and to enlarge the sphere of social experience and realistic knowledge. The means towards this end differ. Public dining halls and nurseries may give a revolutionary stimulus to the consciousness of the housewife and may quicken enormously the process of her breaking off from religion. The aviation-chemical methods of destroying locusts may play the same role in regard to the peasants. The very fact that the working man and woman participate in club life, which leads them out of the close little cage of the family flat with its ikon and image lamp, opens one of the ways to freedom from religious prejudices. And so on and so forth. The clubs can and must measure the strength of resistance to religious prejudice and find indirect ways to widen experience and knowledge. And so, instead of direct attacks by anti-religious propaganda, we use blockades, barricades, and indirect manoeuvres. In general we have just entered such a period, but that does not mean that we will not make a direct attack in the future. It is only necessary to prepare for it.

Is our attack on religion legitimate or illegitimate? It is legitimate. Has it brought any results? It has. Whom has it drawn to us? Those who by previous experience have been prepared to free themselves completely from religious prejudices. And further? There still remain those whom even the great revolutionary experience of October did not shake free from religion. And here the formal methods of anti-religious criticism, satire, caricature and the like can accomplish very little. And if one presses too strongly one may get an opposite result. One must drill the rock—it is true the rock is not very firm—block it up with dynamite sticks, use indirect attack. After a while there will be a new explosion and a new fall-off, that is, another layer of the people will be torn from the large mass. . . . The resolution of the eighth meeting of the Party tells

us that in this field we must at present pass from the explosion and the attack to a more prolonged work of undermining, first of all, by the way of the propaganda of the natural sciences.

To show how a non-frontal attack can sometimes give an entirely unexpected result, I will cite a very interesting example from the experience of the Norwegian Communist Party. As is well known, in 1923 this Party split into an opportunist majority under the direction of Tranmael, and a revolutionary minority faithful to the Communist International. I asked a comrade who lived in Norway how Tranmael succeeded in winning over the majority—of course, only temporarily. He gave me as one of the causes the religious character of the Norwegian workers and fishermen. The fisheries, as you know, have a very low standard of technique and are wholly dependent upon nature. This is the basis for prejudices and superstitions; and religion for the Norwegian fishermen, as wittily expressed by a comrade, is something like a protective suit of clothes. In Scandinavia there were members of the intelligentsia, academicians who were flirting with religion. They were, quite justly, beaten by the merciless whip of Marxism. The Norwegian opportunists have skilfully taken advantage of this in order to get the fishermen to oppose the Communist International. The fisherman, a revolutionary, deeply sympathetic with the Soviet Republic, favouring with all his soul the Communist International, said to himself: 'It comes down to this. Either I must be for the Communist International, but then without God and fish, or willy-nilly, break off.' And he did. . . . This illustrates the way in which religion cuts into the proletarian policy.

Of course, this applies in a greater degree to our own peasantry, whose traditional religious nature is closely knit with the conditions of our backward agriculture. We shall vanquish the deep-rooted religious prejudices of the peasantry only by electrification and chemicalisation of peasant agriculture. This, of course, does not mean that we must not take advantage of each separate technical improvement and of each favourable social moment in general for anti-religious propaganda, for attaining a partial break with the religious consciousness. No, all this is as obligatory as before, but we must have a correct general perspective. By simply closing the churches, as has been done in some places, and by other administrative excesses, you will not only be unable to reach any decisive success but on the contrary you will prepare the way for a stronger return of religion. If it is true that religious criticism is the basis of any other

criticism, it is also no less true that in our epoch the electrification of agriculture is the basis for the liquidation of the peasant's superstitions. I shall quote the remarkable words of Engels, until a short time ago unknown, which apply directly to the question of electrification and to the abolition of the abyss between the city and the village. The letter was written by Engels to Bernstein in the year 1883. You remember that in the year 1882 the French engineer, Deprez, found a method of transmitting electrical energy through a wire. And if I am not mistaken, at an exhibition in Munich he demonstrated the transmission of electrical energy of one or two horsepower for about 50 kilometres. It made a tremendous impression on Engels, who was extremely sensitive to any inventions in the field of natural science, technique, etc. He wrote to Bernstein: 'The newest invention of Deprez . . . frees industry from any local limitations, makes possible the use of even the most distant water power. And even if at the beginning it will be used by the cities only, ultimately it must become the most powerful lever for the abolition of the antagonism between the city and the village.'

Vladimir Ilyich (Lenin) did not know of these lines. This correspondence has appeared only recently, yet he shared this view of the great transformation electricity would make in the peasant psychology.

There are periods of different tempos in the process of abolishing religion, determined by the general conditions of culture. All our clubs must be points of observation. They must always help the party orient itself in this problem, find the moment, take the right tempo.

The complete abolition of religion will be attained only when there is a fully developed socialistic structure, that is, a technique which frees man from any degrading dependence upon nature. It can be attained only under social relationships that are free from mystery, that are thoroughly lucid and do not oppress mankind. Religion translates the chaos of nature and the chaos of social relations into the language of fantastic images. Only the abolition of the earthly chaos can end for ever its religious reflection. A conscious, reasonable, planned guidance of social life, in all its aspects, will abolish for all time any mysticism and devilry.

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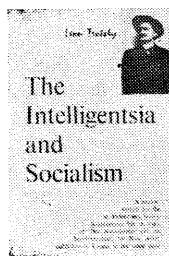
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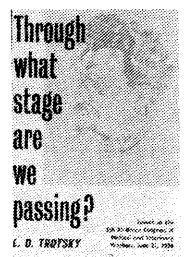
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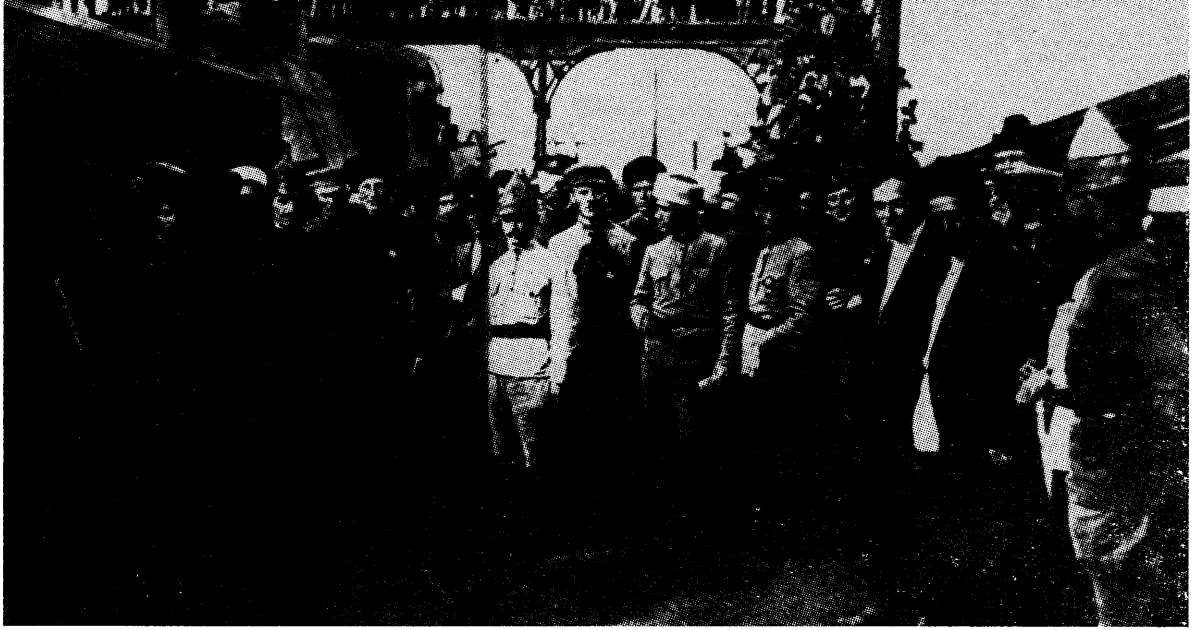
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May 1920. Red Army men and Bolsheviks at the Baku Station, Georgia. Armoured train in the background.
S. M. Kirov, G. K. Ordzhonikidze, M. Efremov, M. K. Levandovski A. I. Mikoyan

Speech at meeting to celebrate the fifth anniversary of the establishment of Soviet Georgia

FEBRUARY 25, 1926

(Translated from 'Collected Works', Vol. XXI,
pp. 405-409, Moscow, State Publishing House,
1927, by Brian Pearce)

COMRADES, allow me to offer you my fraternal greetings on this happy occasion which we are celebrating together, the fifth anniversary of the establishment of Soviet Georgia.

The history of Georgia, its revolutionary history, constitutes an extremely instructive chapter in the story of the struggle of the people of former Tsarist Russia. We Marxists can learn a great deal from the fate of the Georgian people. This anniversary celebration is not a suitable occasion for historical researches, especially as I have little right to go in for them, possessing as I do far too little knowledge of Georgian history. But even a general acquaintance with the history of the Georgian people is sufficient to disperse a number of prejudices and to establish certain truths.

First and foremost there must be dispersed that ideological prejudice according to which every people has an eternal and unchanging national character. The Georgian people are an illustration precisely of the fact that national character is something that has changed as a result of changing objective conditions. To ascertain what in the past were the features of the Georgian character, let us take our classical poetry. True, I haven't studied it specially, but it so happens that I recall some verses of Lermontov's. Now, if we take the classical characterisation of the Georgians and compare it with the mental picture of the Georgian people which we have nowadays, what do we find? Lermontov writes that 'the timorous Georgian fled', and in another place he writes of 'the sleepy Georgians'.



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There you have two definitions: sleepiness and timorousness. Timorousness and sleepiness together give an impression of something inert, lazy. That description applies to the old Georgia of the nobles with its unhurried, serf-owning way of life.

But then the years 1905 and 1917 blazed up. The events of those years show us that national character is infinitely flexible, for the character of a young people with fresh powers is re-forged in the fire of revolution in periods not of hundreds but dozens of years.

The people of Georgia came late into the arena of revolutionary struggle. For this reason their petty-bourgeois leaders could not be content with the old petty-bourgeois ideas of democracy, and we see that in the history of the Georgian revolution the leaders of Georgian democracy, though of noble or semi-noble origin, were obliged to disguise their bourgeois-cultural programmes with the ideas of Marxism.

Let us examine how they worked over, falsified and castrated Marxism so that it might temporarily fulfil a transferable function and enable the Mensheviks, the petty-bourgeois intelligentsia, to deceive themselves about their own nature and their tasks and make them for a certain time the leaders not only of the peasant masses of Georgia but also of the entire working class of central Russia.*

The Mensheviks and the Georgian intelligentsia deceived themselves with their castrated Marxism. But history has remorselessly exposed this deception. We now see to what depths the Georgian Mensheviks have sunk, what foul deeds are being perpetrated against Soviet Georgia under their leadership throughout Europe. This highly interesting phenomenon—the transformation of revolutionary ideas in accordance with which class becomes their bearer—could provide the subject for most interesting historical studies by the young Marxists of Georgia.

Deceiving others is a universal human characteristic; deceiving oneself is a characteristic common to capitalist politicians all over the world.

But we can draw yet another important lesson from the history of Georgia, the lesson that in the conditions of present-day world economy, when the globe has been transformed into an economic whole, not a single people, even though it be cast by fate upon the Caucasian Mountains, can remain hidden away from world-wide material and ideo-

logical connections.

And we see that in Georgia at a certain period very complex threads of world-wide connections crossed each other, and Georgian Menshevism found itself amid the mighty clash between the first proletarian revolution in the world and the imperialist counter-revolution, first led by the Hohenzollerns, then by the Entente.

And just at that moment when this wonderful country—wonderful by virtue of nature's gifts and for its versatile, talented, active and receptive people—just when Georgia found itself between the two millstones of the revolution and the counter-revolution, at that moment the course of events made it possible for Georgia to cut the umbilical cord that bound it to Menshevism, which had passed over to the camp of counter-revolution, and to seek a fresh orientation along the line of the proletariat and of the socialist state. The fate of Georgia, the fate of its young but already successful economic construction, is a kind of large-scale laboratory experiment which must provide the answer to the question whether the peoples of the East, the peoples of Asia, are obliged to pass through the stage of capitalism before they have the right to knock at the door of socialism.

Georgia is not a country of highly developed industry. It is a peasant country predominantly, and here, in this country, which has indissolubly linked itself with the victorious proletarian regime, we now observe, and in the next few years will observe still more, how a peasant people, bringing forth from its own midst leaders, builders, economic executives, can build socialism without passing through the inferno of capitalist relations. This is a question of gigantic historical importance.

Of course, we have all learnt in the school of Marxism that the road to socialism lies through capitalism. But this does not mean that the road to socialism *for each people* lies through capitalist development carried through to the end, i.e., to the proletarianisation of the bulk of the peasantry and petty-bourgeoisie. No, capitalism brings its fundamental work to completion at that moment, or period, when it has prepared the material and mental conditions for the proletariat, as leader of all the oppressed, to be able to take power into its hands and go forward to the organisation of the economy. From that moment the possibility of building socialism opens up for a peasant people too.

We apply this also to the Soviet Union as a whole. But in Georgia the overwhelming majority of the people consists of peasants to a much greater degree than in other parts of our Union. Just for

* Georgians—e.g., Tsereteli, Jordania, Chkheidze—were particularly prominent in the leadership of the Menshevik wing of the Russian Social-Democratic Labour Party. (Trans.)

this reason it is here that we can carry out an economic experiment which will be a most important lesson for the peoples of the East.

What Vladimir Ilyich said about electrification, which, united with Soviet power, leads on to Communism, is certain to be applied with the greatest of success in Georgia with its mountain streams, those sources of cheap power

We shall be some years, some decades, in need, for the service of the peasant parts of our Union, including Georgia, of a skilled revolutionary intelligentsia, wholly devoted to their people, drawn from generations now coming to maturity. Whereas the old intelligentsia was obliged to falsify Marxism in order thereby, at the head of the masses, to open the road for a bourgeois regime; whereas history said to that intelligentsia, 'No, you have come too late'—the new intelligentsia, the students of today, will not be compelled by history to resort to self-deception and falsification. What is the essence of the Soviet regime? That it fully reveals what social relations really exist, without any concealment or deceit. The feudal nobility, the clergy, the monarchy had need of deceit. Lies and falsifications in the form of self-deception were necessary for the democratic intelligentsia, even in the best revolutionary epoch. The genuine revolutionary socialist intelligentsia of the rising generation, which was born ideologically in the conditions of the Soviet regime, has no need of this self-deception. What it needs is complete transparency of social relations, it needs exact measuring instruments so as to know, evaluate and measure every step along the road to the new social order. That is why the new Georgian intelligentsia which supports Soviet Georgia, the new students of Georgia—especially here, in proletarian Moscow—are fully able to receive a revolutionary tempering, together

with a knowledge of a Marxism which is not falsified but that Marxism which we learnt in war and revolution and which our leader Vladimir Ilyich taught us.

We want to bring about a union of people's republics, in the formation of which there will be taken into account all the special characteristics of the different peoples, all their psychological, cultural and other peculiarities, and in which such financial and material conditions of existence will be created that there will be neither oppressed nor wretched. But in such a structure the North will, of course, be distinguished from the South, and the East from the West.

I think that within ten years—at the celebration of a fifth anniversary we have the right to be optimistic—Georgia, Soviet Georgia, will have built up its economy and will be a jewel of our Soviet land.

Comrades, the bourgeoisie of the world also possess some places of wonderful natural beauty, such as Monaco, but they were befouled and besmeared by the privileged aristocracy of the world. Georgia, by its natural endowment, by the beauty and gifts of its people, has every ground for becoming a splendid jewel for the workers, for the peasants, when they cease to be workers and peasants, when all our life has become splendid. And we can with complete confidence affirm that the sacrifices which Georgia has suffered, which its workers, peasants and intelligentsia have made, that these sacrifices were not made in vain; not in vain was shed the blood that has soaked the entire soil of Georgia. This soil will give a splendid harvest. We offer to-day our fraternal greetings to the workers and peasants of fraternal Georgia! (Applause, followed by the singing of the *International*.)

Trotskyism in the United States

THE United States of America is not only the main centre of the power of world capitalism. It is also the most vital sector of the world proletarian revolution for the overthrow of the capitalist system. For this reason, no international revolutionary movement is worthy of the name if it does not accept the responsibility of seeking every possible path to assist in the building of a revolutionary party in the very citadel of world imperialism.

The reconstruction of the Fourth International cannot be successful without an advance on these lines inside the United States. It is in the context of the preparation of the International conference of the International Committee of the Fourth International that this step forward can be consciously prepared.

Those who go on impressions and moods, the professional opportunists and centrists, can always be relied upon to leave out of their political calculations one overwhelming factor in the world situation: *the American working class*.

Blinded by the mighty wealth of American capital, its military power and its ability to corrupt politicians on an international scale, these reformists see the American workers as an inert and passive mass, victims of all the illusions of the American way of life, including anti-Communism and racialism. They mistake the appearance, where everything is dominated by bourgeois ideology, relayed to the working class by its treacherous leaders as well as by the capitalist institutions themselves, for the fundamental process of production and class struggle.

The American worker is inevitably driven to the sharpest class struggle. At the point of production, he experiences the consequences of unprecedented changes in the forces of production. Capitalism has been able to introduce automation

on only a very small scale, but already, in conditions of high boom, this limited application has brought back the phenomenon of the capitalist 'reserve army of unemployed' on a new and expanding scale.

This introduction of automation into an un-planned economy is producing the most violent social struggles, especially as it coincides with the historical legacy of one of the main preconditions of American capitalist wealth, the super-exploited Negro population, America's 'internal colony'.

The actual content of the insurrection in Los Angeles, the riots in Chicago, the self-arming of Negro workers throughout the United States, is the incompatibility of American capitalist social relations with the new productive forces. The impact of the Vietnam war, which U.S. business finds so necessary to maintain a high level of government spending, as well as to assert its leading international role on behalf of capitalism, is thrusting hundreds of thousands of young American workers and students into struggle against the system, a struggle which they will very soon learn in experience is the same as that of the Negroes.

All the struggles of the colonial peoples, in which the blood of millions has been shed since the Second World War, and the struggles of the workers in Russia and Eastern Europe against the bureaucracy, which came to a head in 1956, and are now surging forward once more, has as a precondition of success the coming forward of a revolutionary leadership for the workers thrown into struggle in the advanced capitalist countries. This has always been the standpoint of Trotskyism: it is possible, as in Russia, for the workers and peasants of a backward country to overthrow the native capitalist state, but for the victory of *socialism* in these countries the struggle must go forward to success in the main centres of advanced capitalism.

For this reason, Trotsky paid particular attention to the class struggle in the United States, and not at all only because his years of exile ended near the borders of that country. Trotsky was in essence the real founder of the Socialist Workers' Party of the USA.

But there will be no successful building of a revolutionary party in the USA unless it is based upon a full appreciation of the consequences of the revisionism and capitulation to the class

enemy of the party founded by Trotsky. The SWP has, in recent years (though the roots of the process are much farther back*) *abandoned the internationalist positions* of Trotskyism. Internationalist politics in our epoch are the politics of the working class. All other classes have particular stakes in the 'national interest' and are unable to carry out a consistent internationalist line. Insofar as the working class has become affected by this national opportunism, it has been the result of the creation of a specially privileged minority of the class on the basis of colonial super-profits. The revisionists, those who abandon the construction of the revolutionary party of the working class, are representatives of these alien class influences.

The SWP has arrived at a position where its political line is determined, not by the class struggle and the need of the working class for a strategy, but by estimations of the movements of middle-class national political trends. Insofar as the workers are considered at all, it is as some sort of 'pressure group' to give weight to one or other of these surface tendencies in the 'radical milieu' inhabited by middle-class reformers.

When Kennedy was assassinated, there is not the slightest doubt that here was an event absolutely indicative of the Watts rebellion in Los Angeles. It should have sharpened the class perspectives of all Marxist revolutionaries. What was the response of the SWP? Its General Secretary, Farrell Dobbs, sent a telegram to the widow of this millionaire President, expressing the condolences of the Party!

At that time there was drawing to a close another phase of SWP activity which in its own way proved just as fatally the degeneration of the SWP. The members of the Party had their attention turned almost exclusively not to the explosive changes in American society, which were given peculiar expression in the Kennedy assassination, but to the revolution in Cuba.

Solidarity with the revolutionary people of Cuba was certainly an outstanding task of revolutionaries in the United States, but the SWP leadership made *sympathy* for the Cuban revolution the be-all and end-all of party activity. The 'Fair Play for Cuba Committees' in which they enthusiastically participated fell around their ears once the heat was turned on by the U.S. government. As always, peace movements not based on the preparation for working-class

power capitulated to the enemy once the first shot was fired.

Earlier the SWP had failed miserably in its attempt to 'regroup' the left after the crisis of Stalinism in 1956. Here again there was an attempt at compromise, an attempt to trim principles in order to attract those moving away from Stalinism. Thus it was in this period that Hansen and others first publicly made concessions to the idea that the Stalinist bureaucracy might reform out of existence the negative features of Soviet society.

Eventually, in 1963, the SWP leaders acknowledged the source of the degeneration of their politics by supporting the so-called reunification with the Pabloite 'United Secretariat of the Fourth International', from which they had broken in 1953, on the grounds of its capitulation to Stalinism. This 'reunification' was made the excuse for suppression of principled discussion of the previous split. Those who demanded discussion on this, and later on the consequences of it in the Ceylon betrayal of N.M. Perera, were summarily expelled from the Party.

The recent Convention of the SWP confirmed all these developments, virtually liquidating the political line of the Party in the 'broad' anti-war movement. The Party's newspaper reports the Convention's call on this question without a trace of analysis of the specific line and struggle of the revolutionary party, to build the movement which will take power from the capitalists as the only answer to war. Outside of this, 'internationalism' is only a series of pious references to the identity of the struggle all over the world, which is exactly what Joseph Hansen provided.

It was fitting that alongside these political conclusions went the refusal of any right of appeal to the revolutionary minorities expelled from the SWP since its last Convention. By a small majority, these rights, never revoked in the history of the Trotskyist movement, were refused to those ex-members at present working in two groups, the American Committee for the Fourth International and the 'Spartacist' group.

The above account should make it perfectly clear that the sources of the present position of the SWP are political and *international*. Not only have the steps in degeneration been intimately linked with the struggles against revisionism inside the international Trotskyist movement; the political ideas at the base of the degeneration are part of an *international tendency* in the movement, the tendency of Pabloite revisionism and liquidationism.

* See *Fourth International*, Summer 1965.

If this is clearly understood, then the pre-conditions for a struggle to build a genuine Trotskyist party can quickly be grasped. From this point of view, the personal evolution of this or that individual in the SWP leadership, the special combinations and cliques in the leadership, etc., are seen to be purely incidental to the main point.

The recent Convention of the SWP must be analysed from this internationalist viewpoint, otherwise there will be nothing but disorientation and confusion, and no possibility of potentially revolutionary elements in the SWP being attracted to the politics of the International Committee.

This raises the question of the responsibility of revolutionary Marxists in the United States. Not only the American Committee for the Fourth International, but also the 'Spartacist' group, has expressed agreement with the main lines of the International Committee's draft resolution for the 1966 international conference. What is now necessary is the working out of a revolutionary perspective for the struggle of the American working class.

With such a perspective, American Trotskyists will be able to carry forward the work of Trotsky in developing Marxism in an everyday connection with the living movement. Only in this way can a successful battle be waged against the pragmatism which permeates every aspect of American philosophy and politics. On this basis, as the International Committee has rightly insisted, unification of all those who accept our international perspectives is essential.

The bedrock of this unity must be, we insist once more, the recognition of the international roots of the SWP's political degeneration. It is *in no way* a question of counting heads, but of insisting on Trotskyist principles as our starting-point. Only in this way will American Marxists uphold the traditions of the revolutionary movement.

With this as starting base, a correct attitude to the current crisis in the Socialist Workers' Party is necessary and can be worked out. It is dangerous in the extreme to ignore the potential

of the youth recruited in the recent period to the SWP. They are not simply errand boys and voting fodder for the Dobbs-Kerry leadership.

What is happening is something more profound, and if this is not grasped, or is obscured by one-sided commentaries which concentrate on the line-up of internal party groups, then American Trotskyists will be hopelessly left behind by events.

In the ironical sense which history so often gives to such processes, it is inevitable that the most profound degeneration of the SWP coincides with the most agitated ferment among American youth. This ferment will develop at a very rapid rate, and will bring to a head very quickly the contradiction between the degeneration of the SWP and the objective needs of the American working class. The latter contradiction is only the manifestation of the sharpened *international* crisis of centrism and revisionism, in face of the working-class offensive.

The first responsibility of those in the United States who adhere to the positions of the International Committee will be to ensure the political clarification of these young workers and students who have joined the SWP. Without tackling this necessary political task, it will not be possible to fully prepare for the tasks in the trade unions and the Negro movement.

Here again, this clarification will require a correct international starting point. It will not be possible for them to understand and change the situation in the SWP without this internationalist perspective.

These remarks on the SWP illustrate a general truth which must be burned into the consciousness of every American Marxist: nothing will be solved in the USA without a recognition of the international source of the internal political problems of the USA and of the Trotskyist movement in that country. We are confident that Marxists in America will be able to unite their forces in the common struggle with us to rebuild the international revolutionary movement.

Central Committee of the
Socialist Labour League
9/10/65.

INTERNATIONAL COMMITTEE OF THE FOURTH INTERNATIONAL

Statement on Vietnam

THE International Committee of the Fourth International salutes the workers and peasants of Vietnam in their struggle to expel the U.S. imperialist forces from Vietnam, and calls upon all its sections to campaign for working-class action in every country against the imperialists.

This imperialist war of extermination has developed step by step with the deepening crisis of the capitalist system. There is an inevitable tendency towards war as a solution for capitalism's economic difficulties.

The current development of the crisis now involves the physical wiping out of whole sections of the world's population in the colonial and semi-colonial countries.

Since the bombing of North Vietnam began in early 1965, this economic, political and military crisis has broken out in the India-Pakistan conflict, in the withdrawal of Singapore from Malaysia, and in the political overturn in Indonesia.

It is no longer a question of stopping the bombing in Vietnam, nor even only of the ending of the Vietnam war through defeat of the capitalist forces; South-East Asia now represents an enormous testing-ground for the continuance of the very existence of imperialism.

Only the international action of the working class, mobilised by Marxist parties

fighting for the reconstruction of the Fourth International, can defeat the ruling classes of the imperialist countries and abolish the threat of war.

The danger of a world war has been increased because of the role of the Soviet bureaucracy, international Stalinism, and the official working-class leaderships all over the world.

In Britain, the social-democratic leaders of the Labour Party have provided the main support for U.S. imperialism in the Vietnam war, in Malaysia, and in India.

The Labour Party Conference rejected by a large majority even a resolution against the bombing of North Vietnam and for negotiations with the National Liberation Front.

The Communist Party in Britain has liquidated itself on this question into an utterly ineffective pacifist protest movement.

In France, the Stalinists have equally capitulated to the imperialists, calling for 'pressure' to help de Gaulle develop his 'policy of peace and neutralism in South Vietnam' (*L'Humanité*).

This policy of preventing the working class from carrying out any independent action against imperialist war is indissolubly linked with the role of the Stalinists and the reformists in disciplining the working class through capitalist state domination over the trade unions.

In France the Stalinists and social-democrats have

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The fight to build Marxist revolutionary parties, capable of leading the working class to power, can be won only through the defeat of these traditional leaderships.

Pacifism has always been an instrument of the ruling class, especially in conditions of war or the imminence of war.

In the imperialist epoch of continuous wars and revolutions, pacifism has become increasingly and openly bankrupt. Its complete failure in the situation resulting from the Vietnam war, despite the existence of great feeling and capacity for action in many countries, particularly the United States and Britain, is to be explained precisely by the very depth of imperialism's crisis, which lies behind the war.

Just because the conflict in South-East Asia and its international implications involve a threat to the very existence of capitalism, and are not simply an occasion for 'humanist' protest; the pacifists, now sustained above all by the Stalinists, play the role of holding back the struggle against imperialist war.

INTERNATIONAL COMMITTEE OF THE FOURTH INTERNATIONAL

Statement on Vietnam

THE International Committee of the Fourth International salutes the workers and peasants of Vietnam in their struggle to expel the U.S. imperialist forces from Vietnam, and calls upon all its sections to campaign for working-class action in every country against the imperialists.

This imperialist war of extermination has developed step by step with the deepening crisis of the capitalist system. There is an inevitable tendency towards war as a solution for capitalism's economic difficulties.

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The consequence of the peaceful co-existence strategy of the Stalinists is thus a complete identification with the counter-revolutionary activities of the pacifists, and an endangering of the conquests of the Russian and Chinese Revolutions in world war.

Only the programme of the Fourth International has given the working class the perspective of resolving its crisis of leadership, as the key to resolving the crisis of humanity, expressed as it is

in the constant tendency of the capitalist system to threaten, if it survives, the very existence of human life, through war, starvation, and economic chaos.

In every country Trotskyists, in the struggle to reconstruct the Fourth International, preparing for the international conference of the International Committee in 1966, will organise 100 per cent support for the liberation struggle of the Vietnamese people.

They will oppose the class-

collaboration policies of the Stalinists and reformists.

Every blow struck against the imperialists in their own countries is a blow in favour of the Vietcong against the U.S. imperialist armies.

It is in the course of such struggles that parties of the Fourth International will be built, parties capable of leading the workers to final victory over the imperialists.

International Committee of
the Fourth International
3.10.65

Ceylon

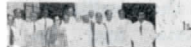
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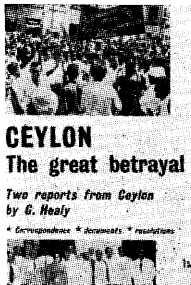
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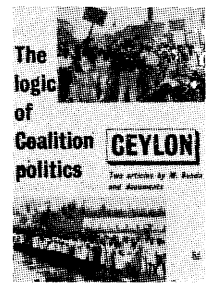
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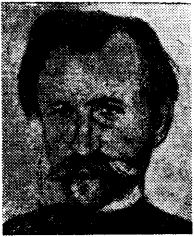


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Books

The New Economics

by



**EUGENE
PREOBRAZHENSKY**

Translated by
BRIAN PEARCE
with an introduction
by
ALEC NOVE

OXFORD UNIVERSITY PRESS

310 pp.

55/-

THIS book was written in 1926 by Eugene Preobrazhensky, a founder member of the Bolshevik Party, as a contribution to the discussion of the problems raised by the socialist industrialisation of a backward, largely agrarian, country. Partly because of this work the author was labelled 'Trotskyist' and was later shot in the Great Purge of 1937. *The New Economics* was written as a blow against the Stalin-Bukharin position, which had declared for the policy of 'Socialism in One Country'. At this time, Stalin (along with Bukharin) was urging a conservative policy in relation to the peasantry and for the retention of the New Economic Policy. In 1926 Preobrazhensky argued that it was impossible for the small industrial sector to provide the means, within itself, for industrialisation and that it would be necessary to secure from the peasantry, by means of a regulated price structure, resources to assist in this process.

By 1928 Stalin's policy had changed radically. In response to international defeats (in China and the General Strike in Britain), and alarmed at the growing threat presented by the richer layers of the peasantry who were continuing to prosper under NEP, Stalin's policy, domestically and abroad, took a sharp turn to the left. Stalin now advocated and carried through an onslaught against the richer peasantry along with a programme of break-neck industrialisation. From 1929 Stalin forced millions of peasants into the collective farms, and by a system of forced deliveries and fixed prices wrung an enormous surplus from the peasants with which to carry through the programme of heavy industrialisation. As a result, the USSR was brought near to internal collapse with the death of millions of peasants and the slaughter of even more animals.

In superficial terms, Stalin appeared to adopt the programme of industrialisation which had been advocated from 1924-25 by Trotsky and his followers. Many of Trotsky's erstwhile followers, im-

pressed by this turn of Stalin's, broke from the Left Opposition and declared support for Stalin. Preobrazhensky was among them, being re-admitted to the Party in 1929 to be expelled once more and later again re-admitted.

The reason for his capitulation to Stalin's apparent change in policy can be seen from *The New Economics*. It was essentially a question of how the USSR was analysed. Certainly, in his book Preobrazhensky was 'correct' as against his opponents, notably Bukharin. Preobrazhensky argues for a policy of moderate industrialisation to build up the Soviet economy, as against Bukharin, who, as Nove notes in his rather superficial introduction, was prepared to 'ride into socialism on a peasant nag'. Bukharin represented an open capitulationist tendency within the Soviet bureaucracy that was willing, through adaptation to the rich peasants, to see a return to capitalist property relations in the USSR. Even in 1928-29, when the failure to take any action against the peasantry was becoming more and more dangerous, Bukharin still argued for the retention of NEP.

Especially in his chapter on the methodology of political economy are Preobrazhensky's weaknesses most clearly revealed. In discussing Marx's method in *Capital* at the beginning of this chapter he appears to display a 'positivist', 'sociological' method rather than the method of dialectical materialism. Thus, although he formally mentions the importance of Marx's dialectical method, when he actually comes to deal with this method he does so by separating out the 'dialectic' from what he calls Marx's 'sociological method'. Thus he makes a number of points about 'model-building', the use of abstraction and the levels of abstraction employed by Marx; this seems to have more in common with the so-called 'scientific method' than with dialectical materialism. The important questions are the *source* of Marx's categories for *Capital* and precisely *how* he concretises them as the work develops. Neither of these questions can be satisfactorily answered from the standpoint of the

conventional positivist method. As Lenin stressed in his studies of the development of capitalism in Russia and the position of agriculture, unless there is a conscious struggle to develop the Marxist method in social investigation then there will be an implicit acceptance of the categories produced by bourgeois property relationships.

It is interesting, in reading the Preface to the Second Edition, to note that, although Bukharin and Preobrazhensky adopt virtually diametrically opposed positions in relation to industrialisation, they appear—from the evidence available here—to adopt basically the same method in arriving at their conclusions. Neither, that is to say, takes as his starting point a consideration of the place of the Soviet economy as part of *world economy*. Thus, although Preobrazhensky makes a few passing references to the importance of the world economic relations of the Soviet economy, these are introduced very much as an addition to the main analysis, in much the same way as he deals

with dialectics in relation to Marx's method in *Capital*. Certainly Bukharin's opposition to dialectics is well known; Lenin continually pointed this out and warned against Bukharin's tendency towards eclecticism. Antonio Gramsci also made similar methodological criticisms of Bukharin.

Thus, even though Preobrazhensky took up what was formally a correct position at the time he wrote this work as opposed to Stalin, it was on the evidence of this work a largely *empirical* opposition. He tried to show that industrialisation was possible in the USSR when Stalin was adopting an ultra-conservative policy in relation to agriculture. When Stalin swung to the left in 1928-29 many of his opponents thought that he had adopted their programme. But, as Trotsky pointed out at the time and later, Stalin's swing was *itself* an empirical change in response to the pressures of imperialism and in no way represented a 'conversion' to the policy of the Left Opposition. Trotsky realised that the fight with Stalinism

was not one on immediate programme alone, but a theoretical fight between those who saw the international implications of 1917 and those who wished to attempt to put a brake upon the world process of revolution and construct 'Socialism in One Country'.

Despite what may be considered its weaknesses this is a book of fundamental importance for all those interested in the development of the Soviet economy. It was amongst the first thorough attempts to tackle the problems for political economy raised by the revolution of 1917. At the same time it is one of the most important contributions to the struggle in the Bolshevik Party and the Communist International, a fight with world-historical significance for today.

Brian Pearce's translation, as always, renders the meaning of the text extremely clearly for the English reader. It is to be hoped that this welcome beginning in the translation of Preobrazhensky's works can be continued.

G.P.



Where Is Britain Going? By Leon Trotsky

Most timely reading for British socialists, this book places the development of British politics in correct historic perspective. Here Trotsky, writing on the eve of the General Strike of 1926, employs his great revolutionary experience to analyse and explain the ideological and moral concepts of the ruling classes and their servants in the Labour bureaucracy.

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The New Course By Leon Trotsky

A collection of articles written in 1923 during the lull before the great storm of persecution which was later to overwhelm Russian Bolshevism. Here Trotsky, analyses the incipient stages of the degeneration of the Communist Party, uncovers its causes and proposes measures for combating its further decline. He here analyses the party in a historical, that is dialectical way, the relationships between generations, social strata, groups, factional formations, tradition and the multitude of factors that go to make a revolutionary party. 111 pages, 3/6

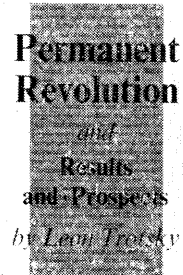


This document is a landmark in the development of 20th century Marxism. It sums up the experience of an entire period of struggle against the Soviet bureaucracy. This Platform also represents the highest point in the fortunes of the Joint Opposition (Trotskyist-Zinovievite) to Stalin. It is the programme of the last of the Bolshevik-Leninists who insisted that they remained communists despite all the persecution, jailings, violence and slander inflicted on them. But this document also represents a watershed—the end of one phase and the beginning of another—in the evolution of Trotskyist politics. 112 pages, 5/-

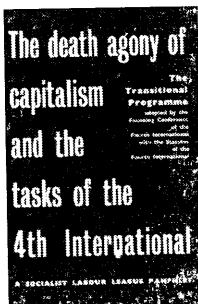
The Draft Programme of the Communist International by Leon Trotsky

This is part of the author's criticism of the draft programme submitted by the Executive Committee of the Third (Communist) International to the 6th Congress of the Comintern which was held in July 1928. The manuscript of that criticism was written by Trotsky during his exile in Alma-Ata (Central Asia). It was sent to the Congress in Moscow together with an appeal for reinstatement into the party from which he had been expelled a few months before by the Stalinist faction in 1927. Stalin and his supporters had invented the theory of 'Socialism in one country', which was made party policy in 1925 and converted into an article of faith to be defended by the world institutions of Stalinism. It is this theory which Trotsky criticises in these pages. 64 pages, 1/-

This is a polemic against Radek in 1928. Trotsky examines the arguments against his pre-war theory of the permanent revolution (as expounded in *Results and Prospects*) and takes up the history of his differences with Lenin before 1917, of which Stalin and his henchmen made so much. Trotsky shows that it was Lenin's criticisms of his attitude to the centralised Marxist party, which he afterwards understood and accepted, that kept them apart, and not their differences on the permanent revolution.



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This is the basic programmatic document of the world movement founded by Leon Trotsky and his comrades. By 1938 the revolutionary Marxists had found it necessary to lay the foundations of the *Fourth* International in order to restore working-class leadership after the defeats prepared by the Stalinist bureaucracy in control of the Third (Communist) International. The defeat of the German Revolution in 1923, of the British General Strike in 1926, and of the Chinese Revolution in 1927, followed by Hitler's victory over the German working class in 1933, finally ruled out the perspective of transforming the Communist International by internal opposition. 60 pages, 1/-

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