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What was the USSR?

Towards a Theory of the Deformation of Value under State Capitalism



From
Aufheben

[16] *Grundrisse*, pp. 196-197, Penguin edition.

[17] For this reason we cannot agree with Neal Fernandez's assertion that 'blat' was itself a form of capitalist money. While an individual could be said to have 'more' or 'less' 'blat', it is not quantifiable and calculable in the discrete units necessary for it to play the role of money. Other attributes it lacks include universality and transferability. 'Blat' cannot play the impersonal dominating role which money as a 'real abstraction' is able to do. However, Fernandez has drawn attention to the role of this phenomenon, which expressed the constrained role of money in the USSR, part of the deformation of value. Blat played the role it did because proper money did not fully function.

[18] Of course, such reproduction may involve other social relations like those around gender, age and so on.

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What was the USSR?
Towards a Theory of the Deformation of Value
under State Capitalism Part I[1]

Introduction

The question of Russia once more

In August 1991 the last desperate attempt was made to salvage the old Soviet Union. Gorbachev, the great reformer and architect of both Glasnost and Perestroika, was deposed as President of the USSR and replaced by an eight man junta in an almost bloodless coup. Yet, within sixty hours this coup had crumbled in the face of the opposition led by Boris Yeltsin, backed by all the major Western powers. Yeltsin's triumph not only hastened the disintegration of the USSR but also confirmed the USA as the final victor in the Cold War that had for forty years served as the matrix of world politics.

Six years later all this now seems long past. Under the New World (dis)Order in which the USA remains as the sole superpower, the USSR and the Cold War seem little more than history. But the collapse of the USSR did not simply reshape the 'politics of the world' - it has had fundamental repercussions in the 'world of politics', repercussions that are far from being resolved.

Ever since the Russian Revolution in 1917, all points along the political spectrum have had to define themselves in terms of the USSR, and in doing so they have necessarily had to define what the USSR was. This has been particularly true for those on the 'left' who have sought in some way to challenge capitalism. In so far as the USSR was able to present itself as 'an actually existing socialist system', as a viable alternative to the 'market capitalism of the West', it came to define what socialism was.

Even 'democratic socialists' in the West, such as those on the left of the Labour Party in Britain, who rejected the 'totalitarian' methods of the Lenin and the Bolsheviks, and who sought a parliamentary road to socialism, still took from the Russian model nationalization and centralized planning of the commanding heights of the economy as their touchstone of socialism. The question as to what extent the USSR was socialist, and as such was moving towards a communist society, was an issue that has dominated and defined socialist and communist thinking for more than three generations.

It is hardly surprising then that the fall of the USSR has thrown the left and beyond into a serious crisis. While the USSR existed in opposition - however false - to free market capitalism, and while social democracy in the West continued to advance, it was possible to assume that history was on the side of socialism. The ideals of socialism and communism were those of progress. With the collapse of the USSR such assumptions have been turned on their head. With the victory of 'free market capitalism' socialism is now presented as anachronistic, the notion of centralized planning of huge nationalized industries is confined to an age of dinosaurs, along with organized working class struggle. Now it is the market and liberal democracy that claim to be the future, socialism and communism are deemed dead and gone.

With this ideological onslaught of neo-liberalism that has followed the collapse of the USSR, the careerists in the old social democratic and Communist Parties have dropped all

vestiges old socialism as they lurch to the right. With the Blairite New Labour in Britain, the Clintonite new Democrats in the USA and the renamed Communist Parties in Europe, all they have left is to openly proclaim themselves as the 'new and improved' caring managers of capitalism, fully embracing the ideals of the market and modern management methods.

Of course, for the would-be revolutionaries who had grown up since the 1960s, with the exception of course of the various Trotskyist sects, the notion that the USSR was in anyway progressive, let alone socialist or communist, had for a long time seemed ludicrous. The purges and show trials of the 1930s, the crushing of the workers' uprisings in East Germany in 1953 and in Hungary in 1956, the refusal to accept even the limited liberal reforms in Czechoslovakia in 1968 and the continued repression of workers' struggles in Russia itself, had long led many on the 'revolutionary left' to the conclusion that whatever the USSR was it was not socialist. Even the contention that, for all its monstrous distortions, the USSR was progressive insofar as it still developed the productive forces became patently absurd as the economic stagnation and waste of the Brezhnev era became increasingly apparent during the 1970s.

For those ultra-leftists^[2] and anarchists who had long since rejected the USSR as in anyway a model for socialism or communism, and who as a result had come to reassert the original communist demands for the complete abolition of wage labour and commodity exchange, it has long since become self-evident that the USSR was simply another form of capitalism. As such, for both anarchists and ultra-leftists the notion that the USSR was state capitalist has come as an easy one - too easy perhaps.

If it was simply a question of ideas it could have been expected that the final collapse of the USSR would have provided an excellent opportunity to clear away all the old illusions in Leninism and social democracy that had weighed like a nightmare on generations of socialists and working class militants. Of course this has not been the case, and if anything the reverse may be true. The collapse of the USSR has come at a time when the working class has been on the defensive and when the hopes of radically overthrowing capitalism have seemed more remote than ever. If anything, as insecurity grows with the increasing deregulation of market forces, and as the old social democratic parties move to the right, it would seem if anything that the conditions are being laid for a revival of 'old style socialism'.

Indeed, freed from having to defend the indefensible, old Stalinists are taking new heart and can now make common cause with the more critical supporters of the old Soviet Union. This revivalism of the old left, with the Socialist Labour Party in Britain as the most recent example, can claim to be making just as much headway as any real communist or anarchist movement.

The crisis of the left that followed the collapse of the USSR has not escaped communists or anarchists. In the past it was sufficient for these tendencies to define their radical separation with much of the 'left' by denouncing the Soviet Union as state capitalist and denying the existence of any actually existing socialist country. This is no longer sufficient, if it ever was. As we shall show, many Trotskyists, for example, now feel vindicated by the 'restoration of capitalism' in Russia. Others, like Ticktin, have developed a more sophisticated analysis of the nature of the old USSR, and what caused its eventual collapse, which has seriously challenged the standard theories of the USSR as being state capitalist.

While some anarchists and ultra-leftists are content to repeat the old dogmas concerning the USSR, most find the question boring; a question they believe has long since been settled. Instead they seek to reassert their radicality in the practical activism of prisoner support groups ('the left never supports it prisoners does it').^[3] or in the theoretical pseudo-radicality of primitivism. For us, however, the question of what the USSR was is perhaps more important than ever. For so long the USSR was presented, both by socialists and

'profit' attracts *neither* capital *nor* the individual agents of capital." However, as she points out, even in classical capitalism, "the individual agent of capital has at no time realised directly the surplus value extracted in his particular factory. He has participated in the distribution of national surplus value, to the extent that his individual capital was able to exert pressure on this aggregate capital. This pressure in Russia is exerted, not through competition, but state planning." (Dunayevskaya, 'The Nature of the Russian Economy' in *The Marxist-Humanist Theory of State-Capitalism* (Chicago: News & Letters, 1992)). However, despite this recognition that in terms of 'profit' one had to see through the discourse of the Russian economists to the reality, she took their admission in 1943 that the 'law of value' did operate in the USSR at face value as, *for her*, an admission that it was state capitalist. She thus saw no reason to take theoretical analysis of the situation any further.

^[6] Of course, the USSR was having a different kind of crisis based on difficulties, in the absence of unemployment, in imposing labour-discipline which led to more and more use of terror against both the working class and even managers. See the Ticktin-influenced history of this period by D. Filtzer, *Soviet Workers and Stalinist Industrialisation: The Formation of the Modern System of Soviet Production Relations 1928-1941* (London: Pluto, 1986).

^[7] At the height of tripartite corporatism in the 1960s attempts were made by governments in Western Europe to co-ordinate investment plans of the major companies that dominated the national economy along with state investments and wage demands in order to maximise capital accumulation, This was known as indicative planning.

^[8] One possible exception is Chattopadhyay's *The Marxian Concept of Capital and the Soviet Experience* (Westport CT: Praeger, 1994). In his analysis the specific capitalist development in the USSR (which he does not label state capitalist) was unable to effectively make the shift from extensive accumulation based on absolute surplus value to intensive accumulation based on relative surplus value and the real subordination of labour. To expand, it thus relied on drawing ever more workers and raw materials into production on the existing basis; it could not make the shift to the constant revolutionising of the relations and forces of production that intensive accumulation demanded.

^[9] An important issue for previous theories has been whether the USSR should be seen as 'state capitalist' or, as with Bordiga for example, simply as 'capitalist'. We shall argue below for a reconsideration of the meaning of 'state capitalism' that makes this issue redundant.

^[10] In the case of the NICs, this success has been relative. As recently seen with the Asian crisis, their development is still subsidiary to that of the more advanced capitalist countries.

^[11] Penguin edition, p. 84.

^[12] Geoffrey Kay, *Development and Underdevelopment: A Marxist Analysis* (London: Macmillan, 1975), p. 99.

^[13] G. Kay, op. cit., p. 100.

^[14] G. Kay, op. cit., p. 103.

^[15] One of the most striking features of capitalist society is the prevalence of atomization. Of course this atomization of society arises directly from the predominance of the commodity-form and the reification of social relations that this gives rise to. As Ticktin notes, such atomization was characteristic of the USSR. However, because he denies the existence of the commodity-form in the USSR Ticktin has to go through all sorts of contortions to explain it.

for the persistence of the distinctly non-capitalist features of the USSR and led to the ultimate decline and disintegration of the USSR.

As we saw in the last issue in relation to the war in Kosovo the question of Russia remains an important one on the geo-political stage. The economic and political problems of breaking up and reintegrating the Eastern bloc in to the global structure of capitalism is one that has yet to find a solution, and this is particularly true of Russia itself.

The forced development of productive-capital for over half a century has left Russia with an economy based on huge monopolies unable to compete on the world market. At the same time the insistence by the ideologists of Western capitalism that all that Russia needed was deregulation and liberalisation has simply given rise to the emergence of money-capital in its most parasitical and predatory form. As a consequence, Russia re-subordination to the dictates of the international law of value has left it with one part of its economy reverting back to barter while the other is dominated by a mafia-capitalism that is blocking any further economic development. Hence, despite all the efforts of the USA and the IMF Russia still remains mired in its transition to capitalism.

Notes for Part IV

[1] Our introduction to the second article in [Aufheben 7](#) was a response to the second group.

[2] The ICC for example, complained that in our treatment of the Italian Left we fail to mention the contribution of the particular branch with which they identify, namely the Left Communists of France who refused to join the International Communist Party formed by 'Bordigists' in Italy in 1943. As it happens we have read the article they refer to - 'The Russian Experience: Private Property and Collective Property' (in *Internationalisme*, 10, 1946, reprinted in *International Review*, 61, 1990) and do consider it quite good. Its insight that the *form* of ownership may change, but the *content* - past labour dominating living labour - remains is a basic one shared with many other theories of state capitalism. But it is only a starting point. Unfortunately we see no sign that the ICC has managed to advance from this sound beginning. In a way the article in question points back to the theoretical rigour and openness of Bilan (Italian Left group in the '30s) rather than forwards towards the present sclerotic organisation which claims this heritage.

[3] *Capitalism and Class Struggle in the USSR: A Marxist Theory* by Neal Fernandez (Aldershot: Ashgate, 1997). We have found this book useful for its comprehensive overview of the debate; its treatment of the strengths and weaknesses of the different theories; and its identification of the key problems that must be faced by a theory of the USSR grounded in Marx's critique of political economy. When it comes to the author's own 'new theory of bureaucratic capitalism', however, we are not convinced - we touch on this in footnote 16 below.

[4] Indeed, when the foremost council-communist theorist, Paul Mattick, looked at the issue of value, his traditional Marxist assumptions along with his theoretical integrity led him actually to undermine the German Left's theory of state capitalism by accepting that value did not really exist in the USSR.

[5] One state capitalist theory that accepted that 'profit' as it appeared on the surface of Soviet society was not profit in a Marxian sense was that developed by Raya Dunayevskaya. In pioneering work in the late 1930s early '40s, she undertook a functional analysis of the cycle of capital accumulation as it actually took place in the USSR. She saw that the role of the 'turnover tax' on consumer goods gave an entirely 'fictitious profit' to light industries, but this was "merely the medium through which the state, not the industry siphons off anything 'extra' it gave the worker by means of wages." And this is "why this

those opposed to socialism, as the only feasible alternative to capitalism. For the vast majority of people the failure and collapse of the USSR has meant the failure of any realistic socialist alternative to capitalism. The only alternatives appear to be different shades of 'free market' capitalism. Yet it is no good simply denouncing the USSR as having been a form of state capitalism on the basis that capitalism is any form of society we don't like! To transform society we not only have to understand what it is, we also have to understand how past attempts to transform it failed.

Outline

In this issue and the next one we shall explore the inadequacies of various versions of the theory that the USSR was a form of state capitalism; firstly when compared with the standard Trotskyist theory of the Soviet Union as a degenerated workers' state, and secondly, and perhaps more tellingly, in the light of the analysis of the USSR put forward by Ticktin which purports to go beyond both state capitalist and degenerated workers' state conceptions of the nature of the Soviet Union.

To begin with we shall examine Trotsky's theory of the USSR as a degenerated workers' state, which, at least in Britain, has served as the standard critical analysis of the nature of the Soviet Union since the 1930s. Then we shall see how Tony Cliff, having borrowed the conception of the USSR as state capitalist from the left communists in the 1940s, developed his own version of the theory of the USSR as a form of state capitalism which, while radically revising the Trotskyist orthodoxy with regard to Russia, sought to remain faithful to Trotsky's broader theoretical conceptions. As we shall see, and as is well recognized, although through the propaganda work of the SWP and its sister organizations world wide Cliff's version of the state capitalist theory is perhaps the most well known, it is also one of the weakest. Indeed, as we shall observe, Cliff's theory has often been used by orthodox Trotskyists as a straw man with which to refute all state capitalist theories and sustain their own conception of the USSR as a degenerated workers' state.

In contrast to Cliff's theory we shall, in the next issue, consider other perhaps less well known versions of the theory of the USSR as state capitalist that have been put forward by left communists and other more recent writers. This will then allow us to consider Ticktin's analysis of USSR and its claim to go beyond both the theory of the USSR as state capitalist and the theory of the USSR as a degenerated workers' state.

Having explored the inadequacies of the theory that the USSR was a form of state capitalism, in the light of both the Trotskyist theory of the Soviet Union as a degenerated workers' state and, more importantly, Ticktin's analysis of the USSR, we shall in [Aufheben 8](#) seek to present a tentative restatement of the state capitalist theory in terms of a theory of the deformation of value.

Section 1: Trotsky's theory of the Soviet Union as a degenerated workers' state

Introduction

It is now easy to deride those who have sought, however critically, to defend the USSR as having been in some sense 'progressive'. Yet for more than a half a century the 'defence of the Soviet Union' was a central issue for nearly all 'revolutionary socialists', and is a concern that still persists today amongst some. To understand the significance of this it is necessary to make some effort to appreciate the profound impact the Russian Revolution must have had on previous generations of socialists and working class militants.

i The Russian Revolution

It is perhaps not that hard to imagine the profound impact the Russian Revolution had on the working class movements at the time. In the midst of the great war, not only had the working masses of the Russian Empire risen up and overthrown the once formidable Tsarist police state, but they had set out to construct a socialist society. At the very time when capitalism had plunged the whole of Europe into war on an unprecedented scale and seemed to have little else to offer the working class but more war and poverty, the Russian Revolution opened up a real socialist alternative of peace and prosperity. All those cynics who sneered at the idea that the working people could govern society and who denied the feasibility of communism on the grounds that it was in some way against 'human nature', could now be refuted by the living example of a workers' state in the very process of building socialism.

For many socialists at this time the revolutionary but disciplined politics of Bolsheviks stood in stark contrast to the wheeler-dealing and back-sliding of the parliamentary socialism of the Second International. For all their proclamations of internationalism, without exception the reformist socialist parties of the Second International had lined up behind their respective national ruling classes and in doing so had condemned a whole generation of the working class to the hell and death of the trenches. As a result, with the revolutionary wave that swept Europe following the First World War, hundreds of thousands flocked to the newly formed Communist Parties based on the Bolshevik model, and united within the newly formed Third International directed from Moscow. From its very inception the primary task of the Third International was that of building support for the Soviet Union and opposing any further armed intervention against the Bolshevik Government in Russia on the part of the main Western Powers. After all it must have seemed self-evident then that the defence of Russia was the defence of socialism.

ii The 1930s and World War II

By the 1930s the revolutionary movements that had swept across Europe after the First World War had all but been defeated. The immediate hopes of socialist revolution faded in the face of rising fascism and the looming prospects of a second World War in less than a generation. Yet this did not diminish the attractions of the USSR. On the contrary the Soviet Union stood out as a beacon of hope compared to the despair and stagnation of the capitalist West.

While capitalism had brought about an unprecedented advance in productive capacity, with the development of electricity, washing machines, vacuum cleaners, cars, radios and even televisions, all of which promised to transform the lives of everyone, it had plunged the world into an unprecedented economic slump that condemned millions to unemployment and poverty. In stark contrast to this economic stagnation brought about by the anarchy of market forces, the Soviet Union showed the remarkable possibilities of rational central planning which was in the process of transforming the backward Russian economy. The apparent achievements of 'socialist planning' that were being brought about under Stalin's five-year plans not only appealed to the working class trapped in the economic slump, but also to increasing numbers of bourgeois intellectuals who had now lost all faith in capitalism.

Of course, from its very inception the Soviet Union had been subjected to the lies and distortions put out by the bourgeois propaganda machine and it was easy for committed supporters of the Soviet Union, whether working class militants or intellectuals, to dismiss the reports of the purges and show trials under Stalin as further attempts to discredit both socialism and the USSR. Even if the reports were basically true, it seemed a small price to pay for the huge and dramatic social and economic transformation that was being brought about in Russia, which promised to benefit hundreds of millions of people and which provided a living example to the rest of the world of what could be achieved with the overthrow of capitalism. While the bourgeois press bleated about the freedom of speech of a few individuals, Stalin was freeing millions from a future of poverty and hunger.

'workers state' has had a profound impact in shaping our world. At first the apparent success of the Russian Revolution showed that there was a realistic alternative to capitalism. It showed that capitalism could be overthrown by the working classes and that a socialist, if not communist, society could be constructed on its ruins. As such it inspired generations of socialists and workers in their conflicts with the capitalism system, defining both their aims and methods.

However, as the true nature of the USSR began to emerge the perception that it was 'actually existing socialism' became an increasing barrier to the development of an opposition to capitalism. If the socialist alternative to capitalism was a totalitarian police state in which you still had to work for a boss then most workers concluded that it might be better to merely reform capitalism. At the same time the attempts of the Stalinist Communist Parties across the world to subordinate the worker class movements to the foreign policy needs of the USSR further compounded this problem.

The struggle against both Stalinism and social democracy demanded an understanding of the USSR. The question of what was the USSR therefore became a central one throughout much of the twentieth century. It was a question, which as we have seen, was bound up with the associated questions of what is socialism and communism? What was the Russian Revolution? And indeed what is the essential nature of Capitalism?

Although from a communist perspective that takes as its touchstone the abolition of wage-labour as the defining feature of communism it would seem intuitive that the USSR was a form of capitalism, we have seen that the theories that the USSR was state capitalist have proved inadequate compared with the more sophisticated theories that have developed out of the Trotskyist tradition. To the extent that they have shared the tradition Marxist conception of the Second and Third Internationals that state capitalism is highest form of capitalism, state capitalist theories of the USSR have proved unable to explain either the apparently non-capitalist aspects of the USSR nor its decline and eventual collapse.

Indeed, while the Trotskyist theory of the USSR as a degenerated workers' state has become untenable given the chronic economic stagnation of USSR that became increasingly apparent after the 1960s, and which culminated in the collapse of the USSR in 1990, it has been Ticktin's radical reconstruction of this theory that has so far provided the most convincing understanding of the Soviet system and its decline and fall.

However, as we showed in Part II, Ticktin's theory still falls short of the mark. Rather than seeing the USSR as being a social system stuck in the transition between capitalism and socialism, we have taken up the point of departure suggested by Bordiga to argue that the USSR was in transition *to capitalism*.

We have argued that in order to break out of its backwardness and subordinate position within the world division of labour the state bureaucracy, which had formed after the Russian Revolution, sought to make the transition to capitalism through the transitional form of state capitalism. In its efforts to industrialise the Russian state sought the forced development of productive-capital that required the suppression of the more cosmopolitan and crisis ridden forms of money and commodity capital. However, while such forced capitalist development allowed an initial rapid industrialisation the distortions it produced within the political economy of the USSR eventual became a barrier to the complete transition to capitalism in Russia.

As such we have argued that the USSR was essentially based on capitalist commodity-production. However as a consequence of the historical form of forced transition to capitalism there was dislocation between the capitalist nature of production and its appearance as a society based on commodity-exchange. This dislocation led to the deformation of value and the defective content of use-values that both provided the basis

Hence the fact that wages may have appeared like 'pensions' paid regardless of the work performed, rather than as true wages that appear as a payment tied to the work performed, does not mean that labour-power was not sold in the USSR. All that it indicates is the particular power of the working class in the USSR that, as we shall now see, was to have important implications.

Contradictions in the USSR: the production of defective use-values

As we saw in Part II, Ticktin has ably described the distortions in the political economy of the USSR. But rather than seeing such distortions as arising from the degeneration of a society stuck in the transition from capitalism to socialism they can be more adequately seen as distortions arising from an attempt to make a forced transition to capitalism from a position of relative underdevelopment. The drive to towards the development of the productive-capital that led to the fusion of the state and the replacement of the law of value by the law of planning can be seen to have led to the gross distortions and contradictions of the USSR.

Let us consider more explicitly the class basis of such distortions and contradictions.

Firstly, with the suppression of money as an independent form of value that could command any commodity the subjectively determined needs of the workers could not be expressed through the money form. The needs of the workers were instead to a large extent prescribed by the state. Thus as the wage did not act as an adequate form that could provide an incentive. After all why work harder if the extra money you may can not be spent?

Secondly, as we have seen, the forced development of productive-capital that precluded crisis led to the chronic shortage of labour. In conditions of full employment where state enterprises were desperate for labour-power to meet their production targets the sack was an ineffective sanction.

As a consequence, as Ticktin points out, the management of the state enterprises lacked both the carrot and sticks with which control their workforce. Indeed the workers were able to exercise a considerable degree of negative control over the labour process. Confronted by the imperative to appropriate surplus-value in the form of increased production imposed through the central plan on the one hand, and the power of the workers over the labour-process on the other hand, the management of the state enterprises resolved the dilemma by sacrificing quality for quantity. This was possible because the technical and social needs of embodied in the use-values of the commodities they produced were not derived from those who were to use these commodities but were prescribed independently by the central plan.

As a result, the quantitative accumulation of capital in the form of use-values led to the defective production of use-values. As defective use-values of one industry entered into the production of commodities of another, defective production became endemic leading to the chronic production of useless products.

Hence, whereas in a fully developed capitalism the class conflicts at the point of production are resolved through the waste of recurrent economic crises which restore the industrial reserve army and the power of capital over labour, in the USSR these conflict were resolved through the chronic and systematic waste of defective production.

Conclusion

As we pointed out in Part I, the Russian Revolution and the establishment of the first

Of course not everyone on the left was taken in by the affability of 'Uncle Joe' Stalin. The purge and exile of most of the leaders of the original Bolshevik government, the zig-zags in foreign policy that culminated in the non-aggression pact with Hitler, the disastrous reversals in policy imposed on the various Communist Parties through the Third International, and the betrayal of the Spanish Revolution in 1937, all combined to cast doubts on Stalin and the USSR.

Yet the Second World War served to further enhance the reputation of the Soviet Union, and not only amongst socialists. Once the non-aggression pact with Germany ended in 1940, the USSR was able to enter the war under the banner of anti-fascism and could claim to have played a crucial role in the eventual defeat of Hitler. While the ruling classes throughout Europe had expressed sympathy with fascism, and in the case of France collaborated with the occupying German forces, the Communist Parties played a leading role in the Resistance and Partisan movements that had helped to defeat fascism. As a result, particularly in France, Italy, Yugoslavia and Greece, the Communist Parties could claim to be champions of the patriotic anti-fascist movements, in contrast to most of the Quisling bourgeois parties.

iii The 1950s

The Second World War ended with the USA as the undisputed superpower in the Western hemisphere, but in the USSR she now faced a formidable rival. The USSR was no longer an isolated backward country at the periphery of world capital accumulation centred in Western Europe and North America. The rapid industrialization under Stalin during the 1930s had transformed the Soviet Union into a major industrial and military power, while the war had left half of Europe under Soviet control. With the Chinese Revolution in 1949 over a third of human kind now lived under 'Communist rule'!

Not only this. Throughout much of Western Europe, the very heartlands and cradle of capitalism, Communist Parties under the direct influence of Moscow, or social democratic parties with significant left-wing currents susceptible to Russian sympathies, were on the verge of power. In Britain the first majority Labour government came to power with 48 per cent of the vote, while in Italy and France the Communist Parties won more than a third of the vote in the post-war elections and were only kept from power by the introduction of highly proportional voting systems.

What is more, few in the ruling circles of the American or European bourgeoisie could be confident that the economic boom that followed the war would last long beyond the immediate period of post-war reconstruction. If the period following the previous World War was anything to go by, the most likely prospect was of at best a dozen or so years of increasing prosperity followed by another slump which could only rekindle the class conflicts and social polarization that had been experienced during 1930s. Yet now the Communist Parties, and their allies on the left, were in a much stronger starting position to exploit such social tensions.

While the West faced the prospects of long term economic stagnation, there seemed no limits to the planned economic growth and transformation of the USSR and the Eastern bloc. Indeed, even as late as the early 1960s Khrushchev could claim, with all credibility for many Western observers, that having established a modern economic base of heavy industry under Stalin, Russia was now in a position to shift its emphasis to the expansion of the consumer goods sector so that it could outstrip the living standards in the USA within ten years!

It was this bleak viewpoint of the bourgeoisie, forged in the immediate post-war realities of the late 1940s and early 1950s, which served as the original basis of the virulent anti-Communist paranoia of the Cold War, particularly in the USA; from the anti-Communist witch-hunts of the McCarthy era to Reagan's 'evil empire' rhetoric in the early 1980s.

For the bourgeoisie, expropriation by either the proletariat or by a Stalinist bureaucracy made little difference. The threat of communism was the threat of Communism. To the minds of the Western bourgeoisie the class struggle had now become inscribed in the very struggle between the two world superpowers: between the 'Free World' and the 'Communist World'.^[4]

This notion of the struggle between the two superpowers as being at one and the same time the final titanic struggle between capital and labour was one that was readily accepted by many on the left. For many it seemed clear that the major concessions that had been incorporated into the various post-war settlements had been prompted by the fear that the working class in the West, particularly in Western Europe, would go over to Communism. The post-war commitments to the welfare state, full employment, decent housing and so forth, could all be directly attributed to the bourgeoisie's fear of both the USSR and its allied Communist Parties in the West. Furthermore, despite all its faults, it was the USSR who could be seen to be the champion the millions of oppressed people of the Third World with its backing for the various national liberation movements in their struggles against the old imperialist and colonial powers and the new rapacious imperialism of the multinationals.

In this view there were only two camps: the USSR and the Eastern bloc, which stood behind the working class and the oppressed people of the world, versus the USA and the Western powers who stood behind the bourgeoisie and the propertied classes. Those who refused to take sides were seen as nothing better than petit-bourgeois intellectuals who could only dwell in their utopian abstractions and who refused to get their hands dirty in dealing with current reality.

Of course, by the early 1950s the full horrors and brutality of Stalin's rule had become undeniable. As a result many turned towards reformist socialism embracing the reforms that had been won in the post-war settlement. While maintaining sympathies for the Soviet Union, and being greatly influenced by the notion of socialism as planning evident in the USSR, they sought to distance themselves from the revolutionary means and methods of bolshevism that were seen as the cause of the 'totalitarianism' of Russian Communism. This course towards 'democratic socialism' was to be followed by the Communist Parties themselves 20 years later with the rise of so-called Euro-communism in the 1970s.

While many turned towards 'democratic socialism', and others clung to an unswerving commitment to the Communist Party and the defence of the Soviet Union, there were those who, while accepting the monstrosities of Stalinist and post-Stalinist Russia, refused to surrender the revolutionary heritage of the 1917 Revolution. Recognising the limitations of the post-war settlement, and refusing to forget the betrayals experienced the generation before at the hands of reformist socialism,^[5] they sought to salvage the revolutionary insights of Lenin and the Bolsheviks from what they saw as the degeneration of the revolution brought about under Stalin. The obvious inspiration for those who held this position was Stalin's great rival Leon Trotsky and his theory of the Soviet Union as a degenerated workers' state.

Leon Trotsky

It is not that hard to understand why those who had become increasingly disillusioned with Stalin's Russia, but who still wished to defend Lenin and the revolutionary heritage of 1917 should have turned to Leon Trotsky. Trotsky had played a leading role in the revolutionary events of both 1905 and 1917 in Russia. Despite Stalin's attempts to literally paint him out of the picture, Trotsky had been a prominent member of the early Bolshevik Government, so much so that it can be convincingly argued that he was Lenin's own preferred successor.

a commodity then it must be able to exchange with other commodities but, as we have seen, Trotskyists denied that there were any other commodities in the USSR. Secondly worker was not free to sell his labour-power.

However, as we have argued, there was commodity production in the USSR and there was a restricted form of commodity circulation thus labour-power could be exchanged with other commodities via the wage. Nevertheless it is true that the freedom of workers to sell their labour was restricted. Through various restrictions, such as the internal passport system the movement of workers was restricted. To the extent that these restrictions on the movement of labour tied workers to a particular means of production then they can perhaps be considered more industrial serfs than wage-slaves.

But on closer inspection these legal restrictions on the movement of labour appear more as a response to existing situation which were honoured more in the breach than in their implementation. With the drive to maximise production in accordance with the logic of the circuit of productive-capital labour-power had to be fully used. Indeed, full employment became an important element in the maintenance the political and social cohesion of the USSR from Stalin onwards. However, the maintenance of full employment led a chronic shortage of labour-power.

The fact that in reality workers were to a limited but crucial extent free to sell their labour-power is shown in the strategy of the managers of state enterprises to hoard labour. Indeed, the managers of state enterprises actively colluded with workers to overcome the restrictions to their mobility in their attempts secure sufficient labour-power to meet their production targets. Hence the legal restrictions to the free movement of labour-power were just that: attempts to restrict workers who were essentially free to sell their labour-power.

Ticktin was well aware of the importance of the chronic shortage of labour-power and consequence practice of labour hoarding by the state enterprises. However, Ticktin persisted in denying that labour-power was sold as a commodity in the USSR on the grounds that the wage was not related to the labour performed. For Ticktin, although workers often worked for piece rates which nominally tied their wages to amount they worked, in reality workers were paid what amounted to a pension that bore little relation to the amount of labour they performed.

As we argued in Part II, this argument overlooks the contradictory aspects of labour-power and its expression in the form of a wage. Labour-power is both a commodity and not a commodity. Although labour-power is sold as if it was a commodity it is neither produced or consumed as a commodity since it is not a *thing* separable from the person who sells it - but the workers own living activity.

The worker does not produce labour-power as something to sell. On the contrary he reproduces himself as a living subject of whom his living activity is an essential inseparable aspect. Equally, having bought labour-power, capital can not use it in absence of the worker. The worker remains in the labour process as an alien subject alongside his alienated labour.

It is as a result of this contradictory nature of labour-power that the wage-form emerges. In buying labour-power capital buys the workers capacity to work. But capital has still to make the worker work both through the sanction of unemployment and through the incentive of wages linked to amount the worker works. However, while the wage may be linked to the amount the labour the worker performs it is essentially the money necessary for the average worker to buy those commodities necessary for the reproduction of their labour-power. The extent to which the capitalist can make individual workers work harder by linking the payment of wages to the labour performed, rather than as a simple payment for the reproduction of labour-power, depends on the relative strengths of labour and capital.

(100s of tractors, tons of steel etc.). However, without the full development of money as money - money as the independent form of value - the content of such use-values did not necessarily conform to the needs of social reproduction. Money had to buy; it had to allow the exchange of commodities. It could not therefore refuse to buy sub-standard commodities. The quality of the use-values of commodities was ensured, not by money and hence the purchaser, but by the state plan. But the state plan, as we have argued, stood in an external if not an antagonistic position with regard to the various economic agents whether they were workers or state enterprises.

As a consequence, the use-values prescribed and ratified by the plan did not necessarily conform to social needs.

The consequences of constrained money: As we have seen, the existence of money as the independent and universal form of value ensures that use-values conform to social needs. But furthermore, money as the independent form of value is also a diffused form of social power.

However, as we have argued, in the USSR money was constrained to the functions strictly necessary for the circuit of productive-capital and social needs were prescribed by the state plan. This had two important implications. The persistence of non-capitalist social forms such as blat and endemic defective production.

Insofar as technical and social needs developed outside the framework prescribed by the state plan they had to be articulated by something other than by money. Money could only buy within the limit established by the plan. The purchasing power of money was limited. While everyone needed money, it was insufficient to meet all needs. As a consequence, non-monetary social relations had to be persevered. Influence and favours with those in authority, client relations' etc. - that is the system known as blat - became salient features of the Soviet bureaucracy as means of gaining access to privileged goods or as a means of getting things done.

As such blat emerged because of the restrictions placed on the functions of money due to its subordination to productive capital. As such blat was a distinctly non-capitalist - if not pre-capitalist - social form that involved direct personal and unquantifiable relations between people.^[17]

However, as we noted the inadequacy of money in the USSR - its failure to function as the universal and independent form of value - also led to the endemic production of defective use-values which were to finally bring the demise of the USSR. This, as we shall see, was directly related to the class relations of production that arose from capitalist form of commodity production in the USSR. But before we consider this fatal contradiction of the USSR we must briefly consider the question of wages and the sale of labour-power.

The sale of labour-power

The reproduction of labour-power is of course an essential condition for the reproduction of capital. The reproduction of labour-power can be described as a simple epi-cycle in the circuits of capital as follows:

Lp - W - Cs

The worker sells his labour-power (Lp) for a wage (W), which he then uses to buy the commodities (Cs) necessary to reproduce himself as a worker.^[18] In essence this epi-cycle is the same as the simple circulation of commodities.

However, as we have seen, one of the most telling criticisms advanced by the Trotskyist critics of state capitalist theories of the USSR has been the argument that workers in the USSR did not sell their labour-power. Firstly, because if labour-power was to be considered

As such, in making his criticisms of Stalinist Russia, Trotsky could not be so easily dismissed as some bourgeois intellectual attempting to discredit socialism, nor could he be accused of being an utopian ultra-leftist or anarchist attempting to measure up the concrete limitations of the 'actually existing socialism' of the USSR against some abstract ideal of what socialism should be. On the contrary, as a leading member of the Bolshevik Government Trotsky had been responsible for making harsh and often ruthless decisions necessary to maintain the fragile and isolated revolutionary government. Trotsky had not shrunk from supporting the introduction of one-man management and Taylorism, nor had he shied away from crushing wayward revolutionaries as was clearly shown when he led the Red Army detachments to put down both Makhno's peasant army during the civil war and the Kronstadt sailors in 1921. Indeed, Trotsky often went beyond those policies deemed necessary by Lenin and other Bolshevik leaders as was clearly exemplified by his call for the complete militarization of labour.^[6]

Yet Trotsky was not merely a practical revolutionary capable of taking and defending difficult decisions. Trotsky had proved to be one of the few important strategic and theoretical thinkers amongst the Russian Bolsheviks who could rival the theoretical and strategic leadership of Lenin. We must now consider Trotsky's ideas in detail and in their own terms, reserving more substantial criticisms until later.

Trotsky and the Orthodox Marxism of the Second International^[7]

There is little doubt that Trotsky remained committed throughout his life to the orthodox view of historical materialism which had become established in the Second International. Like most Marxists of his time, Trotsky saw history primarily in terms of the development of the forces of production. While class struggle may have been the motor of history which drove it forward, the direction and purpose of history was above all the development of the productive powers of human labour towards its ultimate goal of a communist society in which humanity as a whole would be free from both want and scarcity.

As such, history was seen as a series of distinct stages, each of which was dominated by a particular mode of production. As the potential for each mode of production to advance the productive forces became exhausted its internal contradictions would become more acute and the exhausted mode of production would necessarily give way to a new more advanced mode of production which would allow the further development of the productive powers of human labour.

The capitalist mode of production had developed the forces of production far beyond anything that had been achieved before. Yet in doing so capitalism had begun to create the material and social conditions necessary for its own supersession by a socialist society. The emergence of modern large scale industry towards the end of the nineteenth century had led to an increasing polarization between a tiny class of capitalists at one pole and the vast majority of proletarians at the other.

At the same time modern large scale industry had begun to replace the numerous individual capitalists competing in each branch of industry by huge joint stock monopolies that dominated entire industries in a particular economy. With the emergence of huge joint stock monopolies and industrial cartels, it was argued by most Marxists that the classical form of competitive capitalism, which had been analysed by Marx in the mid-nineteenth century, had now given way to monopoly capitalism. Under competitive capitalism what was produced and how this produced wealth should be distributed had been decided through the 'anarchy of market forces', that is as the unforeseen outcome of the competitive battle between competing capitalists. With the development of monopoly capitalism, production and distribution was becoming more and more planned as monopolies and cartels fixed in advance the levels of production and pricing on an industry-wide basis.

Yet this was not all. As the economy as a whole became increasingly interdependent

and complex the state, it was argued, could no longer play a minimal economic role as it had done during the competitive stage of capitalism. With the development of large scale industry the state increasingly had to intervene and direct the economy. Thus for orthodox Marxism, the development towards monopoly capitalism was at one and the same time a development towards state capitalism.

As economic planning by the monopolies and the state replaced the 'anarchy of market' in regulating the economy, the basic conditions for a socialist society were being put in place. At the same time the basic contradiction of capitalism between the increasingly social character of production and the private appropriation of wealth it produced was becoming increasingly acute. The periodic crises that had served both to disrupt yet renew the competitive capitalism of the early and mid-nineteenth century had now given way to prolonged periods of economic stagnation as the monopolists sought to restrict production in order to maintain their monopoly profits.

The basis of the capitalist mode of production in the private appropriation of wealth based on the rights of private property could now be seen to be becoming a fetter on the free development of productive forces. The period of the transition to socialism was fast approaching as capitalism entered its final stages of decline. With the growing polarization of society, which was creating a huge and organized proletariat, all that would be needed was for the working class to seize state power and to nationalize the major banks and monopolies so that production and distribution could be rationally planned in the interests of all of society rather than in the interests of the tiny minority of capitalists. Once the private ownership of the means of production had been swept away the development of the forces of production would be set free and the way would be open to creating a communist society in which freedom would triumph over necessity.

Of course, like many on the left and centre of the Second International, Trotsky rejected the more simplistic versions of this basic interpretation of historical materialism which envisaged the smooth evolution of capitalism into socialism. For Trotsky the transition to socialism would necessarily be a contradictory and often violent process in which the political could not be simply reduced to the economic.

For Trotsky, the contradictory development of declining capitalism could prompt the revolutionary overthrow of the capitalist class long before the material and social preconditions for a fully developed socialist society had come into being. This possibility of a workers' state facing a prolonged period of transition to a fully formed socialist society was to be particularly important to the revolution in Trotsky's native Russia.

Trotsky and the theory of permanent revolution^[8]

While Trotsky defended the orthodox Marxist interpretation of the nature of historical development he differed radically on its specific application to Russia, and it was on this issue that Trotsky made his most important contribution to what was to become the new orthodoxy of Soviet Marxism.

The orthodox view of the Second International had been that the socialist revolution would necessarily break out in one of the more advanced capitalist countries where capitalism had already created the preconditions for the development of a socialist society. In the backward conditions of Russia, there could be no immediate prospects of making a socialist revolution. Russia remained a semi-feudal empire dominated by the all powerful Tsarist autocracy which had severely restricted the development of capitalism on Russian soil. However, in order to maintain Russia as a major military power, the Tsarist regime had been obliged to promote a limited degree of industrialization which had begun to gather pace by the turn of century. Yet even with this industrialization the Russian economy was still dominated by small scale peasant agriculture.

of productive capital. The commodities that have been produced by productive capital enter the market with an expanded value and a given specific use-value. The opposition of value and use-value within the commodity finds its expression in the external relation of money and the commodity. The commodity has a price, which is it express its value in a certain sum of money, and is a certain kind of commodity defined by its use-value. Thus money appears as the independent and external form of the value of the commodity while the commodity itself stands as its own use-value.

For example, let us take an enterprise producing tractors. At the end of the production period the enterprise will have produced say 100 tractors that are priced £10,000 each. The hundred tractors express their value as a price that is in the ideal form of a sum of money - £1million. This ideal money -the price of the tractors - stand opposed to use-value represented by the material form of the tractors themselves.

However, this ideal money, the price of the tractors which serves as the external measure the value of the tractors must be realised. The tractors must be sold. Given that the tractors can be sold then the expanded value of the tractors will now be transformed into the form of real money. The tractors will have been transformed into £1million. As such the abstract labour will find its most adequate and universal form - money.

With money the enterprise can now buy commodities for the next period of production. As the independent and universal form of value, money can buy any other commodity, which is it is immediately exchangeable with any other commodity. Yet our tractor firm only needs those specific commodities necessary for the future production of tractors say 10 tons of steel. Money need therefore only act as a mere means of circulation that allows 100 tractors to be exchanged for 10 tons of steel.

In the USSR money was constrained to the functions necessary for the phase of the simple circulation of commodities within the circuit of productive capital - that is as an ideal measure of value and as a means of circulation - and precluded money emerging fully as an independent form of value. Firstly, as we have seen, the value of commodities was prevalidated. The ideal price of the tractors was immediately realised as the value of the tractors since the sale was already prescribed by the plan. Thus while money acted as an ideal measure of the value of the commodities for sale it had no independence.

Furthermore, the money received from the sale had to be spent on the particular commodities necessary for the reproduction of that particular circuit of productive capital. The £1million brought by the sale of the tractors had to be spent on the 10 tons of steel (or similar inputs). As such money did not function as an independent and universal form of value. It was tied to the specific circuit of productive capital (in our case tractor production). It could not be withdrawn and then thrown into another circuit. It merely served as a means of circulation that facilitated the exchange of one specific set of commodities with another set of commodities.

With the restriction of money to a mere fleeting means of circulation, and with the pre-validation of the value of commodities, money could not function as the independent form of value. The commodity did not express its own value in the external form of money independent of itself but rather its value was expressed in terms of the commodities use-value. As a consequence the expansion of value did not find its most adequate expression in the quantitative expansion of value in the purely *quantitative* and *universal* form money but in the quantitative expansion of value in the *qualitative* and *particular* forms use-values. Value and use-value were compounded leading to the deformation of both value and use-value.

Indeed, in the USSR accumulation of productive-capital, that is the self-expansion of value, became immediately expressed in terms of the quantities of use-values that were produced

of a commodity is only realised or validated as such through the process of exchange. In production the value remains potential value - a potential based on previous cycles of production and exchange. When the commodity reaches the market it has an ideal price based on its potential value but this is not realised until the commodity is actually sold.

If too much of a particular commodity is produced in relation to social demand or if the quality is defective than some commodities are not sold or have to be sold at a discount. In cases such as these the actual labour embodied in commodities is not realised as abstract social labour. Indeed it is through this social mechanism that a commodity economy is regulated. If production of private commodity producers is to be brought into conformity with social demand than money can not be simply the direct expression of the labour embodied in commodities. It must exist as the *independent form of value* through which the labour embodied in commodities is socially recognised and validated as abstract social labour and hence as value.

As a consequence, Marx concluded that money as an independent form of value could only be abolished if the economy of independent commodity producers gave way to the planned production of freely associated producers. In this way the regulation of production by the market would be replaced by a social plan that would make labour immediately social.

As we have argued, the forced development of productive-capital in the USSR required the suppression of the development of money-capital and this involved the restriction of the development of money itself as an independent form. To this end the regulation of production by the market was replaced by economic planning. But this was not the planning of a classes society of 'freely associated producers' but a plan developed out of a society of atomised individuals based on class exploitation. As such the alien power of the market that stands above society was replaced by the alien power of the state. The imperatives of the state plan confronted the producers as an external force just as the external imperatives of the competitive market. The plan replaced the market as the regulator of commodity production but as such it did not overcome the separation of labour from social needs that remained alienated from each other.

Money in the USSR: In so far as simple commodity circulation existed as a part of the circuit of productive capital in the USSR money entered as merely a means of circulation facilitating the exchange of outputs of the previous cycle of production for the inputs necessary for the next cycle of production. But whereas under fully developed capitalism such circulation could break down - a sale without a purchase or a purchase without a sale - in the USSR this was precluded by the state plan.

The state imposed plan that allocated capital to each industry, determined the output and set prices. To this extent the value of the commodities produced by each capital were not validated or realised through the act of their transformation into money but were *pre-validated* by their recognition as values by the state. Hence commodities *had* to be bought and money *had* to buy. The regulation of the commodity producers by the law of value was replaced by the state plan.

Yet while the alien power of the market arises out the conflicting social and technical needs of the individuals that make up society the alien power of the state does not. The state plan is necessarily imposed from outside the social-economy. There was thus a fundamental problem with reconciling social needs with alienated labour. This was reflected in the relation of use-value and value. This had important implications for the form and functions of money as it existed within the circuit of productive capital.

To consider this in a little more detail let us consider the two transactions that make up the simple circulation of commodities - firstly the sale of commodities produced by productive capital (C - M), and then the purchase, (M - C), which ensures the continued reproduction

Under such conditions it appeared that the immediate task for Marxists was to hasten the bourgeois-democratic revolution which, by sweeping away the Tsarist regime, would open the way for the full development of capitalism in Russia, and in doing so prepare the way for a future socialist revolution. The question that came to divide Russian Marxists was the precise character the bourgeois-democratic revolution would take and as a consequence the role the working class would have to play within it.

For the Mensheviks the revolution would have to be carried out in alliance with the bourgeoisie. The tasks of the party of the working class would be to act as the most radical wing of the democratic revolution which would then press for a 'minimal programme' of political and social reforms which, while compatible with both private property and the limits of the democratic-bourgeois revolution, would provide a sound basis for the future struggle against the bourgeoisie and capitalism.

In contrast, Lenin and the Bolsheviks believed that the Russian bourgeoisie was far too weak and cowardly to carry out their own revolution. As a consequence, the bourgeois-democratic revolution would have to be made for them by the working class in alliance with the peasant masses. However, in making a revolutionary alliance with the peasantry the question of land reform would have to be placed at the top of the political agenda of the revolutionary government. Yet, as previous revolutions in Western Europe had shown, as soon as land had been expropriated from the landowners and redistributed amongst the peasantry most of the peasants would begin to lose interest in the revolution and become a conservative force. So, having played an essential part in carrying out the revolution, the peasantry would end up blocking its further development and confine it within the limits of a bourgeois-democratic revolution in which rights of private property would necessarily have to be preserved.

Against both these positions, which tended to see the historical development of Russia in isolation, Trotsky insisted that the historical development of Russia was part of the overall historical development of world capitalism. As a backward economy Russia had been able to import the most up to date methods of modern large scale industry 'ready made' without going through the long, drawn out process of their development which had occurred in the more advanced capitalist countries. As a result Russia possessed some of the most advanced industrial methods of production alongside some of the most backward forms of agricultural production in Europe. This combination of uneven levels of economic development meant that the bourgeois-democratic revolution in Russia would be very different from those that had previously occurred elsewhere in Europe.

Firstly, the direct implantation of modern industry into Russia under the auspices of the Tsarist regime had meant that much of Russian industry was either owned by the state or by foreign capital. As a consequence, Russia lacked a strong and independent indigenous bourgeoisie. At the same time, however, this direct implantation of modern large scale industry had brought into being an advanced proletariat whose potential economic power was far greater than its limited numbers might suggest. Finally, by leaping over the intermediary stages of industrial development, Russia lacked the vast numbers of intermediary social strata rooted in small scale production and which had played a decisive role in the democratic-bourgeois revolutions of Western Europe in the eighteenth and nineteenth centuries.

On the basis of this analysis Trotsky concluded as early as 1904 that the working class would have to carry out the democratic-bourgeois revolution in alliance with the peasant masses because of the very weakness of the indigenous Russian bourgeoisie. To this extent Trotsky's conclusions concurred with those of Lenin and the Bolsheviks at that time. However, Trotsky went further. For Trotsky both the heterogeneity and lack of organization amongst the peasant masses meant that, despite their overwhelming numbers, the Russian peasantry could only play a supporting role within the revolution. This political weakness

of the peasantry, together with the absence of those social strata based in small scale production, meant that the Russian proletariat would be compelled to play the leading role in both the revolution, and in the subsequent revolutionary government. So, whereas Lenin and the Bolsheviks envisaged that it would be a democratic workers-peasant government that would have to carry out the bourgeois revolution, Trotsky believed that the working class would have no option but to impose its domination on any such revolutionary government.

In such a leading position, the party of the working class could not simply play the role of the left wing of democracy and seek to press for the adoption of its 'minimal programme' of democratic and social reforms. It would be in power, and as such it would have little option but to implement the 'minimal programme' itself. However, Trotsky believed that if a revolutionary government led by the party of the working class attempted to implement a 'minimal programme' it would soon meet the resolute opposition of the propertied classes. In the face of such opposition the working class party would either have to abdicate power or else press head by abolishing private property in the means of production and in doing so begin at once the proletarian-socialist revolution.

For Trotsky it would be both absurd and irresponsible for the party of the working class to simply abdicate power in such a crucial situation. In such a position, the party of the working class would have to take the opportunity of expropriating the weak bourgeoisie and allow the bourgeois-democratic revolution to pass, uninterrupted, into a proletarian-socialist revolution.

Trotsky accepted that the peasantry would inevitably become a conservative force once agrarian reform had been completed. However, he argued that a substantial part of the peasantry would continue to back the revolutionary government for a while, not because of any advanced 'revolutionary consciousness' but due to their very 'backwardness':^[9] this, together with the proletariats' superior organization, would give the revolutionary government time. Ultimately, however, the revolutionary government's only hope would be that the Russian revolution would trigger revolution throughout the rest of Europe and the world.

Trotsky and the perils of transition

While Trotsky's theory of permanent revolution may have appeared adventurist, if not a little utopian, to most Russian Marxists when it was first set out in *Results and Prospects* in 1906, its conclusions were to prove crucial eleven years later in the formation of the new Marxist-Leninist orthodoxy which came to be established with the Russian Revolutions of 1917.

The revolution of February 1917 took all political parties and factions by surprise. Within a few days the centuries old Tsarist regime had been swept away and a situation of dual power established. On the one side stood the Provisional Government dominated by the various liberal bourgeois parties, on the other side stood the growing numbers of workers and peasant soviets. For the Mensheviks the position was clear: the organizations of the working class had to give critical support to the bourgeois Provisional Government while it carried out its democratic programme. In contrast, faced with a democratic-bourgeois Government which they had denied was possible, the Bolsheviks were thrown into confusion. A confusion that came to a virtual split with the return of Lenin from exile at the beginning of April.

In his *April Theses* Lenin proposed a radical shift in policy, which, despite various differences in detail and emphasis, brought him close to the positions that had been put forward by Trotsky with his theory of permanent revolution. Lenin argued that the Bourgeois Government would eventually prove too weak to carry out its democratic programme. As a consequence the Bolsheviks had to persuade the soviets to overthrow the Provisional

From the perspective of productive-capital commodity exchange is therefore a mere technical means that allows for the expansion of productive capital. A necessary means for overcoming the division of producers that arises out of the social division of labour of commodity production. However, the circulation of commodities is more than a mere technical matter. The buying and selling of commodities is the alienated social form through which human labour alienated from human needs is reunited with human needs alienated from human labour.

Under the classical form of capitalism this social form is market constituted through the collision of self-interested competing individuals. As Marx argues:

Circulation as the realisation of exchange-value implies: (1) that my product is a product only in so far as it is for others; hence suspended singularity, generality; (2) that it is a product for me only in so far as it has been alienated, become for others; (3) that it is for the other only in so far as he himself alienates his product; which already implies; (4) that production is not an end in itself for me, but a means. Circulation is the movement in which the general alienation appears as general appropriation and general appropriation appears as general alienation. As much, then, as the whole of this movement appears as a social process, and as much as individual moments of this movement arise from the conscious will and particular purposes of individuals, so much does the totality of the process appear as an objective interrelation, which arises spontaneously from nature; arising, it is true, from the mutual influence of conscious individuals on one another, but neither located in their consciousness, nor subsumed under them as a whole. Their collisions with one another produce an *alien* social power standing above them, produce their mutual interaction as a process and power independent of them.^[16]

Through the alien power of the market alienated labour is brought into conformity with alienated human needs. Products that do not meet needs expressed through the market do not sell. Labour embodied in a commodity that is excess of that which is socially necessary is not recognised. At the same time, the imposition of the commodity form on human needs serves to incorporate such needs into the accumulation of capital. New needs that give rise to new forms of commodities expands the range of material forms through which value can be embodied and expanded. To this extent the market brings human needs into conformity with alienate labour within the commodity form.

Yet while the alien power of the market arises out the conflicting social and technical needs of the individuals that make up society the alien power of the state does not. The state plan is necessarily imposed from outside the social-economy. There was thus a fundamental problem with reconciling social needs with alienated labour. This was reflected in the relation of use-value and value and the form and functions of money.

To what extent did Money exist in the USSR?

For Proudhon and his followers, the problems of capitalism arose from the existence of money as an independent form of value. For them, it was through the intermediation of money that capitalists were able to make profits and extract interest. As a consequence, Proudhonists proposed the direct expression of the value of commodities in terms of the labour time required for their production. Money denominated in units of labour time would simply act as a means of circulation that would in effect allow for the direct exchange of commodities in accordance with the labour expended in their production. Money would not be able to develop into a social power independent of the direct producers. However, through his critique of such Proudhonist proposals Marx showed that in a society of independent commodity producers money must necessarily assume an independent form of value distinct from all other commodities.

The labour embodied in a commodity is immediately private labour - or more precisely it is *asocial labour*. It is only with the sale of the commodity that this labour is recognised as being part of the total abstract social labour of society as a whole. Hence the value

in the USSR and then look at the question of the existence of commodity exchange.

To what extent did commodity-production exist in the USSR?

Under capitalism the worker, having sold his labour-power to the capitalist, works for the capitalist. As such the worker does not work for his own immediate needs but for a wage. The labour of the work is therefore external to him. It is alienated labour.

However, unlike the serf, the servant or the domestic slave, the wage-worker does not work for the immediate needs of the capitalist. The capitalist appropriates the labour of the wage-worker to produce something that can be sold at a profit. As such the prime concern of the capitalist is to make his workers produce a mass of commodities that are worth more than the labour-power and raw materials used up in their production. Hence, for both the capitalist and the worker, the product is a non-use-value - it is something that is produced for the use of someone else.

A commodity can only be sold insofar as it is a use-value for some others. Therefore the capitalist is only concerned with the use-value of the commodity that he produces to the extent that is a necessary precondition for its sale. For the capitalist then, use-value is merely the material form within which the value the commodity is embodied.

This twofold nature of the commodity as both a use-value and a value is the result of the twofold nature of commodity production. Commodity production is both a labour process, which serves to produce use-values, and a valorisation process that produces value of the commodity. Through the concrete labour appropriated from the worker the raw materials of production are worked up into the specific form of the product that gives it a socially recognised use-value. Through this concrete labour the value already embodied in the means of production is preserved in the new product. At the same time value is added to the product through the abstract labour of the worker.

In the USSR these relations of production were essentially the same. The workers alienated their labour. As such they did not produce for their own immediate needs but worked for the management of the state enterprise. Equally, the management of the state enterprise no more appropriated the labour from its workers for its own immediate needs any more than the management of a capitalist enterprise in the West. The labour appropriated from the workers was used to produce products that were objects of use for others external to the producers.

Like in any capitalist enterprise, the management of the state enterprises in the USSR, at least collectively, sought to make the workers produce a mass of products that were worth more than the labour-power and means of production used up in their production. As such the labour process was both a process of exploitation and alienation just as it was a two-fold process of both abstract and concrete labour that produced products with both a use-value and a value i.e. as commodities.

Production in the USSR can therefore be seen as the capitalist production of commodities. However, while production in the USSR can be seen as a production for some alien other to what extent can it be really be seen as a the production of things for sale? This brings us to the crucial question of the existence of commodity exchange and circulation in the USSR.

To what extent did commodity exchange exist in the USSR?

As we have seen, within the circuit of productive-capital, (P...P'), exchange is primarily confined within the simple circulation of commodities (C - M - C) necessary to bring about the renewal of production on an expanded scale. Commodities are sold (C - M) by those who produce them and are purchased (M - C) by those who need them for the next cycle of production.

Government and establish a workers' and peasants' government which would not only have the task of introducing democratic reform, but which would eventually have to make a start on the road to socialism.

With this radical shift in position initiated by the *April Theses*, and Trotsky's subsequent acceptance of Lenin's conception of the revolutionary party, the way was opened for Trotsky to join the Bolsheviks; and, together with Lenin, Trotsky was to play a major role not only in the October revolution and the subsequent Bolshevik Government but also in the theoretical elaboration of what was to become known as Marxist-Leninism.

While both Lenin and Trotsky argued that it was necessary to overthrow the Provisional Government and establish a workers' government through a socialist-proletarian revolution, neither Lenin nor Trotsky saw socialism as an immediate prospect in a backward country such as Russia. The proletarian revolution that established the worker-peasant dictatorship was seen as only the first step in the long transition to a fully developed socialist society. As Trotsky was later to argue,^[10] even in an advanced capitalist country like the USA a proletarian revolution would not be able to bring about a socialist society all at once. A period of transition would be required that would allow the further development of the forces of production necessary to provide the material basis for a self-sustaining socialist society. In an advanced capitalist country like the USA such a period of transition could take several years; in a country as backward as Russia it would take decades, and ultimately it would only be possible with the material support of a socialist Europe.

For both Lenin and Trotsky then, Russia faced a prolonged period of transition, a transition that was fraught with dangers. On the one side stood the ever present danger of the restoration of capitalism either through a counter-revolution backed by foreign military intervention or through the re-emergence of bourgeois relations within the economy; on the other side stood the danger of the increasing bureaucratization of the workers' state. As we shall see, Trotsky saw the key to warding off all these great perils of Russia's transition to socialism in the overriding imperative of both increasing production and developing the forces of production, while waiting for the world revolution.

In the first couple of years following the revolution many on the left wing of the Bolsheviks, enthused by the revolutionary events of 1917 and no doubt inspired by Lenin's *State and Revolution*, which restated the Marxist vision of a socialist society, saw Russia as being on the verge of communism. For them the policy that had become known as War Communism, under which money had been effectively abolished through hyper-inflation and the market replaced by direct requisitioning in accordance with the immediate needs of the war effort, was an immediate prelude to the communism that would come with the end of the civil war and the spread of the revolution to the rest of Europe.^[11]

Both Lenin and Trotsky rejected such views from the left of the Party. For them the policy of War Communism was little more than a set of emergency measures forced on the revolutionary government which were necessary to win the civil war and defeat armed foreign intervention. For both Lenin and Trotsky there was no immediate prospect of socialism let alone communism^[12] in Russia, and in his polemics with the left at this time Lenin argued that, given the backward conditions throughout much of Russia, state capitalism would be a welcome advance. As he states:

Reality tells us that state capitalism would be a step forward. If in a small space of time we could achieve state capitalism, that would be a victory. (Lenin's *Collected Works* Vol. 27, p. 293)

Trotsky went even further, dismissing the growing complaints from the left concerning the bureaucratization of the state and party apparatus, he argued for the militarization of labour in order to maximize production both for the war effort and for the post-war reconstruction. As even Trotsky's admirers have to admit, at this time Trotsky was clearly on the

'authoritarian wing' of the party, and as such distinctly to the right of Lenin.^[13]

It is not surprising, given that he had seen War Communism as merely a collection of emergency measures rather than the first steps to communism, that once the civil war began to draw to a close and the threat of foreign intervention began to recede, Trotsky was one of the first to advocate the abandonment of War Communism and the restoration of money and market relations. These proposals for a retreat to the market were taken up in the New Economic Policy (NEP) that came to be adopted in 1921.

The NEP and the Left Opposition

By 1921 the Bolshevik Government faced a severe political and economic crisis. The policy of forced requisitioning had led to a mass refusal by the peasantry to sow sufficient grain to feed the cities. Faced with famine, thousands of workers simply returned to their relatives in the countryside. At the same time industry had been run into the ground after years of war and revolution. In this dire economic situation, the ending of the civil war had given rise to mounting political unrest amongst the working class, both within and outside the Party, which threatened the very basis of the Bolshevik Government. Faced with political and economic collapse the Bolshevik leadership came to the conclusion that there was no other option but make a major retreat to the market. The Bolshevik Government therefore abandoned War Communism and adopted the New Economic Policy (NEP) which had been previously mooted by Trotsky.

Under the NEP, state industry was broken up into large trusts which were to be run independently on strict commercial lines. At the same time, a new deal was to be struck with the peasantry. Forced requisitioning was to be replaced with a fixed agricultural tax, with restrictions lifted on the hiring of labour and leasing of land to encourage the rich and middle-income peasants to produce for the market.^[14] With the retreat from planning, the economic role of the state was to be mainly restricted to re-establishing a stable currency through orthodox financial policies and a balanced state budget.

For Trotsky, the NEP, like War Communism before it, was a policy necessary to preserve the 'workers' state' until it could be rescued by revolution in Western Europe. As we have seen, Trotsky had, like Lenin, foreseen an alliance with the peasantry as central to sustaining a revolutionary government, and the NEP was primarily a means of re-establishing the workers-peasants alliance which had been seriously undermined by the excesses of War Communism. However, as we have also seen, Trotsky had far less confidence in the revolutionary potential of the peasantry than Lenin or other Bolshevik leaders. For Trotsky, the NEP, by encouraging the peasants to produce for the market, held the danger of creating a new class of capitalist farmers who would then provide the social basis for a bourgeois counter-revolution and the restoration of private property. As a consequence, from an early stage, Trotsky began to advocate the development of comprehensive state planning and a commitment to industrialization within the broad framework of the NEP.

Although Trotsky's emphasis on the importance of planning and industrialization left him isolated within the Politburo, it placed him alongside Preobrazhensky at the head of a significant minority within the wider leadership of the Party and state apparatus which supported such a shift in direction of the NEP, and which became known as the Left Opposition. As a leading spokesman for the Left Opposition, and at the same time one of the foremost economists within the Bolshevik Party, Preobrazhensky came to develop the *Theory of Primitive Socialist Accumulation* which served to underpin the arguments of the Left Opposition, including Trotsky himself.

Preobrazhensky's theory of primitive accumulation

As we have already noted, for the orthodox Marxism of the Second International whereas capitalism was characterized by the operation of market forces - or in more

constitution and appropriation of material objects of social needs. However, in a society dominated by commodity production this process is carried out in a peculiar manner that gives rise to specific social forms.

Firstly, as commodity producers, individuals do not produce for their own immediate needs but for the needs of others that are both indifferent and separate from themselves. The results of their human activity - their labour - are thereby divorced from their own activity. The results of their labour stand apart from them as commodities that are to be sold. Secondly, as commodity consumers, objects of an individual's need do not emerge out of their own activity as social individuals but as the ready-made property of some other - the producer - who is separated from them. As a consequence they find themselves immediately separated from their own social needs through the non-possession of material objects in the form of commodities.

As a consequence labour - the human activity of the producer - is separated from need - the needs of the consumer. Hence, for each particular commodity, producers are separated from consumers and are only subsequently united through the sale or exchange of the commodity. The relation between the consumer and the producer is therefore mediated through the exchange commodities - that is they are mediated through the exchange of *things*. To the extent that commodity exchange becomes generalised then the relations between people manifest themselves as a multitude of relations between things.

Because the relations of between human beings assume the form of the relations between things then these things assume the particular *social form* of the commodity. In producing a commodity the producer produces something for sale - that is the producer produces something that can be exchanged. What is important for the producer is that what is produced has the social quality that makes it exchangeable. In other words what is important for the producer is the *value* of the commodity. In contrast, for the consumer, what is important is that the commodity has a number of natural properties that meet his own needs as a social individual but which he is excluded from by the non-possession of the commodity as an object - that is that it confronts him as a use-value. The separation of social needs from social labour is thereby reflected in the commodity-form as the opposition of *use-value* and *value*.

The commodity-form is therefore constituted through the opposition of its use-value and value, which manifests in material form the underlying opposition of labour from needs in a society, based on commodity production. However, although objects of need must exist in all societies - that is we must have access to distinct *things*, such as food, clothes and shelter, in order to live - use-values can only exist in opposition to value. Value and use-value mutually define each other as polar opposites of the commodity-form. A commodity can only have a value if it can be sold, but to sell it must have a use-value that some other needs to buy. But equally a commodity has a use-value only insofar as the qualities that meet the needs of the consumer confront that consumer as the ready-made products of another's labour, and hence as natural properties from which they are excluded except through the act of exchange of another commodity with an equivalent value.

With commodity production social relations become reified. Society becomes broken up into atomised individuals. Indeed, as Marx argues, commodity relations begin where human community ends. Historically commodities were exchanged between communities and only occurred when different communities came into contact. As commodity exchange develops traditional human societies break up, ultimately giving rise to the modern atomised capitalist societies.^[15]

The society of the USSR would have seemed to be no less atomised and reified than those of western capitalism. To what extent was this a result of the prevalence of commodity relations? To answer this we shall first of all examine whether there was commodity production

commodity exchange. However, these circuits describe the fully developed capitalist mode of production not its historical emergence.

As we have argued, the national development of Russian capitalism had been impeded by its subordinate position in the world economic order. The independent development of capital in its cosmopolitan forms of merchant capital and moneyed-capital had acted to block the development of industrial capital. National capitalist development demanded capital in the real productive forms of factories, plant and machinery and the labour of a growing industrial proletariat. As a consequence, if Russia was to break free from its underdeveloped position imposed through the world market, productive-capital had to be developed over and against the independent development of capital-in-circulation i.e. money-capital and commodity-capital. The free exchange of money-capital and commodity-capital through the free operation of the market had to be restricted to allow for the development of productive-capital. Hence the free market was replaced by the central plan.

Hence, in taking up the 'historic tasks of the bourgeoisie' the state-party bureaucracy adopted the perspective of productive-capital. The more productivist elements of the Marxism of the Second International were adapted to the ideology of productive-capital. The imperative for the relentless drive to develop the productive forces over and against the immediate needs of the Russian working class was one that was not merely voiced by Stalin and his followers. Trotsky was even more of a superindustrialiser than Stalin indeed he criticised Stalin for not introducing planning and collectivisation of agriculture earlier.

The question that now arises where what were the implications of this subordination of capital-in-circulation to the development of productive-capital? We shall argue that these value-forms existed in the USSR, not as 'husks' as those in the Trotskyist tradition maintain, but rather as repressed and undeveloped forms.

To what extent did the Commodity-form exist in the USSR?

As we have seen, Trotskyist theorists place great importance on property forms when it comes to the question of the nationalisation of the means of production. State ownership of the means of production, and hence the abolition of private property, is seen as constituting the crucial advance over capitalism. However, although the state owned all the principal means of production in the USSR, the actual legal possession and operation of the means of production was left to the state enterprises and trusts, each of which was constituted as a distinct legal entity with its own set of accounts and responsibilities for production.

While Trotskyists have tended to gloss over this, seeing these legal forms of the state enterprises as being merely formal, Bettelheim has argued that the existence of these separate state enterprises, which traded with each other and sold products to the working class, meant that commodity-exchange did exist in the USSR. However, for Bettelheim, this separation of economic activity into a multitude of state enterprises was merely a result of the level of development of the forces and relations of production. The USSR had yet to develop to the point where the entire economy could be run as a giant trust as had been envisaged by Bukharin. It was therefore unable as yet to overcome the commodity-form. In contrast, we shall argue that this division of the economy into distinct state enterprises was an expression of the essentially capitalist relations of production.

What is a commodity? The simplest answer is that a commodity is something that is produced in order that it may be sold. But by itself this simple definition is inadequate for an understanding of the commodity as a distinct social form. It is necessary to probe a little deeper to grasp the implications of the commodity-form.

Any society requires that individuals act on and within the material world in order to appropriate and produce the material conditions necessary for the reproduction of themselves as social individuals. As such social reproduction necessarily entails the

precise Marxist terms the 'law of value' - socialism would be regulated by planning. From this Preobrazhensky argued that the transition from capitalism to socialism had to be understood in terms of the transition from the regulation of the economy through the operation of the law of value to the regulation of the economy through the operation of the 'law of planning'. During the period of transition both the law of value and the law of planning would necessarily co-exist, each conditioning and competing with the other.

Under the New Economic Policy, most industrial production had remained under state ownership and formed the state sector. However, as we have seen, this state sector had been broken up into distinct trusts and enterprises which were given limited freedom to trade with one another and as such were run on a profit-and-loss basis. To this extent it could be seen that the law of value still persisted within the state sector. Yet for Preobrazhensky, the power of the state to direct investment and override profit-and-loss criteria meant that the law of planning predominated in the state sector. In contrast, agriculture was dominated by small-scale peasant producers. As such, although the state was able to regulate the procurement prices for agricultural produce, agriculture was, for Preobrazhensky, dominated by the law of value.

From this Preobrazhensky argued that the struggle between the law of value and the law of planning was at the same time the struggle between the private sector of small-scale agricultural production and the state sector of large-scale industrial production. Yet although large-scale industrial production was both economically and socially more advanced than that of peasant agriculture the sheer size of the peasant sector of the Russian economy meant that there was no guarantee that the law of planning would prevail. Indeed, for Preobrazhensky, under the policy of optimum and balanced growth advocated by Bukharin and the right of the Party and sanctioned by the Party leadership, there was a real danger that the state sector could be subordinated to a faster growing agricultural sector and with this the law of value would prevail.

To avert the restoration of capitalism Preobrazhensky argued that the workers' state had to tilt the economic balance in favour of accumulation within the state sector. By rapid industrialization the state sector could be expanded which would both increase the numbers of the proletariat and enhance the ascendancy of the law of planning. Once a comprehensive industrial base had been established, agriculture could be mechanized and through a process of collectivization agriculture could be eventually brought within the state sector and regulated by the law of planning.

Yet rapid industrialization required huge levels of investment which offered little prospects of returns for several years. For Preobrazhensky there appeared little hope of financing such levels of investment within the state sector itself without squeezing the working class - an option that would undermine the very social base of a workers' government. The only option was to finance industrial investment out of the economic surplus produced in the agricultural sector by the use of tax and pricing policies.

This policy of siphoning off the economic surplus produced in the agricultural sector was to form the basis for a period of Primitive Socialist Accumulation. Preobrazhensky argued that just as capitalism had to undergo a period primitive *capitalist* accumulation, in which it plundered pre-capitalist modes of production, before it could establish itself on a self-sustaining basis, so, before a socialist society could establish itself on a self-sustaining basis, it too would have to go through an analogous period of primitive *socialist* accumulation, at least in a backward country such as Russia.

The rise of Stalin

With the decline in Lenin's health and his eventual death in 1924, the question of planning and industrialization became a central issue in the power struggle for the succession to the leadership of the Party. Yet while he was widely recognized within the Party as Lenin's

natural successor, and as such had been given Lenin's own blessing, Trotsky was reluctant to challenge the emerging troika of Stalin, Kamenev and Zinoviev, who, in representing the conservative forces within the state and Party bureaucracy, sought to maintain the NEP as it was. For Trotsky, the overriding danger was the threat of a bourgeois counter-revolution. As a result he was unwilling to split the Party or else undermine the 'centrist' troika and allow the right of the Party to come to power, enabling the restoration of capitalism through the back door.

Furthermore, despite Stalin's ability repeatedly to out-manoeuvre both Trotsky and the Left Opposition through his control of the Party bureaucracy, Trotsky could take comfort from the fact that after the resolution of the first 'scissors crisis' [15] in 1923 the leadership of the Party progressively adopted a policy of planning and industrialization, although without fully admitting it.

By 1925, having silenced Trotsky and much of the Left Opposition, Stalin had consolidated sufficient power to oust both Kamenev and Zinoviev [16] and force them to join Trotsky in opposition. Having secured the leadership of the Party, Stalin now openly declared a policy of rapid industrialization under the banner of 'building socialism in one country' with particular emphasis on building up heavy industry. Yet at first Stalin refused to finance such an industrialization strategy by squeezing the peasants. Since industrialization had to be financed from within the industrial state sector itself, investment in heavy industry could only come at the expense of investment in light industry which produced the tools and consumer goods demanded by the peasantry. As a result a 'goods famine' emerged as light industry lagged behind the growth of peasant incomes and the growth of heavy industry. Unable to buy goods from the cities the peasants simply hoarded grain so that, despite record harvests in 1927 and 1928, the supply of food sold to the cities fell dramatically.

This crisis of the New Economic Policy brought with it a political crisis within the leadership of the Party and the State. All opposition within the Party had to be crushed. Trotsky and Zinoviev were expelled from the Party, with Trotsky eventually being forced into exile, leaving Stalin to assume supreme power in both the Party and the state. To consolidate and sustain his power Stalin was obliged to launch a reign of terror within the Communist Party. This terror culminated in a series of purges and show trials in the 1930s which led to the execution of many of the leading Bolsheviks of the revolution.

Perhaps rather ironically, while Stalin had defended the New Economic Policy to the last, he now set out to resolve the economic crisis by adopting the erstwhile policies of the Left Opposition albeit pushing them to an unenvisioned extreme. [17] Under the five year plans, the first of which began in 1928, all economic considerations were subordinated to the overriding objective of maximizing growth and industrialization. Increasing physical output as fast as possible was now to be the number one concern, with the question of profit and loss of individual enterprises reduced to a secondary consideration at best. At the same time agriculture was to be transformed through a policy of forced collectivization. Millions of peasants were herded into collectives and state farms which, under state direction, could apply modern mechanized farming methods.

It was in the face of this about turn in economic policy, and the political terror that accompanied it, that Trotsky was obliged to develop his critique of Stalinist Russia and with this the fate of the Russian Revolution. It was now no longer sufficient for Trotsky to simply criticize the economic policy of the leadership as he had done during the time of the Left Opposition. Instead Trotsky had to broaden his criticisms to explain how the very course of the revolution had ended up in the bureaucratic nightmare that was Stalinist Russia. Trotsky's new critique was to find its fullest expression in his seminal work *The Revolution Betrayed* which was published in 1936.

Trotsky and the Leninist conception of party, class and the state

identify three distinct circuits of capital each of which reveals different aspects of the circulation of capital.

The first circuit is that of money-capital (M...M'):

$$M - C < \overset{I_p}{mop} \dots P \dots C' - M'$$

Here capital in the form of money (M) is used to buy means of production (C_{mop}) and labour-power (C_{lp}) necessary to commence production. Hence with the exchange M - C capital is transformed from money into the form of commodities. These commodities (labour-power and the means of production) are then used in the process of production. As such they become productive capital, (P) which produces commodities of a greater value C'. These commodities are then sold for a sum of money M' which is greater than the original capital advanced M.

With this circuit capitalism appears clearly as a system based driven by profit. The circuit begins and ends with capital as money, and since money is homogenous, the only aim of this circuit is the quantitative expansion of capital as money, that is the making of a profit.

But this circuit not only shows how capitalist production is merely a means through which 'money makes more money', it also shows how capitalist production necessarily both presupposes commodity exchange and reproduces commodity-exchange. The circuit begins with the commodity exchange M - C, the purchase of means of production and labour-power (which of course is at the same time the sale of labour-power and means of production by their owners) and ends with a the commodity exchange C' - M', in which the sale of the commodities produced realises the capital's profit.

However, the process of 'money making more money' can only become self-sustaining if it at the same time involves the expansion of real wealth. This becomes apparent if we examine the circulation of capital from the perspective of the circuit of productive-capital (P...P').

$$P \dots C' - M' - C' \dots P'$$

Here capital in production produces an expanded value of commodities C' which are then sold for an expanded sum of money M' that can then be used to buy more means of production and labour-power in the commodity-form C'. This then allows an expanded productive capital P' to be set in motion in the following period of production. From the perspective of productive capital, the circulation of capital appears as the self-expansion of productive capacity of capital - the self-expansion of the productive forces.

Capitalism now appears not so much as 'production of profit' but 'production for production's sake'. Capitalist production is both the beginning and the end of the process whose aim is the reproduction of capitalist production on an expanded scale. The commodity circulation (C' - M' - C') now appears as a mere mediation. A mere means to the end of the relentless expansion capitalist production.

The final circuit that Marx identifies is that of commodity-capital (C'...C').

$$C' - M' - C \dots P \dots C'$$

With this circuit we can see the unity of capital in circulation and capital in production. Capital as the circulation of commodities C' - M' - C appears side by side with the production of 'commodities by means of commodities'. The overall process of capitalist circulation therefore appears as both the production and the circulation of commodities.

An analysis of these three circuits of industrial capital would seem at first to confirm the Trotskyist position that capitalist production necessarily presupposes generalised

have seen, is a position that was to become increasingly difficult to defend in the light the chronic economic stagnation of the USSR and its eventual decline and collapse. Indeed, such theories have been unable to explain the contradictions within the USSR that finally led to its downfall.

In contrast, we have argued that state capitalism, far from being the highest stage of capitalism, is a specific form for the late development of capitalism. Yet this presupposes that the USSR was indeed such a form of capitalism. To demonstrate this we must develop a value analysis of the USSR.

As we have seen, state capitalist theorists have argued that the USSR was essentially capitalist in that it was based on wage-labour. The workers in the USSR were divorced from both the means of subsistence and the means of production. As a consequence, in order to live, the Soviet workers had to sell their labour-power to the state enterprises. Having sold their labour-power the workers found themselves put to work. They found themselves external to their own subject activity. They did not work to produce their own needs, nor for the needs of their own families or communities, but for some alien other. While the workers worked as a means to obtain a wage through which they could survive, their labour became independent of them, directed towards aims that were not their own. In producing products that were not their own they served to reproduce their position as workers on an ever expanding scale.

Hence, like their counter-parts in the west, the Russian workers were subordinated to a process of production that was designed and developed to maximise production with scant regard to the living experience of the worker in production. As such the worker was reduced to a mere instrument of production. Like their counter-parts in the West, the Russian workers worked longer than that necessary to reproduce the equivalent of their labour-power. Thus, like the their counter-parts in the West, the Russian workers alienated their labour and were exploited.

If the relations of production were those of self-expanding alienated labour then they were the productive relations of capital. As such, in a fundamental sense the USSR was capitalist. But, as we have seen, the more sophisticated Trotskyist object. Capitalism can not be taken to be simply the apparent predominance of wage-labour. Capitalist production presupposes, both historically and logically, *generalised commodity production* in which labour-power itself has become a commodity. But, the Trotskyists insist, products did not assume the form of commodities in the USSR since there was no market. But if products did not assume the form of commodities then there can have been no real wage-labour since labour-power, as a commodity, can not be exchanged for other commodities. Wages were merely a means of rationing products.

The problem then can be stated as follows. Production in the USSR would seem to have been essentially a form of capitalist production, being based on waged labour; but capitalist production presupposes general commodity exchange. In the absence of the market it would seem that the exchange and circulation of wealth in the USSR did not assume the commodity-form and as such was distinctly non-capitalist. But if commodities did not exist neither could capital.

To resolve this problem we must first look at the unity of production and exchange that we find in fully developed capitalism. To do this we shall examine the Circuits of Industrial Capital that Marx sets out at the beginning of Volume II of *Capital*.

The circuits of industrial capital

As self-expanding value capital passes successively through three distinct forms: the money-capital, commodity-capital and productive-capital. Depending on which form of capital is taken as the starting point in analysing the overall circulation of capital we can

As we shall see, in *The Revolution Betrayed*, Trotsky concludes that, with the failure of the revolution elsewhere in the world, the workers' state established by the Russian Revolution had degenerated through the bureaucratization of both the Party and the state. To understand how Trotsky was able to come to this conclusion while remaining within Marxist and Leninist orthodoxy, we must first consider how Trotsky appropriated and developed the Leninist conception of the state, party and class.

From almost the very beginning of the Soviet Union there had been those both inside and outside the Party who had warned against the increasing bureaucratization of the revolution. In the early years, Trotsky had little sympathy for such complaints concerning bureaucratization and authoritarianism in the Party and the state. At this time, the immediate imperative of crushing the counter-revolutionary forces, and the long-term aim of building the material basis for socialism, both demanded a strong state and a resolute Party which were seen as necessary to maximize production and develop the productive forces. For Trotsky at this time, the criticisms of bureaucratization and authoritarianism, whether advanced by those on the right or the left, could only serve to undermine the vital role of the Party and the state in the transition to socialism.

However, having been forced into opposition and eventual exile Trotsky was forced to develop his own critique of the bureaucratization of the revolution, but in doing so he was anxious to remain within the basic Leninist conceptions of the state, party and class which he had resolutely defended against earlier critics.

Following Engels, theorists within the Second International had placed much store in the notion that what distinguished Marxism from all former socialist theories was that it was neither an utopian socialism nor an ethical socialism but a scientific socialism. As a consequence, Marxism tended to be viewed as a body of positive scientific knowledge that existed apart from the immediate experiences and practice of the working class. Indeed, Marx's own theory of commodity fetishism seemed to suggest that the social relations of capitalist society inevitably appeared in forms that served to obscure their own true exploitative nature.^[18] So, while the vast majority of the working class may feel instinctively that they were alienated and exploited, capitalism would still appear to them as being based on freedom and equality. Thus, rather than seeing wage-labour in general as being exploitative, they would see themselves being cheated by a particular wage deal. So, rather than calling for the abolition of wage-labour, left to themselves the working class would call for a 'fair day's pay for a fair day's work'.

Trapped within the routines of their everyday life, the majority of the working class would not be able by themselves to go beyond such a sectional and trade union perspective. Hence one of the central tasks of a workers' party was to educate the working class in the science of Marxism. It would only be through a thorough knowledge of Marxism that the working class would be able to reach class consciousness and as such be in a position to understand its historic role in overthrowing capitalism and bringing about a socialist society.

In adapting this orthodox view of the Party to conditions prevailing in Tsarist Russia Lenin had pushed it to a particular logical extreme. It was in *What is to be Done?* that Lenin had first set out his conception of a revolutionary party based on democratic centralism. In this work Lenin had advocated a party made up of dedicated and disciplined professional revolutionaries in which, while the overall policy and direction of the party would be made through discussion and democratic decision, in the everyday running of the party the lower organs of the party would be completely subordinated to those of the centre. At the time, Trotsky had strongly criticized *What is to be Done?*, arguing that Lenin's conception of the revolutionary party implied the substitution of the party for the class.

Indeed, Trotsky's rejection of Lenin's conception of the party has often been seen as the main dividing line between Lenin and Trotsky right up until their eventual reconciliation in

the summer of 1917. Thus, it has been argued that, while the young Trotsky had sided with Lenin and the Bolsheviks against the Mensheviks over the crucial issue of the need for an alliance with the peasantry, he had been unable to accept Lenin's authoritarian position on the question of organization. It was only in the revolutionary situation of 1917 that Trotsky had come over to Lenin's viewpoint concerning the organization of the Party. However, there is no doubt that Trotsky accepted the basic premise of *What is to be Done?*, which was rooted in Marxist orthodoxy, that class consciousness had to be introduced from outside the working class by intellectuals educated in the 'science of Marxism'. There is also little doubt that from an early date Trotsky accepted the need for a centralized party. The differences between Lenin and Trotsky over the question of organization were for the most part a difference of emphasis.^[19] What seems to have really kept Lenin and Trotsky apart for so long was not so much the question of organization but Trotsky's 'conciliationism'. Whereas Lenin always argued for a sharp differentiation between the Bolsheviks and the Mensheviks to ensure political and theoretical clarity, Trotsky had always sought to re-unite the two wings of Russian social democracy.

To some extent Lenin's formulation of democratic centralism in *What is to be Done?* was determined by the repressive conditions then prevailing in Tsarist Russia; but it was also premised on the perceived cultural backwardness of the Russian working class which, it was thought, would necessarily persist even after the revolution. Unlike Germany, the vast majority of the Russian working class were semi-literate and uneducated. Indeed, many, if not a majority of the Russian working class were fresh out of the countryside and, for socialist intellectuals like Lenin and Trotsky, retained an uncouth parochial peasant mentality. As such there seemed little hope of educating the vast majority of the working class beyond a basic trade union consciousness.

However, there were a minority within the working class, particularly among its more established and skilled strata, who could, through their own efforts and under the tutelage of the party, attain a clear class consciousness. It was these more advanced workers, which, organized through the party, would form the revolutionary vanguard of the proletariat that would be the spearhead of the revolution. Of course this was not to say that rest of the working class, or even the peasantry, could not be revolutionary. On the contrary, for Lenin and the Bolsheviks, revolution was only possible through the mass involvement of the peasants and the working class. But the instinctive revolutionary will of the masses had to be given leadership and direction by the party. Only through the leadership of the proletarian vanguard organized in a revolutionary party would it be possible to mediate and reconcile the immediate and often competing individual and sectional interests of workers and peasants with the overall and long-term interests of the working class in building socialism.

For Lenin, the first task in the transition to socialism had to be the seizure of state power. During his polemics against those on the right of the Bolshevik Party who had, during the summer of 1917, feared that the overthrow of the bourgeois Provisional Government and the seizure of state power might prove premature, Lenin had returned to Engels' conception of the state in the stage of socialism.

Against both Lassalle's conception of state socialism and the anarchists' call for the immediate abolition of the state, Engels had argued that, while it would be necessary to retain the state as means of maintaining the dictatorship of the working class until the danger of counter-revolution had been finally overcome, a socialist state would be radically different from that which had existed before. Under capitalism the state had to stand above society in order both to mediate between competing capitalist interests and to impose the rule of the bourgeois minority over the majority of the population. As a result, the various organs of the state, such as the army, the police and the administrative apparatus had to be separated from the population at large and run by a distinct class of specialists. Under socialism the state would already be in the process of withering away with the breaking

rich while others would become poor and become proletarianised. But this was likely to be a long drawn out process. Profits would be small given the mark ups of the international merchants and the need to compete with more efficient capitalist agriculture on the world market. Furthermore, to the extent that the Russian peasantry produced for the world market, it could not provide cheap food for an expanding Russian proletariat.

The second important obstacle to industrialisation was finance. The backward character of Russian capitalism meant that there was little internal capital that had been accumulated. To the extent that Russia had industrialised it had been promoted by the state and financed through foreign investments. But with the revolution the Bolsheviks had repudiated all the foreign loans taken out under Tsarist regime and had expropriated foreign owned capital in Russia. Once bitten the international financiers were going to be twice shy about financing Russian industrialisation.

If the national development of industrial capital was to be achieved in Russia, if Russia was to make the transition to capitalism, then Bolsheviks had to subordinate the fleeting and transnational forms of capital - money and commodities - to the needs of national productive capital - the real concrete capital of factories, plant, machinery and human labour, rooted in Russian soil. This required that the Russian State take charge of capital accumulation - that is that the transition to a fully developed capitalism had to take the form of state capitalism.

Hence, while at the end of the eighteenth century the French Revolution had opened the way for the development of French capitalism by freeing capital from the embrace of the state, in Russia at the beginning of the twentieth century the Revolution opened the way for the development of capitalism by increasing the embrace of the state over capital.

The deformation of Value

The problem of the nature of the USSR restated

As we seen, the traditional Marxism of the Second and Third Internationals saw state capitalism as the highest stage of capitalism. As such state capitalism could be seen as the first step in the transition to socialism. As a consequence, Lenin could consistently argue against the Left Communists - from the imposition of one-man management and the reintroduction of Taylorism to the introduction of the New Economic Policy - that the immediate task of the Revolutionary Government, given the backward conditions in Russia, was first and foremost the development of state capitalism.

Of course, for Lenin the nationalisation of the means of production and the introduction of state planning introduced by the Revolution marked a decisive advance. Under the control of a Workers' State, state capitalism would be superseded by socialism. Subsequently, with the introduction of the five year plans and the collectivisation of agriculture Stalin could announce that the USSR had at last reached the stage of socialism and was on the way to a communist society. Trotsky was more circumspect. While acknowledging the rapid development of the forces of production that was being made under Stalin, he still saw this as a stage of primitive socialist accumulation that, while being an advance over capitalism, had yet to reach socialism.

To the extent that theorist of the capitalist nature of the USSR have accepted this conception of state capitalism they have been obliged to argue either that Russia never went beyond state capitalism in the first place or that at some point their was a counter-revolution that led to the USSR falling back into state capitalism. Yet, either way, by accepting that state capitalism is the highest stage of capitalism such theorists are led to the position of considering the USSR as an advance over western capitalism. This, as we

and a periphery of underdeveloped economies was further compounded with the rise of international moneyed capital.

As we saw previously, the growth in the sheer scale of industrial production meant that the mass of capital required to set up in production increased beyond the means of most private individuals. Furthermore, the further development of industrial production itself presupposed the existence of industrial production. This had important consequences on the polarisation of the world economy and the process of underdevelopment.

Firstly, whereas in England and Western Europe industrial capital had been able to grow up on the basis of the pre-existent craft production. In contrast underdeveloped economies, like the late developing economies in Europe itself, could not simply repeat the evolutionary stages through which industry had involved in the core economies since they would be uncompetitive in the world market. Instead they had to make the leap and introduce modern plant and machinery. But such modern plant and machinery was the product of industrial production that for the most part did not exist in the underdeveloped world. It therefore had to be imported from the advanced industrial economies.

Secondly, the underdeveloped economies lacked the concentration and centralisation of capital necessary to finance the most advanced capitalist enterprises. It therefore not only had to import productive capital in order to industrialise, it had to import moneyed capital either in the form of direct foreign investments by industrial capitals of the core economies or borrow money-capital from the international banks and financial institutions.

To the extent that the underdeveloped economies were able to attract foreign investment or loans it was able to develop its industry. But such industrialisation was for the most part limited and orientated towards producing commodities demanded by the needs of capital accumulation in the more advanced industrialised economies. Its serfdom contributed to the creation of an industrial base on which a self-sufficient national accumulation of capital could occur. Furthermore, in the long term the interest or profits on such foreign investments were repatriated to the core economies and did not contribute to the further national accumulation of capital in the underdeveloped economies themselves.

Russia and the problem of underdevelopment

The defeat of the Russian Revolution as a proletarian revolution, and the subsequent failure of the world revolution that followed the First World War, left the Bolsheviks isolated and in charge of a predominantly backward and underdeveloped economy. The very existence of the Russian state, and with it the survival of the 'Soviet Government', now depended on the Bolsheviks carrying through the tasks of the national bourgeois revolution - that is the development of national industrial capital.

Yet in order to carry through such tasks the Bolsheviks had to overcome the formidable problems of underdevelopment that reinforced the internal obstacles to the modernisation and industrialisation of Russia. The two most pressing internal obstacles to the development of a national industrial capital were the problem of finance and the problem of agriculture.

Russian agriculture was predominantly based on small scale subsistence or petty-commodity production. This had two important consequences for industrialisation. Firstly, it blocked the formation of an industrial proletariat since the bulk of the population was still tied to the land. Secondly, the inefficient and backward nature of Russian agriculture prevented it from producing a surplus that could feed an expanding industrial proletariat.

To the extent that the Russian peasants could be encouraged to produce for the world market then there could be expected the gradual development of a capitalist agriculture. As production for profit led to an increasing differentiation in the peasantry some would grow

down of its separation from society. Thus police and army would be replaced by a workers' militia, while the state administration would be carried out increasingly by the population as a whole.

Rallying the left wing of the Bolshevik Party around this vision of socialism, Lenin had argued that with sufficient revolutionary will on the part of the working masses and with the correct leadership of the party it would be possible to smash the state and begin immediately the construction of Engels' 'semi-state' without too much difficulty.^[20] Already the basis for the workers' and peasants' state could be seen in the mass organizations of the working class - the factory committees, the soviets and the trade unions, and by the late summer of 1917 most of these had fallen under the leadership of the Bolsheviks.^[21] Yet this conception of the state which inspired the October revolution did not last long into the new year.

Confronted by the realities of consolidating the power of the new workers' and peasants' government in the backward economic and cultural conditions then prevailing in Russia, it was not long before Lenin was obliged to reconsider his own over-optimistic assessments for the transition to socialism that he had adopted just prior to the October revolution. As a result, within weeks of coming to power it became clear to Lenin that the fledgling Soviet State could not afford the time or resources necessary to educate the mass of workers and peasants to the point where they could be drawn into direct participation in the administration of the state. Nor could the economy afford a prolonged period of disruption that would follow the trials and errors of any experiment in workers' self-management. Consequently, Lenin soon concluded that there could be no question of moving immediately towards Engels' conception of a 'semi-state', which after all had been envisaged in the context of a socialist revolution being made in an advanced capitalist country. On the contrary, the overriding imperative of developing the forces of production, which alone could provide the material and cultural conditions necessary for a socialist society, demanded not a weakening, but a strengthening of the state - albeit under the strict leadership of the vanguard of the proletariat organized within the party.

So now, for Lenin, administrative and economic efficiency demanded the concentration of day to day decision making into the hands of specialists and the adoption of the most advanced methods of 'scientific management'.^[22] The introduction of such measures as one-man management and the adoption of methods of scientific management not only undermined workers' power and initiative over the immediate process of production, but also went hand-in-hand with the employment of thousands of former capitalist managers and former Tsarist administrators.

Yet, while such measures served to re-impose bourgeois relations of production, Lenin argued that such capitalist economic relations could be counter-balanced by the political control exercised over the state-industrial apparatus by the mass organizations of the working class under the leadership of the Party. Indeed, as we have already noted, against the objections from the left that his policies amounted to the introduction not of socialism but of state capitalism, Lenin, returning to the orthodox formulation, retorted that the basis of socialism was nothing more than 'state capitalism under workers' control', and that, given the woeful backwardness of the Russian economy, any development of state capitalism could only be a welcome advance.

As the economic situation deteriorated with the onset of the civil war and the intervention of the infamous 'fourteen imperialist armies',^[23] the contradictions between the immediate interests of the workers and peasants and those of the socialist revolution could only grow. The need to maintain the political power of the Party led at first to the exclusion of all other worker and peasant parties from the workers' and peasants' government and then to the extension of the Red Terror, which had originally been aimed at counter-revolutionary bourgeois parties, to all those who opposed the Bolsheviks. At the same time power was

gradually shifted from the mass organizations of the working class and concentrated within the central organs of the Party.^[24] As a result it was the Party which had to increasingly serve as the check on the state and the guarantee of its proletarian character.

The degeneration of the revolution

There is no doubt that Trotsky shared such Leninist conceptions concerning the state, party and class, and with them the view that the transition to socialism required both the strengthening of the state and the re-imposition of capitalist relations of production. Indeed, this perspective can be clearly seen in the way he carried out the task of constructing the Red Army.^[25] What is more, Trotsky did not balk at the implications of these Leninist conceptions and the policies that followed from them. Indeed, Trotsky fully supported the increasing suppression of opposition both inside and outside the Party which culminated with his backing for the suspension of Party factions at the Tenth Party Congress in 1921 and his personal role in crushing the Kronstadt rebellion in February 1921.

It can be argued that Trotsky was fully implicated in the Leninist conceptions and policies, and that such conceptions and policies provided both the basis and precedent for Stalinism and the show trials of the 1930s. However, for Trotsky and his followers there was a qualitative difference between the consolidation of power and repression of opposition that were adopted as temporary expedients made necessary due to the civil war and the threat of counter-revolution, and the permanent and institutional measures that were later adopted by Stalin. For Trotsky, this qualitative difference was brought about by the process of bureaucratic degeneration that arose with the failure of world revolution to save the Soviet Revolution from isolation.

In his final years Lenin had become increasingly concerned with the bureaucratization of both the state and Party apparatus. For Lenin, the necessity of employing non-proletarian bourgeois specialists and administrators, who would inevitably tend to work against the revolution whether consciously or unconsciously, meant that there would be a separation of the state apparatus from the working class and with this the emergence of bureaucratic tendencies. However, as a counter to these bureaucratic tendencies stood the Party. The Party, being rooted in the most advanced sections of the working class, acted as a bridge between the state and the working class, and, through the imposition of the 'Party Line', ensured the state remained essentially a 'workers' and peasants' state'.

Yet the losses of the civil war left the Party lacking some of its finest working class militants, and those who remained had been drafted into the apparatus of the Party and state as full time officials. At the same time Lenin feared that more and more non-proletarian careerist elements were joining the Party. As a result, shortly before his death Lenin could complain that only 10 per cent of the Party membership were still at the factory bench. Losing its footing in the working class Lenin could only conclude that the Party itself was becoming bureaucratized.

In developing his own critique of Stalin, Trotsky took up these arguments which had been first put forward by Lenin. Trotsky further emphasized that, with the exhaustion of revolutionary enthusiasm, by the 1920s even the most advanced proletarian elements within the state and Party apparatus had begun to succumb to the pressures of bureaucratization. This process was greatly accelerated by the severe material shortages which encouraged state and Party officials, of whatever class origin, to place their own collective and individual interests as part of the bureaucracy above those of working masses.

For Trotsky, the rise to power of the troika of Stalin, Kamenev and Zinoviev following Lenin's death marked the point where this process of bureaucratization of the state and Party had reached and ensnared the very leadership of the Party itself.^[26] Drawing a parallel with the course of the French Revolution, Trotsky argued that this point represented

of industry and commodity production. However, for the most part mercantile only formally subsumed production. Mercantile capital left unaltered the traditional craft based methods of production.

In the late eighteenth century, however, industrial capital began to in to its own with the rise of factory production and the application of steam powered machinery. Industrial capital directly expropriated surplus-value through its domination of the production process. As such it had no need for the privileges of bestowed by the state on merchant capital in order to make a profit. Indeed such privileges and monopolies became a block to industrial capital's own self-expansion. Under the banners of liberty and *laissez-faire* the industrial bourgeoisie increasingly came into conflict with the conservatism of mercantile capital and the established ruling classes that it upheld.

In the course of the nineteenth century industrial capital triumphed in Western Europe over mercantile capital and its aristocratic allies. As a consequence, mercantile capital became subordinated to industrial capital. It became merely a distinct moment in the circuit of industrial capital; dealing in the sale and distribution of commodities produced by industrial capital. The profits of mercantile capital no longer came to depend on state privileges but derived from the surplus-value produced by industrial capital in production. However, although mercantile capital became integrated with industrial capital in Western Europe its relation to industrial capital in other parts of the world was different.

From the sixteenth century mercantile capital had come to encompass the entire world. However, while in Europe the corrosive effects of mercantile capitalism on the established social order had been held in check by the state, in much of the rest of the world the impact of mercantile capitalism had been devastating:

In America and Australia whole civilisations were wiped out; West Africa was reduced to a slave market and no society escaped without being reduced to a corrupt parody of its former self.^[12]

The conditions created by mercantile capitalism in these parts of the world were far from being conducive for the development of industrial capital. Industrial capitalism developed in Western Europe, and subsequently North America where capital had already been concentrated and where conditions were more favourable. As a consequence, industrial capital left mercantile capital to its own devices in the rest of the world. However, as Geoffrey Kay argues:

If merchant capital retained its independence in the underdeveloped world, it was no longer allowed to trade solely on its own account but was forced to become the agent of industrial capital. In other words, merchant capital in the underdeveloped countries after the establishment of industrial capitalism in the developed countries in the nineteenth century existed in its two historical forms simultaneously. At one and the same moment it was the only form of capital but not the only form of capital. This apparent paradox is the *specifica differentia* of underdevelopment, and its emergence as a historical fact in the course of the nineteenth century marks the beginning of underdevelopment as we know it.^[13]

As the agent of industrial capital merchant capital plundered the underdeveloped world for cheap raw materials while providing lucrative outlets for industrial commodities produced in the developed world. To the extent that it retained its independence mercantile capital shored up the conservative elites and blocked the development of industrial capital in the underdeveloped world. Hence:

The consequences were doubly depressing for the underdeveloped world: on the one side the tendency of merchant capital to repress general economic development in proportion to its own independent development; on the other the reorganisation of whole economies to the requirements of external economic interests.^[14]

The emergence of a world polarised between a core of industrially advanced economies

as the impact of industrial capitalism spread eastwards across Europe from Britain, Russia was the last European country to confront the need to industrialise. As such it was the last of the late European industrialisers. On the other hand, Russia can be seen as the first of the non-western countries that sought to resist the impact of underdevelopment.

To understand this peculiar position that Russia found itself in at the beginning of the twentieth century, and how it shaped the transition to capitalism in Russia, we must briefly consider the question of underdevelopment.

Mercantile and Industrial capitalism

Capitalism, or more precisely the capitalist mode of production, only becomes established with the emergence of industrial capital. It is only when capital takes full possession of the means of production and transforms them in accordance with its own needs that capitalism becomes a self-sustaining economic system that can dominate society. However, where ever there has been the widespread use of money arising from the exchange of commodities capital has emerged in the distinct form of mercantile capital.

Mercantile capital has had an independent existence since the early period of antiquity. However, in pre-capitalist modes of production it has been ultimately parasitic. Mercantile capitalism is driven by profit. But it is a profit not based on the direct expropriation of surplus-value but on unequal exchange - buying cheap in order to sell dear. Mercantile capital was therefore always ultimately dependent on the predominant means of surplus extraction in any particular society.

Following the crisis in European feudalism in the fourteenth century and the subsequent emergence of the world market in the sixteenth century mercantile capitalism came in to its own and began to rapidly expand its influence. As such it had two contradictory effects. On the one side, mercantile capitalism brought with it an increase in the production and circulation of money and commodities and in doing so served to undermine the traditional pre-capitalist social relations. To this extent it prepared one of the essential preconditions for the development of the capitalist mode of production - the creation of an economy based on generalised commodity exchange. On the other side, insofar mercantile capitalism remained dependent on the traditional structures of society, it became a conservative force that blocked the development of an industrial capitalism.

Mercantile capitalism had grown up hand in hand with the development of the Absolutist State. In order to free itself from the feudal nobility the absolutist state was increasingly dependent on loans and money taxes that had become possible with the monetarisation of the feudal economy that was being brought about by the rise of mercantile capitalism. Yet, while the absolute monarchy was dependent on merchants and their bankers for loans and taxes, they in turn were dependent on the state for the defence of their monopolies and access to foreign markets.

However, although there was a certain symbiosis in the development of the Absolutist State and mercantile capitalism, the absolute state was careful to contain the development of mercantile capitalism. The excessive development of mercantile capitalism always threatened to undermine the existing social order on which the Absolutist State rested as traditional relations of authority were replaced by the cynical and impersonal relations of the market. Thus while the state encouraged merchants to profiteer at the expense of foreigners they were far less inclined to allow such profiteering to cause social discord at home. Hence the Absolutist State was keen to intervene to regulate trade, not only to protect the monopoly positions of the favoured merchants, but also to maintain social peace and stability.

In order to secure its sources of supply mercantile capital had from an early stage involved itself in production. To this extent the development of commerce led to the development

the transition to the Russian Thermidor - a period of conservative reaction arising from the revolution itself. As such, for Trotsky, Russia remained a workers' state, but one whose proletarian-socialist policies had now become distorted by the privileged and increasingly conservative strata of the proletariat that formed the bureaucracy, and through which state policy was both formulated and implemented.

For Trotsky, these conservative-bureaucratic distortions of state policy were clearly evident in both the internal and external affairs. Conservative-bureaucratic distortions were exemplified in foreign policy by the abandonment of proletarian internationalism, which had sought to spread the revolution beyond the borders of the former Russian empire, in favour of the policy of 'building socialism in one country'. For the bureaucracy the disavowal of proletarian internationalism opened the way for the normalization of diplomatic relations with the capitalist powers throughout the rest of the world. For Trotsky, the abandonment of proletarian internationalism diminished the prospects of world revolution which was ultimately the only hope for the Russian Revolution if it was to avoid isolation in a capitalist world and further degeneration culminating in the eventual restoration of capitalism in Russia. Domestically, the policy of building socialism in one country had its counterpart in the persistence of the cautious economic policies of balanced and optimal growth represented by the continuation of the NEP, which for Trotsky, as we have already seen, threatened the rise of a new bourgeoisie amongst the rich peasantry and with this the danger of capitalist restoration.

However, just as the Thermidor period of conservative reaction had given way to the counter-revolution of Napoleon Bonaparte which imposed the dictatorship of one man, so the Russian Thermidor, which ended with the crisis in the NEP, gave rise to Stalin as the sole dictator. For Trotsky then, the dictatorship of Stalin represented a 'Bonapartist counter-revolution' from within the revolution itself, which marked the final stage in the degeneration of the Russian workers' state. Yet, just as Bonaparte's counter-revolution was a political revolution which while restoring the monarchy did so by preserving the transformation of property relations achieved by the revolution, so likewise Stalin's counter-revolution preserved the fundamental gains of the Russian Revolution in that it maintained public ownership of the means of production along with state planning. Indeed, while Trotsky dismissed Stalin's claims that, with the collectivization of agriculture and introduction of comprehensive centralized planning of the five year plans, Russia had become fully socialist, he accepted that these were major achievements in the transition towards socialism.

So, for Trotsky, however degenerated Stalin's Russia had become, it remained a workers' state and as such preserved the fundamental gains of the revolution. By preserving public ownership of the means of production and state planning, which opened the way for the rapid development of the forces of production, Stalin's regime could be seen to develop the objective social and material conditions necessary for socialism. As such, for all its crimes, Stalin's Russia objectively represented a crucial historic advance over all capitalist countries. Therefore, for Trotsky, Stalin's Russia demanded critical support from all revolutionaries.[\[27\]](#)

Yet, as we shall see, the increasing tension between the barbarism of Stalin's regime, which condemned millions of workers, peasants and revolutionaries (including many of Trotsky's own former comrades) to death or hard labour, and Trotsky's insistence of its objectively progressive character, prompted many, including Trotsky's own ardent followers, to question his notion that Stalinist Russia was a degenerated workers' state.

The obvious objection was that the totalitarianism of Stalin's regime was virtually indistinguishable from that of Hitler's which had also gone a long way towards nationalizing the economy and bring it under state planning. Trotsky dismissed any resemblance between Stalin's Russia and Hitler's Germany as being merely superficial. For Trotsky,

during its period of decline capitalism would necessarily be forced into an increasing stratification of the economy which would give rise to authoritarian and fascist regimes. This process towards state capitalism had already reached an extreme in such countries as Italy under Mussolini and Germany under Hitler but could also be seen in the growing statism and authoritarianism in other 'democratic' countries such as France. However, such stratification of the economy and the growth in public ownership of the means of production was being carried out as a last ditch effort to preserve its opposite, private property. Stalin's Russia, on the other hand, was developing on the very basis of the public ownership of the means of production itself. Stalinist Russia had crossed the historical Rubicon of the socialist revolution. Thus, while it may have appeared that Stalin's Russia was similar to that of Hitler's Germany, for Trotsky they were essentially very different.

Bureaucracy and class

A more penetrating objection to Trotsky's critical defence of Stalinist Russia concerned the question of the nature of the Stalinist bureaucracy. Against Trotsky, it could be argued that under Stalin, if not before, the Soviet bureaucracy had established itself as a new exploitative ruling class. If this was the case then it could no longer be maintained that Stalinist Russia was in any sense a workers' state, however degenerated. Further, if the bureaucracy was not simply a strata of the proletariat that had become separated from the rest of its class, but a class in itself, it could no longer be claimed that the bureaucracy ultimately ruled in the interests of the working class, albeit in a distorted manner. The bureaucracy could only rule in its own narrow and minority class interests. As a result it could be concluded that either Russia had reverted back to a form of state capitalism, or else had given rise to a new unknown mode of production; either way there could be no longer any obligation for revolutionaries to give Stalin's monstrous regime 'critical support'.

Given that this charge that the Stalinist's bureaucracy constituted a distinct exploitative class threatened to undermine the very basis of his theory of Russia as a degenerated workers' state, Trotsky was at great pains to refute it. Of course, it was central to Trotsky's critique of the Soviet Union under Stalin that the bureaucracy had emerged as a distinct social group that had come to dominate the working class. Indeed, as Trotsky himself put it, the bureaucracy constituted 'a commanding and privileged social stratum'. Yet despite this Trotsky denied that the bureaucracy could in any way constitute a distinct exploitative class.

In denying that the Soviet bureaucracy constituted a distinct social class Trotsky was able to directly invoke the orthodox Marxist conceptions of class and bureaucracy. In doing so Trotsky was able to claim at the same time that he was defending Marxism itself against the revisionist arguments of his opponents; but, as we shall see, by invoking the authority of Marx, Trotsky was spared the task of setting out the basis of his own conception of the nature of class and bureaucracy with any degree of clarity.

For both Marx and Engels social classes were constituted through the social relations that necessarily arose out of the particular mode of production upon which a given society was based. Indeed, for Marx and Engels, the specific nature of any class society was determined by the manner in which the exploitative classes extracted surplus labour from the direct producers.

For orthodox Marxism, such social relations were interpreted *primarily in terms of property relations* [28] Hence, within the capitalist mode of production the essential social relations of production were seen primarily in terms of the private ownership of the means of production. While the capitalist class was constituted through its private ownership of the means of production, the working class was constituted through its non-ownership of the means of production. Being excluded from the ownership of the means of production, the working class, once it has consumed its means of subsistence, had no option but to sell its labour power to the capitalist class if it was to survive. On the other hand, in buying the labour power of the working class the capitalist class obtained the rights of possession of

become further consolidated with the decimation of the Revolutionary Russian proletariat during the three years of civil war.

Yet, on the other hand, while the Russian Revolution can be seen as a failed proletarian revolution it can also be seen as a partially successful 'national bourgeois' revolution. A national bourgeois revolution, neither in the sense that it was led by a self-conscious Russian bourgeoisie, nor in the sense that it served to forge a self-conscious Russian bourgeoisie, but in the sense that by sweeping away the Tzarist absolutist state it opened the way for the full development of a Russian capitalism.

In the absence of the Russian Revolution, the Russian Empire would have probably gone the way of the Austrian-Hungarian Empire. The Russian Empire would have been broken up in the face of international competition. The more advanced parts may have then been reintegrated within the orbit of European capitalism, while the rest would have been dumped in the economically undeveloped world. However, the Russian Revolution had forged a strong state that, unlike the previous Tzarist regime, was able to fully develop the forces of production.

In the backward conditions that prevailed in Russia, capitalist economic development could only have been carried out by through the forced development of the productive forces directed by the concentrated and centralised direction and power of the state. It was only through state-led capitalist development that both the internal and external constraints that blocked the development of Russian capitalism could be overcome.

In Russia, the only way to industrialise - and hence make the transition to a self-sustaining capitalist economy - was through the fusion of state and capital - that is through the full realisation of state capitalism. Yet to understand this we must briefly consider the external and internal constraints that had blocked the capitalist development of Russia at the beginning of the twentieth century.

Underdevelopment

In *The Communist Manifesto* Marx remarks:

The bourgeoisie, by the rapid improvement of all instruments of production, by the immensely facilitated means of communication, draws all, even the most barbarian, nations into civilisation. The cheap prices of its commodities are the heavy artillery with which it batters down all Chinese walls, with which it forces the barbarians' intensely obstinate hatred of foreigners to capitulate. It compels all nations, on pain of extinction, to adopt the bourgeois mode of production; it compels them to introduce what it calls civilisation into their midst i.e., to become bourgeois themselves. In one word, it creates a world after its own image. [11]

Of course, capital's inherent tendency to reproduce itself on an ever greater scale has led to the relentless geographical expansion of capitalism to the point where its has long since encompassed the entire globe. However, this process has been a highly uneven one. The concentration and centralisation of capital that has led to rapid capitalist development in one region of the world has presupposed the plunder and de-development of other regions of the world.

As we have already noted, in the late nineteenth century the development of industrial capitalism in Western Europe and North America imposed an international division of labour that still divides the world a hundred years later. The economic relations that served to promote the rapid accumulation of capital in the 'core' of world capitalism at the same time served to block the full development of industrial capitalism in the periphery of world capitalism. To this extent world capitalism became polarised.

In this process of polarisation Russia found itself in a peculiar position. On the one hand,

has shown, those economies that have managed to overcome the huge disadvantages of late industrialisation - such as Japan and more recently the 'Newly Industrialising Countries' (NICs) such as South Korea, Taiwan, Indonesia, Brazil and Mexico - state-led development has played a crucial part in their success.[\[10\]](#)

However, state capitalism only remained a tendency in Germany. In the USSR the fusion of the state and capital can be seen to have been fully realised. We must therefore turn to consider the case of the late development of Russia.

Russia and late Development

As we saw in Part I, the Russian autocracy had made repeated efforts to 'modernise' and 'industrialise' the Russian economy. With the abolition of serfdom in 1866 and the introduction of the Stolypin agrarian reforms in the early 1900s the Tzarist Governments had sought to foster the growth of capitalist agriculture. At the same time the Tzarist regime encouraged foreign investment in the most modern plant and machinery.

However, the Tzarist efforts to modernise and industrialise the Russian Empire were tempered by the danger that such modernisation and industrialisation would unleash social forces that would undermine the traditional social and political relations upon which the Russian imperial autocracy was founded. Indeed, the prime motive for promoting the industrialisation of the Russian Empire was the need for an industrial basis for the continued military strength of the Russian Empire. As military strength increasingly dependent on industrially produced weapons then it became increasingly important for the Russian State to industrialise.

As a consequence, the industrialisation of pre-Revolutionary Russia was narrowly based on the needs of military accumulation. While Russia came to possess some of the most advanced factories in the world the vast bulk of the Russian population was still employed in subsistence or petty-commodity producing agriculture. It was this economic structure, in which a small islands of large scale capitalist production existed in a sea of a predominantly backward pre-capitalist agriculture, that the Bolsheviks inherited in the wake of the October Revolution.

The Russian Revolution of 1917 was a dual revolution. On the one hand it was a proletarian revolution. It was the urban working class that brought down the Tzarist regime in February, defeated the Kornilov's counter-revolution in August and then, through the political form of the Bolshevik Party, seized political power in October. Yet although the Russian proletariat, in alliance with the peasantry, succeeded in sweeping away the Tzarist autocracy, and uprooting the semi-feudal aristocratic ruling class on which it rested the proletarian revolution was ultimately defeated.

The Russian proletariat failed to go beyond the situation of dual power in the streets and the factories that had arisen during period between the February and October Revolution. Unable to take over and directly transform the social relations of production the contradictions involved in the situation of dual power were resolved in favour of nationalisation rather than the communisation of the means of production. The consequences of which soon became clear with the re-introduction of Taylorism and the imposition of one man management in the Spring of 1918.

The Bolshevik Party, which had been the political form through which the Russian proletariat had triumphed, then became the form through which it suffered its defeat. The Leninists could only save the revolution by defeating it. The emergency measures employed to defend the gains of the revolution - the crushing of political opposition, the re-employment Tzarist officials, the reimposition of capitalist production methods and incentives etc., only served to break the real power of the Russian working class and open up the gap between the 'workers' Government' and the Workers. This process was to

all the wealth that the working class created with its labour. Once it had paid the costs of production, including the costs of reproducing labour-power, the capitalist class was left in possession of the surplus-labour created by the working class, as the direct producers, in the specific social form of surplus-value.[\[29\]](#)

On the basis of this orthodox interpretation of the nature of class, backed up by various political writings of both Marx and Engels, it was not hard to argue that, at least within capitalism, the state bureaucracy could not constitute a distinct social class. The state bureaucracy could clearly be seen to stand outside the immediate process of production and circulation, and as such was not directly constituted out of the social relations of production. Even insofar as the state was able to go beyond its mere function as the 'executive committee of the bourgeoisie' so that the state bureaucracy could act as a distinct social group which was able to pursue its own ends and interests, the state bureaucracy still did not constitute a distinct class since its social position was not based in private property but in its extra-economic political and administrative functions. So, even insofar as the state bureaucracy was able to appropriate a share in the surplus-value it did so not by virtue of its private ownership of the means of production or capital but through extra-economic means such as taxation and tariffs.

So, at least under capitalism, it seemed clear that the state bureaucracy could not constitute a distinct social class. But what of the transition from capitalism to socialism? For Trotsky, following Marxist orthodoxy, the question was clear cut. The revolution of 1917 had swept away the private ownership of the means of production and with it the basis for the exploitation of 'man by man' which had been perfected under capitalism. With the nationalization of the means of production and the introduction of social planning there was no basis for the state bureaucracy to exist as an exploitative class.

Trotsky made clear his position at the very outset of his consideration of the social position of the Soviet bureaucracy:

Classes are characterized by their position in the social system of economy, and primarily by their relation to the means of production. In civilized societies, property relations are validated by laws. The nationalization of land, the means of industrial production, transport and exchange, together with the monopoly of foreign trade, constitute the basis of the social structure. Through these relations, established by the proletarian revolution, the nature of the Soviet Union as a proletarian state is for us basically defined. (*The Revolution Betrayed*, p. 248)

To this extent Trotsky's position is little different from that of Stalin: the abolition of private property ends the exploitation of 'man by man'.[\[30\]](#)

Of course, Trotsky could not simply remain content with Stalin's denial that the Soviet bureaucracy constituted an exploitative class. Indeed Stalin's position even denied the existence of the bureaucracy as a distinct social group. To make his critique of Stalin's Russia, Trotsky had to look beyond the formal and judicial transformation of property relations brought about by the Russian Revolution in 1917. Trotsky recognized that, although the nationalization decrees that followed the October revolution had *formally and juridically* transferred the ownership of the means of production from the hands of private capitalists to society as a whole, this was not the same as the *real* transfer of the ownership to the people as a whole. The nationalization of production had merely transferred the ownership of the means of production from the capitalist to the state, which, while a necessary step in the transition to socialism, was not the same as real public ownership. For Trotsky, in a real sense the 'state owns the economy and the bureaucracy owns the state'.

As Trotsky himself points out, the real property relations, as opposed to the formal and juridical property relations, is a social reality acutely apparent to the Soviet worker:

"The worker in our country is not a wage slave and is not a seller of a commodity called labour-power. He is a free workman" (*Pravda*). For the present period this unctuous formula is unpermissible bragging. The transfer of the factories to the state changed the situation of the worker only juridically. In reality, he is compelled to live in want and work a definite amount of hours for a definite wage. Those hopes which the worker formerly placed in the party and the trade unions, he transferred after the revolution to the state created by him. But the useful functioning of this implement turned out to be limited by the level of technique and culture. In order to raise this level, the new state resorted to the old methods of pressure upon the muscles and nerves of the worker. There grew up a corps of slave drivers. The management of industry became super-bureaucratic. The workers lost all influence whatever upon management of the factory. With piecework payment, hard conditions of material existence, lack of free movement, with terrible police repression penetrating the life of every factory, it is hard indeed for the worker to feel himself a free workman. (*The Revolution Betrayed*, p. 241)

For Trotsky, the overriding need to develop the productive forces in the backward conditions prevailing in Russia required the state ownership of production. Through the state the Soviet bureaucracy had, in a sense, taken real possession of the means of production and as such had come to constitute a distinct social group. Just as Marx and Engels had observed that under capitalism the state bureaucracy could in certain situations obtain a relative degree of autonomy from the bourgeois ruling class, so in the transition to socialism the state bureaucracy was able to obtain a relative autonomy from the proletarian ruling class. Indeed, Trotsky argues that the autonomy of the Soviet bureaucracy is all the greater than its counterparts under capitalism since the working class is not an inherently dominating class.

Thus, while the revolution had formally freed the worker from the dictates of private property and made him a co-owner of the means of production, in reality the worker found himself in a situation that seemed little different from that under capitalism. Indeed, subordinated to the demands of the state bureaucracy the worker may well feel just as exploited as he had been under capitalism. But for Trotsky, although the worker may subjectively feel exploited, *objectively* he was not. The plight of the workers' situation was not due to exploitation but to the objective need to develop the forces of production. Of course, like all bureaucracies the Soviet bureaucracy could abuse its position to obtain material and personal advantages and this could reinforce the workers' perception that the bureaucracy was exploiting them. But for Trotsky such material and personal advantages were not due to the exploitation of the working class by the state bureaucracy, but due to the bureaucracy's *privileged* position within the workers' state.

Hence while the nationalization of the means of production by the workers' state had ended capitalist relations of production and thereby ended exploitation, the backward conditions in Russia had allowed the Soviet bureaucracy to gain a privileged and commanding position and maintain *bourgeois norms of distribution*. The bureaucracy no more exploited the working class than monopolist capitalists exploited other capitalists by charging monopoly prices. All the Soviet bureaucracy did was redistribute the surplus-labour of society in its own favour. This is perhaps best illustrated by Trotsky's own analogy with share-holding in a market economy:

If we translate socialist relations, for illustration, into the language of the market, we may represent the citizen as a stockholder in a company which owns the wealth of country. If property belonged to all the people, that would presume equal distribution of "shares", and consequently a right to the same dividend for all "shareholders". The citizens participate in the national enterprise, however, not only as "shareholders", but also as producers. On the lower stage of communism, which we have agreed to call socialism, payments for labour are still made according to bourgeois norms - that is, dependence upon skill and intensity etc. The theoretical income of each citizen is thus composed of two parts, $a + b$ - that is, dividend plus wages. The higher the technique and the more complete the

the state and the emergence of laissez-faire, on the continent the ruinous competition of British industry forced the European states to take measures to protect and foster domestic industry. Indeed British economic competition meant there was no option for the gradual evolution into capitalism. On the contrary the European ruling classes had to industrialise or be left behind. If the domestic bourgeois proved to weak too carry out industrialisation then the state had to carry out its historical mission for it.

The 1870s marked a crucial turning point in the development of the formation of the world capitalist economy, particularly in Europe. The period 1870-1900 marked a second stage in industrialisation that was to divided the world between a core of advanced industrialised countries and periphery of underdeveloped countries. A division that for the most part still exists today.

The first stage of industrialisation that had begun in Britain in the late eighteenth century, and which had been centred on the textile industries, had arisen out of handicraft and artisanal industry that had grown up in the previous manufacturing period. The machinery that was used to mechanise production was for the most part simply a multiplication and elaboration of the hand tools that had been used in handicraft production and were themselves the product of handicraft production. At the same time the quantum of money-capital necessary to set up in production was relatively small and was well within the compass of middle class family fortunes.

The second stage of industrialisation that emerged in the final decades of the nineteenth century was centred around large scale steel production, and heavy engineering. Industrial production now presupposed industrial production. Industrial machinery was now no longer the product of handicraft production but was itself the product of industrial production. Industrial production had grown dramatically in scale and in cost. The quantum of capital necessary to set up in production was now often well beyond the pockets of even the richest of individuals. Money-capital had to be concentrated through the development of joint-stock companies and banks.

In Britain, and perhaps to a lesser extent France, the period of early industrialisation had created the presuppositions for the future industrialisation of the second stage. An industrial base had already been established while the accumulation of capital and the development of the financial institutions provide the mass of money capital necessary for further industrialisation. In contrast the division of Germany into petty-statelets that was only finally overcome with its unification in 1866 had retarded the development of industrial capital. As a consequence, Germany had to summon up out of almost nothing the preconditions for the second stage of industrialisation if it was not to fall irrevocably behind. This required a forced concentration of national capital and the active intervention of the state.

This was further compounded by Germany's late entrance into the race to divide up the world. The new industries that began to emerge in the late nineteenth century demanded a wide range of raw materials that could only be obtained outside of Europe. To secure supplies of these raw materials a race developed to divide up the world and this led to the establishment of the vast French and British Empires of the late nineteenth century. Excluded from much of the world, German capital found itself compressed within the narrow national confines of Germany and its immediate eastern European hinterland.

It was this forced concentration and centralisation of German capital and its confinement within the narrow national boundaries of Germany and eastern Europe that can be seen as the basis for the tendencies towards the fusion both between industrial and banking capital and between the state and capital that were peculiar to Germany at the end of the nineteenth century. As such the tendency towards state capitalism that was identified by the theorist of the Second International owed more to Germany's late industrialisation than to any universally applicable tendency towards state capitalism. Indeed, the twentieth century

Equally British banking capital was centred on managing international flows of capital and investing abroad and was far from inclined to make the long term commitments necessary for a merger with industrial capital. British industrial capital raised finance principally through the stock market or through retained profits not through the banks as their German counterparts did. While the British state pursued an imperial policy that sought to protect the markets and sources of raw materials for British capital it stop short there. The British State made little effort to promote the development of British capital through direct state intervention since in most sectors British capital still retained a commanding competitive advantage.

In the USA the concentration of banking capital was restricted. As a consequence there could be no fusion between large scale banking capital and large scale industrial capital. As a continental economy there was far more room for expansion in the USA before capitals in particular industries reached a monopolistic stage and when they did reach this stage they often faced anti-trust legislation. Furthermore, the relative geo-economic isolation of the USA meant that protectionist measures were sufficient to promote the development of American industry. There was little need for the US government to go beyond imposing tariffs on foreign imports in order to encourage the development of domestic industry. As a consequence there was not only no basis for the fusion of industrial and banking capital but there was also little basis for the fusion of the state with capital.

In the twentieth century it was the USA, not Germany, that took over from Britain as the hegemonic economic power. While it is true that the tendency towards the concentration and centralisation of capital has continued in the USA, that both state regulation and state spending has steadily increased, and that with the emergence of the industrial-military complex there has grown increasing links between the state and certain sectors of industry, the USA, the most advanced capitalist power, can hardly be designated as having a state capitalist political-economy. Indeed, with the rise of global finance capital and the retreat of the autonomy of the nation state, the notion that state capitalism is the highest stage of capitalism has become increasingly untenable.

If state capitalism is not the highest stage of capitalism as was argued by the theorists of the Second and Third Internationals then what was its historical significance? To answer this we must first of all briefly consider the particular development of industrial capitalism in Germany which were provided the material conditions out of which this notion first arose.

Germany and the conditions of late industrialisation

As Marx recognised, Britain provided the classic case for the development of industrial capitalism. After nearly four centuries of evolution the development of mercantile and agrarian capitalism had created the essential preconditions for the emergence of industrial capitalism in Britain by the end of the eighteenth century. Centuries of enclosures had dispossessed the British peasantry and created a large pool of potential proletarians. At the same time primitive accumulation had concentrated wealth in the hands of an emerging bourgeoisie and embourgeoisified gentry who were both willing and able to invest it as capital.

The early decades of the nineteenth century saw the rapid industrialisation and urbanisation of Britain. By the mid-nineteenth century Britain had established itself as the 'workshop of the world'. Britain's manufacturers flooded the world markets, particularly those of Europe. The development of the factory system and the subsequent application of steam power meant that the products of British industry were far cheaper than those of European industries that were for the most part still based on handicraft production.

As a consequence much of the proto-industrial craft production that had grown up across Europe during the previous two centuries faced ruin from British industrial production. Whereas in Britain the emergence of industrial capitalism had seen a retreat in the role of

organization of industry, the greater is the place occupied by a as against b, and the less is the influence of individual differences of labour upon the standard of living. From the fact that wage differences in the Soviet Union are not less, but greater than in capitalist countries, it must be inferred that the shares of the Soviet citizen are not equally distributed, and that in his income the dividend as well as the wage payment are unequal. Whereas the unskilled labour receives only b, the minimum payment which under similar conditions he would receive in a capitalist enterprise, the Stakhanovist or bureaucrat receives $2a + b$, or $3a + b$, etc., while b also in turn may become $2b$, $3b$, etc. The differences in income are determined, in other words, not only by differences of individual productiveness, but also by a masked appropriation of the products of labour of others. The privileged minority of shareholders is living at the expense of the deprived majority. (*The Revolution Betrayed*, p. 240).

So, for Trotsky, insofar as the revolution of 1917 had abolished the private ownership of the means of production the basis for socialist relations of production had been established. However, in the backward conditions in which the revolution had been made, bourgeois norms of distribution still persisted and had become exacerbated by the growing power of the state bureaucracy in such conditions.

Trotsky and the question of transition

Trotsky's attempt to develop a Marxist critique of Stalin's Russia, while at the same time denying that the Soviet bureaucracy constituted an exploitative class, was far from being unproblematic. In developing this critique of the Soviet Union through his polemics against Stalinists on the one hand, and the left communists and some of his own followers on the other, Trotsky had little time to present in detail the theoretical foundations of his arguments. Instead, as we have already noted, Trotsky for the most part appealed to the commonly accepted tenets of orthodox Marxism. As a consequence Trotsky failed to set out clearly his ideas on such fundamental matters as the connection between the productive forces and the social relations of production, the social relations of production and property relations, and between production and distribution. As we have already indicated, perhaps the most important weakness of Trotsky is his acceptance of the orthodox reduction of social relations of production to simple property relations, we shall briefly examine this now.

As we have seen, not only did Trotsky interpret the social relations of production primarily in terms of property relations but, along with Stalin, insisted that these property relations had to be given an immediate expression in the juridical property relations that regulated society. As Trotsky asserts: 'In all civilized societies, property relations are validated by laws'. But, as we have also seen, in order to press home his critique of the Soviet bureaucracy Trotsky had to go beyond the apparent legal property relations of the Soviet Union and in doing so, at least implicitly, acknowledge that real property relations may differ from their formal and juridical expression.

Of course, this disjunction between real and formal property relations is not unknown in capitalism itself. With the development of the modern corporation from the end of the nineteenth century there has arisen a growing divergence between the ownership of the means of production and their management. The modern joint stock company is formally owned by its shareholders while the actual running of the company is left to the senior management who can be said to have the *real possession* of the means of production. For Trotsky, the social relations of production would be transformed simply by nationalizing the firm so that it is run for society as a whole rather than for a few shareholders. With nationalization, legal ownership is transferred to the state while the real possession of means of production may remain in the hands of the management or bureaucracy. Hence, just as under certain circumstances the management of joint stock company cream off some of the profits in the form of huge salaries and share options, so under conditions of underdevelopment the management of state enterprises may also be in a position to cream off the economic surplus produced by the nationalized industry.

Yet few would deny that while the management of a capitalist enterprise may not themselves legally own the firm they still *function* as capitalists with regard to the workers. The management functions to extract surplus-value and as a consequence they function as the actual exploiters of the workers. Within the Soviet enterprise the workers may formally own the means of production but in real terms they are dispossessed. They have to sell their labour-power for a wage. On the other side the 'socialist' management are obliged to extract surplus-labour just as much as their capitalist counterparts, as even Trotsky admits. It would seem that the actual social relations of production between the workers who are really dispossessed and the management who have real possession of the means of production is the same. What has changed is the merely the formal property relations which affects the distribution of the surplus-labour, not its production.

In this view Trotsky's position becomes inverted: the revolution of 1917 only went so far as to socialize the distribution of the economic surplus while leaving the social relations of production as capitalist. This line of argument provides the basis for a telling critique, not only against Trotsky's theory of a degenerated workers' state, but also the 'politicism' of the entire Leninist project which had been inherited from the orthodox Marxism of the Second International.^[31] Indeed, as we shall see, this line of argument has often been taken up in various guises by many anarchists and left communists opposed to the Leninist conception of the USSR and the Russian Revolution. Yet, if we are to grasp what has given Trotsky's theory of a degenerated workers' state its hold as one of the principle critiques of the USSR it is necessary to consider the importance of 'transition' to Trotsky.

As we have seen, the notion that the Soviet Union was in a state of transition from capitalism to socialism was central for Trotsky. Indeed, it is this very notion of transition which allowed Trotsky to defend the orthodox Leninist and Marxist positions alongside Stalin, while at the same time distancing himself sufficiently from Stalin to make a thorough critique of the USSR. As we have already pointed out, both Stalin and Trotsky supported the orthodox position that the real social relations of production of any established mode of production would have to find their immediate legal and formal expression. Yet, while Stalin asserted that with the five year plans and the collectivization of agriculture the USSR had become socialist, Trotsky insisted that the USSR was still in a state of transition from capitalism to socialism. Since the USSR was in transition from one mode of production to another, the formal and legal property relations could be in advance of the real relations of production. The disjunction between the real and formal property relations of the USSR was the result of the real contradictions in the transformation of capitalist social relations into those of socialism.

Of course for Trotsky, sooner or later formal property relations would have to be brought into conformity with the real social relations of production. Either the development of the productive forces would eventually allow the formal property relations to be given a real socialist content or else the USSR would collapse back into capitalism with the restoration of the private ownership of the means of production.

Furthermore, for Trotsky, it was this contradiction between the formal property relations and the social relations of production that placed the bureaucracy in a precarious and unstable position which prevented it from constituting itself as a class. To defend its position the bureaucracy had to defend state property and develop the forces of production. Yet, while the social position of the individual capitalist was rooted in the private ownership of the means of production that was backed by law, the individual bureaucrat was simply an employee of the state who owed his or her position to those higher up in the bureaucracy. Unable to reproduce itself over the generations through inheritance Trotsky believed that the Soviet bureaucracy could not last long. The Soviet bureaucracy was merely a fleeting phenomena of transition that would one way or another have to pass away.^[32]

It was on this basis that Trotsky argued:

one conglomerate that owned and controlled all the important industries in the national economy.

However, the growth of finance capital also went hand in hand with the growing economic importance of the state. On an international scale the development of finance capital within each nation state led to international competition increasingly becoming politicised as each state championed the interests of its own national capitals by military force if necessary. Against rival imperial powers each state had begun to carve out empires and spheres of influence across the globe to ensure privileged access to markets and raw materials necessary to its domestic capital. At the same time the development of huge monopolies and finance capital forced the state to take a far more active role in regulating the economy and arbitrating between the conflicting economic interests that could no longer be mediated through the free operation of competitive markets.

As a consequence, the development of finance capital implied not only a fusion between industrial and banking capital but also a fusion between capital and the state. Capitalism was remorselessly developing into a state capitalism in which there would be but one capital that would dominate the entire nation and be run by the state in the interests of the capitalist class as a whole. For the theorist of the Second International it was this very tendency towards state capitalism that provided the basis of socialism. With the development of state capitalism all that would be needed was the seizure of the state by the working class. All the mechanisms for running the national economy would then be in the hands of the workers government who could then run the economy in the interests of the working class rather than a small group of capitalists.

But this notion that state capitalism was the culmination of the historical development of capitalism, and hence that it was capitalism's highest stage, arose out of the specific conditions and experience of Germany at the end of the nineteenth century. Germany's rapid industrialisation following its unification in 1866 had meant that by the end of the nineteenth century it was seriously challenging Britain as Europe foremost economic power. At the same time the rapid emergence of an industrial proletariat had given rise to the German Social Democratic Party which was not only the first but also the largest and most important mass workers party in the world and as such dominated the Second International. It is perhaps no surprise then that the Marxist theorists of the Second International, whether German or not, should look to Germany. But their generalisation of the development of capitalism of Germany to a universal law was to prove an important error.

This error becomes clear if we consider the other two leading capitalist powers at the end of the nineteenth century: Britain that had been the leading capitalist power throughout the century, and the USA, along with Germany were rapidly overtaking Britain in economic development. Of course, in both Britain and the USA capitalist development had seen the prevalence of the tendency of the centralisation and concentration of capital that was to lead to the growth of huge corporations and monopolies. Furthermore, partly as a result of such a concentration and centralisation of capital, and partly as a result of the class conflict that accompanied it, the state was to take on increasing responsibilities in managing the economy in the twentieth century. However, there was no fusion between banking and industrial capital nor was there a fusion between the state and capital on any scale comparable that which could be identified in Germany either at the end of the nineteenth century or subsequently in the twentieth century.

The international orientation of British capital that had become further consolidated with the emergence of the British Empire in the late nineteenth century, meant there was little pressure for the emergence of finance capital in Hilferding's sense. British industrial capital had long established markets across the world and was under little pressure to consolidate national markets through the construction of cartels or national monopolies.

law of planning without the participation of the working class.

As we saw in Part II, it is within this theoretical framework that Ticktin argued that the USSR was the first attempt to make the transition from capitalism to socialism within the global epoch of the decline of capitalism that Ticktin was able to develop his analysis of the decline and fall of the USSR. However, as we also saw while his analysis is perhaps the most plausible explanation that has been offered for the decline and fall of the USSR it has important failings. As we have argued, despite twenty years and numerous articles developing his analysis of the USSR, Ticktin has been unable to develop a systematic and coherent methodological exposition of his theory of the Soviet Union as a non-mode production. Instead Ticktin is obliged to take up a number of false starts each of which, while often offering important insights into the nature and functioning of the USSR, runs into problems in its efforts to show that the Soviet Union was in some sense in transition to socialism. Indeed, he is unable to adequately explain the persistence and function of capitalist categories in the USSR.

If we are to develop an alternative to Ticktin theory which is rooted in the tradition that has consistently seen the USSR as being state capitalist^[9] it is necessary that we are able to explain the non-capitalist aspects of the USSR that previous state capitalist theories have failed to do. To do this we propose to follow Ticktin and consider the USSR as a transitional social formation, but, following the insights of Bordiga and the Italian Left, we do not propose to grasp the USSR as having been in transition from capitalism but as a social formation in transition to capitalism.

But before we can do this we must first consider particular nature of the form of state capitalism.

The historical significance of state capitalism

Within the traditional Marxism of both the Second and Third Internationals state capitalism is viewed as the highest form of capitalism. As Marx argued, the prevalent tendency within the development of capitalism is the both the concentration and centralisation of capital. As capital is accumulated in ever large amounts the weak capitals are driven out by the strong. Capital becomes centralised into fewer and fewer hands as in each industry the competition between many small capitals becomes replaced by the monopoly of a few.

By the end of the nineteenth century the theorists of the Second International had begun to argue that this tendency had gone so far that the competitive *laissez-faire* capitalism that Marx had analysed in the mid-nineteenth century was giving way to a monopoly capitalism in which the key industries were dominated by national monopolistic corporation or price-fixing cartels. It was argued that the development of such monopolies and cartels meant that the law of value was in decline. Output and prices were now increasingly being planned by the monopolies and cartels rather than emerging spontaneously from the anarchy of a competitive market.

Furthermore it was argued that in order to mobilise the huge amounts of capital now necessary to finance large scale productive investments in leading sectors such those of the steel, coal and rail industries, industrial capital had begun to ally, and then increasingly fuse, with banking capital to form what the leading economic theorist Hilferding termed finance capital. Within finance capital the huge national monopolies in each industry were united with each other forming huge national conglomerates with interests in all the strategic sectors of the economy. The logical outcome of this process was for the centralisation of finance capital to proceed to the point where there was only

To the extent that, in contrast to decaying capitalism, it develops the productive forces, [the bureaucracy] is preparing the economic basis of socialism. To the extent that, for the benefit of an upper stratum, it carries to more and more extreme expression bourgeois norms of distribution, it is preparing a capitalist restoration. (*The Revolution Betrayed*, p. 244)

So, for Trotsky, either the Soviet Union would make the transition to socialism, in which case the bureaucracy would be swept away, or else it would fall back into capitalism and the bureaucracy would legalize their position through the reintroduction of private property and capitalism, and in doing so transform themselves into a new capitalist class.

Trotsky's notion that the USSR was in a state of transition from capitalism to socialism was central to his theory of Russia as a degenerated workers' state and, at the time of writing, seemed to give his theory substantial explanatory power. Yet Trotsky's prognosis that the end of the Second World War would see the Soviet Union either become socialist with the support of world revolution or else face the restoration of capitalism was to be contradicted by the entrenchment of the Soviet bureaucracy following the war. As we shall see, this was to provoke a recurrent crisis amongst Trotsky's followers.

Section 2: The theory of the USSR as a form of state capitalism within Trotskyism

Introduction

For Trotsky, the Stalinist system in the USSR could only be but a transitory historical phenomena. Lacking a firm legal basis in the ownership of the means of production, the Stalinist bureaucracy was doomed to a mere fleeting appearance in the overall course of history. Indeed, throughout the 1930s, Trotsky had been convinced that the days of the Stalinist bureaucracy were numbered.

For Trotsky, world capitalism was in terminal decline. The economic stagnation that had followed the Wall Street crash in 1929 could only intensify imperialist rivalries amongst the great capitalist powers which ultimately could only be resolved through the devastation of a Second World War. Yet Trotsky firmly believed that, like the First World War, this Second World War would bring in its wake a renewed revolutionary wave that would sweep the whole of Europe if not the world. In the midst of such a revolutionary wave the Russian working class would be in a position to overthrow the Stalinist bureaucracy in a political revolution which would then, with the aid of revolutions elsewhere, open the way for Russia to complete its transition to socialism. Even if the worst came to the worst, and the post-war revolutionary wave was defeated, then the way would then be open for the restoration of capitalism in Russia. With the defeat of the proletariat, both in Russia and elsewhere, the Stalinist bureaucracy would soon take the opportunity to convert itself into a new bourgeoisie through the privatization of state industry. Either way the Stalinist bureaucracy would soon disappear, along with the entire Stalinist system that had arisen from the degeneration of the Russian Revolution.

As the approach of the Second World War became more and more apparent, Trotsky became more convinced that Stalin's day of reckoning would not be far off. Yet not all of Trotsky's followers shared his optimism.

Following his expulsion from Russia in 1929 Trotsky had sought to re-establish the Left Opposition on an international basis seeking to oppose Stalin within the Third International of Communist Parties. However, in the face of Stalin's resolute hold over the Third International and its constituent Communist Parties Trotsky's efforts to build the

International Left Opposition within the official world Communist movement soon proved to be futile. In 1933 Trotsky decided to break from the Third International and attempt to regroup all those Communists opposed to Stalin in an effort to build a new Fourth International.

With the international upturn in class struggle of the mid-1930s, which culminated in the Spanish Revolution in 1936, increasing numbers of Communists who had become disillusioned with Stalinism were drawn to Trotsky's project. By 1938 Trotsky had felt that the time had come to establish the Fourth International. Although the various groups across the world who supported the project of a Fourth International were still very small compared with the mass Communist Parties of the Third International, Trotsky believed that it was vital to have the international organization of the Fourth International in place before the onset of the Second World War. Trotsky believed that just as the First World War had thrown the international workers' movement into confusion, with all the Socialist Parties of the Second International being swept along in patriotic fervour, so the same would happen with the onset of the Second World War. In such circumstances the Fourth International would have to provide a resolute point of reference and clarity in the coming storm which could then provide a rallying point once the patriotic fever had given way to the urge for revolution amongst the working class across the world.

Yet by 1938 the upturn in class struggle had more or less passed. The Spanish Revolution had been defeated and Franco's fascists were well on their way to winning the Spanish Civil War. With fascism already triumphant in Italy and Germany and advancing elsewhere in Europe the situation was looking increasingly bleak for those on the left that had become disillusioned with Stalinism. Furthermore, few could have been as convinced as Trotsky was that the onset of a Second World War, which promised to be even more terrible than first, would bring in its wake a renewed revolutionary situation in Europe, if not the world.

As a consequence, many, even within the Fourth International, came to draw rather pessimistic conclusions concerning the world situation. Within such a pessimistic perspective it was easy to conclude that the socialist revolution had failed, both in Russia and the rest of Europe, in the early 1920s. From this it was but a short step to argue that capitalism was not being replaced by socialism, as Marx had foreseen, but by a new and unforeseen form of society in which all political and economic life was subsumed by a totalitarian state, which had become evident not only in Mussolini's Italy and Hitler's Germany but also in Stalin's Russia. This new form of society now seemed destined to dominate the world, just as capitalism had done before it. This view found its expression in the various theories of 'bureaucratic collectivism' that increasingly gained support amongst Trotskyists towards the end of the 1930s.

The theory of bureaucratic collectivism was originally put forward by Bruno Rizzi in the early 1930s. Yet it was in 1939 that this theory became central to the first grave crisis in Trotskyism. As we have seen, on the basis of his theory of the USSR as a degenerated workers' state, Trotsky had argued that, despite all the crimes perpetrated by the Stalin's regime, it was necessary, in order to defend the proletarian gains of the Russian Revolution, to give critical support to the Soviet Union. As we have also noted, this position became increasingly difficult to defend as true nature of Stalin's regime became apparent, particularly after the Moscow show trials of the 1930s and the role of the Stalinists in crushing the workers' revolution in Spain in the May Days of 1937. For many Trotskyists the last straw came when Stalin signed a non-aggression pact with Hitler in August 1939. Here was the USSR openly dealing with a fascist regime!

In September 1939 several leading members of the Socialist Workers' Party of the USA, which, with several thousand members, was one of the largest sections of the Fourth International, announced the formation of an organized minority faction opposed to the official stance towards the USSR. In their polemics with Trotsky and his supporters in the

power, the USSR could still be defended as being progressive in that it was able to develop the forces of production faster than capitalism. To the extent that the rapid development of the forces of production was creating the material conditions for socialism then the USSR could still be seen as being in the long term interests of the working class.

Many of the state capitalist theorists shared this common view that the USSR was an advance over the free market capitalism of the West. While they may have disagreed with the Trotskyist notion that the Russian Revolution had led to a break with capitalism they still accepted that by leading to the eventual introduction of a predominantly state capitalist economy it had marked an advance not only over pre-Revolutionary Russia but also over Western capitalism.

This view seemed to be confirmed by the post Second World War development in Western capitalism. The emergence of Keynesian demand management, widespread nationalisation of key industries, indicative planning^[7] and the introduction of the welfare state all seemed to indicate an evolution towards the form of state capitalism. For many bourgeois as well as Marxist theorists of the 1950s and 1960s there was developing a convergence between the West and the East as the state increasingly came to regulate the economy. For *Socialism or Barbarism* there was emerging what they termed a 'bureaucratic capitalism' that had overcome the problems of economic crisis.

As we noted in Part III, Mattick as one of the leading state capitalist theorist of the German left, rejected the claims that Keynesianism had resolved the contradictions of capitalism. Yet nevertheless he took the claims that the USSR had itself resolved the problems of economic crisis through rational planning at face value.

However, as we saw in Part II, by the 1970s it had become increasingly clear that the USSR had entered a period of chronic economic stagnation. By the time of the collapse of the USSR in 1990 only the most hard line Stalinist could deny that the USSR had been a bureaucratic nightmare that involved enormous economic waste and inefficiency.

State capitalist theories have so far proved unable to explain the peculiar nature of the fundamental contradictions of the USSR that led to its chronic stagnation and eventual downfall. ^[8] If the USSR was simply a form of capitalism then the crisis theories of capitalism should be in some way applicable to the crisis in the USSR. But attempts to explain the economic problems of the USSR simply in terms of the falling rate and profit, overproduction and crisis etc. have failed to explain the specific features of the economic problems that beset the USSR. The USSR did not experience acute crisis of overproduction but rather problems of systematic waste and chronic economic stagnation, none of which can be explained by the standard theories of capitalist crisis.

As a consequence of this limitation of state capitalist theories, perhaps rather ironically, the most persuasive explanation of the downfall of the USSR has not arisen from those traditions that had most consistently opposed the Soviet Union, and which had given rise to the theories that Soviet Union was a form of State Capitalism, but from the Trotskyist tradition that had given the USSR its critical support. As we saw in Part II, it has been Ticktin that has given the most plausible explanation and description of the decline and fall of the USSR. Although in developing his theory of the USSR Ticktin was obliged to ditch the notion that the USSR remained a degenerate workers state, he held on to the crucial Trotskyist notion that the Soviet Union was in a transitional stage between capitalism and socialism. For Ticktin, Russia's transition to socialism was part of the global transition from capitalism to socialism. With the failure of the world revolution following the First World War Russia was left in isolation and was unable to complete the transition to socialism. As a consequence, the USSR became stuck in a half-way position between capitalism and socialism. The USSR subsequently degenerated into a 'non-mode of production'. While it ceased to be regulated by the 'law of value' it could not adequately regulated through the

anything, in the USSR money may have been necessary to buy certain things but was often very far from being sufficient. As the long queues and shortages testified what was needed in USSR to obtain things was not just money but also time or influence.

Thirdly, there were the forms of profits and interest. Under capitalism profit serves as the driving force that propels the expansion of the economic system, while interest ensures the efficient allocation of capital to the most profitable sectors and industries. In the USSR the forms of profit and interest existed but they were for the most part accounting devices. Production was no more production for profit than it was production for exchange. Indeed the expansion of the economic system was driven by the central plan that set specific targets for the production of *use-values* not values.^[5]

Finally and perhaps most importantly we come to the form of wages. To the extent that Trotskyist theorists reject the Stalinist notion that the Russian working class were co-owners of the state enterprises, they are obliged to accept that the direct producers were separated from both their means of subsistence and the means of production. However, in the absence of general commodity production it is argued that the Russian worker was unable to sell her labour-power as a commodity. Firstly, because the worker was not 'free' to sell her labour power to who ever she chose and secondly because the money wage could not be freely transformed into commodities. As a consequence, although the workers in the USSR were nominally paid wages, in reality such wages were little more than pensions or rations that bore scant relation to the labour performed. The position of the worker was more like that of a serf or slave tied to a specific means of production that a 'free' wage worker.

We shall return to consider this question of 'empty capitalist forms' later. What is important at present is to see how the Trotskyist approach is able to ground the contradictory appearance of the USSR as both capitalist and non-capitalist in terms of the transition from capitalism to socialism. To this extent the Trotskyist approach has the advantage over most state capitalist theories that are unable to adequately account for the non-capitalist aspects of the USSR. This failure to grasp the non-capitalist aspects of the USSR has been exposed in the light of the decay and final collapse of the USSR.

Capitalist crisis and the collapse of the USSR

One of the most striking features of the capitalist mode of production is its crisis ridden mode of development. Capitalism has brought about an unprecedented development of the productive forces, yet such development has been repeatedly punctuated by crises of overproduction.

The sheer waste that such crises could involve had become clearly apparent in the great depression of the 1930s. On the one side millions of workers in the industrialised countries had been plunged into poverty by mass unemployment while on the other side stood idle factories that had previously served as a means to feed and clothe these workers. In contrast, at that time Stalinist Russia was undergoing a process of rapid apparently crisis free industrialisation that was to transform the USSR from a predominantly agrarian economy into a major industrial and military power.^[6]

In the 1930s and the decades that followed, even bourgeois observers had come to accept the view that the Stalinist system of centralised planning had overcome the problem of economic crisis and was at least in economic terms an advance over free market capitalism. The only question that remained for such observers was whether the cost in bourgeois freedom that the Stalinist system seemed to imply was worth the economic gains of a rationally planned economy.

While it became increasingly difficult for Trotskyists to defend the notion that the USSR was a degenerated workers state on the grounds that the working class was in any sense in

American SWP the notion central to bureaucratic collectivism - that Stalin's Russia was little different from that of Hitler's Germany - proved to be a powerful weapon. Indeed, many of the leading figures in this oppositional faction, which eventually split from the SWP in 1940 to form the Workers' Party, came to adopt the theory of bureaucratic collectivism as their own. As such the theory of bureaucratic collectivism came to pose the main challenge to orthodox Trotskyism from within Trotskyism itself.

In his interventions in the fierce polemics that preceded the split in the American SWP, Trotsky made it clear that he saw the theory of bureaucratic collectivism as nothing less than a direct attack not merely on his own ideas, but on Marxism itself. The notion that the capitalist mode of production was destined to be surpassed, not by socialism but by a form of society based on bureaucratic collectivism, clearly broke with the fundamental understanding of history that had underpinned Marxism from its very inception. Yet, if this was not bad enough, none of the various versions of the theory of bureaucratic collectivism went as far to provide an adequate materialist and class analysis of what bureaucratic collectivism was and how it had come about. As a result, as Trotsky ceaselessly pointed out, these theories of bureaucratic collectivism were unable to go beyond the level of appearance and as such remained merely descriptive.

Such criticisms were seen to be borne out by the eventual fate of the various theories of bureaucratic collectivism and their leading proponents. Having abandoned Marxism, the theories of bureaucratic collectivism lacked any theoretical grounding of their own. As a consequence they were obliged to look to various strands of bourgeois sociology and ended up joining the growing stream of bourgeois theories that saw the increasing totalitarianism and bureaucratization of modern societies as an inevitable result of the complexities of industrial society. This was perhaps best illustrated by one of the leading figures in the split from the American SWP in 1940, James Burnham. As a university professor, Burnham was recognized as one of the leading intellectuals in the minority that split from the American SWP, but he went on to become one of the originators of the theory of the 'managerial society' which was to become popular amongst bourgeois sociologists in the '50s and '60s. Yet while the logic of bureaucratic collectivism led Burnham to become a liberal, for Schachtman, who had been one of the prime proponents of the theory of bureaucratic collectivism, it meant eventually ending up as a virulent anti-Communist who openly backed the McCarthy witch hunts of the 1950s. For those who remained loyal to Trotsky the fate of these supporters of the bureaucratic collectivism could only be taken as a stern lesson in the dangers of straying too far from the teachings of Trotsky and Marxist orthodoxy.

Yet it should be noted here that not all those who split from the American SWP at this time were proponents of a theory of bureaucratic collectivism or variants of one. From the very foundation of the Fourth International there had been a significant minority with the Trotskyist movement who had opposed Trotsky's stance to the USSR by arguing that Russia was not a degenerated workers' state but was simply state capitalist.^[33] It was this theory of the USSR as being state capitalist which was to re-emerge with greater force after the Second World War, as we shall now see.

The theory of state capitalism and the second crisis in Trotskyism

Trotsky's predictions for the end of the Second World War, which had sustained the hopes of those who had remained loyal to him, were soon proved to be false. There was no repeat of the great revolutionary wave that had swept Europe at the end of the First World War; nor was the grip of either Stalinism or social democracy on the workers' movements weakened. On the contrary, both Stalinism and social democracy emerged from the

Second World War far stronger than they had ever been.

As it became increasingly apparent that the realities of the immediate post-war world contradicted the predictions that Trotsky had made before his death in 1940, and with them the basic orientation of the Fourth International, the strains within the Trotskyist movement between those who sought to revise Trotskyism to meet these new realities and those who feared such revisionism reached the point of crisis. In 1953, less than eight years after the end of the war the Fourth International finally split giving rise to the '57 varieties' of Trotskyism that we find today. One of the crucial issues at the heart of this crisis within Trotskyism was that of the question of the respective natures of the USSR and Eastern Europe.

The retreat of the German armies during the final stages of the war had prompted popular uprisings across Eastern Europe. For the most part these uprisings had either been contained by the Stalinists, where they provided the popular base on which to build broad-based anti-fascist governments, or, to the extent that they could not be contained, they were either crushed by the advancing Red Army, or else abandoned to the vengeance of the retreating German forces.

At first Stalin did not seek to impose the economic or political model of the Soviet Union on the countries of Eastern Europe. The broad-based anti-fascist governments were elected on traditional bourgeois-democratic lines and in most cases came to include not only Communists and socialists but also liberals and representatives of the peasant and rural classes. Although these governments were encouraged to carry out nationalizations of key industries, and implement various social and agrarian reforms, in many respects this differed little from the policies of nationalization of ailing industry and welfare reforms that were happening elsewhere in Europe. But as the Cold War began to set in, and Europe began to polarize between East and West, Stalin began to impose the Soviet economic and political model on to Eastern Europe. If necessary, the post-war coalitions were pushed aside and the wholesale nationalization of industry was carried out and the market was replaced by centralized planning.

The initial phase of the post-war era in Eastern Europe had presented Trotskyists with few problems. The uprisings at the end of the war could be seen as portents of the coming world revolution, while the repression by the Stalinists could be righteously condemned. Furthermore, the fact that these uprisings had for the most part failed explained why Eastern Europe remained capitalist. However, once the 'Russification of Eastern Europe' began to take place, Trotskyist theory began to face a serious dilemma.

Of course, the transformation of property relations that had been brought about by the wholesale nationalization of industry and the introduction of centralized planning could be seen to reaffirm Trotsky's insistence on the objectively progressive role of the Stalinist bureaucracy. Indeed, it could now be argued that the Stalinist bureaucracy had not only defended the proletarian gains of the Russian Revolution but had now extended them to the rest of Eastern Europe.

Yet, if this was the case, did this not imply that the countries of Eastern Europe had now become degenerated workers' states like the USSR? But how could you have a degenerated workers' state when there had been no revolution, and thus no workers' state, in the first place?! It was now no longer just that a workers' state was supposed to exist where the workers had no state power, as Trotsky had argued for Stalinist Russia, but workers' states were now supposed to exist where the working class had *never* been in power! With the question of Eastern Europe the fundamental dichotomy of Trotsky's theory of a degenerated workers' state, in which the objective interests of the working class are somehow able to stand apart from and against the working class in the form of the alien power of the bureaucracy, now stood exposed.

constituted through the state and as such collectively owned and controlled the means of production. Nevertheless, by making the Russian working class work longer than that necessary to produce the equivalent of their labour-power the Russian State enterprises were able to extract surplus-value just as the counter-parts in the West would do. Furthermore, while a part of this surplus-value would be used to pay for the privileges of the 'state bourgeoisie', as in the West, the largest part would be reinvested in the expansion of the economy and thus ensuring the self-expansion of state-capital.

Hence by penetrating behind the forms of property we can see that the real social relations within the USSR were essentially those of capital. The USSR can therefore be seen as having been capitalist - although in the specific form of state capitalism. However politically useful and intuitive correct this classification of the USSR may be, the problem is that by itself this approach is unable to explain the apparently non-capitalist aspects of the USSR. As anyone acquainted with Hegel might say *'the essence must appear!'* Capital may be the self-expansion of alienated labour but it is labour in the form of value. How can we speak of value, or indeed surplus-value, when there is no production of commodities, since without markets there was no real production for exchange?

These criticisms of state capitalist theories of the USSR have emerged out of the Trotskyist tradition. It is to this tradition that we must now turn to explore the limits of the state capitalist theories of the USSR.

The Trotskyist approach

The more sophisticated Trotskyist theorists have criticised the method of state capitalist theories of the USSR. They argue it is wrong to seek to identify an abstract and ahistorical essence of capitalism and seek to identify its existence to a concrete historical social formation such as the USSR. For them the apparent contradiction between the non-capitalist and capitalist aspects of the USSR was a real contradiction that can only be understood by grasping the Soviet Union as a transitional social formation.

As we saw in Part I, for Trotskyists, the Russian Revolution marked a decisive break with capitalism. As a consequence, following 1917, Russia had entered a transitional period between capitalism and socialism. As such the USSR was neither capitalist nor socialist but had aspects of the two which arose from the struggle between the law of value and of planning.

As a result Trotskyist never denied the existence of capitalist aspects of the USSR. Indeed they accepted the persistence of capitalist forms such as money, profits, interest and wages. But these were decaying forms - 'empty husks' - that disguised the emerging socialist relations in a period of transition. This becomes clear, they argue if we examine these 'capitalist forms' more closely.

Firstly, it may appear that in the USSR that production took the form of production for exchange and hence products took the form of commodities. After all, different state enterprises traded with each other and sold products to the working class. But for the most part such exchange of products was determined by the central plan not by competitive exchange on the market. As a consequence, while the state enterprises *formally* sold their outputs and purchased their inputs such 'exchanges' were in content merely transfers that were made in accordance with the central plan. Hence production was not for exchange but for the plan and thus products did not really assume the form of commodities.

Secondly, since there was no real commodity exchange, but simply a planned transfer of products, there could be no real money in USSR. While money certainly existed and was used in transactions it did not by any means have the full functions that money has under capitalism. Money principally functioned as a unit of account. Unlike money under capitalism, which as the universal equivalent, was both necessary and sufficient to buy

how the dominant social relations that arose in the peculiar historical circumstance of the USSR were essentially capitalist social relations: and to this extent the theory must be grounded in a value-analysis of the Soviet Union. Secondly it must show how these social relations manifested themselves, not only in those features of the USSR that were clearly capitalist, but also in those features of the Soviet Union that appear as distinctly at variance with capitalism.

The capitalist essence of the USSR

As we saw in Part III, there were a number of theories that emerged out of the Communist Left following the Russian Revolution that came to argue that the USSR was essentially a form of capitalism. Most of these early theories, however, had focused on the question of the class nature of the Russian Revolution and had failed to go far in developing a value-analysis of the Soviet System.^[4] However, following Mattick attempt to analyse the USSR of value-forms there have been a number of attempts to show that, despite appearances to the contrary, the dominant social relations of the USSR were essentially capitalist in nature.

Of course, any theory that the USSR was in some sense capitalist must reject the vulgar interpretation of orthodox Marxism which simply sees capitalism as a profit driven system based on private property and the 'anarchy of the market'. The essence of capitalism is the dominance of the social relations of capital. But what is capital? From Marx it can be argued that capital was essentially the self-expansion of alienated labour: the creative and productive powers of human activity that becomes an alien force that subsumes human will and needs to its own autonomous expansion.

Yet the alienation of labour presupposes wage-labour which itself presupposes the separation of the direct producers from both the means of production and the means of subsistence. Of course, in the 'classical form' of capitalism private property is the institutional means through which the direct producers are separated from both the means of production and the means of subsistence. The class of capitalists owns both the means of production and the means of subsistence in the form of the private property of each individual capitalist. In confronting the private property of each individual capitalist the worker finds himself excluded from access to the means through he can either directly or indirectly satisfy his needs. As a consequence he is obliged to sell his labour-power to one capitalist so that he can then buy his means of subsistence from another. Yet in selling their labour-power to capitalists the working class produce their future means of subsistence and their future means of production as the private property of the capitalist class. In doing so they end up reproducing the relation of capital and wage-labour.

Yet this social relation is not fundamentally altered with the institution of the state ownership of both the means of production and the means of subsistence. Of course the Stalinist apologists would claim that the state ownership of means of production meant the ownership of by the entire population. But this was quite clearly a legal formality. The Soviet working class no more owned and controlled their factories than British workers owned British Steel, British Coal or British Leyland in the days of the nationalised industries. State ownership, whether in Russia or elsewhere, was merely a specific institutional form through which the working class was excluded from both the means of production and the means of subsistence and therefore obliged to sell their labour-power.

In selling their labour-power to the various state enterprises the Russian workers did not work to produce for their own needs but worked in exchange for wages. Thus in a very real sense they alienated their labour and hence produced capital. Instead of selling their labour-power to capital in the form of a private capitalist enterprise, the Russian working class simply sold their labour-power to capital in the form of the state owned enterprise.

Whereas in the 'classical form' of capitalism the capitalist class is constituted through the private ownership of the means of production, in the USSR the capitalist class was

But if the countries of Eastern Europe were not admitted as being degenerated workers' states then what were they? The obvious answer, given that the principle means of production had been simply nationalized by the state without a workers' revolution, was that they were state capitalist. However, such an answer contained even greater dangers for orthodox Trotskyists than the first. As Eastern Europe became reconstructed in the image of the USSR it became increasingly difficult to avoid the conclusion that if the countries of Eastern Europe were state capitalist then so must the Soviet Union be nothing other than a form of state capitalism.

After numerous attempts to resolve this dilemma the official line which emerged within the leadership of the Fourth International was that the uprising at the end of the war had all been part of a proletarian revolution that had been mutilated and deformed by Stalinism. The countries of Eastern Europe were therefore not degenerated workers' states as such, but 'deformed workers' states'. Yet this attempted solution still implied that the Stalinist bureaucracy was an active agent in creating the objective conditions of socialism. As we have seen, Trotsky had argued that the Stalinist bureaucracy was progressive in that in defending its own basis in state property it was impelled to defend the objective gains of the proletarian revolution, that is the state ownership of the means of production. Now Trotskyism had come to argue that the Stalinist bureaucracy not only defended such proletarian gains but could now actually extend them! With the Stalinist bureaucracy now deemed to be a primary agent in the transition to socialism the importance of the revolutionary role of the working class became diminished. The way was now opened for Trotskyists in the coming decades to support all sorts of nationalist movements regardless of the role within them of the proletariat.^[34]

Cliff and the neo-Trotskyist theory of the USSR as state capitalist

Perhaps rather ironically, Tony Cliff was originally sent to Britain by the leadership of the Fourth International in an effort to head off any potential support within the British Section for the theory that Eastern Europe and the USSR were in any way state capitalist. As it turned out, it was not Gerry Healey, Ted Grant or any of the other leading figures of the British Revolutionary Communist Party^[35] at that time who came to adopt the theory of state capitalism but none other than Cliff himself.

Yet in coming to the viewpoint that it was not only Eastern Europe that was state capitalist but also the USSR, Tony Cliff was determined not to follow in the footsteps of so many former Trotskyists who, having rejected Trotsky's theory of Russia as a degenerated workers' state, had come to reject Trotsky and even Marxism itself. Instead, Cliff was committed to developing a state capitalist theory of the USSR which remained firmly within both the Trotskyist and orthodox Marxist tradition. Against those who argued that the theory of the USSR as a degenerated workers' state was central to Trotsky's Marxism, Cliff replied by arguing that not only were there numerous examples in Trotsky's own writings where he indicated serious doubts concerning his conclusion that the USSR was a degenerated workers' state but that towards the end of his life Trotsky had shown signs of moving away from such conclusions altogether. Indeed, Cliff sought to claim that had Trotsky lived then he too would have eventually come round to the conclusion that the USSR had become state capitalist, and certainly would not have dogmatically defended a position that flew in the face of all the evidence as his loyal followers in the leadership of the Fourth International had done.

Cliff originally presented his rather heretical ideas in 1948 in the form of a duplicated discussion document entitled *The Nature of Stalinist Russia*. After several editions and accompanying amendments and additions, this text now takes the form of a book entitled *State Capitalism in Russia* which provides us with a definitive statement of Cliff's position.

Cliff devoted much of the first third of *State Capitalism in Russia* to presenting a mass of evidence with which he sought to show both the exploitative and repressive nature of the

USSR. Yet, as powerful an indictment of the Stalinist regime as this may have been, the evidence Cliff presented was far from sufficient to convince his opponents within either the Revolutionary Communist Party or the broader Fourth International. For orthodox Trotskyists such evidence could simply be taken to confirm the extent of the degeneration of the Soviet Union and did little to refute the persistence of Russia as essentially a workers' state. As Cliff himself recognized, it was necessary to demonstrate that the apparent exploitative and repressive character of the Soviet Union necessarily arose, not from the degeneration of the Soviet Union as a workers' state but rather from the fact that under Stalin the USSR had ceased to be a workers' state and had become state capitalist. Yet to do this Cliff had first of all to clarify what he meant by 'state capitalism' and how such a conception was not only compatible with, but rooted within the orthodox Marxist tradition.

For orthodox Marxism, capitalism had been defined as a class society dominated by generalized commodity exchange which arises from the private ownership of the means of production. On the basis of such a definition it would appear, at least at first sight, that the notion of state capitalism in the absolute sense was a contradiction in terms. If all of the means of production are nationalized, the capitalist class expropriated and the law of value and the market replaced by state allocation and planning, then it would appear that capitalism must have been, by definition, abolished. If it was accepted that, for the most part, the Russian Revolution had led to the abolition of the private ownership of the means of production, then it would seem clear that, from a Marxist point of view, capitalism in any form could not exist in the USSR. (And of course this is the common objection we find advanced against all theories of state capitalism in the USSR.)

However, as Cliff was keen to point out, it had also been central to orthodox Marxism that the capitalist mode of production was transitory. Capitalism was merely a phase in human history whose very development would eventually undermine its own basis. As capitalism repeatedly revolutionized methods of production it advanced the forces of production to an unprecedented degree. Yet in advancing the forces of production capitalism was obliged to increasingly socialize production as production was carried out on an ever larger and more complex scale. The more social the production process became the more it came into conflict with the private appropriation of the wealth that it produced. As a result capitalism was obliged to negate its very own basis in the private ownership of production and in doing so it prepared the way for socialism.

As we have noted before, already by the end of the nineteenth century most Marxists had come to the view that the classical stage of free competitive capitalism, that had been described and analysed by Marx in the 1860s, had given way to the final stages of the capitalist era. The growth of huge cartels and monopolies and the increasing economic role of the state was seen as negating the market and the operation of the law of value. At the same time the emergence of joint stock companies and the nationalization of key industries meant the replacement of individual capitalist ownership of the means of production by collective forms of ownership which implied the further negation of private property. Indeed, as Engels argued, the development of both monopoly and state capitalism was leading to the point that the capitalist class was superfluous to the production process itself. Capital no longer needed the capitalist. As Engels himself states:

[T]he conversion of the great organizations for production and communication into joint-stock companies and state property show that for this purpose the bourgeoisie can be dispensed with. All the social functions of the capitalists are now carried out by salaried employees. The capitalist has no longer any social activity save the pocketing of revenues, the clipping of coupons and gambling on the stock exchange, where different capitalists fleece each other of their capital. Just as at first the capitalist mode of production displaced the workers, so now it displaces the capitalists, relegating them, just as it did the workers, to the superfluous population, even if in the first instance not to the industrial reserve army.

What was the USSR?

Towards a Theory of the Deformation of Value Part IV

So our saga on the nature of the USSR draws to a close. While some readers have awaited avidly for each exciting instalment, others from the beginning thought we gave disproportionate space to this rather tired old topic.^[1] Another dissatisfied group may be the partisans of particular theories which were not given the recognition they feel they deserved.^[2] This was unavoidable considering the sheer number of theories one could have dealt with. The list of political tendencies which have considered that the USSR was a variety of capitalism includes 'anarchism, council communism, "impossibilism", many types of Leninism (including Bordigism, Maoism and a number arising out of Trotskyism), libertarian socialism, Marxist-Humanism, Menshevism, the Situationist International and social democracy.^[3] Some might also question why, of our previous parts, only one dealt with (state-)capitalist theories outside Trotskyism. Yet what is striking in looking at these alternatives is that none dealt adequately with the 'orthodox Marxist' criticisms coming from Trotskyism. If Trotskyism itself has been politically bankrupt in its relation to both Stalinism and social democracy - and this is not unrelated to its refusal to accept the USSR was capitalist - at a certain theoretical level it still posed a challenge. We restate the issues at stake in the first few pages below. While fragmented ideological conceptions satisfy the needs of the bourgeoisie, the proletariat must acquire theory: the practical truth necessary for its universal task of self-abolition which at the same time abolishes class society. Clearing some of the bullshit and clarifying issues around one of the central obstacles to human emancipation that the 20th century has thrown up, namely the complicity of the Left with capital, may help the next century have done with the capitalist mode of production once and for all.

Introduction

The problem of determining the nature of the USSR was that it exhibited two contradictory aspects. On the one hand, the USSR appeared to have characteristics that were strikingly similar to those of the actually existing capitalist societies of the West. Thus, for example, the vast majority of the population of the USSR was dependent for their livelihoods on wage-labour. Rapid industrialisation and the forced collectivisation of agriculture under Stalin had led to the break up of traditional communities and the emergence of a mass industrialised society made up of atomised individuals and families. While the overriding aim of the economic system was the maximisation of economic growth.

On the other hand, the USSR diverged markedly from the *laissez-faire* capitalism that had been analysed by Marx. The economy of the USSR was not made up of competing privately owned enterprises regulated through the 'invisible hand' of the market. On the contrary, all the principal means of production were state owned and the economy was consciously regulated through centralised planning. As a consequence, there were neither the sharp differentiation between the economic nor the political nor was there a distinct civil society that existed between family and state. Finally the economic growth was not driven by the profit motive but directly by the need to expand the mass of use-values to meet the needs of both the state and the population as a whole.

As a consequence, any theory that the USSR was essentially a capitalist form of society must be able to explain this contradictory appearance of the USSR. Firstly, it must show

30 Bordiga, either imprisoned or under surveillance by the fascist police, withdrew from politics at this time. The banner of the Italian Left was upheld by the Fraction in exile in Belgium and France

31 Quoted in Camatte's *Community and Communism in Russia*, p 9-10

32 See *Fundamentals of Communist Production and Distribution* (Apple & Mejer, 1990, Movement for Workers' Councils).

33 See Dauve 'Leninism and the Ultra Left' (Eclipse and Re-Emergence of the Communist Movement. Op. Cit.)

34 One is not saying that communism can exist in one country or area before world revolution has generalised but that we can only say that revolution has triumphed there if a process of suppression of capitalist relations has begun.

35 Camatte has attempted to synthesise the positive sides of both theories. By engaging in a detailed study of what Marx meant by the party', he argued that this should not be identified with the traditional formal party associated with Leninism and social democracy. The 'party' was in no way something external to the working class introducing it to a communist consciousness and organisation it was incapable of generating by itself. Rather, the 'party' should be understood as an expression of the class, its production of a communist consciousness of those people who identified with and tried to act for communism. Rather than in the Leninist vision where spontaneity and organisation/ consciousness are rigidly opposed Camatte returned to Marx's understanding that the party is something spontaneously generated out of the class. It was by relativising this Leninist notion of the party-form that Camatte could return to the notions of working class subjectivity of the German Left, whilst as the same time adopting the more holistic standpoint of the Italian Left. That is, he managed to overcome the dichotomy between the economic and the political, which had not only led to their mutual incomprehension, but more importantly in this context, to very different perception of the nature of Russia. It is by taking away the foundations on which the German and Italian Left based their theories of Russia, that Camatte's discussion of the party-form did have an indirect relevance for left communist theories of the Russian Revolution. (Camatte 1961 *The Origin and Function of the Party Form*).



But neither the conversion into joint stock companies nor into state property deprives the productive forces of their character as capital. In the case of joint stock companies this is obvious. And the modern state, too, is only the organization with which bourgeois society provides itself in order to maintain the general external conditions of the capitalist mode of production against encroachments either by workers or by individual capitalists. The modern state, whatever its form, is an essentially capitalist machine; it is the state of capitalists, the ideal collective body of all capitalists. The more productive forces it takes over as its property, the more it becomes the real collective body of all capitalists, the more citizens it exploits. The workers remain wage earners, proletarians. The capitalist relationship is not abolished; it is rather pushed to an extreme. But at this extreme it is transformed into its opposite. State ownership of the productive forces is not the solution of the conflict, but it contains within itself the formal means, the key to the solution. (Engels, *Anti-Dühring*, p. 330)

So for the old orthodoxy of the Second International it was undoubtedly accepted that there was an inherent tendency towards state capitalism. Indeed it was this tendency which was seen as laying the basis for socialism. Yet it had also been central for both Lenin and the new Bolshevik orthodoxy. Not only did the increasing negation of private property and the law of value indicate the ripeness for socialism, but the fusion of the state and capital within state capitalism explained the increasing imperialist rivalries that had led to the First World War. As the competitive struggle between capital and capital became at the same time a struggle between imperialist states, imperialist war became inevitable. As Bukharin remarks in *Imperialism and the World Economy*, which provided the theoretical basis for Lenin's theory of imperialism:

When competition has finally reached its highest stage, when it has become competition between state capitalist trusts, then the use of state power, and the possibilities connected with it play a very large part. The state apparatus has always served as a tool in the hands of the ruling classes of its country, and it has always acted as their "defender and protector" in the world market; at no time, however, did it have the colossal importance that it has in the epoch of finance capital and imperialist politics. With the formation of state capitalist trusts competition is being almost entirely shifted onto foreign countries; obviously the organs of the struggle that is to be waged abroad, primarily state power, must therefore grow tremendously... If state power is generally growing in significance the growth of its military organization, the army and the navy, is particularly striking. The struggle between state capitalist trusts is decided in the first place by the relation between their military forces, for military power of the country is the last resort of the struggling "national" groups of capitalists. (Bukharin, p. 124)

So it could not be doubted that the notion that capitalism was developing towards state capitalism, such that its very basis within both the law of value and private property was increasingly becoming negated, was clearly rooted within orthodox Marxism. The question then was whether state capitalism in an absolute sense was possible. Could it not be the case that after a certain point quantity would be transformed into quality? Was it not the case that once the principle means of production had been nationalized and the last major capitalist expropriated capitalism had necessarily been objectively abolished? And was this not the case for Russia following the October revolution?

To counter this contention, that could all too easily be advanced by his Trotskyist critics, Cliff argued that the qualitative shift from capitalism to the transition to socialism could not be simply calculated from the 'percentage' of state ownership of the means of production. It was a transition that was necessarily politically determined. As we have seen, the tendency towards state capitalism was a result of the growing contradiction between the increasingly social forms of production and the private appropriation of wealth. Collective, and ultimately state ownership of the means of production were a means to reconcile this contradiction while at the same time preserving private appropriation of wealth and with it private property. Thus the tendency towards state capitalism involved the partial negation of private property on the basis of private property itself.

So at the limit, state capitalism could be seen as the 'partial negation of capitalism on the basis of capitalism itself'. So long as the state economy was run to exploit the working class in the interests of an exploitative class then the economy remained state capitalist. However, if the working class seized power and ran the state economy in the interests of the people as whole then state capitalism would give way to a workers' state and the transition to socialism could begin. Thus state capitalism was a turning point, it was the final swan song of capitalism, but once the working class seized the state it would be the basis for the transition to socialism.

However, it could be objected that many revolutionary Marxists, including Trotsky himself, had explicitly denied that capitalism could reach the limit of state capitalism. Indeed, against the reformists in the Second International, who had argued that capitalism would naturally evolve into state capitalism which could then be simply taken over by democratically capturing the state, revolutionary Marxists had argued that, while there was a tendency towards state capitalism, it could never be fully realized in practice due to the rivalries between capitalists and by the very threat of expropriation of the state by the working class.

Cliff countered this by arguing that such arguments had only applied to the case of the evolution of traditional capitalism into state capitalism. In Russia there had been a revolution, that had expropriated the capitalist class and introduced a workers' state, and then a counter-revolution, which had restored capitalism in the form of state capitalism run in the interests of a new bureaucratic class. For Cliff, the Russian Revolution had created a workers' state, but, isolated by the failure of socialist revolutions elsewhere in Europe, the workers' state had degenerated. With the degeneration of the workers' state the bureaucracy increasingly became separated from the working class until, with Stalin's ascendancy, it was able to constitute itself as a new exploitative class and seize state power. With the bureaucracy's seizure of power the workers' state was over-turned and state capitalism was restored to Russia.

This periodization of post-revolutionary era in Russia not only allowed Cliff to overcome the objection that Trotsky had denied the possibility of bourgeois society fully realizing the tendency towards state capitalism, but also allowed him to accept most of Trotsky's analysis of the Russian Revolution and its aftermath. Cliff only had to part ways with Trotsky for the analysis of the ten years following 1928, where Trotsky maintained that the USSR has remained a degenerated workers' state while Cliff argued that it had become state capitalist. Yet, as we shall see, this periodization, despite all its advantages for Cliff's credibility as a Trotskyist, was to prove an important weak point in his theory. But before looking at the weak points of Cliff's theory of state capitalism we must first examine more closely what Cliff saw as the nature of state capitalism in Stalin's Russia.

As we have seen, although Cliff uncritically defended the orthodox Marxist definition of capitalism, he was able to counter the objections that the USSR could not be in any sense capitalist because there was neither the law of value nor private property, by arguing that state capitalism was the 'partial negation of capitalism on the basis of capitalism itself'. So what did he mean by 'the partial negation of capitalism'? Clearly capitalism could not be completely negated otherwise it would not be capitalism; so in what sense is the negation of capitalism partial? With Cliff the meaning of the partial negation of capitalism becomes most evident in terms of the law of value.

Following Marx, Cliff argued that under capitalism there is a two-fold division of labour. First of all there is the division of labour that arises between capitalist enterprises which is regulated by the law of value that operates through the 'anarchy of the market'. Secondly there is the division of labour that arises within each capitalist enterprise which is directly determined by the rational and conscious dictates of the capitalists or their managers. Of course the second division of labour is subordinated to the law of value insofar as the capitalist enterprise has to compete on the market. However, the law of value appears as

11 Speech 28/7/18: CW vol.28, p29.

12 60 million people, half the industrial firms, three quarters of the steel mills and nearly all the coal mines were in this area

13 Theses on the Current Situation (1918), Critique, Glasgow, 1977. Also in Daniels Documentary History of Communism. References are to these numbers.

14 'On the Building of Socialism' Kommunist no2, April 1918, in Daniels p 85

15 Trotsky's support for militarisation of labour is a classic example. See Terrorism and Communism.

16 'The Tax in Kind (NEP)' CW 32 pp.329-369 here he analyses relation of petty producer capitalism to state capitalism in 1921 This text will be key to Bordiga's understanding of the USSR

17 In fact at some of the worst times in the civil war the Bolsheviks gave other socialists and anarchists more freedom. The changing relation to Makhno's partisans being a case in point. See Ciliga in his The Russian Enigma p251

18 Appeal of the workers truth Group in Daniels Documentary History of Communism p 221

19 Luxemburg referring to the German SDP says 'the troops of the old order, instead of intervening in the name of the ruling classes, intervene under the banner of a 'social-democratic party.'" The workers group were making the obvious and necessary extension of this critique of the SDP to the more radical Social Democracy that the Bolsheviks were turning out to represent.

20 As they so eloquently put it: 'why does Zinoviev offer Scheidman and Noske [social democrats responsible for defeating the German revolution] a ministerial seat instead of a gibbet.'

21 Between 1890 and 1899, 450,000 were involved in strikes and lockouts; between 1900-04, 475,000. In 1905 alone, 500,000.

22 In 8/10/21

23 In Workers Dreadnought Feb 24

24 From the Bourgeois to the Proletarian Revolution, p 7

25 This text was written by the GIK in 1934 and published in English by the APCF as the The Bourgeois Role of Bolshevism. References are to these numbers.

26 Fundamental principles of Communist Production and Distribution

27 Pannekoek's Workers Councils

28 See Anti-Bolshevik Communism and Marxism: Last Refuge of the Bourgeoisie

29 When a fusion was eventually forced through the PSI demoralized by fascism only comprised 2000 members confirming the Italian left argument that it was an exhausted tradition

Left has not been made in Germany or Italy but in France. After '68 in particular a modern 'ultra left' tradition has emerged there in a way unlike other countries. Within this a different less 'partyist' appropriation of the Communist left has been made. The recently republished [Eclipse and Re-Emergence of the Communist Movement](#) (Dauve & Martin, Antagonism Press) is an example of this.

4 A main way the Communist left is known in Britain is through the publications and activities of groups emerging in the early seventies, which claimed to defend the positions of the Communist Left. These groups on the surface appear to the uninitiated as Party oriented groups not so different from some of the smaller Trotskyist sects. In most other countries where it has a presence the Communist left has a similar type of existence

5 The history and positions of Communist lefts that developed in some countries have been effectively destroyed, e.g. those of the Bulgarian left. The British communist left was represented by Sylvia Pankhurst's group around the Workers Dreadnought (previously the Woman's Dreadnought) and the Spur group in Glasgow of whom Guy Aldred was the leading spokesman. They largely following the German left on the Russian question so we will not treat them here. There is a good account of them in Mark Shipway's [Anti-Parliamentary Communism: The Movement for Workers Councils in Britain, 1917-45](#) (Macmillan, 1988)

6 In Leninist mythology the clear sighted Lenin split with the Russian Social Democratic Party on the question of organisation and by so doing created a line of revolutionary Marxism that foresaw and would be immune to the betrayal of revolution that both the Mensheviks and European social democrats would fall prey to. However, as both Debord and Dauve, has pointed out, Lenin was always a loyal Kautskyist - even when he accused his master of betrayal.

7 Lenin's clear line on this led to an alliance of the Bolsheviks with European left communist - the Zimmerwald left - this broke down because of Lenin's refusal to work with those who rejected the right

8 Bukharin is better known for the right wing positions he took in the twenties. Up to '21 he was however a leading figure of the left of the party, in many ways closer to European Left communists than to Lenin's very Russian perspectives.

9 Lenin particularly scorned the position that Pyatakoff painted of revolution: "We picture this process [the social revolution] as the united action of the proletarians of all [!] countries, who wipe out the frontiers of the bourgeois [!] state, who tear down the frontier posts [in addition to 'wiping out the frontiers?'], who blow up [!] national unity and establish class unity." {Lenin's 'comments' } To which Lenin replies 'The social revolution cannot be the united action of the proletarians of all countries for the simple reason that most of the countries and the majorities of the world's population have not even reached, or have only just reached, the capitalist stage of development... Only the advanced countries of Western Europe and North America have matured for socialism. The social revolution can come only in the form of an epoch in which are combined civil war by the proletariat in the advanced countries and a whole series of democratic and revolutionary movements... in the undeveloped, backward and oppressed nations. "Lenin 'The nascent trend of Imperialist Economism October 1916 p 50-52

10 The Left Communists reason for changing their position from one of proposing revolutionary war to that of defensive revolutionary partisan war, in fact resides in the openness for Lenin's arguments, when he pointed out that it would be a rather unrealistic to go for revolutionary in the face of massive war weariness and peasant desertion of the front this was a quite unrealistic position.

external to it.

For Cliff the USSR acted as if it was simply one huge capitalist enterprise. As such the law of value no longer operated within the USSR, it had been negated with the nationalization of production and the introduction of comprehensive state planning. But, insofar as the USSR was obliged to compete both economically and politically within the capitalist world system it became subordinated to the law of value like any capitalist enterprise. In this sense, for Cliff, the law of value was only 'partially negated on the basis of the law of value itself'.

Yet, if neither market nor the law of value operated within the USSR this implied that products were not really bought and sold within the USSR as commodities, they were simply allocated and transferred in accordance with administrative prices. If this was true then it also implied that labour-power was not really a commodity; a conclusion that Cliff was forced to accept. Indeed, as Cliff argued, if labour-power was to be a commodity then the worker had to be free to sell it periodically to the highest bidder. If the worker could only sell his ability to work once and for all then he was little different from a slave since in effect he sold himself not his labour-power. Yet in the USSR the worker could only sell his labour-power to one employer, the state. Hence the worker was not free to sell to the highest bidder and labour-power was not really a commodity.

The flaws in Cliff's theory of state capitalism

At first sight Cliff provides a convincing theory of state capitalism in the USSR which not only remains firmly within the broad orthodox Marxist tradition, but also preserves much of Trotsky's contribution to this tradition. As the post-war era unfolded leaving the Stalinist bureaucracy more firmly entrenched than ever, Cliff's analysis of the USSR became increasingly attractive. Without the problems facing orthodox Trotskyist groupings following the apparent failure of Trotsky's predictions of the fall of the Stalinist bureaucracy, Cliff, under the slogan of 'neither Washington nor Moscow', was in a perfect position to attract supporters with the revival of interest in Leninism and Trotskyism of the 1960s and 1970s. Indeed, with the International Socialists Group, which then became the Socialist Workers' Party, Cliff has been able to build one of the largest Leninist groupings in Britain whose most distinctive feature has been its refusal to take sides in the Cold War.[\[36\]](#)

However, despite the attractiveness of Cliff's theory of state capitalism in the USSR, on close inspection we find his theory has vital weaknesses which have been seized on by more orthodox Trotskyists. Indeed, these weaknesses are so serious that many have concluded that Cliff's theory is fatally flawed. This opinion has even been recognized within the SWP itself and has resulted in various attempts to reconstruct Cliff's original theory.[\[37\]](#) As we shall argue, these flaws in Cliff's theory arise to a large extent from his determination to avoid critical confrontation with both Trotsky and the broader orthodox Marxist tradition.

There are three main flaws within Cliff's theory of state capitalism in the USSR. The first concerns Cliff's insistence that the final ascendancy of Stalin, and with this the introduction of the first five year plan, marked a counter-revolution which overthrew the workers' state established by the October revolution and turned Russia over to state capitalism. The issue of when the USSR became state capitalist is clearly a sensitive one for Trotskyists since, if Cliff is unable to hold the line at 1928, then what is to stop the date of the defeat of the revolution being pushed right back to 1917? Lenin and Trotsky would then be seen as leading a revolution that simply introduced state capitalism into Russia! Such fears were clearly expressed by Ted Grant in his response to Cliff's original presentation of his theory in *The Nature of Stalinist Russia*. Then Ted Grant warned:

If comrade Cliff's thesis is correct, that state capitalism exists in Russia today, then he cannot avoid the conclusion that state capitalism has been in existence since the Russian Revolution and the function of the Revolution itself was to introduce this state capitalist

system of society. For despite his tortuous efforts to draw a line between the economic basis of Russian society before the year 1928 and after, the economic basis of Russian society has in fact remained unchanged. (Ted Grant, *The Unbroken Thread*, p. 199)

The first line of attack that has been taken by orthodox Trotskyists has been to argue that if there had been a counter-revolution against, rather than from within, the revolution itself, which restored Russia to capitalism, then the workers' state would have to have been violently smashed. Any attempt to argue for a gradual and peaceful restoration of capitalism would, as Trotsky himself had said, simply be 'running backwards the film of revisionism'. [38] Yet, despite the expulsions of Trotsky and the United and Left Oppositions in 1928, the leadership of the Party and the state remained largely intact. Indeed there seems more of a continuity within the state before 1928 and afterwards rather than any sharp break that would indicate a counter-revolution, let alone any violent *coup d'état* or violent counter-revolutionary action.

Cliff attempted to counter this line of attack by arguing that while it is necessary for a proletarian revolution to smash the bourgeois state in order to construct a new revolutionary proletarian state, it is not necessarily the case that a counter-revolution has to smash an existing workers' state. [39] The example Cliff used was that of the army. In order to create a workers' state the bourgeois standing army has to be transformed into a workers' militia. But any such transformation inevitably would be resisted by the officer corp. Such resistance would have to be violently crushed. In contrast, the officers of a workers' militia may become increasingly independent to the point at which they become part of the bureaucracy thereby transforming the workers' militia into a bourgeois standing army. Such a process, in which a workers' militia becomes transformed into a standing army, does not necessarily meet any concerted resistance, and as a consequence may occur gradually.

Yet such an argument by itself fails to pin the counter-revolutionary break on 1928. Indeed, Cliff's example would seem to imply that the counter-revolution was brought about by Trotsky himself when he took charge of re-organizing the Red Army in 1918 on the lines of a conventional standing army! The only overt political indication Cliff is able to present for the bureaucratic counter-revolution is the Moscow show trials and purges, which he claims were:

the civil war of the bureaucracy against the masses, a war in which only one side was armed and organized. They witnessed the consummation of the bureaucracy's total liberation from popular control. (*State Capitalism in Russia*, p. 195)

Yet the Moscow show trials occurred in the 1930s, not in 1928.

What was crucial about 1928 was that it was the year that marked the beginning of the first five year plan and the bureaucracy's commitment to the rapid industrialization of Russia. For Cliff, by adopting the overriding imperative of industrializing Russia, regardless of the human cost this would involve, the Soviet bureaucracy had taken on the historic role of the bourgeoisie. In adopting both the economic and historic functions of the bourgeoisie the bureaucracy had transformed itself into an exploitative class. Whereas before 1928 the bureaucracy had simply been a privileged layer within a degenerated workers' state that was able to gain more than its fair share of the nation's wealth, after 1928 the bureaucracy became the state capitalists who collectively exploited the working class.

Of course, it was not difficult for Cliff to show that there had been a sharp decrease in the material conditions of the working class following the introduction of the first five year plan as the bureaucracy sought to make the proletariat pay the huge costs of the policy of rapid industrialization. However, Cliff's argument that this sharp decrease in material conditions of the working class represented a qualitative shift towards the exploitation of the working class by the bureaucracy was far from convincing. If anything Cliff's attempts to show a qualitative shift in social relations of production only serve to indicate that bureaucratic

But whilst the German Left's focus on the economic had led them into the self-management trap, one thing it did allow them to do was to emphasise the subjectivity of the working class as an agent of change. This notion of subjectivity was, if not entirely absent in the theory of the Italian Left, then reserved only for the party.

The absurdities involved in rejecting any notion of working class subjectivity became especially clear in the Italian Left's assessment of Russia. There, they argued, communism could be represented in the correct political line of a ruling party managing a system of capitalist social relations - a ridiculously unmateralist position - arguing that what mattered was not the social relations in a country, [34] but the subjective intentions of those in power (a perfect justification for repression based on the notion that 'it was for their own good they were massacred'). And it was in this respect that the Italian Left had not completely broken from the politicism/partyism of the Second International.

Indeed, it was the blind spots in each theory that led to their mutual incomprehension: whilst the Italian Left saw the Germans as nothing more than a Marxoid form of anarcho-syndicalism, the Germans in turn merely saw the Italians as a bunch of Leninists. But if the dogmatic sides of their respective theories merely served to push them further apart, it was ultimately the one-sidedness of their respective approaches that resulted in them not breaking entirely away from the dogmatism of the Second International. Whilst the Italian Left had arrived at a more adequate notion of the content of communism, it was the German Left that was to provide the form through which emancipation could be reached.

In different ways, both the German and Italian left communist currents managed to maintain a correct political perspective. While the German Left emphasised workers' self-emancipation, the Italian Left provide a better angle on what communism would consist in. Yet, in terms of a 'scientific' account of the kind of society developing in the USSR, both fell down. [35]

On the one hand, the German Left slipped into a conception of 'state capitalism' that was not grounded in value. Without this essential category they tended, like Tony Cliff and the Trotskyists, to see the USSR as a 'higher', crisis-free type of economy. Bordiga's theory, on the other hand, did not fall into the trap of seeing the USSR as a more advanced form of capitalism. Instead he recognised that Russia was in transition towards capitalism. As we shall see, this is an important insight into understanding the nature of the USSR.

But Bordiga did not really concern himself with value categories. He largely assumed that the obvious signs of capital accumulation must be based on commodities, money and wage-labour, all playing the same role as in the West. It is thus Mattick who exposed the issue more conscientiously. And if we are really to grasp the capitalist nature of the USSR, both before and since the fall of 'communism', we must, on the value question, provide a different answer than his. This will be explored in our final Part of this article in the next issue.

Notes for Part III

1 The German and Dutch Communist Lefts were theoretically and practically intertwined. Two of the most prominent theorists of the German Communist Workers Party - Pannekoek and Gorter - were Dutch. Exiled German Left activists often took refuge in Holland. In what follows we will generally use the term 'German Left' to indicate the whole political current.

2 'Trotsky's theory of the Soviet Union as a degenerated workers state', and 'The theory of state capitalism from within Trotskyism' in *Aufheben* 6, 1997, and 'Russia as a non mode of Production' in *Aufheben* 7, 1998.

3 Surprisingly perhaps the most interesting and dynamic appropriation of the Communist

also allowed Bordiga to go beyond the focus on bureaucracy of Trotsky's theory, and its mirror in most state capitalist theories, such as the Germans, of identifying these new state officials as a new ruling class. Bordiga felt that the obsession with finding individual capitalist or substitutes for capitalists had lost Marx's understanding of capital as above all an impersonal force. As Bordiga said 'determinism without men is meaningless, that is true, but men constitute the instrument and not the motor.'^[31] Such a point also applies to the state: as Bordiga argued, 'it is not a case of the partial subordination of capital to the state, but of ulterior subordination of the state to capital'[p.7] State despotism in Russia was at the service of the capitalist mode of production pushing its development in areas that resisted it. However, a weakness of Bordiga's analysis was that whereas he looked under the surface of the Soviet claims about agriculture, he tended to base his view that the state sector was governed by the law of value simply on the appearance of forms, like commodities and money, and on Stalin's claims that value exists under socialism. So although the Italian Left seemed at first closer to the Trotsky's notion of a degenerated workers state, it was through Bordiga's literal interpretation of Lenin on the Russian economy, he could go beyond both Trotsky and the German Left.

Conclusion

As stated in the introduction, any analysis of the Russian revolution and the society that emerged from it cannot be separated from a conception of what communism is. Indeed one way in which all the left communists, unlike Trotsky, could go beyond Second International Marxism, was by insisting that neither the transition to communism nor communism itself should in any way be identified with state-control of the means of production. Indeed nothing short of their proper socialisation or communisation would do. It was this perspective that allowed them to distance themselves from, and criticise Russia as being state capitalist or, as Bordiga put it, simply capitalist.

However, with regard to their specific answers to the question of what a genuine communisation process would have consisted in, the situation was slightly more ambiguous. The Germans (and to some extent the Russians), in their focus on the economic sphere, ultimately ended up with a notion of communism consisting in workers' self-management. The important differentiation between capitalism and communism was correctly seen to lie in workers overcoming their separation from the means of production. The idea was that only in the factory, only at the point of production could workers overcome the domination maintained by bourgeois politics, cease to act as isolated bourgeois individuals and act as a socialised force, as a class. This slipped into a factoryism which neglected the fact that the enterprise is a capitalist form par excellence and that if the class is united, there it is united as variable capital. It was this councilist approach that led them to work out rather mathematical accounting schemes^[32] for how the transition to communism could work and elaborate schemes for how the councils could link up.

The problem with this self-management approach was of course that it seemed to imply that as long as the enterprises were managed by the workers themselves, it did not matter that capitalist social relations continued to exist. It is in this sense that the German Left never managed to make a full break from Second International Marxism's identification with the development of the productive forces and with the working class as working class.

It was in this respect that the importance of the Italian Left came out. In emphasising the 'primacy of the political', they could take a more social and holistic standpoint. Communism was not just about replacing the party with the councils, and state-control with workers control.^[33] Communism, they argued, was not merely about workers managing their own exploitation, but about the abolition of wage labour, the enterprise form and all capitalist categories. The fundamental question was not so much that of 'who manages?' but about 'what is managed?'

exploitation of the working class had existed before 1928.

Yet perhaps more devastating to the credibility of Cliff's line of argument among Trotskyists was that by suggesting that with the imposition of the policy of rapid industrialization the bureaucracy had finally transformed itself into an exploitative class, and in doing so transformed Russia from a degenerated workers' state into state capitalism, Cliff was in effect attacking Trotsky! Had it not been the main criticism advanced by Trotsky and the Left Opposition against Stalin that he had not industrialized soon enough?! Was not the central plank of Trotsky's understanding of the Russian Revolution that the productive forces had to be advanced as fast as possible if there was to be any hope of socialism? If this was so, was not Cliff accusing Trotsky of advocating state capitalism?! Ultimately Cliff is unable to circumvent Trotsky's intrinsic complicity with Stalin. As a consequence, the failure to break with Trotskyism led to this vital flaw in Cliff's theory of state capitalism in Russia.

Yet this is not all. Cliff's failure to critically confront orthodox Marxism opened up another even more important weakness in his theory of state capitalism which has been seized upon by his more orthodox Trotskyist critics. This weakness stemmed from Cliff's denial of the operation of the law of value within the USSR.

As we have seen, for Cliff the USSR was constituted as if it was one huge capitalist enterprise. As such there could be no operation of the law of value internal to the USSR. However, as Marx pointed out, it is only through the operation of the law of value that any capitalist enterprise is constrained to act as capital. If there was no law of value internal to the state economy of the USSR what made it act as if it was a capitalist enterprise? The answer was the Soviet Union's relation to world capitalism. It was through the competitive political and economic relation to the rest of the capitalist world that the Soviet Union was subordinated to the law of value, and it was through this subordination to the law of value that the capitalist nature of the USSR became expressed.

However, as Cliff recognized, the Soviet Union, with its huge natural resources, had become largely self-sufficient. Foreign trade with the rest of the world was minimal compared with the amount produced and consumed within Russia itself. As a result Cliff could not argue that the international law of value imposed itself on the Russian economy through the necessity to compete on the world market. Instead, Cliff had to argue that the law of value imposed itself indirectly on the USSR through the necessity to compete politically with the major capitalist and imperialist powers. In order to keep up with the arms race, particularly with the emergence of the Cold War with the USA, the USSR had to accumulate huge amounts of military hardware. This drive for military accumulation led the drive for accumulation elsewhere in the Russian economy. Indeed, this military competition could be seen to spur capital accumulation, and with it the exploitation of the working class, just as much, if not more so, than any economic competition from the world market could have done.^[40]

However, as Cliff's Trotskyist critics point out, for Marx the law of value does not impose itself through 'competition' as such, but through the competitive exchange of commodities. Indeed, it is only through the exchange of commodities that value is formed, and hence it is only through such exchange that the law of value can come to impose itself. Military accumulation is not directly an accumulation of values but an accumulation of use-values. In a capitalist economy such an accumulation can become part of the overall process of the accumulation of value, and hence of capital, insofar as it guarantees the accumulation of capital in the future by protecting or else extending foreign markets. However, in itself military accumulation is simply an accumulation of things, not capital. So in capitalist countries military spending suppresses value and the law of value temporarily in order to extend it later. Given that the Soviet Union did not seek to expand value production through the conquest of new markets, military production meant the permanent suppression of value and the law of value in that it was simply the production of use-values required to

defend a system based on the production of use-values.

For the more sophisticated Trotskyists, Cliff's attempt to invoke military competition as the means through which the USSR was subordinated to the law of value exposed the fundamental theoretical weakness of Cliff's theory of state capitalism in Russia. The argument put forward by Cliff that under state capitalism 'the accumulation of value turns into its opposite the accumulation of use-values' is nothing but a sophistry which strips away the specific social forms that are essential to define a particular mode of production such as capitalism. As they correctly point out, capital is not a thing but a social relation that gives rise to specific social forms. The fact that military hardware is accumulated is in no way the same thing as the accumulation of capital. Without the production of commodities there can be no value and without value there can be no accumulation of capital. But Cliff argues there is no production of commodities in the USSR, particularly not in the military industries, since nothing is produced for a market, thus there can be neither value nor capital.

This point can be further pressed home once Cliff's critics turn to the question of labour-power. For Marx the specific nature of any mode of production was determined by both the manner and forms through which the dominant class are able to extract surplus-labour from the direct producers. Within the capitalist mode of production surplus-labour is extracted from the direct producers by the purchase of the worker's labour-power as a commodity. As a consequence, surplus-labour is expropriated in the form of surplus-value which is the difference between the value of labour-power (i.e. the costs of reproducing the worker's ability to work) and the value the worker creates through working. However, for Cliff, labour-power was not a commodity in the USSR and was not therefore really sold. But if labour-power was not a commodity it could not have a value, and hence any surplus-labour extracted could not take the form of surplus-value. If surplus-labour did not take the form of surplus-value how could the USSR be in any sense capitalist in strict Marxist terms?!

The third fatal flaw in Cliff's theory of state capitalism in Russia, and one that arises from his commitment to orthodox Marxism, is the view that state capitalism is the highest stage of capitalism. As we have seen, it is central for Cliff that state capitalism was the highest stage of capitalism since it was from this premise that he could claim that state capitalism was at the point of transition from capitalism to socialism. But if state capitalism is the highest stage of capitalism, and if it is accepted that the USSR is state capitalist, then this would seem to imply that, in some fundamental sense, the USSR should be in advance of Western capitalism. Of course, this may have seemed reasonable in the late 1940s. After all, under Stalin the USSR had made an unprecedented leap forward with the rapid industrialization of Russia, and it seemed that the Soviet Union was set to out-perform most of capitalist economies in the West in the post-war era. However, in the following decades the economic stagnation and economic waste of the 'Soviet system' became increasingly apparent, culminating with the collapse of the USSR in 1990. This, combined with the globalization of capital, which has seriously undermined the efficacy of state intervention in Western capitalism, has meant that the notion that capitalism is tending towards state capitalism is now far less convincing than it was fifty years ago. As we shall see in the next issue, although Cliff did develop a theory to explain the economic stagnation in the Soviet Union it proved insufficient to explain the final crisis and collapse of the USSR. This point has been taken up with relish by Cliff's more orthodox critics, who now feel vindicated that the Stalinist system has proved ephemeral and, as Trotsky predicted, capitalism has been restored, albeit after some delay.

So, despite its practical appeal during the post-war era, Cliff's theory of state capitalism in Russia was theoretically, at least for orthodox Trotskyists, fatally flawed. Indeed, for the more sophisticated Trotskyists Cliff's theory is usually dismissed with little more ado, and then presented as an example of the weakness of all theories of state capitalism. But Cliff's theory of state capitalism in the USSR is by no means the original or foremost

traditional state capitalist argument, saw Russia as a more advanced, concentrated version of capitalism, leading Mattick virtually to a third system conception.

Bordiga, exactly by returning to Lenin's emphasis on the political, could avoid going down that path. The clashes between the state industrial sector and the peasant sector was not, as Trotsky and Preobrazhensky had argued, the clash between socialism and capitalism. Rather, as Bordiga argued, it was the clash between capitalism and pre-capitalist forms. And here lay the real originality of Bordiga's thought: Russia was indeed a transitional society, but transitional towards capitalism. Far from having gone beyond capitalist laws and categories, as for instance Mattick had argued, the distinctiveness of Russian capitalism lay in its lack of full development.

This was grounded on Russia's peripheral status versus the core capitalist economies. In a period when world capitalism would otherwise have prevented the take off of the capitalist mode of production, preferring to use underdeveloped areas for raw materials, cheap labour and so on, Russia was an example of just such an area, that through extreme methods of state protectionism and intervention secured economical development and as such prevented the fate of being assigned a peripheral status on the world market. It is this role of the Bolsheviks as the enforcer of capitalist development that explains why the USSR became a model for elites in ex-colonial and otherwise less developed countries.

The failure of both Trotsky and the German Left to see this also showed up in their confusion with regard to Stalin's 'left-turn'. Never having accepted the Primitive Socialist Accumulation thesis of Preobrazhensky, Bordiga could make the rather obvious judgement that what Stalin carried out in the thirties - the forced collectivisation of peasants and the 5 year plans - was a savage primitive capitalist accumulation: a 'Russian capitalism Mark 2'. Stalin's 'left turn' was then neither a product of his impulses nor represented him being forced to defend the 'socialist' gains of the economy'. Rather it came from the pressing need for capital accumulation felt by Russia as a competing capitalist state. And the Stalinist excesses of the thirties - "literally a workers' hell, a carnage of human energy." [30] - were but a particular expression of the "general universal conditions appropriate to the genesis of all capitalism." For Bordiga once the proletarian political side went, what was striking was the continuity of the problems facing the emerging capitalism in Russia whether its government be Tsarist or Stalinist: that of attempting to develop the capitalist mode of production in a backward country facing world imperialism. In 1953 he states: "The economic process underway in the territories of the Russian union can be defined essentially as the implanting of the capitalist mode of production, in its most modern form and with the latest technical means, in countries that are backward, rural, feudal and asiatic-oriental." [43]

Indeed, as Bordiga recognised, the problems involved with the crash course in capitalist development that the Bolsheviks imposed, also resulted in certain measures that were to obstruct the full expressions of a capitalist development. He centred this on its inadequate resolution of the sin qua non of capitalism: the Agrarian Revolution. Despite its brutality, Bordiga noted that the collectivisation process involved a compromise by which the peasants did not become entirely property-less, but were allowed to retain a plot of land and sell its produce through market mechanisms. This, as Bordiga saw it, re-produced the capitalist form of the small-holder, but without the revolutionary progressive tendency to ruin and expropriate these producers, because 'the little that belongs to him is guaranteed by law. The collective farmer is therefore the incarnation of the compromise between the ex-proletarian state and the small producers past on in perpetuity.' [25-6] While collectivisation did produce the proletarians necessary for state industry, Soviet agriculture remained a hybrid form, an achilles heel of the economy never attaining full subordination to capitalist laws.

This view of the Russian state being in the service of developing capitalism in Russia

was only possible if carried out on a world-scale and led by an international revolutionary party, as well as their failure to see that the Comintern was largely dominated by Russia and used for its own national purposes, meant that they still perceived the Comintern as this international and revolutionary agent. Ultimately, this meant that they were willing to accept the rigors of discipline to policies they totally opposed and indeed felt were betraying the communist programme, in order to hold on for as long as possible. This even to the extent that Bordiga, despite his overall majority in the PCI, conceded leadership to a small faction of the party led by Gramsci, which was willing to obey Moscow and impose 'Bolshevisation' on the party. Later Bordiga and the fraction around him were forced out of the party they had created.[30] Still, it would be many years before would fully identify Russia as capitalist.

Bordiga's theory

So where the Germans, in their councilism, had taken an outright anti-Leninist stance, the Italian Left took a much more Leninist approach. Indeed when the Italian Left had finally, in exile, started to question the nature of Russia, it was in a manner that seemed at first closer to that of Trotsky's, rather than the theories coming out of left communists elsewhere. Against the German left communists, they had insisted that the argument that the Russian Revolution had been bourgeois from the start, was a loss of the whole international perspective that had been shared by all the revolutionary fractions at the time. But whilst this point certainly allowed the Italians not to lose the revolutionary significance of October, their logic that if the revolution had been a proletarian revolution, the state was a proletarian state that had degenerated, had the down-side of appearing to be a version of Trotsky's theory of a degenerated workers state.

The 'Leninist' side of the Italian Left became especially clear with Bordiga when, in his attempt to gain an understanding of the nature of Russia, put great emphasis on the very text that Lenin had used to attack the Russian Left Communists, namely the Tax in Kind pamphlet. By returning to the Agrarian Question Bordiga bypassed a lot of state capitalist concerns. Looked at economically, he argues, Russia did not have the prerequisites for socialism or communism, and the tasks that faced it were bourgeois tasks, namely the development of the productive forces for which resolving the Agrarian Question was essential. However, the war that Russia was part of was an imperialist war that expressed that the capitalist world as a whole was ready for socialist revolution and Russia had not only a proletariat who carried out the revolution, but a proletarian party oriented to world revolution had been put in power. Thus on the 'primacy of the political' October was a proletarian revolution. But insofar as Bordiga assumed that, economically speaking, there was no other path to socialism than through the accumulation of capital, the role of the proletarian party was simply to allow but at the same time keep under control the capitalist developments necessary to maintain social life in Russia.

Ironically however, it was exactly in emphasising Lenin's notion that capitalism under workers control of the party was the best Russia could have, that Bordiga could go beyond not only the Trotskyism, that the Italian Left theory of Russia had initially seemed close to, but more importantly maybe, the theory of the German Left. As was shown in the previous article of this series, Trotsky took the nationalisation of land and industry as well as the monopoly on foreign trade, as evidence for Russia in fact having the socio-economic foundations for socialism - hence his notion that the revolution was congealed in 'property forms'. And relying on Preobrazensky's contrast between what he saw as the 'law of planning' of the state sector versus the law of value of the peasant sector, he argued that one of the main obstacles that had to be dealt with before arriving at socialism proper, was the capitalist features of the peasant sector. As such he argued that Russia was a more advanced socialistic transitional economy. The German Left, although differing from Trotsky's view in the sense that they maintained that the revolution had been bourgeois from the start, was in essence very close to it. This was insofar as they, in line with the

one, although it is perhaps the most well known. In the next issue we shall begin by considering other theories of state capitalism in the USSR that have arisen amongst the left communists before turning to examine Tickin's efforts to go beyond both the theory of Russia as a degenerated workers' state and state capitalist theories.

Notes for Part I

[1] For convenience we shall at times use the term 'state capitalism' for all theories that consider the Soviet Union to have been capitalist. As N. Fernandez points out in a forthcoming book, *Capitalism and Class Struggle in the USSR*, many theories, for example those of Bordiga and more recently Chattopadhyay, have for good theoretical reasons avoided the term 'state capitalism' in their accounts of the USSR. We will deal with some of the issues raised by the term 'state capitalism' in more detail in [Aufheben 8](#).

[2] 'Ultra-left' is a loaded and ambiguous term. It was originally a term of abuse used by Lenin against communists and revolutionaries, particularly in West European countries such as Holland, Germany and Italy, who refused to accept the Bolshevik model of revolution and the right of the Russian Communist Party to determine the tactics and leadership of the world Communist movement. These communists were among the first to put forward the idea that Russia was a form of state capitalism. We shall examine such theories in the next issue. On the term itself it should be noted that most people accused of ultra-leftism by Leninists would argue that they are simply communists and that the left, including their accusers, are not. The matter is further confused by the tendency of Leninists to denounce each other for 'ultra-leftism' for such heinous crimes as not voting Labour. Perhaps more importantly for us, the term 'ultra-leftism' indicates an acceptance, along with Trotskyism, of the idea of tracing one's tradition back to the social democracy of the Second and Third Internationals. While we will happily restate our position that the German, Dutch and Italian left communists did maintain some important lessons from the revolutionary wave following the First World War, we do not think they had the last word on what revolutionary theory and practice is for us today. This will become clearer once we come to examine their theories of the Soviet Union.

[3] Of course, prisoner support work is an important part of any serious movement against the state, and in the particular circumstances of the anti-poll tax movement when Militant threatened to grass people to the police it did define a radical engagement in the struggle. But there is nothing inherent in leftism that leads it to ignore prisoners. Simply criticising the 'left' for not supporting prisoners ends up as little better than ritual denunciation of the left for being 'boring middle class wankers', a poor excuse for a proper critique. Yet it is perhaps little surprise that prisoner support has become an almost definitive position amongst many anarchists now that denouncing the left for supporting the USSR is no longer viable.

[4] There is little doubt that it was the fear that the whole of Western Europe might go over to the Eastern Bloc in the years following the Second World War which prompted the American bourgeoisie to pour billions of dollars into shattered West European economies in the form of Marshall Aid.

[5] It should be remembered that the reformist parties of the Second International not only betrayed their commitment to opposing the First World War and, as such, were complicit in the decimation of a whole generation of the European working class, but they also played an important role in crushing the revolutions that swept much of Europe following the war. For example, it was under the orders of a Social Democratic government that the German Revolution was crushed and such revolutionary leaders as Rosa Luxemburg and Karl Liebknecht killed. Such crimes could not be that easily forgotten.

[6] Of course, at this point some may object that Trotsky's record proves that he was a counter-revolutionary and, as a consequence, dismiss any detailed consideration of his theory of the USSR as a degenerated workers' state. For us an extensive consideration of Trotsky's theory of the USSR as a degenerated workers' state is important not only because this theory has become a central reference point for criticisms of the Soviet Union, but also because it is important to show how Trotsky's theory emerged directly from the objectivism of orthodox Marxism and was in no way a betrayal of such traditions. Hence our focus will remain on the political economy that developed in the USSR, rather than offering a blow by blow account of the revolution/ counter-revolution. For details on the 1917-21 period that undermine the Leninist account of the Russian Revolution see M. Brinton [The Bolsheviks and Workers' Control](#) (London: Solidarity). For a more general critique of the orthodox Marxism of both the Second and Third Internationals see Guy Debord, [The Society of the Spectacle, Chapter IV](#) (Detroit: Black and Red, 1974).

[7] In what follows some readers may think we are treating Trotsky's theory with too much respect. For some it is enough to list his bad deeds. Some focus on his actions in 1917-21, others more on Trotsky's later failure to maintain revolutionary positions which culminated with his followers taking sides in the Second World War. From this it often concluded that Trotsky's Marxism was always counter-revolutionary or, as many left communists argue, that at some point Trotsky crossed the class line and became counter-revolutionary. Either way Trotsky's theory of a degenerated workers' state can be summarily dismissed as a position outside the revolutionary camp. For us, however, Trotsky's theory of the USSR, and its dominant hold over many critical of Stalinism, reflects fundamental weaknesses of orthodox Marxism that should be grasped and overcome. There are very powerful reasons why heterodox Marxists have found it hard to grasp the USSR as capitalist. In rejecting Trotsky's theory of the USSR as a degenerated workers' state it is not for us a matter of showing how he 'betrays the true revolutionary heritage of pre-1914 social democracy and orthodox Marxism', but rather it involves recognizing how true he was to this tradition.

[8] Trotsky originally developed the theory of permanent revolution in collaboration with Parvus. After Parvus withdrew from Marxist politics the theory eventually became ascribed to Trotsky.

[9] Trotsky is himself not very clear at this point as to why the very backwardness of peasantry would lead a substantial part of this class to maintain its support for a workers' government committed to introducing socialist policies. However, this apparently paradoxical position can be resolved if we consider a little more closely Trotsky's view of the peasantry. For Trotsky the backwardness and heterogeneity of the peasantry meant that it was inherently incapable of developing a coherent organization that could formulate and advance its own distinct class interests. As a consequence the peasantry could only accept the leadership of other classes i.e. either the bourgeoisie or the proletariat. From this Trotsky could conclude that once the peasantry had accepted the leadership of the proletariat it would have little option but to be swept along by the policies of a workers' government, even beyond the point where such policies began to impinge on the peasants' own immediate class interests, since they would be unable to formulate any viable alternative.

[10] See [The Revolution Betrayed](#) by Leon Trotsky (Pathfinder Press, 1972).

[11] We shall give more attention to the ideas Lenin's left communist opponents in [Aufheben 8](#).

[12] Following Engels, it was generally accepted within orthodox Marxism that there could be no leap from capitalism to a fully fledged communist society in which the state, money and wage-labour had been abolished. It was envisaged that any post-capitalist society would have to pass through a lower stage of communism during which the state, money

The adequate basis for the break with 'Maximalism' was finally provided when, in the context of this intense class struggle, the Italian PSI delegates, including Bordiga, went to the 2nd Congress of the Comintern in mid-1920. Key to this Congress was the setting of 21 conditions for membership of affiliating parties. Although Bordiga's group had to renounce their abstentionism, the overall target was the 'centrist' and opportunist tendencies of the PSI. Seeing that the overall tendency within the Comintern was in their favour, Bordiga even managed to beef up the disciplinary measures so that complying with the directives given by the Comintern was a condition for affiliation. Consequently, the Second Congress turned out to be massively helpful to them in their battle with the centre/right, and as such their attempts to forge a genuinely revolutionary communist party in Italy. They came away strengthened in their fight with the PSI by Lenin's authority, and felt that their fight for a revolutionary party was in convergence with the Bolsheviks. Consequently, the ideas beginning to emerge within the German Left - that Bolshevik prescriptions for the Western proletariat were not necessarily appropriate; that there might even be a contradiction between Bolshevism and revolutionary politics; and that the good of the World Revolution was being sacrificed to the national needs of the Russian state - not only failed to resonate with the Italian Left, but quite the opposite seemed to be the case.

With this reinforcement from Moscow the Italian Left finally made their break with the PSI. This was prompted by the movement of factory occupations, that exposed the bankruptcy of the PSI and its CGL unions. As a wage dispute by members of the Metal workers union developed into a massive wave of factory occupations, and everybody could see that the situation was critical and had moved beyond economic demands, the PSI and the unions responded by exposing their absolute inability to act for revolution. Instead of taking any revolutionary initiative, the PSI passed the bug to the CGL, who had a vote on whether to go for revolution or not. The outcome was 409,000 for revolution and 590,000 against. But where the break from social democracy had led the Germans to a full blown councilist approach, in Italy the defeat of the factory occupations also marked the end of the councilist approach of Gramsci's L'ON group. Bordiga's analysis on the need for a principled break with PSI's 'Maximalism' was now accepted by nearly all revolutionaries in the party, and in early 1921 they formed the Communist Party of Italy (PCI) under his leadership.

However, the coming together of the communist elements came too late. Not only was the Biennio Rosso a failed revolution, but a fascist counter-revolution was on the cards. With the tacit support of the democratic state, fascist squadrista moved from their rural strongholds to attack workers neighbourhoods and worker organisations. Although communist and other workers formed armed detachments to fight back, the sort of working class reaction that in Germany defeated the Kapp putsch did not materialise, and by the end of 1922 Mussolini was in power.

Revolutionary setbacks, however, were not just confined to Italy, but was a general international phenomenon. But instead of recognising this as being the result of social democracy (or the failure of these parties to lead the struggles in a revolutionary direction, as the Italian Left saw it), the Comintern responded by imposing its policy of a 'united front'. For Italy the 'united front' line meant demanding the PCI fuse with Serrati's PSI, only asking that it first expel its right wing around Turatti. For Bordiga and the PCI, after their hard fought battle to disentangle themselves from the pseudo revolutionary maximalism of Serrati, the demand they unite with him was anathema.[29] They felt that in the turn to these flexible tactics, the communist political programme they had arrived at was in danger of being diluted or lost.

But where this, in Germany, led to the final break with Bolshevism, in Italy it resulted in a total Bolshevisation of the PCI. Ironically it was the Italian Left that had not only fought to make the Italian Party Bolshevik (in terms of their perception of the meaning of that term), but had also insisted on the Comintern's disciplinary role on national sections. But now they were to become one of the main victims of that discipline. Their insistence that socialism

them.

In a 1991 interview, his son Paul Mattick (Jnr) speculated that the collapse of the USSR might have indicated that his father was wrong and :

whether it wasn't a mistake of all the people, members of this ultra-left current, among whom I would include myself, to think of the Bolshevik form, the centralized, state controlled economy, as a new form, which we should think of as coming after capitalism, as representing, say, a logical end point of the tendency to monopolization and centralization of capital, which is a feature of all private property capitalist systems. Instead, it seems to really have been a kind of preparation for capitalist, development, a pre-capitalist form, if you want.'

This is exactly what the leading thinker of the Italian Left had argued.

The Italian Left

Origins

We now turn to the other main left communist position, that of the Italian left. Like the German and Dutch Lefts the Italian Left originated, in the years before the first world war as a left opposition within a Second International party, in their case the Socialist Party of Italy (PSI). But whereas German social democracy had exposed itself as both reactionary and actively counter-revolutionary, the very radicality of the Italian working class, and consequent strength of the Left, meant that reformism in the PSI was not as hegemonic as in the SPD. In 1912 the party even expelled an ultra-reformist wing over its support for Italy's Libyan war, and when the world war broke out and the Italian working class responded with a Red Week of riots across the country reaching insurrectionary proportions in Ancona, the PSI alone among the western Social democratic parties did not rally to the nation. Their apparent difference from the SPD further came out when in 1919 the PSI affiliated to the Comintern. The enemy of the Italian Left was thus not an obviously counter-revolutionary party, but one dominated by the revolutionary posture of 'Maximalism', that is, combining verbal extremism with opportunist economic and political practice, or more to the point, inaction. This discontinuity between the social democracy in Italy and Germany was to greatly influence their theoretical developments. Where the German Left had very quickly reacted to the current events by making a final break with social democracy and going for a full blown councilist line, the Italian Left remained much more favourable to partyism. In a sense we could say that while the German Left tendency was to overcome the social democratic separation of the 'political' and 'economic' struggle by putting their trust in a revolutionary 'economic' struggle, the solution that the Italian Left moved to was an absolute subordination of political and economic struggles to a genuinely communist 'political' direction.

The determination to decisively politically break from all reformism developed in the context of Italy's experience of the revolutionary wave - the Biennio Rosso (Red Two Years).

This was period in which workers set up factory councils, poor peasants and demobilised soldiers seized land, and where demonstrations, street actions, rioting, strikes and general strikes were regular occurrences. From the summer of 1919, when the state nearly buckled in the face of near insurrectionary food riots and syndicalist forms of redistribution and counter power, to the Occupations of the Factories in September 1920, revolution seemed almost within their reach. However, instead of taking an active part in this revolutionary wave, the PSI and its linked unions refused to act and at times even actively sabotaged the class struggle. However, where the German Left had reacted to similar occurrences by breaking with the SPD and identifying with the council movement, the reaction within the Italian party was, on the one hand, the Abstentionist Communist Fraction around Bordiga struggling to eliminate the reformists from the party, and on the other hand, the L'Ordine Nuovo (L'ON) centred around Gramsci and orientated to councils, but who saw no need to break from the 'Maximalism' of the PSI.

and wage-labour would gradually wither away as the conditions for the higher stage of communism came into being. This lower stage of communism became known as socialism.

[13] For example, in his *Leon Trotsky's Theory of Revolution*, John Molyneux says 'Suffice it to say that in the early years of the revolution Trotsky stood on the authoritarian wing of the party'. Of course, as Kowalski has pointed out, the divisions of left/right, libertarian/authoritarian may over simplify the complex of political positions taken up among the Bolsheviks during this period. However, it is quite clear that Trotsky was neither on the left nor the libertarian wings of the Party at this time.

[14] As both Engels and Kautsky had pointed out in relation to Germany, the fundamental barrier to the development of industrial capitalism was the low productivity of traditional forms of small-scale peasant agriculture. If the urban populations necessary for industrialization were to be fed then the peasants had to produce an agricultural surplus over and above their own immediate needs. So long as traditional forms of agriculture persist the total amount of agricultural produce is limited. Thus the only way to produce the surplus necessary for industrialization is to depress the living standards of the peasantry through such means as high rents and taxation. Yet the scope for squeezing the peasants' already impoverished living standards is limited. Sooner or later there has to be an agricultural revolution which, by concentrating production in large scale farms, allows the introduction of modern mechanized production methods. Under capitalism this occurred either through the landlords or the richer peasants appropriating land and transforming themselves into capitalist farmers. The socialist alternative was to collectivize agriculture. By grouping peasants together in collectives large scale production would be made possible without dispossessing vast numbers of poor peasants. In Russia this agrarian problem was particularly acute. Before the revolution the peasants had been forced to produce for the market in order to pay rents and taxes to the landlords and the state. This surplus had then been used both to feed the urban populations and for export to earn the foreign currency needed to pay for the import of foreign capital required for industrialization. However, with the Stolypin reforms of 1906, the Tsarist regime had made a decisive effort to encourage the development of capitalist agriculture amongst the richer peasants. But this 'wager on the strong' peasant was cancelled by the revolution. The expropriation of the landlords and the redistribution served to reinforce small-scale subsistence agriculture. With neither the compulsion nor any incentive to produce a surplus on the part of the peasant, food supplies to the urban areas fell. It had been this that had compelled the Bolshevik Government to introduce direct requisitioning under War Communism. With the NEP, the Bolshevik Government now sought to provide incentives for the richer peasants to produce for the market. Collectivization was ruled out since for it to succeed on a large scale it required a sufficient level of industrialization to allow the mechanization of agriculture. To this extent the NEP represented, in part, a retreat to the Tsarist policy of encouraging the growth of capitalist agriculture amongst the rich peasants. We shall examine further this crucial agrarian question in more detail in the next issue.

[15] Trotsky coined the phrase 'scissors crisis' in his speech to the 12th Party Congress in April 1923. Trotsky argued that, left to the market, the uneven development between agriculture and industry could only lead to violent fluctuations between the prices of industrial goods and agricultural prices which could only undermine the NEP. Although agricultural production recovered rapidly after the introduction of the NEP, industrial production lagged behind. As a result the price of industrial goods had risen far faster than agricultural prices, 'opening the price scissors' and threatening to undermine the incentives for the peasants to produce for the market in the following season. By October the predicted crisis struck home with the sales of grain plummeting. Following this 'scissors crisis', measures were introduced to control industrial prices.

[16] While Stalin had established his power-base as head of the organization of the Party throughout the USSR, Zinoviev had built his power-base as head of the Party in Leningrad,

and Kamenev had his power-base as the head of the Moscow Party.

[17] During the industrialization debate in the mid 1920s, Trotsky, along with the rest of the Left Opposition, was repeatedly attacked by Stalin and his followers for being a 'super-industrializer' who wished to abandon the NEP and industrialize at the expense of the peasantry. This has been a common accusation made against Trotsky by Stalinists ever since. But it has also been a criticism taken up by anarchists and others to the left of Trotsky who argue that in adopting the policy of forced industrialization and forced collectivization after 1928 Stalin was simply implementing Trotsky's own ideas. In this way the essential complicity between Stalin and Trotsky can be demonstrated. In his article 'The Myth of the Super-Industrializer', which was originally published under a different title in *Critique*, 13, and now reprinted in *The Ideas of Leon Trotsky* edited by Michael Cox and Hillel Ticktin, Richard Day has sought to defend Trotsky from such accusations by both distancing him from the more polemical positions of Preobrazhensky and stressing his support for the workers' and peasants' alliance embodied in the NEP. But this does not prove much. None of the main protagonists in the industrialization debate, not even Preobrazhensky, argued for the abandonment of the NEP and the workers' and peasants' alliance. What is telling is Trotsky's own criticisms of Stalin's eventual policy of forced industrialization and collectivization. In *The Revolution Betrayed*, Trotsky does not criticize Stalin's industrialization policy as such - indeed he is careful to praise the great achievements made by Stalin under this policy - but rather the 'zig-zags' made in bringing this policy about. For Trotsky the problem was that Stalin's reluctance to adopt the policy of industrialization put forward by the Left Opposition in the mid-1920s meant a sharper 'turn to the left' and a more rushed and unbalanced industrialization later in order to solve the crisis of 1928. But the crucial question is: if Stalin had shifted the burden of industrialization onto the peasantry a few years earlier, would this have been really sufficient to have averted the grain procurement crisis in 1928 and avoided the disaster of forced collectivization in which millions of peasants died?

[18] For a critique of orthodox Marxist interpretations of Marx's theory of commodity fetishism see 'The Myth of Working Class Passivity' by David Gorman in *Radical Chains*, 2.

[19] It should be noted that *What is to be Done?* was a particularly extreme formulation of democratic centralism that emerged out of a polemic against those Marxists who had argued that the class consciousness of the working class would necessarily develop out of economic struggles during a period of retreat in the class struggle. However, Lenin's position concerning democratic centralism can be seen to have undergone sharp shifts in emphasis depending on the political circumstances. At various points before 1917 Lenin's position would have been little different from that of Trotsky.

[20] As well as Bolshevik left communists, many anarchists were also taken in by the 'libertarian flavour' of the conception of post-revolutionary power outlined in Lenin's *State and Revolution*. This led to accusations that Lenin's actions after seizing power were a betrayal of the ideas he had himself set out in *State and Revolution*, and it is then suggested that Lenin had never really believed in them. But while it is undoubtedly true that Lenin did abandon some of the measures he called for in *State and Revolution*, that text was itself ambiguous, calling for a 'socialist revolution with subordination, control, and foremen and accountants'.

[21] See for example 'Can the Bolsheviks Retain State Power?' in Lenin's *Collected Works*, vol. 26, p. 87.

[22] The methods of 'scientific management' advocated by Lenin were based on those developed by the most advanced capitalist enterprises in the West and which had become known as Taylorism. Taylorism had been specifically developed to break the control of the skilled worker over the immediate production process. Under Taylorism the production

capital, and as such Russia had not abolished the capital/labour relation fundamental to capitalism. However, while this point was important, it was not enough proof in Marxian terms of the existence of capitalism. The questions remained: how did the system operate?, what was its drive or regulating principles?, what laws governed it? And on these questions he was orthodox enough a Marxist to accept that complete statification of the means of production was a modification of capitalism with serious implications for the validity of fundamental value categories.

Specifically the problem consisted in to what extent the law of value still governed the economy in Russia. As Marx had argued, one of the main defining characteristics of capitalism is that the market is governed by the law of value. This means that instead of having a system in which production is consciously planned so as to meet people's needs, we have a system in which these needs are only met indirectly through the exchange of commodities on the market. And the only regulatory principle on the market is that of supply and demand. Against the previous left communist tendency to classify Russia as state capitalist without trying to ground it in the categories of value, Mattick even made the further point that "to speak of the law of value as the 'regulator' of the economy in the absence of specifically capitalist market relations can only mean that the terms 'value' and 'surplus value' are retained, though they express no more than a relation between labour and surplus labour." [321] The problem for Mattick was of course that, considering he took Russia at face value and thought it was a genuinely planned system, it became difficult to at the same time call it capitalist. Considering that the market would no longer be run along the lines of indirect forms of commodity exchange governed by the law of value, but would be directly planned according to need, it would be problematic to say that the law of value existed at all.

Ultimately, this led Mattick to concede that state capitalism in Russia lacked what was a defining feature of capitalism, namely the law of value. No longer having this option open to him, Mattick reverted back to his previous reasons for calling Russia capitalist, coupled with the vague point that it was 'a system of exploitation based on the direct control of a ruling minority over the ruled majority.' [321]. But while he still insisted on the continuity of exploitative social relations, the fact that Mattick thought that the law of value had ceased to exist, led him to affirm the argument of the previous German Left that Russia was an advanced form of capitalism. This even to the extent that it had overcome some of the main problems of private-property capitalism, namely competition, crises and, as a result of the consequent stability, to some extent class antagonisms.

The notion that Russia could not have a problem with crisis sounds ironic today. There is also the further irony that while the main point of Mattick's book - on which it succeeded pretty well - was to attack the view, so prevalent in the post-war boom, that Keynesianism had resolved capitalism's crisis tendency. But a more pressing problem with his theory of Russia lies exactly with what he set out to prove, namely that Russia, despite its apparent differences from western capitalism was still capitalist in Marx's terms. Although trying to say that what he was describing was just a change in the form of capitalism, from 'market' to 'state-planned', this was open to the objection that value relations such as those that occur through the market are not incidental - they are of the very essence of the capital relation. And although Mattick rightly pointed to the fact that Russia was still based on the exploitation of the majority by the minority, one could easily argue that the defining point about capitalism is exactly that this exploitation occurs through the indirect form of commodity exchange with all its mystifications. Indeed, it could be argued that Mattick virtually implied that Russia was a non-capitalist form of exploitation that used capitalist forms to cover up the arbitrary nature of its exploitation. It is in the light of the major concessions to the differences between the state system and normal capitalism Mattick was willing to make, that critics would be justified in doubting the validity of the term at all. Hence instead of solving the problems of the theory of the German Left, that led them to use the terms 'state capitalist' and 'state socialist' interchangeably, he merely exposed

These arguments were a statement of the classic state capitalist case: Russia was capitalist because all the categories of capitalism continued to exist only with the state appropriating the surplus value and the bureaucrats playing the role of capitalists. And in keeping with the notion of state capitalism postulated by Marx and Engels, they ended up grasping it as a higher stage of capitalism. As they argued, 'The Russian state economy is therefore profit production and exploitation economy. It is state capitalism under the historically unique conditions of the Bolshevik regime, and accordingly represents a different and more advanced type of capitalist production than even the greatest and most advanced countries have to show.'^[58-59]

However, the problems with grounding the accusation of state capitalism on the basis that all the capitalist categories continued to exist soon became apparent. To say that production was oriented to capitalist profitability seemed questionable when the immediate aim seemed to be the production of use-values, particularly of means of production with no concern for the immediate profitability of the enterprise. Also to say that goods were produced as commodities when it was the state direction rather than their exchange value which seemed to determine what and how many goods were produced, also required more argument. While the state unquestionably seemed to be extracting and allocating surplus products based on exploitation of surplus labour, to say that it took the form of surplus value seemed precisely a point of contention. It was these apparent differences between Russian and western capitalism that led them to use the terms 'state capitalism' and 'state socialism' interchangeably. And it was these theoretical problems of the German Left that Mattick was later to try and solve. However, the main direction of German Left theoretical effort in relation to the Russia question was not to analyse the system in the USSR, but to build alternative models of transition to the statist one they identified as responsible for the Russian disaster. On the one hand, they were tempted by a mathematical model of labour accounting that was supposed to overcome money and value.^[26] on the other, they made elaborate plans of how workers councils could run society instead of the a party-state.^[27]

Mattick: Its capitalism, Jim, but not as we know it

Seeing his role as one of continuing the German council communist tradition, and preserving its insights, Mattick first made explicit what had been implicit in their assessment of Bolshevik policies.^[28] Recognising that Leninism was merely a variant of Kautskyst social democracy, he made it clear that the Bolshevik conception of socialism was from the start very different from, and in opposition to, the one coming out of the councilist left. The reality of what Russia turned out to be was not merely a reflection of the particular historical circumstances it was faced with, but was embedded in the very ideology of the Bolsheviks. This essentially Second International ideology had seen the fundamental contradiction of capitalism as consisting in it being, on the one hand, an anarchic system in which the law of value regulated the market 'behind people's back' and, on the other hand, having a tendency towards the socialisation of the productive forces, and the development of more and more centralised planning and control. Socialism was thus seen as the rational solution to this anarchy through the appropriation, by a workers party, of the planning and centralisation that capitalism was itself developing.

Mattick, following the councilist tradition, saw this statist vision as having entirely lost the perspective of socialism as the abolition, by the workers themselves, of their separation from the means of production; of the abolition of the capital/labour relation and their consequent ability to control the conditions of life - to establish a society based on the free association of producers, as Marx had called it. It was this perspective that allowed him, like previous left communists, to say that the Bolsheviks, by taking the means of production into the hands of the state, had not achieved socialisation, but only the 'nationalisation of capital as capital' ownership by government rather than private capitalists. It was in this way that he, against Trotsky and Stalin, could make the obvious point that the means of production were not controlled by society as a whole, but still existed vis a vis the workers as alien

process was re-organized and rationalized in a way which removed the initiative of the individual worker and concentrated the overall knowledge and control of how things were produced into the hands of specialized managers. Lenin's enthusiasm for Taylorism, an enthusiasm shared by Trotsky, is perhaps one of the areas where Lenin most clearly distinguishes his position from a communist one.

^[23] It should be recognized that most of these armies did not seriously fight the Bolsheviks. The civil war, as a war between organized armies, was a battle between the Red Army and the Whites, who had material support from the West. But, as well as this, vast numbers of peasants and deserters fought both sides. Indeed, one could say the 1918-21 period was as much a peasant war as anything else.

^[24] The introduction of one-man management and scientific management, together with the consequent transfer of power away from the factory committees to, first the trade unions and then to the Party, is well documented in *The Bolsheviks and Workers' Control* by M. Brinton. As Brinton shows this process began at a very early stage in the Revolution, well before the start of the civil war in the Summer of 1918.

^[25] Given the task of organising the military defence of the revolution Trotsky spent little time in abandoning the Red Guard militias that had been formed immediately after the October Revolution in favour of building a conventional standing army. At first Trotsky sought to recruit from volunteers amongst the more advanced sections of the working class, and in accordance with the procedures established within the Red Guards, allowed officers to be elected directly from Soldiers' committees and assemblies. However, once he had established a reliable core for the new Red Army, Trotsky introduced conscription drawing recruits from the broad masses of peasants and workers. With what he considered as less reliable troops, Trotsky abandoned the direct election of officers in favour of the appointment of professional commanders which were mostly drawn from the former Tsarist army. To oversee and check any counter-revolutionary tendencies amongst this officer corp., Trotsky appointed political officers, or commissars, drawn from the Party each of whom were attached to a particular military commander.

^[26] As Knei-Paz has pointed out, the idea that the emergence of the bureaucracy represented a Russian Thermidor had been first advanced by the Democratic-Centralist Opposition in the early 1920s. At that time, when he still held a leading position within the Party, Trotsky had firmly rejected the idea of a Russian Thermidor as being 'ultra-leftist'. However, by 1929, facing disgrace and exile, Trotsky began to come round to the idea and it was only by the mid-1930s that came to fully formulate it within his criticisms of Stalinism. See B. Knei-Paz, *The Social and Political Thought of Leon Trotsky* (Oxford: Clarendon Press), pp. 394-5.

^[27] Trotsky's 'orthodox Marxist' and objectivist idea of history as fundamentally about the progressive development of the productive forces is perhaps the key to understanding the underlying weakness of his theory of the degenerated workers' state. For Trotsky's lyrical accounts of how Stalinist Russia developed the forces of production we need go no further than the opening pages of *The Revolution Betrayed*. On page 8 of this work Trotsky declares: 'With the bourgeois economists we no longer have anything to quarrel over. Socialism has demonstrated its right to victory, not in the pages of *Das Kapital*, but in an industrial arena comprising a sixth of the earth's surface - not in the language of dialectics, but in the language of steel, cement and electricity'.

^[28] With the publication of Marx's early writings, particularly the *Economic and Philosophical Manuscripts*, it is clear that for Marx the basis of capitalism is not private property but alienated labour. This point, as we shall see, is vital not only in making a critique of orthodox Marxism but in any attempt to develop a materialist theory of the USSR.

[29] Of course, at a more concrete level, it is clear that not all of the capitalist class directly exploit the working class. Bankers and merchant capitalists, for example, draw a share of the surplus-value produced by the industrial capitalists by virtue of their special functions in financing production, and by circulating the commodities subsequently produced. Yet these functions can themselves be seen to be rooted in private property. The bank advances money to finance production as a loan of its own private property, and duly obtains a share in the surplus-value in the form of interest. Likewise, by buying the commodities produced by the industrial capitalist, the merchant capitalists advance their own money-capital to realize the value produced for the industrial capitalist ahead of the commodities' actual circulation. In doing so the merchant capitalists appropriate a slice of the surplus-value expropriated by the industrial capitalists in the form of the difference between what they pay the industrial capitalists and what they sell the commodities for to the consumers.

[30] See *The New Constitution of the USSR*.

[31] As we have already noted, the notion that the concentration and centralization of capital inevitably led towards the fusion of state and capital had been central to the orthodox Marxism of the Second International. It had followed from this that the decisive shift from capitalism to socialism occurred with the working class seizing state power. The main question that then divided orthodox Marxism was whether this seizure of state power required a revolution or whether it could be achieved through peaceful democratic means. In *What is to be Done?* Lenin came to define his own position regarding the primacy of the political. Against the 'economism' of those who saw socialist revolution arising directly out of the economic struggles of the working class, Lenin had argued for importance of establishing a political party which could seize state power. Of course, it was the basis of this 'politicism' which, by implying that the realm of the political can to some extent determine the nature of society, has allowed Leninists to argue that the USSR was a workers' state while at the same time admitting that the social relations of production may have remained capitalist. As we shall see in the next issue, it was the inability of most left communists to fully break from this 'politicism' that undermines their critique of the Bolsheviks.

[32] It was this very transitional character of the Soviet bureaucracy which meant that it was difficult to define what it was. So although Trotsky settled on calling it a 'caste' he accepted this was an unsatisfactory categorization of the Soviet bureaucracy.

[33] One of the first groups to develop a proper theory was the 'state capitalist' minority within the Workers' Party. This minority later emerged as the Johnson-Forest Tendency after the pseudonyms of its main theorists - C.L.R. James and Raya Dunayevskaya. With the collection of previously unavailable writings we can now see that this theory is much stronger than it appears from some of their earlier published works and is far superior to Cliff's version. See *The Marxist-Humanist Theory of State Capitalism*, by R. Dunayevskaya, (Chicago: News & Letters, 1992). Since the Johnson-Forest Tendency quickly broke from Trotskyism by rejecting vanguardism and emphasizing workers' autonomy we shall deal with them in more detail in the next issue.

[34] See C. Hobson and R. Tabor, *Trotskyism and the Dilemma of Socialism* (Westport: Greenwood, 1988).

[35] The Revolutionary Communist Party subsequently broke up and should not be confused with the Revolutionary Communist Party that is around today.

[36] Though this has not stopped the SWP giving 'critical support' to some nationalist and Stalinist movements in 'non-imperialist' parts of the world.

[37] For a critique of Cliff's theory of state capitalism from a Trotskyist point of view see the

capitalism had the deeply unpleasant implications that both war communism and Stalin's 'left turn' was a return to socialism, the rigidly schematic position of Ruhle's theory allowed him to question the measures of nationalisation used in both these periods:

'nationalisation is not socialisation. Through nationalisation you can arrive at a large scale, tightly run state capitalism, which may exhibit various advantages as against private capitalism. Only it is still capitalism. and however you twist and turn, it gives no way of escape from the constraint of bourgeois politics'.

It was Ruhle's semi-Menshevik and fatalistic interpretation of Russia that, like his full blown councilism, was at first resisted, but then largely accepted by the German Left. This came out in what was its closest to a definitive statement on the Russian question: the Theses on Bolshevism.[25]

Theses on Bolshevism

The position the German Left was arriving at, and which came out in their Theses, was that the class and production conditions in Russia, first forced the dictatorship to be a party rather than class one, and second forced that party dictatorship to be a bourgeois capitalist one. But where this general idea, in Ruhle, had been solely confined to describing the historical forces that were at play behind the backs of the Bolsheviks, and regardless of their subjective intentions, in the Theses it took a more conspiratorial form. The Bolsheviks had not merely been forced into a position of unwittingly carrying out a bourgeois revolution, but had done so intentionally. From the very start they had been a 'jacobinal' organisation of the 'revolutionary petty bourgeoisie', who had been faced with a bourgeoisie that neither had the collective will nor strength to carry out a bourgeois revolution. So by manipulating the proletarian elements of society, they had been able to carry out a bourgeois revolution against the bourgeoisie. Consequently, 'the task of the Russian Revolution [had been] to destroy the remnants of feudalism, industrialize agriculture, and create a large class of free labourers'. But despite this rather conspiratorial element of the theory of the German Left, they escaped arguing that if the revolutionary proletariat had just realised the true nature of the Bolsheviks, they could have avoided the fate that was awaiting them. Rather, the fact that the Bolsheviks had taken the form of a revolutionary bourgeoisie was precisely because of the backwardness of Russia, and the consequent development had been inevitable.

It was this notion of the Bolsheviks taking the role of the bourgeoisie that allowed them, like Ruhle had done, to avoid seeing Stalin's 'left turn' as a step in the right direction, and instead they saw it as an attempt by the Soviet state to master the contradictory tension of the two forces it had been riding: a 'bolshevistic, bureaucratically conducted state economy' based on a regimented terrorised proletariat, and the peasant economy which 'conceals in its ranks the private capitalist tendencies' of the economy. [57] Or in other words, not as with Trotsky's Left Opposition, a tension between the socialist and capitalist sectors, but between the state capitalist and petty capitalist sides of the economy.

So like the Russian left communist current, the German Left was to end up characterising Russia as state capitalist, or as they called it 'state production with capitalist methods.' Whilst the commanding heights of the economy were bureaucratically conducted by the Bolshevik state, the underlying character was essentially capitalist. This they grounded by arguing that 'it rests on the foundation of commodity production, it is conducted according to the viewpoint of capitalist profitability; it reveals a decidedly capitalist system of wages and speedup; it has carried the refinements of capitalist rationalisation to the utmost limits.' Furthermore, the state form of production, they argued, was still based on squeezing surplus value out of the workers; the only difference being that, rather than a class of people individually and directly pocketing the surplus value, it was taken by the 'bureaucratic, parasitical apparatus as a whole' and used for reinvestment, their own consumption, and to support the peasants.

Left - not guilty like the Social Democrats of betraying the Russian revolution - could see itself as theoretically untangling these contradictions and blunders which the failure of world revolution had led the Russian Revolution into.

The blunders Luxemburg criticized the Bolsheviks for were: their line on national self determination; their suppression of the constituent assembly and voting; their tendency towards a Jacobin Party dictatorship rather than a real dictatorship of the proletariat involving the masses; and their land policy which she said would create 'a new and powerful layer of popular enemies of socialism on the countryside, enemies whose resistance will be much more dangerous and stubborn than that of the noble large landowners.' [p 46] Giving this last point decisive importance, the German Left supported all of Luxemburg criticisms except for her position on the Constituent Assembly.

In fact the importance they attached to this last point became even clearer when Gorter, in drawing upon Luxemburg's assessment of the party dictatorship, nevertheless put a different slant on it. This came out when in *The International Workers Revolution*, [23] he started by quoting her statement: "Yes: dictatorship... but this dictatorship must be of the work of the class and not that of a leading minority in the name of the class: that is to say, it must, step by step, arise from the active participation of the class, remain under its direct influence, and be subordinated to the control of publicity and be the outcome of the political experience of the whole people." In other words, Gorter agreed with Luxemburg that the dictatorship of the proletariat was not the undemocratic dictatorship of the party, but rather the quite democratic dictatorship of the whole class. However he added that what she 'did not understand' was 'that all this could not happen in Russia; that no class dictatorship was possible there, because the proletariat was too small and the peasantry too mighty.' This orientation to the need for a majority proletariat had thus taken him to question the possibility of socialist revolution in Russia.

Gorter moved to the view that the bourgeois measures the Bolsheviks had made were being forced by Russia's backwardness. He argued that the minority status of the proletariat in Russia had forced a 'party dictatorship', and stated that despite not being organised, the 'elementary power' of the peasantry 'forced the Bolsheviks - even men like Lenin - to stand against the class from which it had sprung, and which was inimical to the peasantry.' But what he did criticise the Bolsheviks for, however, was their programme and the action they had prescribed to the proletariat in advanced countries, which had blocked the world revolution, and hence made the building up of world capitalism possible. It was only because of the latter that the bourgeois measures in Russia had become unredeemable.

Ruhle was to go even further than Gorter in this fatalistic direction. Going away from Gorter's notion of a dual revolution, he argued that the revolution had been bourgeois from the start. He grounded this view on what he called 'the phaseological development as advocated by Marx, that after feudal tsarism in Russia there had to come the capitalist bourgeois state, whose creator and representative was the bourgeois class.' [24] So considering the historical circumstances, the Russian Revolution could only have been a bourgeois revolution. Its role was to get rid of tsarism, to smooth the way for capitalism, and to help the bourgeoisie into the saddle politically. It was in this context that the Bolsheviks, regardless of the subjective intentions, ultimately had to bow for the historical forces at play. And their attempt to leap a stage of development had not only showed how they had forgotten the 'ABC of Marxist knowledge' that socialism could only come from mature capitalism, but was also based 'the vague hope of world revolution' that Ruhle now characterised as unjustified 'rashness.'

But whilst this move to a semi-Menshevik position was indeed a move back to the exact same position they had previously criticised the Social Democrats for having, it also had its merits. Where the earlier German Left focus on the New Course and NEP as a reversion to

collection of articles on the nature of the USSR in [Open Polemic](#), 4 & 5.

[38] That is the reformism that had been put forward by Bernstein and his followers in the debates in the Second International that there could be a peaceful transition to socialism through democratically won reforms.

[39] Cliff was able to cite Trotsky's reaction to Stalin's constitution where he argued that it was the basis for the restoration of capitalism in the USSR as support for the possibility of peaceful counter-revolution.

[40] While most Trotskyists in the 1940s clung on to the belief that the immediate post-war economic boom would be short lived and as a consequence repeatedly predicted an imminent return to an economic slump, Cliff was one of the first to seek to explain the persistence of the post-war economic boom. Central to this explanation was Cliff's theory of 'a permanent arms economy' in which high levels of military spending acted to defer the full effects of the overaccumulation of capital which had led to the great slump of the 1930s. The notion that the permanent arms economy was mirrored in the Soviet Union fitted neatly into Cliff's overall emphasis on the importance of military accumulation for modern capitalism.



What was the USSR?
Towards a Theory of the Deformation of Value
Under State Capitalism Part II:
Russia as a Non-mode of Production

Here we present the second part of our article 'What was the USSR?'. In our last issue, we dealt with Trotsky's theory that it was a 'degenerated workers' state', and the best known theory of state capitalism which has emerged within Trotskyism - that of Tony Cliff. Our original intention was to follow that up by dealing with both the less well-known theories of state capitalism developed by the left communists and with Hillel Ticktin's theory that sees itself as going beyond both Trotsky's theory and the state capitalist alternative. Due to foreseeable circumstances totally within our control, we have been unable to do this. Therefore we have decided not to combine these sections, and instead here complete the trajectory of Trotskyism with an account and critique of Ticktin's theory, and put off our treatment of the left communists till our next issue. However, this effective extension of the article's length leads us to answer some questions readers may have. It can be asked: Why bother giving such an extended treatment to this question? Isn't the Russian Revolution and the regime that emerged from it now merely of historical interest? Shouldn't we be writing about what is going on in Russia now? One response would be to say that it is not possible to understand what is happening in Russia now without grasping the history of the USSR. But, while that is true to an extent, the detail we are choosing to give this issue does deserve more explanation.

As Loren Goldner puts it, in a very interesting article published in 1991:

Into the mid-1970s, the 'Russian question' and its implications was the inescapable 'paradigm' of political perspective on the left, in Europe and the U.S. and yet 15 years later seems like such ancient history. This was a political milieu where the minute study of the month-to-month history of the Russian Revolution and the Comintern from 1917-1928 seemed the key to the universe as a whole. If someone said they believed that the Russian Revolution had been defeated in 1919, 1921, 1923, 1927, or 1936, or 1953, one had a pretty good sense of what they would think on just about every other political question in the world: the nature of the Soviet Union, of China, the nature of the world CPs, the nature of Social Democracy, the nature of trade unions, the United Front, the Popular Front, national liberation movements, aesthetics and philosophy, the relationship of party and class, the significance of soviets and workers' councils, and whether Luxemburg or Bukharin was right about imperialism.^[1]

However, that period seems to be at a close. It seems clear that the Russian Revolution and the arguments around it will not have the same significance for those becoming involved in the revolutionary project now as it did for previous generations.

Posing the issue slightly differently, Camatte wrote in 1972: "The Russian Revolution and its involution are indeed some of the greatest events of our century. Thanks to them, a horde of thinkers, writers and politicians are not unemployed."^[2] Camatte usefully then draws attention to the way that the production of theories on the USSR has very often served purposes quite opposed to that of clarification of the question. To be acknowledged as a proper political group or - as Camatte would say - gang, it was seen as an essential requirement to have a distinctive position or theory on the Soviet Union. But if Camatte expressed reluctance to "place some new goods on the over-saturated market", he nonetheless and justifiably thought it worthwhile to do so. But is our purpose as clear? For revolutionaries, hasn't the position that the Soviet Union was (state-) capitalist and opposed to human liberation become fairly basic since '68? Haven't theories like Trotsky's that gave

in the West. Even when Ruhle, their delegate to the Second Congress of the Comintern, returned arguing that Russia was 'soviet' only in name, the majority opposed his view. However, Ruhle's councilist argument that what Russia showed was that party-rule was a bourgeois form, that 'revolution was not a party affair', but a matter of councils and unitary factory organisations only, was later to become the dominant position of the remains of the German Left.

However, at this time, it was only when the Comintern adopted a line of a 'united front', and ordered the KAPD to liquidate and re-join the KPD, which had by then merged with left social democrats, did they start to rethink their position. By late 1921 - as a result of hearing about the NEP, the suppression of strikes, as well as Russia's willingness to make commercial and military treaties with capitalist powers - they decided that the Bolsheviks and the Comintern had left the field of revolution. They began to consider that there might have been internal conditions forcing the counter-revolutionary policies abroad. The White counter-revolution had failed, yet Russia was acting in a capitalist way both at home and abroad. What was the explanation for this?

The spectre of Menshevism: October, a bourgeois revolution?

In 1917, when the German Social Democrats had supported the Menshevik line that Russia was only ready for a bourgeois revolution, the German Left had welcomed October as the first crack in bourgeois power - the start of world revolution. Now with it appearing that the Bolsheviks were retreating from the proletarian socialist path, the German Left started a move back to orthodoxy. Starting with a revised notion that October was a dual revolution, they were to end by deciding it was a bourgeois revolution through and through. Key to their understanding was the perceived dominance of the peasants in Russia.

This first manifested itself when, in the Manifesto of the International they tried to set up as a revolutionary alternative to the Comintern, they not only qualified their previous view of the socialist character of the revolution by going for a notion of dual revolution, but drew the further conclusion that the end result had not been socialism, but state capitalism. As Gorter put it, "in the large towns it was a change from capitalism to socialism, in the country districts a change from feudalism to capitalism. In the large towns the proletarian revolution came to pass: in the country the bourgeois revolution."²² The reference to the passing of the socialist side of the revolution was a reference to how, as they argued, the NEP had not merely been a 'concession' to the peasantry, as the Bolsheviks talked of it, but had been a complete capitulation to the peasant - for them, bourgeois - side of the revolution. The effect was that the proletarian side of the revolution had been sacrificed, and what had been put in its place was instead a form of state capitalism.

Back to Luxemburg?

It was the central, if implicit, role of the Agrarian Question and the Internationalist perspective was to play in their theories that led them to return, ironically to Luxemburg. In 1918 she wrote a text - The Russian Revolution - in which, while declaring solidarity with the Bolsheviks, she made some deep criticisms of their actions in Russia, nearly all of which the German Left were to take up as their own. Written before the German Revolution, her condemnation of the Bolsheviks was, however, secondary to her condemnation of the passivity of the German Social Democrats for not following their revolutionary example. She had no time for the Menshevik line echoed by the Social Democrats in Germany that Russia was only ready for a bourgeois revolution. Instead she insisted that the problems of the Russian Revolution were "a product of international developments plus the Agrarian Question' which 'cannot possibly be solved within the limits of bourgeois society' and thus that the fate of the revolution depended on the international proletariat, especially the German proletariat without which aid the Russian Revolution could not fail to become distorted, becoming 'tangled in a maze of contradictions and blunders.' (p. 29) The German

However, within the class there was also a process of radicalisation. Large numbers of workers, recognising the counter-revolutionary role of the SPD and the unions, and having fought SPD troops and police on the streets, rejected the parliamentary system and left the unions. As an alternative they formed factory organisations to provide a means for united proletarian action, and to be ready for the re-formation of revolutionary council power. While the majority of the KPD, including the rank and file Spartacists, supported these developments, the Spartacist leadership still wanted to participate in elections and the trade unions. In mid-1919, by a series of bureaucratic manoeuvres they managed to exclude the majority from the party. The Bolsheviks essentially sided with this rump leadership. The basis of the split between the German communist left and the Bolsheviks was prepared.

In March/April 1920 the split in the KPD was to become permanent. At this time the freikorps that the SPD had used to crush the revolution, turned on their masters and launched a coup: the Kapp putsch. The trade unions called a general strike, which the working class responded to solidly, bringing the country to a stop. The coup collapsed, but workers were now mobilised across the country. In the revolutionary stronghold of the Ruhr the workers had formed a 80,000 strong Red Army that refused to disarm. Although having been saved by this revolutionary upsurge, the SPD saw their role as the same as it had been a year previously, namely to make sure that the struggles did not develop into full scale revolution. Only this time, they did not have the same working class credibility that had previously allowed them to control the situation. Faced by this, they chose a dual strategy: to re-establish their socialist credibility they talked of forming a government composed only of workers parties, whilst at the same time sending in their - now loyal once more - troops to attack and disarm the Ruhr.

The two sides of German 'communism' reacted totally differently to these events. The excluded majority of the party put themselves with the working class reaction from the beginning and supported the Red Army in the Ruhr when the SPD troops attacked it. The rump leadership of the KPD, while it had initially said it would not 'lift a finger' for the SPD government, quickly changed its position to total support. It offered itself a 'loyal opposition' to the proposed 'workers government', and called on the armed workers to not resist the SPD troops. Thus the revolutionary potential of the situation was defeated by social democracy with the support of the Moscow supported KPD, who claimed to be a revolutionary break from social democracy. The left communist side of the KPD, feeling no rapprochement was possible with a group that had tacitly supported the violent suppression of the class, formed itself as the Communist Workers Party of Germany (KAPD), orientated totally towards the councils. The question is of course how these lessons affected their view of the Russian Revolution.

The German Left and the Comintern

For these revolutionaries the history of the German workers movement had shown the fundamental opposition between the methods of social democracy and revolution. It had seemed to them that 'Bolshevik principles' such as the suppression of bourgeois democracy and its replacement by the dictatorship of the proletariat through workers councils, were key to overcoming the opportunism of the SPD and winning the revolution in Germany. It was in this sense that 'Bolshevism' had helped their break from Social Democracy. The fact that the line coming out of Moscow seemed to favour some of the social democratic elements the left communists were breaking from, was merely seen as being based on their unfamiliarity with the West European situation. They thought the Bolsheviks were falsely generalising from the Russian situation, in which the use of parliamentary methods etc. might have been necessary, to the west European situation where the break with parliamentary practices, and the emphasis on councilism was essential for the revolution to succeed. Even when Lenin launched Left-Wing Communism - An Infantile Disorder a vicious polemic against them and in support of the KPD line, they still thought it was a matter of Lenin not understanding the conditions for revolution

critical support to the Soviet Union been comprehensively exposed? Well, yes and no. To simply assert that the USSR was another form of capitalism and that little more need be said is not convincing.

Around the same time as Camatte's comments, the Trotskyist academic Hillel Ticktin began to develop a theory of the nature and crisis of the Soviet system which has come to hold a significant status and influence. [3] Ticktin's theory, with its attention to the empirical reality of the USSR and its consideration of the specific forms of class struggle it was subject to, is certainly the most persuasive alternative to the understanding of the USSR as capitalist. But again it can be asked who really cares about this issue? Ultimately we are writing for ourselves, answering questions we feel important. To many it seems intuitively the politically revolutionary position - to say the Soviet Union was (state) capitalist and that is enough. We'd contend, however, that a position appears to be revolutionary does not make it true, while what is true will show itself to be revolutionary. For us, to know that Russia was exploitative and opposed to human liberation and to call it capitalist to make one's condemnation clear is not enough. The importance of Marx's critique of political economy is not just that it condemns capitalism, but that it understands it better than the bourgeoisie and explains it better than moralistic forms of criticism. The events in Russia at the moment, which reflect a profound failure to turn it into an area for the successful accumulation of value, show that in some ways the question of the USSR is not over. In dealing with this issue we are not attempting to provide the final definitive solution to the Russian question. Theory - the search for practical truth - is not something that once arrived at is given from then on; it must always be renewed or it becomes ideology.

The origins of Ticktin's theory of the USSR

Introduction

In Part I we gave a lengthy treatment of what has probably been the best known critical theory of the Soviet Union: Leon Trotsky's theory of the 'degenerated workers' state'. While critical of the privileges of the Stalinist bureaucracy, lack of freedom and workers' democracy, Trotsky took the view that the formal property relations of the USSR - i.e. that the means of production were not private property but the property of a workers' state - meant that the USSR could not be seen as being capitalist, but was instead a transitory regime caught between capitalism and socialism which had degenerated. It followed from this that, for Trotsky, despite all its faults and monstrous distortions, the Soviet Union was ultimately progressive. As such, the Soviet Union was a decisive advance over capitalism which, by preserving the proletarian gains of the October Revolution, had to be defended against the military and ideological attacks of the great capitalist powers.

However, as we saw, for Trotsky the Soviet Union's predicament could not for last long. Either the Russian working class would rise up and reassert control over their state through a political revolution which would depose the bureaucracy, or else the bureaucracy would seek to preserve its precarious position of power by reintroducing private property relations and restoring capitalism in Russia. Either way, for Trotsky, the rather peculiar historical situation in which Russian society found itself, stuck half-way between capitalism and socialism, could only be a fleeting phenomena. Indeed, Trotsky believed that this situation would be resolved one way or another in the immediate aftermath of the second world war.

Yet, as we now know, Trotsky's prediction that the Soviet Union would soon be either overthrown by a workers' revolution or else revert back to capitalism with the bureaucracy converting itself into a new Russian bourgeoisie failed to come about. Instead the USSR persisted for another forty years rendering Trotsky's theory increasingly untenable. As a consequence many Trotskyists were led to break from the orthodox Trotskyist position regarding Russia to argue that the USSR was state capitalist. In Britain the main debate on

the nature of Russia arose between orthodox Trotskyism's 'degenerated workers' state' and the neo-Trotskyist version of state capitalism developed by Tony Cliff. As we pointed out in Part I, while the orthodox Trotskyist account obviously had big problems, this alternative theory of state capitalism had three vital weaknesses: 1) Cliff's attempt to make the point of counter-revolution and the introduction of state capitalism coincide with Stalin's first five year plan (and Trotsky's exile); 2) his denial that the law of value operated within the USSR; and 3) his orthodox Marxist insistence that state capitalism was the highest stage of capitalism which implied that the USSR was more advanced than Western capitalism.[4]

As a result, throughout the post-war era, orthodox Trotskyists were able dogmatically to defend Trotsky's theory of the USSR as a degenerated workers' state; they were content that, while the rival state capitalist theory may appear more politically intuitive, their own was more theoretically coherent. Indeed, with the collapse of the Soviet Union in 1990, many Trotskyists felt vindicated in that Trotsky's predictions of the possible restoration of capitalism now seemed to have been proved correct, albeit rather belatedly.[5]

However, there have been a few more sophisticated Trotskyists who, in recognizing the inadequacies of the theory of the USSR as a degenerated workers' state, have sought to develop new conceptions of what the USSR was and how it came to collapse. One of the most prominent of these has been Hillel Ticktin.

Ticktin and the reconstruction of Trotskyism

By the 1970s, the chronic economic stagnation and gross economic inefficiencies of Brezhnev's Russia had become widely recognized. Few 'sovietologists' were not now sceptical of the production figures pumped out by the Soviet authorities; and everyone was aware of the long queues for basic necessities and the economic absurdities that seemed to characterize the USSR.

Of course, Trotsky himself had argued that, in the absence of workers' democracy, centralized state planning would lead to waste and economic inefficiency. Yet, for Trotsky, it had been clear that, despite such inefficiencies, bureaucratic planning would necessarily be superior to the anarchy of the market. Yet it was now becoming apparent that the gross inefficiencies and stagnation of the economy of the USSR were of such a scale compared with economic performance in the West that its economic and social system could no longer be considered as being superior to free market capitalism.

In response to these perceptions of the USSR, orthodox Trotskyists, while accepting the inefficiencies of bureaucratic planning, could only argue that the reports of the economic situation in the Soviet Union were exaggerated and obscured its real and lasting achievements. Yet it was a line that not all Trotskyists found easy to defend.

As an academic Marxist specializing in the field of Russian and East European studies, Ticktin could not ignore the critical analyses of the Soviet Union being developed by both liberal and conservative 'sovietologists'. In the face of the mounting evidence of the dire state of the Russian economy it was therefore perhaps not so easy for Ticktin to simply defend the standard Trotskyist line. As a result Ticktin came to reject the orthodox Trotskyist theory of the USSR as a degenerated workers' state and the notion that the Soviet Union was objectively progressive that this theory implied.

However, while he rejected the theory of the USSR as a degenerated workers' state, Ticktin refused to accept the notion that the USSR was state capitalist. Immersed in the peculiarities of the Soviet Union, Ticktin maintained the orthodox Trotskyist position that state capitalist theories simply projected the categories of capitalism onto the USSR. Indeed, for Ticktin the failure of all Marxist theories of the Soviet Union was that they did not develop out of the empirical realities of the USSR. For Ticktin the task was to develop a Marxist theory of the USSR that was able to grasp the historical peculiarities of the Soviet

strikes and lockouts[21] - struggles that in many cases went beyond economic demands and took on a mass and political character. While a left radical current within the SPD was to see these as a way the class was developing towards revolution, the mainstream party and trade union leadership set itself against these new forms of class struggle. In the years to come these two expressions of the working class were to drastically clash. Indeed the direct struggle between class and capital would become that of revolutionary tendency of the proletariat and social democracy siding with and representing capital.

The counter-revolutionary character of the gradualist practice of the SPD first came brutally to light when, in the interest of preparing for the next election, the party stepped in to demobilise a wave of industrial struggles and suffrage agitation that swept Prussia in 1910. Although leading to some fierce arguments over strategy between Kautsky and the emerging radical left tendency, it was only with the war that these oppositions made moves towards a split with the party. Despite always having had a position of opposing imperialist wars, the SPD and the unions turned to social patriotism - the party voted for war credits and the unions signed a pact to maintain war production and prevent strikes. As a result, two main opposition tendencies emerged: the left-communist tendency that split from the party, and the Spartacists that at first tried to stay within the party and reform it from within. However, their different responses to the SPD's turn to social patriotism, was emblematic of what was to follow. Whilst the left communists throughout put themselves on the side of revolution, the Spartacist leadership never entirely managed to break from social democratic conceptions.

The German Revolution: Breaking from Social Democracy

But whilst SPD's support for the war was important in generating a radical left tendency, it was only in the face of the German Revolution that the overtly counter-revolutionary character of social democracy became clear to large numbers of workers. The Russian Revolution had been a massive inspiration for revolutionaries and the class struggle in Germany. In early 1918 there was a wave of mass wildcat strikes. And although the SPD put a lid on these struggles, the opposition kept growing. Finally in November, revolution broke out when sailors mutinied and a generalised setting up of workers councils ended the first world war. The ruling class, knowing that it could in no way contain the revolutionary wave, turned to social democracy to save the nation, and appointed the SPD leader as chancellor. Knowing that direct confrontation would get them nowhere, they set themselves to destroy the councils from within. The Spartacists, trapped within a 'centrist' faction of social democracy, could only watch while it helped the SPD in this task. The SPD thus managed to get a majority vote at the first National Congress of Workers and Soldiers Councils in favour of elections to a constituent assembly and for dissolving the councils in favour of that parliament. At the same time the trade unions worked hand in hand with management to get revolutionary workers dismissed and to destroy independent council activity in the factories. Councils against parliament and trade unions became the watch word of revolutionaries.

Recognising the depth of their failure, the Spartacists broke from social democracy and joined the left communists to form the Communist Party of Germany(KPD). And in January 1919, within days of this founding conference, the KPD was tested in combat. Prematurely provoked to action by the government, revolutionary workers in Berlin attempted to overthrow the SPD government in favour of a council republic. The KPD put itself on the side of the insurrection, which was crushed by the SPD minister Noske's freicorps - a volunteer army of proto-fascist ex-officers and soldiers. The Spartacist leaders, Luxemburg and Liebknecht, were arrested and murdered. Over the next months revolutionary attempts in Bavaria, Bremen, Wilhelmshaven and other places, were likewise defeated in isolation. Social democracy, through armed force when necessary, but more fundamentally through the ideological hold it and its trade unions had over the working class, had defeated the revolution and saved German capitalism.

that organised in the trade unions. Miasnikov and his supporters had at this point rejected both the state economic bodies and the trade unions as bureaucratised forms, and in arguing for a return of power to the soviets, had implicitly questioned the party. Miasnikov stood out even more by not supporting the repression of Kronstadt, which he described as an abyss the party had crossed. This willingness to break with the party was crucial because oppositions until then, though reflecting discontent outside the party, had remained wedded to it seeking refuge in organisational fixes that failed conspicuously to deliver.

In 1923 they produced a Manifesto appealing to both the Russian and international proletariat. Rather than theoretical considerations their description of the NEP as standing for the 'New Exploitation of the Proletariat' simply tries to express the conditions that the workers were facing. They denounced the attacks on the working class the Bolshevik regime was carrying out making a point that echoed Luxemburg:[19] "the bourgeoisie has, and will have, no better advocate' than the 'socialists of all countries' because they have the ability to disorientate the proletariat with their phrases. Or again: 'a very great danger threatens the achievements of the Russian proletarian revolution, not so much from outside as from inside itself.' Expressing this emphasis on the world proletarian movement the workers group took a resolutely internationalist line. They were sure that the Russian proletariat's only hope lay in aid from revolution elsewhere. They argued that the Bolshevik policies of a 'socialist united fronts' and workers governments were acting against that hope of world revolution. [20]

However, the real significance of the group was the fact that they took their criticism of the state capitalist direction of the Bolsheviks to its logical conclusion of supporting proletarian opposition to the regime. In late '23 a wave of strikes broke out and the Workers Group became involved gaining an influence for their Manifesto among the proletariat and prompting their suppression by the secret police. Soon their existence was relegated to the prison camps or in exile. It was here that they moved away from their focus on the NEP, and started to question war communism. There their state capitalist analysis became more and more influential in the camps where, as Ciliga observed, a political life repressed elsewhere continued. They extended their critique to the sort of 'socialism' that the Bolsheviks had tried to create even before NEP, arguing that because it was based on coercion over the working class and not the free creation of the class, was in reality a bureaucratic state capitalism.

We have looked then at those arguments of the Russian Left most illuminating for an understanding of the Revolution. The importance of the 1918 Left Communists was not just the fact that they right from an early stage argued that there was a danger that not socialism, but capitalism would emerge from the revolution, but also because in his battles with them, Lenin most explicitly revealed his own support for 'state capitalism'. The importance of Miasnikov's Workers Group lay in them being the most significant of the post 1921 groups who took their criticism of the state capitalist direction of the Bolsheviks to its logical conclusion of supporting proletarian opposition to the regime. Their confrontation with the Russian state was far more consistent and coherent than that of Trotsky's Left opposition. However we cannot say that they provided the theoretical arguments to solidly ground a theory of state capitalism. We will turn now to the tendencies in Europe, with whom they made contact, to see if they had more success.

The German/Dutch Communist Left

In Germany the beginning of the century was characterised by a tension between official and unofficial expressions of working class strength. On the one hand, the Social Democratic Party (SPD), which had founded and dominated the Second International, had grown to an unprecedented scale (almost becoming a 'state within a state'), and was receiving steadily larger proportion of votes in elections. On the other, there was also an increased militancy and radicalisation of class struggle, manifesting itself in more and more

Union without falling foul of the shallow empiricism of most bourgeois theories of the USSR.

However, in rejecting Trotsky's theory of the USSR as a degenerated workers' state Ticktin was obliged to undertake a major re-evaluation of Trotsky. After all, alongside his theory of permanent revolution and uneven and combined development, Trotsky's theory of the degenerated workers' state had been seen as central to both Trotsky and Trotskyism. As Cliff's adoption of a theory of state capitalism had shown, a rejection of the theory of a degenerated workers' state could prove problematic for anyone who sought to maintain a consistent Trotskyist position. However, as we shall see, through both his re-evaluation of Trotsky and the development of his theory of the USSR, Ticktin has been able to offer a reconstructed Trotskyism that, by freeing it from its critical support for the Soviet Union, has cut the umbilical cord with a declining Stalinism, providing the opportunity for a new lease of life for Leninism in the post-Stalinist era.[6]

Ticktin and Trotsky's theory of the transitional epoch

For orthodox Trotskyism, the theory of the USSR as a degenerated workers' state stood alongside both the theory of combined and uneven development and the theory of permanent revolution as one of the central pillars of Trotsky's thought. For Ticktin, however, the key to understanding Trotsky's ideas was the notion of the transitional epoch. Indeed, for Ticktin, the notion of the transitional epoch was the keystone that held the entire structure of Trotsky's thought together, and it was only by fully grasping this notion that his various theories could be adequately understood.

Of course, the notion that capitalism had entered its final stage and was on the verge of giving way to socialism had been commonplace amongst Marxists at the beginning of this century. Indeed, it had been widely accepted by most leading theoreticians of the Second International that, with the emergence of monopoly capitalism in the 1870s, the era of classical capitalism studied by Marx had come to an end. As a result the contradictions between the socialization of production and the private appropriation of wealth were becoming ever more acute and could be only be resolved through the working class coming to power and creating a new socialist society.

Faced with the horrors and sheer barbarity of the first world war, many Marxists had come to the conclusion that capitalism had entered its final stage and was in decline. While nineteenth century capitalism, despite all its faults, had at least served to develop the forces of production at an unprecedented rate, capitalism now seemed to offer only chronic economic stagnation and total war. As capitalism entered its final stage the fundamental question could only be 'war or revolution', 'socialism or barbarism'. [7]

Yet while many Marxists had come to the conclusion that the first world war heralded the era of the transition from capitalism to socialism, Ticktin argues that it was Trotsky who went furthest in drawing out both the theoretical and political implications of this notion of the transitional epoch. Thus, whereas most Marxists had seen the question of transition principally in terms of particular nation-states, Trotsky emphasized capitalism as a world system. For Trotsky, it was capitalism as a world system that, with the first world war, had entered the transitional epoch. From this global perspective there was not some predetermined line of capitalist development which each nation-state had to pass through before it reached the threshold of socialism. On the contrary the development of more backward economies was conditioned by the development of the more advanced nations.

It was to explain how the development of the backward nations of the world were radically reshaped by the existence of more advanced nations that Trotsky developed his theory of combined and uneven development. It was then, on the basis of this theory of combined and uneven development, that Trotsky could come to the conclusion that the contradictions of the transitional epoch would become most acute, not in the most advanced capitalist economies as most Marxists had assumed, but in the more backward nations such as

Russia that had yet to make the full transition to capitalism. It was this conclusion that then formed the basis of Trotsky's theory of permanent revolution in which Trotsky had argued that in a backward country such as Russia it would be necessary for any bourgeois revolution to develop at once into a proletarian revolution.

Thus, whereas most Marxists had assumed the revolution would break out in the most advanced capitalist nations and, by destroying imperialism, would spread to the rest of the world, Trotsky, through his notion of the transitional epoch, had come to the conclusion that the revolution was more likely to break out in the more backward nations. Yet Trotsky had insisted that any such proletarian revolution could only be successful if it served to spark proletarian revolution in the more advanced nations. Without the aid of revolutions in these more advanced nations any proletarian revolution in a backward country could only degenerate.

Hence Trotsky was later able to explain the degeneration of the Russian Revolution. The failure of the revolutionary movements that swept across Europe following the end of the first world war had left the Russian Revolution isolated. Trapped within its own economic and cultural backwardness and surrounded by hostile capitalist powers, the Russian workers' state could only degenerate. With this then we have the basis of Trotsky's theory of the USSR as a degenerated workers' state.

Yet the importance of Trotsky's notion of transitional epoch was not only that it allowed Trotsky to grasp the problems of transition on a world scale, but also that it implied the possibility that this transition could be a prolonged process. If proletarian revolutions were more likely at first to break out in less advanced countries it was possible that there could be several such revolutions before the contradictions within the more advanced nations reached such a point to ensure that such revolutionary outbreaks would lead to a world revolution. Further, as happened with the Russian Revolution, the isolation and subsequent degeneration of proletarian revolutions in the periphery could then serve to discredit and thereby retard the revolutionary process in the more advanced capitalist nations.

However, Ticktin argues that Trotsky failed to draw out such implications of his notion of the transitional epoch. As a result Trotsky severely underestimated the capacity of both social democracy and Stalinism in forestalling world revolution and the global transition to socialism. Armed with the hindsight of the post-war era, Ticktin has sought to overcome this failing in the thought of his great teacher.

For Ticktin then, the first world war indeed marked the beginning of the transitional epoch,^[8] an epoch in which there can be seen a growing struggle between the law of value and the immanent law of planning. With the Russian Revolution, and the revolutionary wave that swept Europe from 1918-24, the first attempt was made to overthrow capitalism on a world scale. With the defeat of the revolutionary wave in Europe and the degeneration of the Russian Revolution, capitalism found the means to prolong itself. In the more advanced capitalist nations, under the banner of social democracy, a combination of concessions to the working class and the nationalization of large sections of industry allowed capitalism to contain the sharpening social conflicts brought about by the heightening of its fundamental contradiction between the socialization of production and the private appropriation of wealth.

Yet these very means to prevent communism have only served to undermine capitalism in the longer term. Concessions to the working class, for example the development of a welfare state, and the nationalization of large sections of industry have served to restrict and, as Radical Chains put it, 'partially suspend' the operation of the law of value.^[9] With its basic regulatory principle - the law of value - being progressively made non-operational, capitalism is ultimately doomed. For Ticktin, even the more recent attempts by Thatcher and 'neo-liberalism' to reverse social democracy and re-impose the law of value over

The mistake of confusing the war-time measures as a step in the direction of socialism became clear as the war came to an end and the Bolsheviks tried to step up the war economy measures.^[15] The fallacy of associating state-control with socialism, despite the intensification of capitalistic production relations, became clear as workers and peasants reacted to their material situation with a wave of strikes and uprisings. The Kronstadt revolt in particular showed the giant gulf between the state and the working class. Despite this general discontent, both outside and within the party, Lenin responded with, on the one hand, the New Economic Policy (NEP), and on the other, the banning of factions with the famous statement that was to characterise the regime thereafter: 'Here and there with a rifle, but not with opposition; we've had enough opposition'

New Economic Policy: New Opposition

It is important then to grasp that the NEP, which was essentially a return to the moderate state capitalism championed by Lenin in the New Course debate, did not mark an abandonment of communism, but merely a change in the form of state capitalism. Central to the New Economic Policy (NEP) was a changed relation to the peasantry with a progressive tax in kind replacing state procurement and leaving the peasants free to trade for a profit anything left above this. Free trade which had not disappeared was now legal. On the industrial front small scale production was totally denationalised and many, though not the largest factories, leased back to their former owners to run on a capitalist basis. For the working class there was reintroduced payment of wages in cash and charges for previously free services. The command economy of the 'war communism' years was abandoned in favour of the running of the economy on a commercial basis. Nevertheless the commanding heights of the economy remained under state control and the basis for systematic state planning in terms of forecasting etc. continued to be developed. In fact, the very continuity between the New Course and the NEP also showed up in the fact that Lenin, in trying to justify the NEP in the pamphlet *Tax in Kind*, reprinted large parts of his earlier critique of the Left Communists, including the '5 socio-economic structures' model of the Russian economy.

In 1921 Lenin gave the same reply to Workers Opposition accusations of state capitalism as he had to the Left Communists in 1918, namely that state capitalism would be a tremendous step forward from what Russia actually was, which was a 'petty producer capitalism with a working-class party controlling the state.'^[16] The key thing about the regime developing at the time of NEP was that, accompanying economic concessions to private capitalism, was intensified political repression, the banning of factions in the party, and non-tolerance of any independent political tendencies in the working class. As Ciliga later observed, before the NEP the intensity of repression of left opposition had varied, after this date all opposition was repressed on principle and the treatment of prisoners grew worse.^[17]

It was in this context of political repression and economic re-imposition of capitalist forms that a number of small opposition groups emerged, which again took up the notion of state capitalism. What was common to these new groups was that, unlike the previous left communist tendency and the later left opposition of Trotsky, these groups did make a decisive break from the Bolshevik party. One such group that emerged was the Workers Truth centred around an old left adversary of Lenin, Bogdanov. In issuing an Appeal, starting with Marx's famous 'the liberation of the workers can only be the deed of the workers themselves', they argued that the Bolshevik party was no longer a proletarian party, but rather the party of a new ruling class, and thus they called for a new party. ^[18]

With at first a little less theoretical clarity, it was however, the Workers Group, centred around Miasnikov, that made the biggest impact on the class. The main opposition strand had been the Workers Opposition, which while appearing to support the working class, had essentially been demanding a transfer of power from one party faction to another, namely

rewards in production so installing petty bourgeois values into workers. In sum these measures were rightly seen as the re-transformation of proletarians within production from collective subject back into the atomised objects of capital. The working class, it was argued, had to consciously participate in economic as well as political administration. In this best tendency within the 1918 Left Communists, there was an emphasis on the problem with capitalist production being the way it turned workers into objects, and on its transcendence lying in their conscious creativity and participation, that is reminiscent of Marx's critique of alienation. It is the way the Russian left communists arguments expressed and reflected workers reactions and resistance to the state capitalist direction of the Bolsheviks and workers aspirations to really transform social relations, that there importance lay. Such sentiments ran through the left oppositions, even if until 1921 their loyalty to the party generally stopped them supporting workers practical expressions of resistance. As Ossinsky put it:

"We stand for the construction of the proletarian society by the class creativity of the workers themselves, not by the ukases of the captains of industry. If the proletariat itself does not know how to create the necessary prerequisites for the socialist organisation of labour, no one can do this for it and no one can compel it to do this. The stick, if raised against the workers, will find itself in the hands of a social force which is either under the influence of another social class or is in the hands of the soviet power.. Socialism and socialist organisation will be set up by the proletariat itself, or they will not be set up at all: something else will be set up - state capitalism."^[14]

These arguments of Ossinsky represented the best element in the left communists' positions: a recognition that the mass creativity and autonomy of the workers was essential to any move towards communism, thus that nationalisation or statification of production was not enough. Lenin's view was that direct workers control of their own activity was an issue for the future and that in the meantime iron discipline was required.

'War Communism'

The conditions of civil war and imperialist invasion that Russia fell into in the second half on 1918, altered the conditions of debate and broke the Left Communists as a cohesive opposition. On the one hand, where the alternative to the Bolsheviks was White armies committed to the restoration of the old order, criticism by workers and peasants of the measures the party was taking, was tempered. But apart from this pragmatic issue, the civil war also exposed the inadequate foundation much the left communist criticism had been based on. Considering that, for many left communists, their critique of the New Course, and the consequent accusation of state capitalism, was based mainly on the notion of compromise with private capitalists, and perceived concessions to the peasantry, in the face of what was to be called 'war communism' they had very little left to criticise. Not only did a whole wave of nationalisations take place, virtually wiping out the previous role of the private capitalist, but if there was one thing war communism was not, it was system based on concessions to the peasants. It consequently became difficult for them to describe Russia as state capitalist.

In fact, the technocratic wing of the Left Communist even went as far as welcoming 'war communism' as a real advance to communism. And when war communism resulted in mass inflation virtually wiping out money, they equally saw it as a general move to an economy in kind with all sorts of transactions, even wages, ceasing to use money. The self-emancipatory wing, (which was to provide both the original arguments as well as personnel of the later left oppositions of the Democratic Centralists and the Workers Opposition) took a more cautious stand. They had tended to focus their criticism on the excessive centralisation of power and the bureaucratic capitalist methods of the state economy, to which they counter-posed a restoration of power and local initiative to the soviets and other workers' bodies. But without the other components of their earlier critique, and considering that Lenin himself had described state capitalism - with all its management methods - as playing a progressive part, the left oppositions ceased to describe it as such.

the last two decades can only be short lived. The clearest expression of this is the huge growth of parasitical finance capital whose growth can ultimately only be at the expense of development truly productive industrial capital.

As for Russia, Ticktin accepts Trotsky's position that the Russian Revolution overthrew capitalism and established a workers' state, and that with the failure of the revolutionary wave the Russian workers' state had degenerated. However, unlike Trotsky, Ticktin argues that with the triumph of Stalin in the 1930s the USSR ceased to be a workers' state. With Stalin the bureaucratic elite had taken power. Yet, unable to move back to capitalism without confronting the power of the Russian working class, and unable and unwilling to move forward socialism since this would undermine the elite's power and privileges, the USSR became stuck half-way between capitalism and socialism.

As a system that was nether fish nor fowl - neither capitalism or socialism - the USSR was an unviable system. A system that could only preserve the gains of the October Revolution by petrifying them; and it was a system that could only preserve itself through the terror of the Gulag and the secret police.

Yet it was such a monstrous system that presented itself as being socialist and demanded the allegiance of large sections of the world's working class. As such it came to discredit socialism, and, through the dominance of Stalinism, cripple the revolutionary working class movement throughout the world for more than five decades. Thus, although the USSR served to restrict the international operation of the law of value by removing millions from the world market, particularly following the formation of the Eastern bloc and the Chinese Revolution, it also served to prolong the transitional epoch and the survival of capitalism.

By drawing out Trotsky's conception of the transitional epoch in this way, Ticktin attempted finally to cut the umbilical between Trotskyism and a declining Stalinism. Ticktin is thereby able to offer a reconstructed Trotskyism that is free to denounce unequivocally both Stalinism and the USSR. As we shall now see, in doing so Ticktin is led to both exalt Trotsky's theoretical capacities and pinpoint his theoretical weaknesses.

Ticktin and the failure of Trotsky

Following Lenin's death, and with the rise of Lenin's personality cult, Trotsky had endeavoured to play down the differences between himself and Lenin. As a consequence, orthodox Trotskyists, ever faithful to the word of Trotsky, had always sought to minimize the theoretical differences between Lenin and Trotsky. For them Trotsky was merely the true heir to Lenin.

However, by focusing on Trotsky's key conception of the transitional epoch, Ticktin is able cast new light on the significance of Trotsky's thought as a whole. For Ticktin, although he may well have been more politically adept than Trotsky, Lenin's overriding concern with immediate Russian affairs constrained the development of his theoretical thought at crucial points. In contrast, for Ticktin, the sheer cosmopolitan breadth of Trotsky's concerns in many respects placed Trotsky above Lenin with regards to theoretical analysis.

But raising the standing of Trotsky as a theorist only serves to underline an important question for Ticktin's understanding of Trotsky. If Trotsky was so intellectually brilliant why did he persist in defending the USSR as a degenerated workers' state long after lesser intellects had recognized that such a position was untenable? To answer this Ticktin puts forward several explanations.

First of all Ticktin argues that Trotsky made the mistake of regarding Stalin as a 'centrist' ^[10] Throughout the period of the New Economic Policy (NEP) what Trotsky feared more than anything was the restoration of capitalism through the emergence of a new class of capitalist farmers and middlemen. For Trotsky at this time, Stalin, and the bureaucratic

forces that he represented, was a bulwark against danger of capitalist restoration. He was a lesser of two evils. Thus Trotsky had always ended up deferring to Stalin rather than risk the triumph of the Right. It was this attitude towards Stalin as a centrist that was carried through in Trotsky's perception of Stalin's Russia throughout the 1930s.

While this immediate political orientation might explain the origin of Trotsky's position with regard to Stalin's Russia of the 1930s it does not explain why he persisted with it. To explain this Ticktin points to the circumstances Trotsky found himself in. Ticktin argues that with his exile from the USSR Trotsky found himself isolated. Being removed from the centre of political and theoretical activity and dulled by ill health and old age the sharpness of Trotsky's thought began to suffer. As a result, in the final few years of his life Trotsky could only cling to the positions that he had developed up as far as the early 1930s.

The decline of Trotsky's thought was further compounded by the weakness of rival theories of the USSR with the Trotskyist movement. As we saw in Part I, Trotsky was easily able to shoot down the theory originally put forward by Bruno Rizzi, and later taken up by the minority faction within the American SWP, which argued that the USSR was a new mode of production that could be described as bureaucratic collectivism. The ease with which Trotsky was able to dismiss such rival theories of the nature of the USSR as being unMarxist meant that he was not obliged seriously to reconsider his own position on the Soviet Union.

Yet, as Ticktin recognizes, while such circumstantial explanations as old age, exile and lack of credible alternatives may have contributed to an understanding of why Trotsky failed to radically revise his theory of the nature of Stalin's Russia they are far from constituting a sufficient explanation in themselves. For Ticktin there is a fundamental theoretical explanation for Trotsky's failure to develop his theory of the USSR at this time which arises due Trotsky's relation to Preobrazhensky.

For Ticktin, the fundamental obstacle which prevented Trotsky from developing his critique of the USSR is to be found in the very origins of this critique. As we saw in Part I, Trotsky's theory of the USSR as a degenerated workers' state originated from earlier criticisms of the Party leadership and the NEP that had been advanced by the Left Opposition during the 1920s. In advancing these criticisms, there had been a distinct division of labour. Trotsky, as the sole member of the Left Opposition within the Politburo, had concentrated on the broad political issues and detailed questions of policy. Preobrazhensky, on the other hand, had been left to set out the 'economics' which underlay these political and policy positions of the Left Opposition.

As we saw in Part I, Preobrazhensky had sought to develop a political economy for the period of the transition of Russia from capitalism to socialism in terms of the struggle between the two regulating mechanisms of capitalism and socialism that had been identified by the classical Marxism of the Second International. For the orthodox Marxism of the Second International, the basic regulating principle of capitalism was the blind operation of the 'law of value'. In contrast, the basic regulating principle of socialism was to be conscious planning. From this Preobrazhensky had argued that during the period of transition from capitalism to socialism these two principles of economic organization would necessarily co-exist and as such would be in conflict with each other.

However, for Preobrazhensky, in the relatively backward conditions prevailing in Russia there was no guarantee that the principle of planning would prevail over the law of value on purely economic grounds. Hence, for Preobrazhensky, it was necessary for the proletarian state to actively intervene in order to accelerate accumulation in those sectors of the economy, such as state industry, where the principle of planning predominated at the expense of those sectors, such as peasant agriculture, where the law of value still held sway. It was this theory of 'primitive socialist accumulation' which had underpinned the

part of a world state capitalism and thus ripe for socialism, which had seemed necessary to justify proletarian revolution in 1917. Lenin again returned to the notion of Russia's backwardness. A theory of transition based on the Second International acceptance of unilinear 'progressive' stages came to the fore. He noted that all would agree that Russia being in transition meant that it contained elements of socialism and capitalism, but he now said the actual situation was even more complicated. In a model that we will see was key to his understanding, Lenin argued that Russia's backwardness meant it actually combined five types of economic structure:

- (1) patriarchal, i.e. to a considerable extent natural, peasant farming;
- (2) small commodity production (this includes the majority of those peasants who sell their grain);
- (3) private capitalism;
- (4) state capitalism;
- (5) socialism

Russia, he claimed, while having advanced politically was not economically advanced enough for direct advances towards socialism. The state capitalism, that he had earlier seemed to agree with the left communists had arrived in Russia was, now he said only a shell pierced by the lower forms of economy. The real battle in Russia, he contended, was not that of socialism and capitalism, but of state capitalism and socialism on one side versus all the other economies on the other. Economic growth and even economic survival he contended depended on state capitalist measures. The ones he argued for included the paying of high salaries to bourgeois specialists, the development of rigid accounting and control with severe penalties for those who break it, increased productivity and intensity of labour, piece work and the 'scientific and progressive' elements of the Taylor system.

The overarching repeated demand from Lenin was for 'discipline, discipline, discipline' and he identified this with the acceptance by the workers of one-man management - that is 'unquestioned obedience to the will of a single person.' The arguments of the left that this was suppressing class autonomy and threatened to enslave the working class was just dismissed by Lenin with the insistence that there was "absolutely no contradiction in principle between Soviet (that is, socialist) democracy and the exercise of dictatorial powers by individuals." [p 268] All it was apparently, was a matter of learning "to combine the "public meeting" democracy of the working people - turbulent, surging, overflowing its banks like a spring flood - with iron discipline while at work, with unquestioning obedience to the will of a single person, the Soviet leader, while at work." [p 271] The point for Lenin was that as long as it was a proletarian state that introduced these measures it could prevent regression down the rungs of the ladder and prepare for the eventual movement up towards socialism.

Left wing opposition to Lenin's line at this point had two main thrusts, which in part reflected a division in the 1918 left communists. One side we might call 'technocratic', emphasised opposition to precisely what the Mensheviks welcomed, namely the suggested compromises with private capitalists. They argued that whoever controlled the economy would control politics, capitalist economic power would dissolve the power of the Soviets and 'a real state capitalist system' and the rule of finance capital would be the result. The other thrust of left communist criticism was against the re-employment of authoritarian capitalist relations and methods within production. As Ossinsky in particular argued, one man management and the other impositions of capitalist discipline would stifle the active participation of workers in the organisation of production; Taylorism turned workers into the appendages of machines, and piece-wages imposed individualist rather than collective

first five months were characterised by the self-activity and creativity of the workers. The workers took the destruction of the provisional government as the signal to intensify and extend their expropriation of the factories and replacement of capitalist control by forms of direct workers control. This process was not initiated by the Bolshevik government, but by the workers themselves through the Soviets and especially the factory committees. The Bolsheviks reluctantly or otherwise had to run with the tide at this point. This period was a high point of proletarian self activity: a spontaneous movement of workers socialisation of production, which the Bolsheviks legitimized (one might argue recuperated) after the event with the slogan 'Loot the Looters', and their decrees on Workers Control and the nationalisation of enterprises. The workers were euphoric with the communist possibilities of abolishing exploitation and controlling their own destinies.

However, by spring (as the treaty of Brest Litovsk was signed), Lenin pushed the Bolsheviks to initiate a different economic policy called the New Course involving a more conciliatory attitude towards "creative elements" in the business community'. While Lenin didn't disown entirely what the workers had done, there was the clear message they had gone too far. Their acts should now be curtailed and controlled. In their place, he talked of setting up joint state/private capitalist trusts. The basic idea seemed essentially to be a mixed economy with co-operation between public and private sectors. Although the Mensheviks welcomed these measures as the abandonment of the 'illusory chase after socialism' and a turn to a more moderate realistic path, Lenin still tried to differentiate himself from the Mensheviks, by stating that as long as the state remains in the hand of the proletarian party, the economy would not degenerate into normal state capitalism. Significantly, the other side of this focus on the 'proletarian state' was that Lenin, while wanting a return to capitalist methods of economic organisation saw no need for the other main Menshevik demand: for independent workers organisation. As Lenin put it, "defence of the workers' interests was the task of the unions under capitalism, but since power has passed to the hands of the proletariat the state itself, in its essence the workers state, defends the workers interests."

It is this New Course which the Left Communists were to oppose in their [13] published in response to the peace treaty. In it they identified the peace treaty as a concession to the peasants, and as a slide towards 'petty bourgeois politics of a new type'. They saw bureaucratic centralisation as an attack on the independent power of the soviets, and on the self-activity of the working class, and warned that by such means something very different from socialism was about to be established. The New Course talk of accommodation with capitalist elements in Russia was seen as expressive of what had become clear earlier with Lenin's willingness to compromise with imperialism over Brest Litovsk, namely an overall drift towards compromise with the forces of international and internal capital. The left communists warned that behind the argument for saving and defending Soviet power in Russia for international revolution later, what would happen was that "all efforts will be directed towards strengthening the development of productive forces towards 'organic construction', while rejecting the continued smashing of capitalist relations of production and even furthering their partial restoration." [10] What was being defended in Russia was not socialist construction, but a 'system of state capitalism and petty bourgeois economic relations. The defence of the socialist fatherland' will then prove in actual fact to be defence of a petty bourgeois motherland subject to the influence of international capital." [9]

Lenin's Arguments for State Capitalism Versus the Left Communists

It is not surprising that Lenin was forced to reply to this accusation of pursuing state capitalist economic policies. What is revealing though is that when he did so in Left Wing Childishness and Immediate Tasks, it was not by justifying the recent measures as a form of socialism, but by fully endorsing state capitalism and arguing it would be an advance for Russia. He now brought into question his prior arguments that Russia was

Left Opposition's criticisms of the NEP and their advocacy of an alternative policy of rapid industrialization.

When Stalin finally abandoned the NEP in favour of centralized planning embodied in the five year plans many members of the Left Opposition, including Preobrazhensky himself, took the view that the Party leadership had finally, if rather belatedly, come round to their position of rapid industrialization. As a consequence, Preobrazhensky along with other former members of the Left Opposition fully embraced Stalin's new turn and fell in line with leadership of the Party. Trotsky, on the other, maintained a far more critical attitude to Stalin's new turn.

Of course, even if he had wanted to, Trotsky was in no position to fall in behind Stalin and the leadership of the Party. Trotsky was too much of an enemy and rival to Stalin for that. However, Trotsky's broader political perspective allowed him to maintain and develop a critique of Stalin's Russia. While Trotsky welcomed Stalin's adoption of a policy of centralized planning and rapid industrialization he argued that it was too long delayed. The sudden zig-zags of policy from one extreme position to another were for Trotsky symptomatic of the bureaucratization of the state and Party and indicated the degeneration of Russia as a workers' state.

Through such criticisms Trotsky came to formulate his theory of the USSR as a degenerated workers' state. Yet while Trotsky was able to develop his critique of the new Stalinist regime in political terms, that is as the political domination of a distinct bureaucratic caste that had taken over the workers' state, he failed to reconsider the political economy of Stalin's Russia. In accordance with the old division of labour between himself and Preobrazhensky, Trotsky implicitly remained content with the political economy of transition that had been advanced in the 1920s by Preobrazhensky.

For Ticktin it was this failure to develop Preobrazhensky's political economy of transition in the light of Stalin's Russia that proved to be the Achilles' heel of Trotsky's theory of the USSR as a degenerated workers' state. Of course, given that Trotsky could at the time reasonably expect the USSR to be a short-lived phenomenon he could perhaps be excused from neglecting the long and arduous task of developing a political economy of the USSR. For Ticktin, his followers have had no such excuse. As we shall now see, for Ticktin the central task in developing Trotsky's analysis of the nature of the Soviet Union has been to develop a political economy of the USSR.

Ticktin and the political economy of the USSR

So, for Ticktin, the Achilles' heel of Trotsky's theory of the USSR as a degenerated workers' state was his failure to develop a political economy of Stalinist Russia. Yet, at the same time, Ticktin rejected the notion that the USSR was in any way capitalist. For him, Trotsky had been correct in seeing the October revolution, and the subsequent nationalization of the means of production under a workers' state, as a decisive break from capitalism. As such any attempt to develop a political economy of the USSR could not simply apply the categories developed by Marx in his critique of capitalism since the USSR had ceased to be capitalist. Instead it was necessary to develop a new political economy of the USSR as a specific social and economic system.

Ticktin began his attempt to develop such a political economy of the USSR in 1973 with an article entitled 'Towards a political economy of the USSR' which was published in the first issue of *Critique*. This was followed by a series of articles and polemics in subsequent issues of *Critique* and culminated, 19 years later, with his *Origins of the Crisis in the USSR: Essays on the Political Economy of a Disintegrating System*. Although Ticktin's

work undoubtedly provides important insights into what the USSR was and the causes of its crisis and eventual collapse - and as such provides an important challenge to any alternative theory of the USSR - after all these years he fails to provide a systematic political economy of the USSR. As the subtitle to *Origins of the Crisis in the USSR* indicates, his attempt to develop a political economy of the USSR was overtaken by events and all we are left with is a series of essays which seek to link his various attempts to develop a political economy of the USSR with an explanation of the Soviet Union's eventual demise.

As we shall argue, this failure to develop a systematic presentation of a political economy of the USSR was no accident. For us it was a failure rooted in his very premise of his analysis which he derives from Trotsky. Yet before considering such an argument we must first of all briefly review Ticktin's attempt to develop a political economy of the USSR.

A question of method?

The task facing Ticktin of developing a Marxist political economy of the USSR was not as straightforward as it may seem. What is political economy? For Marx, political economy was the bourgeois science par excellence. It was the science that grew up with the capitalist mode of production in order to explain and justify it as a natural and objective social and economic system. When Marx came to write *Capital* he did not aim to write yet another treatise on political economy of capitalism - numerous bourgeois writers had done this already - but rather he sought to develop a critique of political economy.

However, even if we admit that in order to make his critique of political economy Marx had to develop and complete bourgeois political economy, the problem remains of how far can a political economy be constructed for a mode of production other than capitalism? After all it is only with the rise capitalism, where the social relations come to manifest themselves as relations between things, that the political economy as an objective science becomes fully possible. But this is not all. Ticktin is not merely seeking to develop a political economy for a mode of production other than capitalism but for system in transition from one mode of production to another - indeed for a system that Ticktin himself comes to conclude is a 'non-mode of production'!

Unfortunately Ticktin not only side-steps all these preliminary questions, but he also fails to address the most important methodological questions of how to begin and how to proceed with his proposed 'political economy' of the USSR. Instead he adopts a rather heuristic approach, adopting various points of departure to see how far he can go. It is only when these reach a dead end that we find Ticktin appealing to questions of method. As a result we find a number of false starts that Ticktin then seeks to draw together. Let us begin by briefly examine some of these false starts.

Class

In *Origins of the Crisis in the USSR*, Ticktin begins with an analysis of the three main groups and classes that could be identified within the USSR: namely, the elite, the Intelligentsia and the working class. Through this analysis Ticktin is then able to develop a framework through which to understand the social and political forces lying behind the policies of Glasnost and Perestroika pursued in the final years of the USSR's decline. Yet, despite the usefulness such class analysis may have in explaining certain political developments within the USSR, it does not itself amount to a 'political economy of the USSR'. Indeed, if we take Marx's *Capital* as a 'model of a political economy', as Ticktin surely does, then it is clear that class analysis must be a result of a political economy not its premise.^[11]

Laws

If 'class' proves to be a non-starter in developing a political economy of the USSR then a more promising starting point may appear to be an analysis of the fundamental laws

Responding to this, and against the Bolshevik leadership, Lenin in 1917 seemed to take up all the essential positions of the left communist tendency within the party. In the April Theses he called for proletarian socialist revolution. To give this a Marxist justification, he argued in *The Impending Catastrophe and How to Avoid It* that the war had revolutionised Russian society by developing state capitalism. Meanwhile, he was writing *State and Revolution*, which saw him at his most un-social democratic; he even acknowledged the Dutch left communist, Pannekoek. Due to the now clearly revolutionary line of the Bolshevik party, it consequently became the pole of re-groupment for revolutionary Social Democrats and for radicalised workers. All those against the war and for taking the revolution forward were drawn to the Bolsheviks: Trotsky's followers, many left Mensheviks, but most importantly vast numbers of radicalised workers. Thus revolutionaries with politics closest to the European left communists were not as with them, fairly small minorities fighting within Social Democratic parties against their clearly non-revolutionary politics, but instead were a sizeable part of a party - the Bolsheviks - whose leader Lenin seemed to accept many of their theoretical positions, and what's more brought the party to act on these by overthrowing the provisional government and declaring 'All Power to the Soviets'.

Organic Reconstruction: Back to Orthodoxy

But if the revolutionary side of Lenin seemed in 1917 to break from social democratic orthodoxy - if it seemed to the left that he had become one of them - soon after October, they were to doubt it. A dichotomy between political and economic aspects of the revolution became apparent in his thinking. For Lenin, the proletarian character of the revolution was assured in the political power of a proletarian party; 'economic' issues, like the relations at the point of production, were not of the essence. More and more Lenin's attention returned to Russia's backwardness, its unripeness for immediate social transformation and thus the paradoxical notion that state capitalist economic developments under the proper political guidance of the party might be the best path towards socialism. This turn in Lenin's thinking was obscured at first by another question: how to respond to Germany's terms for peace at the Brest Litovsk negotiations. Whilst the group known as the Left Communists were for rejecting these conditions and turning the imperialist war into, if not an outright revolutionary war, then a defensive revolutionary partisan war,^[10] Lenin insisted on accepting Germany's terms for peace. Peace, he argued, was needed at any price to consolidate the revolution in Russia; to win 'the freedom to carry on socialist construction at home'.^[11]

The Left responded again by stressing the internationalist perspective, and argued that an imperialist peace with Germany would carry as much danger as the continuation of the imperialist war. Such a peace, by strengthening Germany - which had faced a massive wave of wildcat strikes in early 1918 - would act against the prospects of world revolution. Hence, Lenin's apparent choice of temporarily prioritising the consolidation of the Russian revolution over spreading the world revolution was, for them, a false one. By taking a limited nationally oriented perspective at Brest Litovsk what would be consolidated, they argued, was not 'socialist construction' but the forces of counter-revolution within Russia. As such, the left communists were then the earliest proponents of the view that you cannot have socialism in one country.

But whilst the Left Communists position initially had majority support from the Russian working class, this support faded as Germany launched an offensive. Lenin's arguments, which he pursued with vigour, then prevailed leading to the treaty of Brest Litovsk, under which the Bolshevik government agreed to German annexation of a vast part of the area in which revolution had broken out including the Baltic nations, the Ukraine and a part of White Russia.^[12]

The sacrifice of pursuing world revolution for national 'socialist construction' became all the greater as it became clear exactly what Lenin meant by this term. In face of the Bolsheviks not having a very clear plan of what to do economically after seizing power, the

The Russian Left Communists

What is striking about the Russian Left Communist current is that it emerged out of an environment that was both dissimilar and similar to their European counterparts. As we will see in the following sections, the German and Italian Communist Lefts emerged as an opposition to social democracy's accommodation with and incorporation into bourgeois society. In Russia the situation was somewhat different. Still being an overwhelmingly agricultural and peasant country under the autocratic rule of the tsar, bourgeois society had not become dominant, let alone allowed the establishment of social democracy within it. In fact, the very repressive character of the tsarist regime meant that the gradualist approach of stressing legal parliamentary and trade union methods that prevailed in Western Europe was largely absent in Russia, and there was a general acceptance of the need for a violent revolution. This need was confirmed by the 1905 revolution, which saw mass strikes, the setting up of soviets, wide-spread peasant uprisings - in general a violent confrontation of revolutionary workers and peasants with the forces of the state. But whilst this context set the Russian Social Democrats apart from their European counterparts, there was also an underlying continuity between the two. In fact, Lenin throughout tried to stay true to the orthodoxies of Second International Marxism, and accepted Kautsky, the chief theorist of German social democracy, as an ideological authority.[6] Basic to this form of Marxism was the notion of history inevitably moving in the right direction by concentrating and centralising the productive forces, so that socialism would be simply the elimination of the private control of those forces by the capture of state power and social democratic administration of them in the interest of the whole of society. But whereas the developed character of West European capitalism meant that in these countries this theory dove-tailed with a gradualist and parliament centred approach, due to the backwardness of Russian society, it took a revolutionary form.

The revolutionary side of Lenin's Marxism, as against other European social democrat leaders, was expressed most clearly when he took an uncompromising position of revolutionary opposition to the war.[7] On this fundamental issue Russian left communists had no reason for disagreement with Lenin. Nevertheless, this was to occur on other issues, such as Lenin's position on nationalism, and his view (until 1917) that Russia could only have a bourgeois-democratic revolution. Consequently, an opposing left fraction around Bukharin[8] and Pyatakoff formed within the Bolsheviks. They contended that the war had prompted great advances of finance capital and state capitalism in Russia that made socialist revolution a possibility. Fundamentally they saw the issue as one of world revolution of which Russia could be part. A key text for them was Bukharin's *Imperialism and World Economy*. In it he drew heavily on the essentially reformist Hilferding to argue that world capitalism, including Russia, was moving in the direction of state capitalist trusts where the state became appropriated by a finance capital elite. However, he took a much more radical interpretation of the political significance of these developments. The 'symbiosis of the state and finance capital elite' meant that the parliamentary road of Social Democracy was blocked and socialists had to return to the anti-statist strand in Marx's thought. The state had to be destroyed as a condition of socialism. However for the Russian situation, what was key about Bukharin's analysis of imperialism and state capitalism was that it allowed Russian left communists to abandon the classical Marxist line (held by both the Mensheviks and the Bolsheviks) that Russia was only ready for a bourgeois-democratic revolution..

But despite Lenin's initial hostility to the heretical ideas coming out of this left fraction,[9] after the February revolution he showed that he would not let his orthodoxy prevent him from being open to events. Just as the Bolshevik leadership thought that a long period of development of bourgeois society was on the horizon, it was clear from the continuing actions of the workers and peasants that the revolutionary period was by no means over. Workers were setting up factory committees and militantly contesting capitalist authority at the point of production; peasant soldiers were deserting the front and seizing land.

through which it was regulated. Of course, as we have seen, this was the approach that had been pioneered by Preobrazhensky and adopted by Trotsky and the Left Opposition in the 1920s. Preobrazhensky had argued that the nature of the transition from capitalism to socialism had to be grasped in terms of the conflict between the two regulating mechanisms of capitalism and socialism: that is between the law of value and the law of planning. Indeed, as we have also seen, one of Ticktin's most important criticisms of Trotsky was his failure to develop Preobrazhensky's political economy of the Soviet Union after the triumph of Stalin in the early 1930s.

It is not surprising then that we find Ticktin repeatedly returning to this line of approach in his various attempts to develop a political economy of the USSR. Ticktin proceeds by arguing that Preobrazhensky's theory was correct for Russia up until the collectivization of agriculture and the first five year plan. Up until then there had existed a large market-oriented peasant agricultural sector alongside a state-owned and planned industrial sector (although even this was still based on quasi-autonomous enterprises run on a 'profit and loss' criteria). As such, the 'law of planning'[12] and the law of value co-existed as distinct regulating mechanisms - although they both conflicted and conditioned each other through the relations both between and within the industrial and the agricultural sectors of the economy.

With the abolition of peasant agriculture through forced collectivization, and the introduction of comprehensive central planning geared towards the rapid industrialization of Russia, the two laws could no longer co-exist as distinct regulatory mechanisms that predominated in different sectors of the economy. The two laws 'interpenetrated' each other, preventing each other's proper functioning. As a result there emerged under Stalin a system based neither on the law of value nor on the law of planning. Indeed, for Ticktin these laws degenerated, the law of planning giving rise to the 'law of organization' and the law of value giving rise to the 'law of self-interest of the individual unit'.

Yet it soon becomes clear that as the number of laws in Ticktin's analysis proliferate their explanatory power diminishes. In the *Origins of the Crisis in the USSR*, where he pursues this line of argument the furthest, Ticktin is eventually obliged to ask the question what he means by a 'law'. He answers that a law is the movement between two poles of a contradiction but he does not then go on to consider the ground of these contradictions.

Waste

Perhaps Ticktin's most promising point of departure is that of the problem of the endemic waste that was so apparent even for the least critical of observers of the USSR. This became most clearly evident in the stark contrast between the increasing amounts the Soviet economy was able to produce and the continued shortages of even the most basic consumer goods in the shops.

Following the rapid industrialization of the USSR under Stalin the Soviet Union could boast that it could rival any country in the world in terms of absolute levels of production of industrial products. This was particularly true for heavy and basic industries. Russia's production of such products as coal, iron, steel, concrete and so forth had grown enormously in merely a few decades. Yet alongside such colossal advances in the quantity of goods produced, which had accompanied the startling transformation of Russia from a predominantly peasant society into an industrialized economy, the standard of living for most people had grown very slowly. Despite repeated attempts to give greater priority to the production in consumer industries from the 1950s onwards, the vast majority of the population continued to face acute shortages of basic consumer goods right up until the demise of the USSR.

So while the apologists of the USSR could triumphantly greet the publication of each record-breaking production figure, their critics merely pointed to the lengthy shopping

queues and empty shops evident to any visitor to Russia. What then explained this huge gap between production and consumption? For Ticktin, as for many other theorists of the USSR, the reason clearly lay in the huge waste endemic to the Russian economic system.

Although Russian industry was able to produce in great quantities, much of this production was substandard. Indeed a significant proportion of what was produced was so substandard as to be useless. This problem of defective production became further compounded since, in an economy as integrated and self-contained as the USSR, the outputs of each industry in the industrial chain of production became the inputs of tools, machinery or raw materials for subsequent industries in the chain. Indeed, in many industries more labour had to be devoted to repairing defective tools, machinery and output than in actual production!

As a result, waste swallowed up ever increasing amounts of labour and resources. This, together with the great resistance to the introduction of new technology and production methods in existing factories, meant that huge amounts of labour and resources had to be invested in heavy industry in order to provide the inputs necessary to allow just a small increase in the output of consumer goods at the end of the industrial chain of production.

Taking this phenomenon of 'waste', Ticktin sought to find a point of departure for a political economy of the USSR analogous to that which is found in the opening chapter of Marx's *Capital*. In *Capital* Marx begins with the immediate appearance of the capitalist mode of production in which wealth appears as an 'immense accumulation of commodities'. Marx then analysed the individual commodity and found that it is composed of two contradictory aspects: exchange-value and use-value. By examining how this contradictory social form of the commodity is produced Marx was then able to develop a critique of all the categories of political economy.

Likewise, Ticktin sought to take as his starting point the immediate appearance of the Soviet economic system. However, for Ticktin, this economic system did not present itself as an immense accumulation of commodities. Indeed, for Ticktin, wealth did not assume the specific social form of the commodity as it does for capitalist societies.

Of course, as Bettelheim has pointed out, although all production is formally state owned actual production is devolved into competing units. These units of production, the enterprise and the various trusts, buy and sell products to each other as well as selling products to consumers. Therefore the market and commodities still persisted in the USSR. In response, Ticktin argues that such buying and selling was strictly subordinated to the central plan and were more like transfers of products rather than real sales. While money was also transferred as a result of these product transfers such transactions were simply a form of accounting with strict limits being placed on the amount of profits that could be accumulated as a result. Furthermore, the prices of products were not determined through the market but were set by the central plan. These prices were as a result administered prices and were therefore not a reflection of value. Products did not therefore assume the form of commodities nor did they have a value in the Marxist sense.

Hence, for Ticktin, the wealth did not present itself as an immense accumulation of commodities as it does under capitalism but rather as an immense accumulation of defective products.

So, for Ticktin, since products did not assume the form of commodities, the elementary contradiction of Soviet political economy could not be that between use-value and value, as it was within the capitalist mode of production. Instead, Ticktin argued that the elementary contradiction of the Soviet system presented itself as the contradiction between the potential use-value of the product and its real use-value. That is, the product was produced for the purpose of meeting a social need determined through the mediation of the

Soviet Union was capitalist allowed a revolutionary position to be taken up against it, they found it necessary to do this in a way that made sense in terms of Marx's categories and understanding of capitalism. Out of their different experiences they developed very different theories of the degeneration of the Russian Revolution and of the capitalism that developed in the USSR.

However these oppositions to the Moscow line were largely eclipsed by the strength of Stalinism in the workers' movement and by a later opposition to this that grew up around Leon Trotsky, the exiled leader of the Russian Communist Party and state. Due to the revolutionary credentials and prestige of its founder, Trotskyism established itself as the most visible and numerous opposition to the left of the official 'Communist' movement. Particularly in Britain, which has not really generated its own left Marxist tradition, it managed to plausibly present itself against Stalinism as the genuine revolutionary Marxism. For this reason we devoted the previous articles to a presentation and critique of theories of the USSR coming out of Trotskyism: the orthodox Trotskyist theory of the degenerated workers state, Tony Cliff's version of state capitalism, and Hillel Ticktin's recently influential theory of Russia as a specifically distorted and untenable society. [2]

We argued that a weakness of all these theories was that they moved within a certain kind of orthodox Marxism. Identifying with the Soviet state under Lenin and Trotsky, they assumed that, on the basis of the traditional Marxist premise that socialism is the abolition of private property in the means of production through its wholesale nationalisation by the state, that there had been a successful socialist revolution in Russia which in some way had degenerated. They disagreed on what type of system had emerged, but they generally saw it as hinging on the lack of workers' democratic control of nationalised property. For Trotskyism, Leninism is the revolutionary alternative to the Second International, and Trotskyism was the revolutionary continuation of Leninism against Stalinism. The existence of a Communist Left threatens this picture. It shows that Trotskyism was by no means the only Marxist opposition to Stalinism. In fact, as we'll see, it questions whether Trotskyism has been a 'revolutionary' opposition at all.

However while Trotskyism, through the flexible tactics it was willing to adopt, could exist on the fringes of a Stalinist and social democratic dominated workers' movement, the left communists, their politics fundamentally oriented to revolutionary situations, were reduced by the thirties to a far smaller and more isolated existence. It was only after Stalinism's hold on the revolutionary imagination began to break in 1956 and with the wave of struggles beginning in the sixties that there was a resurgence of interest in revolutionary tendencies to the left of Trotskyism, like the Communist Left. The focus on Councils and workers' self-activity that was basic to the German Left was taken up by groups like Socialism or Barbarism (and its linked British group Solidarity) and by the Situationist International.[3] The German Communist Left which declared itself anti-Leninist was more immediately attractive to those rejecting Stalinism and the critical support given it by Trotskyism than the Italian Left which, because it emphasised the party, seemed like another version of Leninism. However after '68 partly due to a perceived weakness of a merely 'councilist' or 'libertarian' opposition to Leninism, there was a renewal of interest in the Italian Left which was the other main Communist left to have handed down a tradition.[4]

In this article we shall look at the various theories of the Russian, German/Dutch and Italian Communist Left. We shall ignore certain other communist lefts because either they have not managed to pass down any theoretical writings on the question or because as, say, with the British Left they largely followed the German/Dutch left on the question of the Russian Revolution.[5] Our point of departure is that Communist Left which developed within the Russian Revolution itself and which received Lenin's wrath before the rest. Though the Russian Left cannot be said to have developed the same body of coherent theory as the other two, its very closeness to the events gives its considerations a certain importance.

What was the USSR?

Towards a Theory of the Deformation of Value under State Capitalism

Part III: Left Communism and the Russian Revolution

Any analysis of the USSR necessarily involves an underlying conception of what the Russian Revolution was. The Trotskyist approaches that we have previously considered are all based on the conception of the Russian Revolution as being an essentially proletarian revolution that somehow degenerated. By contrast a consideration of Left Communist theories allow us to question this underlying assumption, and as a result provides vital insights into the development of a theory of what the USSR was.

The Russian revolution seemed to show for the first time that workers could actually overthrow a bourgeois capitalist state and run society themselves. After almost all of the socialist parties and trade unions of the mainstream Second International workers movement patriotically supported the slaughter of the first world war, the Bolsheviks it seemed had reasserted an internationalist revolutionary Marxism. But if the Russian revolution was initially a massive inspiration to proletarians across the world, being a first outbreak in the revolutionary wave that ended the war, its impact after that is more ambiguous. The word 'communist' became associated with a system of state control of the means of production, coupled with severe repression of all opposition. The workers movement across the world was dominated by this model of 'actually existing socialism', and the parties who oriented themselves to it. The role of these regimes and parties was to do more to kill the idea of proletarian revolution and communism than ordinary capitalist repression had ever been able to. So those in favour of proletarian revolution had to distinguish themselves from these official communist parties and to make sense of what had happened in Russia. A group that did so was the Left Communists or Communist Left.

Who was this communist left?

The Communist Left emerged out of the crisis of Marxist Social Democracy that became acutely visible during the war. Left Communist currents emerged across the world. Those with politics that we and Lenin could describe as left communist were generally the first revolutionary militants from their respective countries attracted to the Russian Revolution and to the Communist International (Comintern) set up in 1919. In some countries notably Germany, Italy a majority of those who formed their respective communist parties had left communist politics. However their experience was - sooner or later - to find themselves in disagreement with the policies promoted from Moscow and eventually excluded from the Communist International.

Two main wings of the Communist Left managed to survive the defeat of the revolutionary wave as traditions: the German/Dutch Left[1] (sometimes known as Council Communists) and the Italian Left (sometimes referred to as Bordighists after a founding member). While their analyses were not the same on all points, what really defined them was a perception of the need for communist revolutionary politics to be a fundamental break from those of Social Democracy. Such a break necessarily implied an attempt to overcome the dichotomy between the political and the economic that was central to the theory of the Second International.

Although they disagreed at what time it occurred, their perception was that the Bolshevik party slipped back into, or never quite left Social Democratic positions. Identifying themselves as revolutionary and as Marxist the common problem for these currents was to understand what had happened in a way that was true to both. While saying the

bureaucracy's 'central plan'; as such, it assumed the 'administered form' of an intended or potential use-value. However, in general, the use-value of the product fell far short of the intended or potential use-value - it was defective. Thus as Ticktin concludes:

The waste in the USSR then emerges as the difference between what the product promises and what it is. The difference between the appearance of planning and socialism and the reality of a harsh bureaucratized administration shows itself in the product itself.
(*Origins of the Crisis in the USSR*, p. 134)

The question then arises as to how this contradiction emerged out of the process of production which produced such products.

For Marx the key to understanding the specific nature of any class society was to determine the precise way in which surplus-labour was extracted from direct producers. With the capitalist mode of production, the direct producers are dispossessed of both the means of production and the means of subsistence. With no means of supporting themselves on their own accord, the direct producers are obliged to sell their labour-power to the capitalist class which owns the means of production. However, despite how it may appear to each individual worker, in buying the labour-power of the workers the capitalists do not pay according to the amount of labour the workers perform, and thus the amount of value the workers create, but they pay the level of wages required to reproduce the labour-power of the workers as a whole. Since workers can create products with a value greater than the value they require to reproduce their own labour-power, the capitalists are able to extract surplus-labour in the form of the surplus-value of the product the workers produce.

Thus for Marx the key to understanding the essential nature of the capitalist mode of production was the sale of the worker's labour-power and the consequent expropriation of surplus-labour in the specific social form of surplus-value by the class of capitalists. For Ticktin, however, the workers in the USSR did not sell their labour-power.^[13]

Yet, although he denies that labour-power was sold in the USSR, Ticktin does not deny that the working class was dispossessed of the means of production. There is no question that Ticktin rejects any idea that the workers somehow owned their means of production due to the persistence of some form of 'degenerated workers' state'. Indeed, it is central to Ticktin's argument that the workers alienate the product of their labour.

However, the dispossession of the direct producers of the means of production is not the only essential pre-condition for the sale of labour-power. The other all-important pre-condition of the capitalist mode of production is that there exists generalized commodity exchange. If, as Ticktin maintains, there was no generalized commodity exchange in the USSR - and thus, as he infers, neither value nor real money - how could labour-power itself assume the form of a commodity that could be sold?

Of course, Ticktin admits that workers were formally paid wages in the USSR, just as goods were bought and sold, but for him this did not amount to the real sale of labour-power. To understand why Ticktin thought this, it is necessary to look at his conception of the wage and money in the USSR.

Under capitalism the principal if not exclusive means of obtaining wealth is money. For the worker, money assumes the form of the wage. However, in the USSR, money, and therefore the wage, was far from being a sufficient or exclusive means of obtaining the worker's needs. Other factors were necessary to obtain the goods and services the worker needed - such as time to wait in queues, connections and influence with well-placed people in the state or Party apparatus, and access to the black market. Such factors, together with the fact that a large proportion of the workers' needs were provided for free or were highly subsidized - such as housing, child-care, and transport - meant that the wage was far less important to the Russian worker than to his or her Western counterpart. In fact it could be

concluded that the wage was more like a pension than a real wage.

Under capitalism the wage appears to the individual worker as the price of their labour. The more that individual workers labour the more they are paid. As a consequence, the wage serves as a direct incentive for each individual worker to work for the capitalist.^[14] In the USSR, the wage, being little more than a pension, was a far weaker incentive for the Soviet worker.

But not only was the wage an inadequate carrot, management lacked the stick of unemployment. Under capitalism the threat of the sack or redundancy is an important means through which management can discipline its workforce and ensure its control over production. In the USSR, however, the state guaranteed full employment. As a result, managers, facing chronic labour shortages, had little scope to use the threat of dismissals to discipline the work force.

Lacking both the carrot of money-wages and the stick of unemployment, management was unable to gain full control of the workers' labour. From this Ticktin concludes that, although the workers may have been paid what at first sight appears as a wage, in reality they did not sell their labour-power since the workers retained a substantial control over the use of their labour. As the old British Rail workers' adage had it: "management pretends to pay us and we pretend to work!"

However, although for Ticktin the workers in the USSR did not sell their labour-power, and therefore did not alienate their labour, Ticktin still argues that the workers alienated the product of their labour. Since the workers were alienated from the product of their labour they had no interest in it. Therefore the workers' main concern in exercising their control over their own labour was to minimize it. On the other side, management, although taking possession of the final product of the labour process, lacked full control over the labour process that produced it. As a result, the elite lacked control over the production of the total product of the economy, and with this the production of surplus-product necessary to support itself.

It is with this that Ticktin locates the basis of the fundamental contradiction of the Soviet system. On the one side stood the demands of the elite for increased production necessary to secure the extraction of a surplus-product; on the other side, and in opposition to it, stood the negative control of the working class over the labour process which sought to minimize its labour. The resolution of this contradiction was found in defective production.

Through the imposition of the central plan, the elite sought to appropriate the products of the labour of the working class necessary both to maintain its own privileged position and for the expanded reproduction of the system as a whole. To ensure the extraction of a surplus-product that would be sufficient to meet its own privileged needs, and at the same time ensure the expansion of the system, the elite was obliged to set ambitious and ever-increasing production targets through the system of central planning.

However, the actual implementation of the central plan had to be devolved to the management of each individual enterprise. Faced with the ambitious production targets set out in the central plan on the one side and the power of the working class over the labour process on the other, the management of the enterprise were obliged to strike a compromise with its workers which in effect subverted the intentions of the plan while at the same time appearing to fulfil its specifications. To do this, management sought to meet the more verifiable criteria of the plan, which were usually its more quantifiable aspects, while surrendering the plan's less verifiable qualitative criteria. As a consequence, quality was sacrificed for quantity, leading to the production of defective products.

Yet this was not all. In order to protect itself from the ever-increasing unrealizable

voluntaristic expression, governed the management of a reality that was resistant to it; with Stalinism, this ideology rediscovered its own incoherent essence. Ideology was no longer a weapon but an end in itself. But a lie which can no longer be challenged becomes a form of madness" (105).

^[19] On the basis of this dilemma for the Russian elite, Ticktin is able to provide a persuasive account of the post-war history of the USSR which in many respects is far superior to most attempts by state capitalist theorists to explain the crisis of the Soviet Union.

^[20] See Part VI of [Volume I of Capital](#).

^[21] We shall take this point up in far more detail in ['What was the USSR? Part IV'](#).

^[22] Again, see ['Decadence Part III'](#) in [Aufheben 4](#) (Summer 1995).



which correspond to capital's valorization requirements. The silent compulsion of economic relations sets the seal on the domination of the capitalist over the worker. Direct extra-economic force is still of course used, but only in exceptional cases. In the ordinary run of things, the worker can be left to the "natural laws of production", i.e. it is possible to rely on his dependence on capital, which springs from the conditions of production themselves and is guaranteed in perpetuity by them. ([Capital, vol. 1, Chapter 28](#)).

But the lines that immediately follow suggest a quite different way of grasping the Russian situation:

It is otherwise during the historical genesis of capitalist production. The rising bourgeoisie needs the power of the state, and uses it to "regulate" wages, i.e. to force them into the limits suitable for making a profit, to lengthen the working day, and to keep the worker himself at his normal level of dependence. This is an essential aspect of so-called primitive accumulation.

A lot of the strange features of the USSR *vis-à-vis* 'normal' capitalism become clear when one sees it as attempting to make the transition towards capitalism.

[17] The observation that there was a fundamental contradiction between the reality of the Soviet regime and what it said about itself is hardly new. The original title of *The Russian Enigma* by Anton Ciliga, which brilliantly combines an account of his personal experiences of the Stalinist regime and its camps with his reflections on the nature of its economic system, was *Au Pays du Grand Mensonge*: 'In the Country of the Big Lie'.

[18] It is interesting to contrast the views of Ticktin with Debord on the Soviet lie.

Ticktin argues that, unlike the false consciousness of the Western bourgeoisie, the set of doctrines promoted by the Soviet elite doesn't even partially correspond to reality and thus the system has no ideology. Ticktin's motivation to deny that these falsehoods are an ideology is theoretical: 'Systematic, conscious untruthfulness is a symptom of a system that is inherently unstable' (*Origins of the Crisis in the USSR*, p. 18). His view that it is not a viable system leads him polemically to assert that it has no ideology; for something that is not a mode of production does not generate a coherent false consciousness.

Debord ([Society of the Spectacle](#), Theses 102-111) similarly describes Soviet society as based on a lie that no one believes and which has thus to be enforced by the police. He also points at the way that its reliance on falsification of the past and present means that it suffers "the loss of the rational reference which is indispensable to the historical society, capitalism", making it a poor imitation of the West in terms of industrial production (108). However Debord does not feel the need to say that, because it has become manifestly incoherent, Stalinist ideology is no longer ideology; rather, it is for him an extreme victory of ideology.

While it has a theoretical consistency, Ticktin's polemical insistence that there was no ideology in the USSR imposes a very restricted sense on the notion of ideology. Essentially it limits the meaning of ideology to that false consciousness generated by a mode of production which partially grasps the reality of the world which that mode produces and which is thus functional to those identifying with that world. However, ideology can also infect the thought of those who see themselves as critical of and wishing to go beyond that mode of production. For example, the Marxism of the Second International, of which Leninism is essentially a variant, absorbed bourgeois conceptions of the relation of knowledge to practice, of the need for representation and hierarchical organization and of progress, which made it into a revolutionary ideology. Ticktin's limited conception of ideology allows him to escape the questions of the relation of the Soviet Union's ideology of 'Marxism-Leninism' to its origins in Leninism, and the ideological assumptions Trotskyism shares with Stalinism. Debord however, grasps the totalitarian falsehood of Soviet ideology as a dialectical development of the revolutionary ideology of Leninism. As he puts it: "As the coherence of the separate, the revolutionary ideology, of which Leninism was the highest

demands of the central planners, the management of individual enterprises resorted to systematically misinforming the centre concerning the actual conditions of production at the same time as hoarding workers and scarce resources. Without reliable information on the actual conditions of production, the production plans set out in the central plan became increasingly divorced from reality, which led to the further malfunctioning of the economic system which compounded defective production through the misallocation of resources.

Thus, for Ticktin, because the Russian workers did not sell their labour-power, although they alienated the product of their labour, the elite was unable fully to control the labour process. As a consequence the economic system was bedevilled by waste on a colossal scale to the point where it barely functioned. As neither capitalism nor socialism, the USSR was in effect a non-mode of production. As such, the crucial question was not how the USSR functioned as an economic system but how it was able to survive for so long. It was in addressing this problem that Ticktin came to analyse the crisis and disintegration of the USSR.

The question of commodity fetishism and ideology in the USSR

Despite the fact that the capitalist mode of production is based on class exploitation, capitalist society has yet to be torn apart and destroyed by class antagonisms. The reason for the persistence of capitalist society is that the capitalist mode of production gives rise to a powerful ideology that is rooted in its very material existence.

The basis of this ideology lies in commodity fetishism.[15] In a society based on generalized commodity exchange, the relations between people appear as a relation between things. As a result, social relations appear as something objective and natural. Furthermore, in so far as capitalism is able to present itself as a society of generalized commodity exchange, everyone appears as a commodity-owner/citizen. As such, everyone is as free and equal as everyone else to buy and sell. Thus it appears that the worker, at least in principle, is able to obtain a fair price for his labour, just as much as the capitalist is able to obtain a fair return on his capital and the landlord a fair rent on his land.

So capitalist society appears as a society which is not only natural but one in which everyone is free and equal. However, this 'free market' ideology is not simply propaganda. It arises out of the everyday experience of the capitalist mode of production in so far as it exists as a market economy. It is therefore an ideology that is rooted in the everyday reality of capitalism.[16] Of course, the existence of capitalism as a 'market economy' is only one side of the capitalist mode of production and the more superficial side at that. Nevertheless it provides a strong and coherent foundation for bourgeois ideology.

However, if, as Ticktin maintains, there was no commodity exchange in the USSR there could no basis for commodity fetishism. Furthermore, lacking any alternative to commodity fetishism which could obscure the exploitative nature of the system, there could be no basis for a coherent ideology in the USSR. Instead there was simply the 'big lie' which was officially propagated that the USSR was a socialist society.[17] But this was a lie which no one any longer really believed - although everyone was obliged to pretend that they did believe it.[18]

As a consequence, Ticktin argues that the nature of social relations were fully transparent in the USSR. With their privileged access to goods and services, everyone could see the privileged position of the elite and their exploitative and parasitical relation to the rest of society. At the same time, given the blatant waste and inefficiency of the system, no one had any illusions in the efficacy of 'socialist planning'. Everyone recognized that the system was a mess and was run in the interests of a small minority that made up the elite of the state and Party bureaucracy.

But if there was no ideology in the USSR, what was it that served to hold this exploitative

system together for more than half a century? Ticktin argues there were two factors that served to maintain the USSR for so long. First, there were the concessions made to the working class. The guarantee of full employment, free education and health care, cheap housing and transport and an egalitarian wage structure all served to bind the working class to the system. Second, and complementing the first, there was brutal police repression which, by suppressing the development of ideas and collective organization not sanctioned by the state, served to atomize the working class and prevent it from becoming a revolutionary class for-itself.

It was through this crude carrot-and-stick approach that the elite sought to maintain the system and their privileged place within it. However, it was an approach that was riven by contradictions and one that was ultimately unviable. As we have seen, it was these very concessions made to the working class, particularly that of full employment, which meant that the elite were unable to gain full control of the labour process and which in turn resulted in the gross inefficiency of the system. Unwilling to surrender their own privileged position, the Soviet elite were unable to move towards socialism. Therefore the elite's only alternative to maintaining the grossly inefficient system of the USSR was to move towards capitalism by introducing the market. But such a move towards the market necessarily involved the introduction of mass unemployment and the withdrawal of the elite's concessions to the working class.

The elite therefore faced a continual dilemma. On the one side it sought to move away from its inefficient economic system by introducing market reforms; but on the other side it feared that the introduction of such reforms would cause a revolutionary response in the Russian working class. Ticktin argues that it was this dilemma which underlay the history of the USSR following the death of Stalin and which explains the crisis that confronted Gorbachev and the final demise of the USSR.

Ticktin's analysis of the history of the USSR and its final crisis and demise does not concern us here.^[19] We now need to examine the problems of Ticktin's 'political economy' of the USSR.

Problems of Ticktin's 'political economy of the USSR'

We have devoted considerable space to Ticktin's theory of the USSR since it provides perhaps the most cogent explanation of the nature of the USSR and the causes of its decline which has arisen out of the Trotskyist tradition. Shorn of any apology for Stalinism, Ticktin is able to develop a theory which seeks to show the specific internal contradictions of the Soviet system. As such, it is a theory that not only goes beyond the traditional Trotskyist theory of the USSR as a degenerated workers' state, it also provides a formidable challenge to any approach which sees the USSR as having been in some sense a capitalist system.

Indeed, it would seem to us that any attempt to develop a theory of the USSR as being essentially a capitalist system must take on board and develop a critique of some of the central positions put forward by Ticktin. Perhaps most importantly, after Ticktin and of course the collapse he describes, it is obvious that the USSR can in no way be seen as some higher and more developed stage of capitalism, as some state capitalist theories might imply. What becomes clear from Ticktin is that any understanding of the USSR must start from its malfunctioning: it must explain the systematic waste and inefficiencies that it produced. If the USSR was in any way capitalist it must have been a deformed capitalism, as we shall argue.

[Decline of Theory? Part I](#) in [Aufheben 2](#) (Summer 1993).

[8] See, again, our article '[Decadence](#)' in [Aufheben 2](#).

[9] See '[The Leopard in the 20th Century: Value, Struggle and Administration](#)' in [Radical Chains](#), 4.

[10] The notion of centrism had originally been applied to those within the Second International who sought to combine a commitment to proletarian revolution with a reformist practice - a position best exemplified by Karl Kautsky.

[11] In Marx's [Capital](#) the question of class is not presented until the very end of Volume III.

[12] For a critique of this identification of communism with 'a law of planning', or indeed even with planning per se, see '[Decadence Part III](#)' in [Aufheben 4](#) (Summer 1995).

[13] Tony Cliff puts forward a similar position that in the USSR the workers did not really sell their labour-power.

[14] Under capitalism, the individual worker can earn more by working harder or longer than the average or norm. However, if the individual worker's colleagues follow suit, the average or norm of working will be increased and the individual worker will soon find his wages revised down to the value of his labour-power.

[15] Focusing on commodity fetishism helps one avoid the mistake of seeing ideology as predominantly a creation of state and other ideological apparatuses or institutions. To make people work for it, capital neither has to rely on direct force nor on somehow inserting the idea that they should work into people's heads. Their needs, plus their separation from the means of production and each other, makes working for capital a necessity for proletarians. Commodity fetishism in one sense, then, is not in itself an ideology but an inseparable part of the social reality of a value- and commodity-producing society: "to the producers, therefore, the social relations between their private labours appear as what they are, i.e., they do not appear as direct social relations between persons in their work, but rather as material [dinglich] relations between persons and social relations between things" ([Capital](#), vol. 1, Chapter 1, Section 4; emphasis added). On the other hand, people generate ideology to make sense of their alienated practice; to the extent that most people's existence most of the time is within capitalist relations, they generate and adopt ideas to rationalize and make sense of this existence. Because that reality is itself contradictory, their ideas can both be incoherent and quite functional for them. The point here, though, is that no 'battle of ideas' will disabuse them of such ideas which are expressive of their reality. Only in relation to practical struggle, when the reified appearance of capitalist relations is exposed as vulnerable to human interference, are most people likely to adopt revolutionary ideas. On the other hand, leftist intellectuals attempt to be both coherent and critical of this society. It is in relation to such 'critical ideas' that, following Marx and the Situationists, we oppose revolutionary theory to revolutionary ideology.

[16] There is a key passage in Marx's [Capital](#) that would seem at first to support Ticktin's argument that the lack of normal market relations in the USSR meant that it did not generate the powerful 'dull compulsion of everyday life' that the worker experiences in the West:

the advance of capitalist production develops a working class which by education, tradition and habit looks upon the requirements of that mode of production as self-evident natural laws. The organization of the capitalist process of production, once it is fully developed, breaks down all resistance. The constant generation of an relative surplus population keeps the law of the supply and demand of labour, and therefore wages, within narrow limits

the working class may have taken control through the Bolsheviks' seizure of power and established a 'workers' state', they had failed to go beyond capitalism. As a result, the new state bureaucracy had to adopt the role of the bourgeoisie in advancing the forces of production at all costs.

If this position is correct and Russia never went beyond capitalism, then the basic assumption, which Ticktin himself admits is the very foundation of his analysis, that the USSR was stuck half-way between capitalism and socialism, falls to the ground. Nevertheless, Ticktin's notion that the USSR was a distorted system due it being in transition from one mode of production to another is an important insight. However, as we shall argue in Part IV of this article, the USSR was not so much in transition to socialism as in transition to capitalism. However, before considering this we shall in Part III look in more detail at the various theories of state capitalism that have arisen within the left communist tradition.

Notes for Part II

[1] Loren Goldner, [Communism is the Material Human Community](#) (Collective Action Notes, POB 22962, Balto., MD 21203, USA.). Also published as 'Amadeo Bordiga, the Agrarian Question and the International Revolutionary Movement', in *Critique*, 23, 1991.

[2] Jacques Camatte, [Community and Communism in Russia](#).

[3] This influence is not confined to the Leninist left. The recent book from Neil Fernandez - *Capitalism and Class Struggle in the USSR* - while opposed to Ticktin's Leninism acknowledges his work as a 'major theoretical achievement' in terms of grasping the forms taken by the class struggle in the Soviet Union. The journal *Radical Chains* has attempted to develop revolutionary critique by combining some of Ticktin's ideas with others from the autonomist and left communist traditions.

[4] With the growing crisis in the USSR in the 1980s, there were several attempts by leading theoreticians within the Socialist Workers Party to revise Cliff's theory of state capitalism to overcome its inherent weaknesses.

[5] The collapse of the USSR has forced a major rethink amongst both Trotskyists and Stalinists. One of the first attempts to draw together the various positions on the USSR was made in [Open Polemic](#), 4 & 5.

[6] In fact, Ticktin's theory has assumed a strong role among the remnants of the British far left that goes beyond just Trotskyism. The ideological crisis that has accompanied the collapse of the USSR has led the smaller groups to some fairly serious rethinking. Ticktin's theory seems to offer the best hope of keeping their Leninist assumptions while fundamentally disentangling themselves from what has happened in Russia. Showing some of the strange realignments that have followed the collapse of the USSR, a Ticktinian analysis of the USSR seems now to be the dominant position within the ex-Stalinist group previously known as the Leninist. Having reclaimed the CPGB title abandoned by the old Euro-Stalinists (now New Labourites), this group seems to be attracting quite a few homeless leftists to a project based on going back to the 1920 formation of the original CPGB before the split of Trotskyism and Stalinism. However, we'd suggest that, for Leninists, now that the USSR has collapsed, overcoming the division of Stalinism and Trotskyism is not too hard; understanding much less crossing the gap between Leninism and communism is a more difficult task.

[7] For a discussion of the different ways Trotskyism and left communism interpreted the meaning of these slogans, see our article ['Decadence: The Theory of Decline or the](#)

However, while we accept that Ticktin provides a powerful theory of the USSR, we also argue that it has important deficiencies which lead us ultimately to reject his understanding of the nature of the USSR.

When we come to develop and present our own theory of the USSR, we will necessarily have to critique in detail the central premise of Ticktin's theory - that the USSR was in transition from capitalism to socialism. For the moment, however, we will confine ourselves to criticizing the problems that arise within the theory itself.

As we have already noted, Ticktin not only fails to present a systematic presentation of a 'political economy of the USSR', he also fails to clarify his methodological approach. As a result, Ticktin is able to escape from addressing some important logical questions regarding the categories of his political economy.

Although he attacks state capitalist theories for projecting categories of capitalism onto the Soviet Union, Ticktin himself has to admit that many categories of bourgeois political economy appeared to persist in the USSR. Categories such as 'money', 'prices', 'wages' and even 'profits'. In capitalism these categories are forms that express a real content even though they may obscure or deviate from this content. As such they are not merely illusions but are real. Ticktin, however, fails to specify how he understands the relation between the essential relations of the political economy of the USSR and how these relations make their appearance, and is therefore unable to clarify the ontological status of such apparent forms as 'money', 'prices', 'wages' and 'profits'. Indeed, in his efforts to deny the capitalist nature of the USSR, Ticktin is pushed to the point where he has to imply that such categories are simply relics of capitalism, empty husks that have no real content. But, of course, if they have no real content, if they are purely nominal, how is that they continue to persist? This failure to address fully the question of form and content becomes most apparent with the all important example of the wage and the sale of labour-power.

The wage-form

As we have seen, the crux of Ticktin's analysis of the USSR was his contention that, although they alienated the product of their labour, Soviet workers did not sell their labour-power. So, although they were paid what at first sight appears as a wage, on close inspection what the workers received was in fact more akin to a pension.

However, in his attempt to compare and contrast the form of the wage as it exists under capitalism with what existed in the USSR in order to deny the application of capitalist categories to the Soviet Union, Ticktin fails to gasp the full complexities of the wage-form as it exists within the capitalist mode of production. As we have already noted, under capitalism workers are obliged to sell their labour-power to the capitalists. However, to both the individual capitalist and the individual worker, this sale of labour-power appears in the wage-form as not the sale of labour-power as such but the sale of labour;^[20] that is, the worker appears not to be paid in accordance to the value of his labour-power (i.e. the value incorporated in the commodities required to reproduce the worker's capacity to work), but in terms of labour-time the worker performs for the capitalist.

There is, therefore, a potential contradiction between the wage-form and its real content - the sale of labour-power - which may become manifest if the wages paid to the workers are insufficient to reproduce fully the labour-power of the working class. There are two principal situations where this may occur. First, an individual capitalist may be neither willing nor able to offer sufficient hours for an individual worker to be able to earn a 'living wage'. Second, the individual capitalist may pay a wage sufficient to reproduce the individual worker but not enough to meet the cost of living necessary for the worker to bring up and educate the next generation of workers. In this case, the individual capitalist pays a wage that is insufficient to reproduce the labour-power in the long term.

In both these cases the interests of the individual capitalist conflicts with the interests of capital in general which requires the reproduction of the working class as a whole. Of course, this is also true in the case of unemployment. An individual capital has little interest in paying workers a wage if it has no work for them to do that can make it a profit; however, social capital requires an industrial reserve army of the unemployed - unemployed labour-power - in order to keep wages down, and this has to be maintained. The result is that the state has to intervene, often under pressure from the working class itself, in order to overcome the conflict of interest between individual capitals and social capital. It was through this imperative that the welfare state was formed. Health care, free state education and welfare benefits all have to be introduced to overcome the deficiencies of the wage-form in the social reproduction of the working class.

Thus, under capitalism, there is always an underlying tension within the wage-form between the wage being simply a payment for labour-time and the wage as a payment to cover the needs of the worker and her family. As a result, under capitalism, the payments made to ensure the reproduction of the labour-power of the working class is always composed not only of the wage but also benefits and payments in kind. In this light, the USSR only appears as an extreme example in which the needs of social capital have become paramount and completely subsume those of the individual capital.

Labour-power as a commodity

Yet, in denying the capitalist nature of the USSR, Ticktin also argues that the working class did not sell its labour-power in the USSR because labour-power did not exist as a commodity. But then again, as Ticktin fails to recognize, labour-power does not exist immediately as a commodity under capitalism either. A commodity is some thing that is alienable and separable from its owner which is produced for sale. However, labour-power is not produced primarily for sale, although the capitalist may regard it as such, but for its own sake. It is after all simply the potential living activity of the worker and is reproduced along with the worker herself: and as such it also inseparable from the worker.

Labour-power is therefore not immediately a commodity but must be subsumed as such in its confrontation with capital. Labour-power therefore is a commodity which is not a commodity; and this does not simply cease to be the case when it is sold. Normally when someone buys a commodity they obtain the exclusive possession and use of it as a thing - the commodity ceasing to have any connection with its original owner. But this cannot be the case with labour-power. Labour-power, as the subjective activity of the worker, is inseparable from the worker as a subject. Although the worker sells her labour-power to the capitalist, she must still be present as a subject within the labour process where her labour-power is put to use by the capitalist.

Capital must continue to subsume labour-power to the commodity form and this continues right into the labour process itself. The struggle between capital and labour over the labour process is central to the capitalist mode of production. The attempt to overcome the power of the working class at the point of production is the driving force of capitalist development, with the capitalists forced to revolutionize the methods of production in order to maintain their upper hand over the resistance of their workers.

The fact that the workers in the USSR were able to assert considerable control over the labour process does not necessarily mean that they did not sell their labour-power. It need only mean that, given the state guarantee of full employment, the workers enjoyed an exceptionally favourable position with regard to management and were able to resist the full subsumption of labour-power to the commodity form within the labour process.

Again, as with the case of the wage-form, it could be argued that the difference between the USSR and the capitalism that exists in the West, at least in terms of the essential relation of wage-labour, was simply a question of degree rather than of kind. The failure to

recognize this and grasp the full complexities of the wage-form and the commodification of labour-power could be seen as a result of Ticktin's restrictive understanding of capitalism which he inherits from objectivist orthodox Marxism.

First, in accordance with orthodox Marxism, Ticktin sees the essential nature of capitalism in terms of the operation of the 'law of value'. Hence, for Ticktin, if there is no market there can be no operation of the 'law of value' and hence there can be no capitalism. Having shown that products were not bought and sold in the USSR, Ticktin has all but shown that the USSR was not capitalist. The demonstration that even labour-power was not really sold simply clinches the argument.

However, we would argue that the essence of capitalism is not the operation of the 'law of value' as such but value as alienated labour and its consequent self-expansion as capital. In this case, it is the alienation of labour through the sale of labour-power that is essential.^[21] The operation of the 'law of value' through the sale of commodities on the market is then seen as merely a mode of appearance of the essential relations of value and capital.

Second, Ticktin fails to grasp the reified character of the categories of political economy. As a consequence, he fails to see how labour-power, for example, is not simply given but constituted through class struggle. For Ticktin, there is the 'movement of the categories and the movement of class struggle' as if they were two externally related movements. As a result, as soon as the working class becomes powerful enough to restrict the logic of capital - for example in imposing control over the capitalist's use of labour-power - then Ticktin must see a decisive shift away from capitalism. Ticktin is led to restrict capitalism in its pure and unadulterated form to a brief period in the mid-nineteenth century.^[22]

The question of the transitional epoch

As Ticktin admits, contemporary capitalism has involved widespread nationalization of production and the administration of prices, the provision of welfare and the social wage; moreover, in the two decades following the second world war, capitalism was able to maintain a commitment to near full employment. As such, contemporary capitalism, particularly in the years following the second world war, had features that were strikingly familiar to those in the USSR. However, for Ticktin, such social democratic features of twentieth century capitalism were simply symptoms of the decline of capitalism in the transitional epoch. The USSR was therefore only like contemporary capitalism insofar as both Russia and Western capitalism were part of the same transitional epoch: the global transition of capitalism into socialism. Whereas in the USSR the 'law of value' had become completely negated, in the West the advance of social democracy meant only the partial negation of the 'law of value'.

The problem of Ticktin's notion of the transitional epoch is not simply the restrictive understanding of capitalism which we have already mentioned, but also its restrictive notion of socialism and communism. For Ticktin, in the true tradition of orthodox Marxism, socialism is essentially the nationalization of production and exchange combined with democratic state planning. As a consequence, for Ticktin, the Russian Revolution must be seen as a successful socialist revolution in that it abolished private property and laid the basis for state planning under workers' control. It was only subsequently that, due to the backwardness and isolation of the Soviet Union, the workers' state degenerated and as a result became stuck half-way between capitalism and socialism.

Yet, as many anarchists and left communists have argued, the Russian Revolution was never a successful proletarian revolution. The revolution failed not simply because of the isolation and backwardness of Russia - although these may have been important factors - but because the Russian working class failed fully to transform the social relations of production. This failure to transform the relations of production meant that, even though