

*Socialist*  
**Action**

Supplement

# **How the Soviet economy must be reorganised**

## **The economic programme of the Left Opposition**

**Economic catastrophe is sweeping Eastern Europe and the USSR with the attempt to reintroduce capitalism. It is bringing the rise of racism, reactionary nationalism, and moves to capitalist dictatorship. Stalinism in Eastern Europe, by repelling the working class from socialism, has brought these countries to the brink of disaster. The assault on the working class, and the violent moves of these societies to the right, are also discrediting those in the West who believed that the events after 1989 in Eastern Europe — the introduction of capitalist governments — represented a way forward. Instead they confront the working class with the threat of the greatest defeats in its history and the unfolding of a period of unparalleled reaction in Europe — and internationally. In fighting the consequences of this for Eastern Europe and the USSR the left, above all, needs an economic programme that both opposes the reintroduction of capitalism and is a planned alternative to the course launched by Stalinism. The most important of these historically was Trotsky's economic policy for the Soviet Union — put forward directly against Stalin. In this supplement JOHN ROSS outlines the economic positions of the Left Opposition in the USSR.**

*'The composers of the plan proclaimed that it was their task to "lift up the country to a new and hitherto unseen high level of material and cultural development" ... In actuality, the shortage in commodities has become unbearably acute, the supply of bread has sharply decreased, meat and dairy products have become rarities... In the midst of newly constructed factories, plants, mines, electric stations, collective and Soviet farms, the workers and peasants begin to feel more and more as if they are in the midst of gigantic phantoms indifferent to the fate of humans.'* Trotsky — *Alarm Signal!*

The central issue which will underlie politics in the former USSR is the economy. Economic disaster looms for the peoples of the USSR as a result of the attempt to restore capitalism. The post-coup Yavlinsky proposals for marketising the Soviet economy, which were accepted in principle by the Council of State, for example projected a fall in living standards of 20 per cent in the next year and a rise of unemployment to 22 million.<sup>1</sup> Given that IMF and OECD analyses have consistently underestimated the scale of collapse that would follow the introduction of capitalist markets in Eastern Europe the actual result would be worse.<sup>2</sup>

Democracy cannot survive on such economic foundations. It is more likely that democracy would be suppressed rapidly in order to try to implement such a programme — the overturn of democracy inherent in the present situation is correctly emphasised by Boris Kagarlitsky and others.<sup>3</sup> Such economic proposals amount to an attempt to destroy the power of resistance of the Soviet working class and terrorise society. Equally, without the ability to organise production, to put goods in the shops, the working class cannot prevail in the former USSR.

### *The inadequacy of mechanisms without content*

Confronted with such a scale of issues it is tragic that most left wing writing on Soviet economic policy in the West is completely inadequate — either infantile or not really about economics at all. Its typical feature is to propose mechanisms — 'demo-

cratic planning', 'self-management', 'workers control' — without content, ie it does not propose what should be produced, how it should be allocated, whether the proposed system of production is internally coherent, how international trade should be organised and what its long term economic consequences will be.

The most substantial economic problems are not solved simply by saying that a plan, if there is to be one, should be drawn up democratically, or that there should be workers control or self-management. Naturally a plan drawn up undemocratically will be a bad plan — corresponding to the interests of those who determined it and not society. But merely stating that a plan be decided democratically, rather than dictatorially or bureaucratically, does not determine whether it is a good or a bad plan.

### *'Self management plus the market?'*

The economic views promulgated by those who like to term themselves the 'libertarian left', whose key theme is generally 'self-management', are equally inadequate. *Tribune's* editorial of 6 September argued, for example, that: 'For most socialists for most of this century, "socialism" has meant nationalisation of the means of production and central planning of the economy, which were admired as features of Soviet-type societies. Decentralist models of socialism, based on workers' self-management and allowing significant scope for the market, remained an enthusiasm of a small minority.'

But, first, the economic catastrophe that is already affecting Eastern Europe, and above all will strike the USSR, means that the economic decisions will not primarily be about superior democratic means of organising production in a functioning economy but the immediately desperate ones of mass unemployment, poverty, and economic dislocation. Second an economy founded on the market, no matter whether individual units of production take their decisions by capitalist fiat or by self-management, will arrive at essentially the same allocation of resources as market capitalism — that is, today, one involving increasing inequality, poverty, North-

South conflict, international exploitation, and deindustrialisation of Eastern Europe.

The fact that decisions are taken 'democratically' by self-management, instead of by private owners, does not make any significant difference to the allocation of resources in market economies which compete on the basis of profit. Furthermore, in practice 'democratic' forms of taking market decisions will not survive because the allocation of resources decided on the basis of the market will be so demoralising that employees will progressively cease participating. Only if economic decisions can arrive at a *different*, that is non-market, determination of the allocation of resources will any significant number of people consider it worth bothering to participate in decision making.

The *only* basis which will sustain a democratic economy therefore is one which is *not* market controlled — not in the sense that it does not contain markets — for reasons discussed below there should be no attempt to eliminate markets by administrative means on the Stalinist model — but in the sense that markets are used to regulate priorities which are set by an economic plan. The central question at stake is whether the market is the framework of planning (for large firms plan constantly) or whether the plan is the framework of the market.

### *Serious left economic debate*

The classic exception to 'contentless' left wing economic debate concerning a major economy is that regarding the USSR in the 1920s and 1930s. The differences between Bukharin, Preobrazhensky, Stalin, Trotsky and others did not involve abstract exercises. They were by members of a party that took the practical economic decisions for the state.

Trotsky, whose views are considered here, was not simply head of the army during the post-1917 war of intervention but was a member of the Supreme Council of the National Economy and chair of its commissions on foreign concessions, electrification, and industrial technology — as well as a member of the Politburo and Central Committee of the ruling party. The economic policies he advocated necessarily involved not just form but

1 'Aiding Reform' *The Times* 13 September 1991.

2 See for example Brian Bowles, 'An economist's Mein Kampf' in *Socialist Campaign Group News* October 1991.

3 See Boris Kagarlitsky, 'The Coup that Worked' in *New Statesman and Society* 6 September 1991.

practical priorities.

Trotsky's analysis was so outstanding, so prophetic in its outline of the choices facing the USSR, and what would be the effect of the actual decisions taken, that 60 years later it reads like a description of the contemporary Soviet economy. Anyone reading, for example, this year's 1,200 page IMF/World Bank/OECD/European Bank for Reconstruction and Development study of the USSR — which despite its ideology is by far the most comprehensive factual guide to the contemporary Soviet economy — will find themselves taking a guided tour through the practical consequences of the economic issues outlined by Trotsky.<sup>4</sup> Furthermore Trotsky's views were the exact reverse of the slanders made by Stalinism. Far from seeking greater 'commandism' he placed greater stress on economic regulation against the administrative methods of Stalinism.

The aim of the present article is to outline the theoretical framework and principal practical conclusions of Trotsky's analysis of the Soviet economy — and his alternative to the Stalinist course.

### *The foundations of a left economic policy*

The starting point of Trotsky's economic analysis — which marked it out from both capitalist and Stalinist positions — was the consistent application of Marx's starting point that the greatest productive force was the 'collective labourer'. That is the working class was simultaneously the bearer of a new mode of production and the greatest productive force within it. It was a concept also brilliantly formulated by Gramsci: 'the new system will lead to an improvement in production — but that is nothing but the confirmation of one of the theses of socialism; the more the productive human forces freely organise themselves by emancipating themselves from the slavery to which capitalism would have liked to condemn them forever, the better does their mode of utilisation become — a man will always work better than a slave.'<sup>5</sup>

From a distorted point of view an understanding of these realities is ar-

rived at by modern bourgeois economic thought itself. The ability to rebuild capital rapidly if a trained labour force exists (as in post-World War II Germany), the emphasis on knowledge, information and decentralisation are all central in modern bourgeois theories of the economy. They are exemplified in the (personal) computer revolution and the emphasis on training and education central to most modern bourgeois economies. All emphasise in their own way that the collective worker, the proletariat, not 'dead labour', capital, is the greatest productive force.

In such a framework the economic development of the working class must coincide with the development of the new relations of production of which it is the bearer. The problem is how such a collective potential is to break out of the shell which constrains it under capitalism — and Stalinism. The core of Trotsky's economic position was, therefore, to advance the interests of the working class, *the collective labourer*, against attacks from both the market and the commandist programme of Stalinist bureaucraticism. The strengthening and improvement of the position of the working class was the core of the development of the productive forces. Such an economic concept coincided simultaneously with the objective of consolidating the political support of the working class for the Soviet state.

As Trotsky put it: 'the most basic "capital" is the people, ie its strength, its health, its cultural level. This capital requires renewal even more than the equipment of the factories or the peasant implements.'<sup>6</sup> And: 'The proletariat is the basic productive force in the construction of socialism. Of all the investments, that which is put into the proletariat is the most "profitable."<sup>7</sup>

As Trotsky noted of both pro-capitalist currents, the Right Opposition (Bukharin) of the 1920s, and the Stalinists: 'not a word is said [by either] about the material, cultural and political situation of the proletariat in its daily and political life. It appears on this field there are no differences between the [Stalinist] centre and the right. But a correct appreciation of the differences between the factions can

be obtained only from the point of view of the interests and the needs of the proletariat as a class and of every individual worker.'<sup>8</sup>

Instead the approach must be that: 'The proletariat is not only the fundamental productive force, but also the class upon which the Soviet system and socialist construction rest... [They] can have no powers of resistance if its distorted regime leads to the political indifference of the proletariat. The high rate of industrialisation cannot last long if it depends on excessive strain which leads to the physical exhaustion of the workers. A constant shortage of the most necessary means of existence and a permanent state of alarm under the knout of the administration endanger the whole socialist construction.'<sup>9</sup>

Economic policy, in short, should not be aimed at *attacking* the working class, as in both market and Stalinist conceptions, but at developing its position. Trotsky's genius lay in working through the implications of such a classic Marxist position into the practical details of economic organisation.

### *Key issues in the left's policy*

Five immediate conclusions flowed from Trotsky's application of this Marxist thesis to the concrete circumstances of the USSR.

*First*, that the restoration of capitalism in the USSR would be a catastrophe hurling its economy backwards. Therefore on a capitalist basis no democratic state could be created in the USSR.

*Second* that the maintenance of a workers state in the USSR was necessary from the point of view of the international struggle for socialism, from the point of view of the development of the productive forces, and from the interests of the Soviet working class itself. The Soviet working class therefore could place itself at the head of all the oppressed in the USSR — and must do so if catastrophe was to be avoided for the Soviet peoples.

*Third*, that the development of the productive forces to a stage qualitatively superior to capitalism, that is socialism, could only take place on an *international* economic framework. The theory of socialism in one country

4 International Monetary Fund/World Bank/Organisation for Economic Co-operation and Development/European Bank for Reconstruction and Development, *A Study of the Soviet Economy*, OECD Paris 1991.

5 Gramsci, 'To the Workshop Delegates of the Fiat Centro and Brevetti Plants', in *Selections from the Political Writings 1910-1920*, Lawrence and Wishart London 1977 p95.

6 Trotsky, 'To Build Socialism Means to Emancipate Women and Protect Mothers', *Women and the Family*, Pathfinder Press New York 1974 p45.

7 Trotsky, 'Crisis in the Right-Centre Bloc' in *The Challenge of the Left Opposition (1928-29)*, Pathfinder Press New York 1980 p328.

8 Trotsky, 'Crisis in the Right-Centre Bloc' in *The Challenge of the Left Opposition (1928-29)*, Pathfinder Press New York 1980 p328.

9 Trotsky, 'Problems of the Development of the USSR' in *Writings 1930-31*, Pathfinder Press New York 1973 p228.

was a reactionary utopia.

Fourth, that while political power was taken by the proletariat as a single act, a revolution, the economic reconstruction of society involved an entire epoch of historical development. During that period the guides of commodity economy — prices, supply and demand etc — could not be suppressed by administrative fiat but only progressively outgrown. The working class therefore must lead, not suppress, its potential class allies in the petty bourgeoisie and peasantry.

Fifth, that the overriding goal of economic policy must be the improvement of the conditions of the working class and the gaining of its support for socialism. The framework, and chief measure, of economic success was therefore not abstract 'maximum' economic growth but the degree of sustainable improvement of the living standards of the working class. Or as Trotsky put it: 'The tempo of industrialisation must guarantee, not the building of national socialism, but... the improvement of the conditions of the working masses of the city and countryside.'<sup>10</sup>

We will outline these points in order, starting with the most fundamental theoretical and international foundations of Trotsky's policy and proceeding to the most detailed questions.



## 1 The foundations of Trotsky's economic policy

### Defence of the USSR

The starting point of Trotsky's analysis of the Soviet economy flowed from his analysis of the October revolution itself. The core of Trotsky's position was that neither the Russian revolution, nor the development of any country, could be understood in isolation but only from the point of view of its position in world economy. *The common starting point of Stalin, Bukharin, and the Mensheviks was to rip the Russian economy out of its relation to the world economy and to consider it via the concept of an iso-*

lated economy — something which could not exist in reality. The correct starting point must not be a *concept* of a non-existent isolated capitalism but the *reality* of an international economy.<sup>11</sup> This point of departure of Trotsky has, of course, acquired a redoubled significance today when the internationalisation of the world economy has risen to a far higher level even than when he wrote.

### Why the Russian revolution occurred

The Russian revolution occurred not because an 'isolated' Russia was

*'An isolated Russia did not, and could not, exist'*

ripe for socialism but because an isolated Russia *did not*, and could not, exist. As Trotsky noted in the *Revolution Betrayed*: 'Russia took the road of proletarian revolution, not because her economy was the first to become ripe for a socialist change, but because she could not develop further on a capitalist basis. Socialisation of the means of production had become a necessary condition for bringing the country out of barbarism.'<sup>12</sup> Without the maintenance of the planned economy Russia, and the USSR, would be thrown backwards between the pressure of the imperialisms of the United

10 Trotsky, 'The New Course in the Soviet Economy', in *Writings 1930*, Pathfinder Press New York 1975 p118.

11 As Trotsky wrote: 'Marxism takes its point of departure from world economy, not as a sum of national parts but as a mighty and independent reality which has been created by the international division of labour.' (Trotsky, *Permanent Revolution*, p22). It was therefore impossible to approach the fate of one country 'in any other way but by taking as starting point the tendencies of world development as a whole in which the individual country, with all its national peculiarities, is included and to which it is subordinated.' (Trotsky *The Third International After Lenin* p42).

12 Trotsky, *The Revolution Betrayed*, New Park Publications London 1967 p5.

States, Germany and Japan.

More generally the formula: "No social formation disappears before all the productive forces have developed for which it has room" — takes its departure... not from the country taken separately, but from the sequence of universal social structures (slavery, medievalism, capitalism). The Mensheviks, however, taking this statement from the point of view of the single state, drew the conclusion that Russian capitalism has still a long road to travel before it will reach European or American levels.

'But productive forces do not develop in a vacuum! You cannot talk of the possibilities of a national capitalism, and ignore... its dependence upon world conditions... The structure of industry, and also the character of the class-struggle in Russia were determined to a decisive degree by international conditions...' "A correct appraisal of our revolution," said Lenin, "is possible only from an international point of view."... World development forced Russia out of her backwardness and her Asiaticness. Outside the web of this development, her further destiny cannot be understood.<sup>13</sup>

If the October revolution had not taken place Russia would have been dismembered, during or after World War I, between a German sphere of influence in the West and a Japanese sphere of influence in the East. That would remain its fate today.

### Planned economy and national independence

Trotsky understood, therefore, that the same international forces which had produced the Russian revolution insured that the restoration of capitalism in the USSR would destroy its economy and submit the country to *de facto* domination by foreign powers. It was, indeed, because 'socialisation of the means of production had become a necessary condition for bringing the country out of barbarism' that many who were not socialists in Russia had rallied to the October revolution and the Soviet state after 1917.

As Trotsky said: 'The Soviet system with its nationalised industry and monopoly of foreign trade, in spite of all its contradictions and difficulties, is a protective system for the economic and cultural independence of the country. This was understood even by many democrats who were attracted to the Soviet side not by socialism but by a patriotism which had absorbed some of the lessons of history. To this category belonged many of the forces of the native technical intelligentsia, as well as the new school of writers.'<sup>14</sup>

The overthrow of the planned economy, therefore, would lead to Russia being reduced to the status of a semi-colonial state — a Mexico or Brazil. This flowed inevitably from the non-possibility of an isolated national capitalism and from Russia's position in the international imperialist chain. As Trotsky noted: 'What is involved [in the restoration of capitalism]... is not the introduction of some disembodied democracy but returning Russia to the capitalist road. But what would Russian capitalism look like in its second edition?... A capitalist Russia could not occupy even the third rate position to which Czarist Russia was predestined by the course of the world war. Russian capitalism today would be a dependent, semicolonial capitalism without any prospects. Russia Number 2 would occupy a position somewhere between Russia Number 1 and India.'<sup>15</sup>

The error of those who failed to understand this reality of capitalist restoration in Russia was that they looked at the Soviet state in isolation — without considering its real position in the international capitalist economy: 'a return to capitalism now would mean... that Russia would again become part of the chain of imperialism, having the clearly understood status of a subordinate link — that is, on a semi-colonial status... the development of the productive forces in our country would be retarded in the extreme. In other words, Russia would not take its place alongside the United States, France and Italy but would fall to the same category as India and China... The re-

*Without a planned economy the Soviet Union would be thrown back for decades'*

actionary character of Menshevism and the Otto Bauer school is that they think of Russia in terms of "capitalism in one country" rather than examine the fate of a capitalist Russia in the light of international processes.'<sup>16</sup>

The standard of living of the Russian workers would therefore fall far lower under capitalism than under the planned economy: 'the bourgeoisie and the Social Democracy scare the workers... [by] citing the comparative living standards of the workers without regard to the development of the productive forces. It is in response to this basic argument of the Social Democratic scoundrels against the USSR... that we assert: the workers of a bourgeois Russia, with the productive forces at the same level, would never have had a living standard as high as they have now, despite all the mistakes, miscalculations and departures from the correct line.'<sup>17</sup>

The defence of the USSR as a workers state, that is from the angle of the international interests of the proletariat, was therefore also directly in the interests of Soviet peoples themselves. As Trotsky put it: 'The fall of the present bureaucratic dictatorship, if it were not replaced by a new socialist power, would thus mean a return to capitalist relations with a catastrophic decline of industry and culture.'<sup>18</sup> 'Without a planned economy the Soviet Union would be thrown back for decades.'<sup>19</sup>

### Opposition to the restoration of capitalism

From this conclusion directly flowed Trotsky's unshakeable position, maintained until his death, that no matter what the crimes of Stalin the Soviet Union must be defended and any restoration of capitalism must be opposed. This was not a matter of covering up for Stalin but of the most direct interests of the Soviet workers: 'It is one thing to solidarise with Stalin, defend his policy, assume responsibility for it — as does the triply infamous Comintern — it is another to explain to the world working class that no matter what crimes Stalin may be

13 Trotsky, *The History of the Russian Revolution*, Sphere Books London 1967 Vol 3 pp349-350.

14 Trotsky, 'Is Parliamentary Democracy Likely', in *Writings 1929*, Pathfinder Press New York 1975 p55.

15 Trotsky, 'Is Parliamentary Democracy Likely', in *Writings 1929*, Pathfinder Press New York 1975 p55. Trotsky continuously stressed this point. Writing in 1932 for example he noted: 'In their appraisal of the possibilities and tasks of the Soviet economy, Bolshevik-Leninists take as their point of departure... the real historical process in its world relations and living contradictions. Only the foundations that have been laid by the October Revolution can guard the country from the fate of India or China.' (Trotsky, 'Alarm Signal', in *Writings 1932-33* Pathfinder Press New York 1972 p109) And in the *Revolution Betrayed* he noted: '

16 Trotsky, 'What is the "Smychka"?' in *The Challenge of the Left Opposition (1928-29)*, Pathfinder Press New York 1981 p359.

17 Trotsky, 'Pravda sound the alarm', in *The Challenge of the Left Opposition (1928-29)*, Pathfinder Press New York 1981 p55.

18 Trotsky, *The Revolution Betrayed*, New Park Publications London 1967 p251.

19 (Trotsky, *The Revolution Betrayed*, New Park Publications London 1967 p285)

guilty of we cannot permit world imperialism to crush the Soviet Union, re-establish capitalism and convert the land of the October Revolution into a colony. This explanation... furnishes the basis for our defence of the USSR.<sup>20</sup>

On a wider field the overthrow of the USSR would lead eventually to a new war to determine a fresh imperialist division of the world: 'the crimes of the Kremlin oligarchy do not strike off the agenda the question of the existence of the USSR. Its defeat... would signify not merely the overthrow of the totalitarian bureaucracy but the liquidation of the new forms of property, the collapse of the first experiment in planned economy, and the transformation of the entire country into a colony; that is, the handing over to imperialism of colossal natural resources which would give it a respite until the third world war.'<sup>21</sup>

### The impossibility of bourgeois democracy in the USSR

On the political field, given that capitalist restoration would involve a vast regression of the productive forces, living standards would be thrown back, and Russia would be transformed into a semi-colony, there was no basis for bourgeois democracy in Russia. A restored capitalism in Russia would inevitably be a dictatorship. Trotsky noted: 'what is absolutely excluded is a transition from the Soviets to parliamentary democracy... The very same causes that prevented our weak and historically belated [bourgeois] democracy from carrying out its elementary historical task will also prevent it in the future from placing itself at the head of the country. There is a handful of impotent doctrinaires who would like to have a democracy without capitalism. But the serious forces that are hostile to the Soviet regime want capitalism without democracy.'<sup>22</sup>

The restoration of capitalism in Russia would therefore mean a new era of reactionary capitalist dictatorship in the USSR, with regression of its productive forces, and the throwing back of the entire position of the working

class internationally and domestically. The very forces that had created the Russian revolution determined its defence, both for the interests of the Soviet and international working class.

### Socialism in one country

The international nature of capitalism, and Russia's place within it, in turn determined the error represented by the theory of 'socialism in one country'. This concept was introduced by Stalin and, in various guises, provided the basis for Soviet economic development from Stalin until Gorbachev.

The concept introduced by Stalin was the possibility to create a superior development of the productive forces to capitalism — for that is what a developed socialist society means — on the basis of one country. In Stalin's own formula: 'What is meant by the possibility of socialism in one country?... It means ... the possibility of the proletariat seizing power and using that power to build a complete socialist society in our country, with the sympathy and support of the proletarians of other countries, but without the preliminary victory of the proletarian revolution in other countries.'<sup>23</sup> This perspective of the ability to create a complete socialist society within a

*'The world wide division of labour stands over the dictatorship of the proletariat in a separate country and dictates its further road'*



Tent city set up by the homeless outside St Basil's

single country found its most ludicrous formulation in Khrushchev who proclaimed that even Communism (and by 1980!) could be constructed in the USSR!

Such a 'theory' found the semblance of rationality in projecting the growth rate of the Soviet economy during the first Five Year Plans forward into the future without any consideration of the bases on which economic development could take place or the constraints that would become more pressing as the Soviet economy developed. Trotsky wrote the decisive rebuttal of such positions: 'the mistrustful and short sighted "practicals," who formerly thought that the proletariat of backward Russia could not conquer power... have taken subsequently exactly the opposition position. The successes attained against their own expectations, they have simply multiplied into a whole series of Five Year Plans, substituting the multiplication table for a historic perspective. That is the theory of socialism in one country.'

In reality the growth of the present soviet economy remains an antagonistic process. In strengthening the workers' state, the economic successes are by no means leading automatically to the creation of a harmonious society. On the contrary, they are preparing a sharpening of the contradictions of an isolated socialist structure on a higher level.

'The world wide division of labour stands over the dictatorship of the proletariat in a separate country, and imperatively dictates its further road. The October revolution did not exclude Russia from the development of the rest of humanity, but on the contrary bound her more closely to it.'<sup>24</sup>

The programme of socialism in one country was characterised by Trotsky, in precise terms, as a 'reactionary utopia'.<sup>25</sup> His implacable opposition to it — he stated in his critique of the draft programme of the Communist International that 'the manner in which the question of socialism in one country is solved determines the entire draft as a Marxian or a revisionist document' — was not motivated by internationalist romanticism or adventurism but by the most sober economic analysis.<sup>26</sup>

20 Trotsky, *In Defence of Marxism*, Pathfinder Press New York 1976 p219.

21 'Imperialist War and World Revolution', in *Documents of the Fourth International*, Pathfinder Press New York 1972 p325.

22 Trotsky, 'Is Parliamentary Democracy Likely', in *Writings 1929*, Pathfinder Press New York 1975 p55.

23 Stalin, *Concerning Questions of Leninism*, in *On the Opposition*, Foreign Languages Press Beijing 1974 p322.

24 Trotsky, *The History of the Russian Revolution*, Sphere Books London 1967 Vol 3 p352.

25 Trotsky, *Permanent Revolution*, Pathfinder Press New York 1978 p22.

26 Trotsky, 'The Draft Programme of the Communist International', in *The Third International After Lenin*, Pioneer Publishers New York 1957 p23.

### The international division of labour

The error of the programme of socialism in one country was its failure to grasp that, although the dictatorship of the proletariat may be created in a single country, it is not possible, on the basis of the resources of one country alone, to create a development of the productive forces superior to capitalism.

It failed to understand that even: 'the productive forces of capitalist society have long ago outgrown the national boundaries.' And therefore: 'to aim at building a nationally isolated socialist society means, in spite of all passing successes, to pull the productive forces backward even as compared with capitalism.'<sup>27</sup>

Socialism must necessarily be constructed on a far higher development of the productive forces than capitalism. From the fact that, 'the productive forces are incompatible with national boundaries,' followed: 'the economic impossibility of a self-sufficient socialist society... Socialist society... can be built only on the most advanced productive forces... how then can socialism drive the productive forces back into the boundaries of a national state which they have violently sought to break through under capitalism?'<sup>28</sup>

An attempt to create an isolated socialist society in one country would simply mean pulling back the productive forces: 'The productive forces of our time have outgrown... the boundaries of national states... The proletarian revolution is directed both against private property in the means of production and against the national splitting up of world economy... The creation of a national socialist society, if

such a goal were in a general way attainable, would mean an extreme reduction of the economic powers of men. But for that very reason it is unattainable.'<sup>29</sup>

### Internationalisation and the advance of the Soviet economy

Trotsky noted that, given that the higher the development of the productive forces the greater their internationalisation the advance of the Soviet economy would not lead to a lessening of its need for internationalisation but to far greater pressure in that direction: 'The international division of labour and the supranational character of modern productive forces not only retain but will increase twofold and tenfold their significance for the Soviet Union in proportion to the degree of Soviet economic ascent.'<sup>30</sup> In short: 'The universal division of labour is not a circumstance that we can afford to ignore. We can only accelerate our own development in all fields by expeditiously utilising the means arising from it.'<sup>31</sup>

As he wrote in 1930: 'The greater the success of the development of the Soviet economy in the future, the more extensive foreign economic relations will have to be. The contrary theorem is even more important: it is only through a growing extension of exports and imports that the economy will be able to overcome in time the partial crises, to diminish the partial disproportions, and to balance the dynamic equilibrium of the various sectors in order to assure an accelerated rate of development.'<sup>32</sup>

Indeed at the most fundamental level, just as 'medieval particularism hindered the development of capital-

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ism in its youth, so now at the peak of its development capitalism is strangling in the limits set by the national states. Socialism cannot confine productive forces in the procrustean bed of national states. The socialist economy will develop on the basis of an international division of labour, the mighty foundations of which have been laid down by capitalism.'<sup>33</sup> 'The crisis of the capitalist system is produced not only by the reactionary role of private property but also by the no less reactionary role of the national state.'<sup>34</sup> This was not a flight of revolutionary rhetoric but a strictly objective assessment of the economic situation.

### A classic Marxist analysis

In making the analysis that the greater the development of the productive forces the greater their internationalisation, Trotsky was not presenting a new theory. He was simply reasserting, in contemporary terms, the analysis of Marx, who had already noted in the *Communist Manifesto* that: 'The need for a constantly expanding market for its products chases the bourgeoisie over the whole surface of the globe. It must nestle everywhere, settle everywhere, establish connexions everywhere. The bourgeoisie has through its exploitation of the world market given a cosmopolitan character to production and consumption in every country. To the great chagrin of the Reactionists, it has drawn from under the feet of industry the national ground on which it stood.'<sup>35</sup>

Strictly speaking, the theory of 'socialism in one country', of Stalin and his successors, did not even reach the level of bourgeois political economy. The founding work of classic bour-

27 Trotsky, *Permanent Revolution*, Pathfinder Press New York p22

28 Trotsky, *The Third International After Lenin*, Pioneer Publishers New York 1957 p53

29 Trotsky, *The History of the Russian Revolution*, Sphere Books London 1967 Vol 3 p350.

30 Trotsky, *Permanent Revolution*, Pathfinder Press New York 1978 p28

31 Trotsky, 'Towards Capitalism or Socialism?', in *The Challenge of the Left Opposition (1923-25)*, Pathfinder Press New York 1975 p373. Trotsky outlined the economic perspective which flowed from this internationalisation of the productive forces clearly in his speech to the Seventh Plenum of the International Executive Committee of the Communist International in 1927: 'We have reached the end of the so-called reconstruction period; we have now reached approximately the pre-war level. However, the end of the reconstruction period is simultaneously the beginning of the reestablishment of our material connections with world industry... The industrialisation of the country... means not the lessening, but, on the contrary, the growth of our connections with the outside world, ie, also our (of course mutual) dependence upon the world market, capitalism, its technology and industry, and at the same time the growth of the struggle against the international bourgeoisie.' (Trotsky, 'Speech to the Seventh Plenum of the ECCI', in *The Challenge of the Left Opposition (1926-27)*, Pathfinder Press New York 1980 p183).

32 Trotsky, 'Successes of Socialism and Dangers of Adventurism' in *Writings 1930-31*, Pathfinder Press New York 1973 p104.

33 Trotsky, 'Answers to Questions by the *New York Times*', in *Writings 1932*, Pathfinder Press New York 1973 p46.

34 Trotsky, *In Defence of Marxism*, Pathfinder Press New York 1976 p11.

35 Marx and Engels, *The Manifesto of the Communist Party*, in Marx and Engels Collected Works Vol 6 Progress Publishers Moscow 1976 p489.

geois economy. Adam Smith's *The Wealth of Nations*, had been designed to show that countries should not seek to be self-sufficient but should base themselves on an international economy.<sup>36</sup> Such a division of labour was necessarily international.

From the internationalisation of the productive forces, the international division of labour, it was therefore impossible to construct 'socialism in one country' even in an advanced country — let alone the USSR. As Trotsky noted: 'To be sure, all other conditions being equal, the more highly developed productive forces [of an advanced capitalist country] are of enormous advantage for the purposes of socialist construction... But the building of socialism on a national basis would imply for these advanced countries a general decline, a wholesale cutting down of productive forces, that is to say something directly opposed to the tasks of socialism.'<sup>37</sup> 'To attempt... to realise a shut off proportionality of all the branches of the economy within a national framework means to pursue a reactionary utopia.'<sup>38</sup>

Therefore, instead of an attempt to construct socialism in one country it was instead necessary to attempt to insert the socialised economy of the USSR as far as possible into the world economy — against the inevitable resistance the imperialists would put up to this. As Trotsky noted: 'The problem of the disproportionality of the elements of production and the branches of the economy constitutes the very heart of socialist economy... Major and minor disproportions make it necessary to turn to the international market. Imported goods to the value of one chervonet [a gold monetary unit] can bring domestic production out of its moribund state to the value of hundreds and thousands of chervontsi.'

'The general growth of the economy, on the one hand, and the sprouting up of new demands and new disproportions, on the other, invariably increase the need to link up with the world economy. The program of "interdependence," that is, of the self-suffi-

cient character of the Soviet economy, discloses more and more its reactionary, and utopian character. Autarchy is the ideal of Hitler, not of Marx and Lenin.'<sup>39</sup>

### The Platform of the Left Opposition

The reality facing Russia and the Soviet states was therefore clear. The restoration of capitalism would hurl back their economies. At the same time the attempt to construct a self-enclosed 'socialist' economy was impossible and would also throw back the productive forces. The only way forward for the USSR was to fight for its greatest possible integration into the world economy on the basis of a planned and socialised economy. This dictated on the international field the same choice as on the domestic one — that is to advance the positions of the working class against both capitalist restoration or Stalinism, which, by a different method, was also an economic blind alley. Trotsky outlined this choice clearly in the *The Platform of the Left Opposition* — the most widely circulated document of the left opposition:

'In the long struggle between two irreconcilably hostile social systems — capitalism and socialism — the outcome will be decided in the last analysis by the relative productivity of labour under each system... It was this fundamental fact that Lenin had in mind when in one of his last speeches he warned the party of the "test" that would be imposed "by the Russian and international market, to which we are subordinated, with which we are connected, and from which we cannot isolate ourselves."

'For that reason, Bukharin's notion that we proceed towards socialism at any pace, even a "snail's pace", is a banal and vapid petty-bourgeois fantasy. We cannot escape from capitalist encirclement by retreating into a nationally exclusive economy. Just because of its exclusiveness such an economy would be compelled to advance at an extremely slow pace, and

in consequence would encounter not weaker, but stronger pressure, not only from the capitalist armies and navies ("intervention"), but above all from cheap capitalist commodities.

'The monopoly of foreign trade is a vitally necessary instrument for socialist construction, under the circumstances of a higher technological level in the capitalist countries. But the socialist economy now under construction can be defended by this monopoly only if it continually comes closer to the prevailing levels of technology, production costs, quality, and price in the world economy.

'The aim of economic management ought to be not a closed-off, self-sufficient economy, for which we would pay the price of an inevitably lower level and rate of advance, but just the opposite — an all-sided increase of our relative weight in the world economy...'<sup>40</sup>

Instead of 'socialism' in one country Trotsky stated: 'The orientation towards the isolated development of socialism and a rate of development independent of the world economy distorts the entire perspective, throws our planning efforts off the track, and fails to provide any guideline for correctly managing our relations with the world economy. As a result we have no way of deciding what to manufacture ourselves and what to bring in from the outside.'

'Firm rejection of the theory of an isolated socialist economy would mean, even in the next few years, an incomparably more rational use of our resources, a swifter industrialisation, and increasingly well-planned and powerful growth of our own machine industry. It would mean a swifter increase in the number of employed workers and a real lowering of prices — in a word a genuine strengthening of the Soviet Union despite capitalist encirclement.'<sup>41</sup>

Instead of orienting towards self-enclosed, autarchic, development the USSR should orient to the greatest possible extent to the international economy: 'The Soviet economy de-

36 Smith's opening paragraph precisely outlined this in terms of the development of the division of labour: 'The greatest improvement in the productive powers of labour, and the greater part of the skill, dexterity, and judgement with which it is everywhere directed or applied, seems to have been the effects of the division of labour.' (Adam Smith, *The Wealth of Nations*, Penguin London 1986 p109).

37 *The Third International After Lenin*, Pioneer Publishers New York 1957 p58

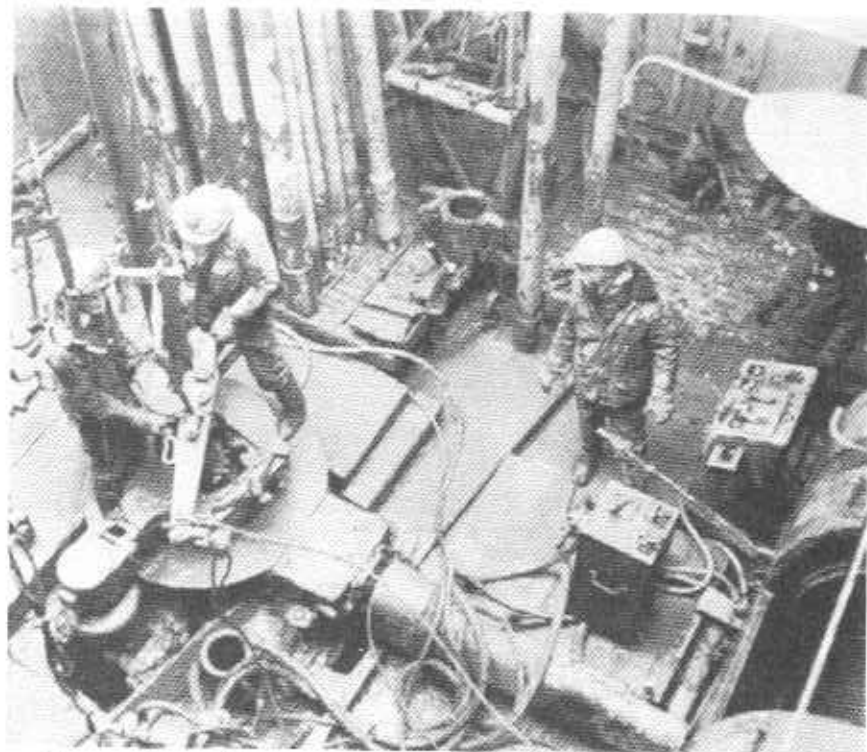
38 Trotsky, *Permanent Revolution*, Pathfinder Press New York 1978 p22

39 Trotsky, 'The Soviet Economy in Danger', in *Writings 1932* Pathfinder Press New York 1973 p266. Or as Trotsky noted against one Stalinist attack: 'Kaganovich in a speech on October 8 asserted that the Opposition, Left as well as Right, "proposes to us that we strengthen our dependence upon the capitalist world." As if the matter concerned some artificial and arbitrary step, and not the automatic logic of economic growth!' (Trotsky, 'The Soviet Economy in Danger', in *Writings 1932* Pathfinder Press New York 1973 p266..

40 Trotsky, *The Platform of the Left Opposition*, in *The Challenge of the Left Opposition (1926-27)*, Pathfinder Press New York 1980 pp334-336.

41 Trotsky, *The Platform of the Left Opposition*, in *The Challenge of the Left Opposition (1926-27)*, Pathfinder Press New York 1980 pp334-336.





depends upon the world economy. The dependence is expressed through exports and imports. Foreign trade is the biggest bottleneck in the entire Soviet economic system.<sup>42</sup>

### *The military threat to the USSR*

In particular Trotsky foresaw that the more the productive forces advanced, and became internationalised, the more the programme of socialism in one country would become disastrous even from a military point of view — a fact anyone considering the 1980s arms race against the USSR should well understand. He noted in 1926: 'The advance towards socialism can only be assured if the distance separating our industry from advanced capitalist industry — in volume of production, cost-price, and quality — diminishes in a palpable and evident way, rather than increases. Only on this condition can our armed forces be given the technical base capable of protecting the socialist development of the country.'<sup>43</sup>

Only economic development, not autarchy, could secure the military defence of the USSR. Stalin's attempt to create autarchy, instead of orienting to the world economy, in the long run undermined even the military defence of the USSR by creating economic backwardness. As against those who argued for socialism in one country on

the basis of defence needs Trotsky noted: 'The argument as to the dangers of war or blockade after we have "grown into" the world market might perhaps seem somewhat farfetched and abstract. For, in strengthening us economically, the international exchange in all its forms also strengthens us for the eventuality of a blockade or a war.

'There is no doubt that our enemies may still desire to put us to this test. But, on the one hand, the more varied our international economic relations become, the more difficult our potential enemies will find it to disrupt these relations. And, on the other hand, if this thing should nevertheless come to pass, we shall give a far better account of ourselves than would be possible in the case of an isolated and therefore retarded development.

'We may learn a little in this connection from the historical experience of bourgeois countries. Germany had developed a tremendous industry by the end of the nineteenth and the beginning of the twentieth century, and became an extremely active force in the world economy by reason of this industry. Its foreign trade and its relations with foreign...markets developed to huge proportions within a short period. The war put an abrupt end to this situation. By reason of its geographic position, Germany was forced into an almost complete economic isolation

from the first day of the war. And yet the entire world was then made to understand the extraordinary vitality and endurance of this highly industrialised country. The preceding struggle for sales markets had developed an unusual elasticity in Germany's productive apparatus, which it then proceeded — during the war — to utilise, in the now constricted national field, to the last penny.<sup>44</sup>

### *The Five Year Plans*

The dead end, the 'reactionary utopia', represented by the programme of socialism in one country meant that Trotsky understood that whatever short term successes were produced by the system of Five Year Plans introduced under Stalin they could not solve the strategic problems of the Soviet economy.

Planning, by itself, could not solve the problems of the Soviet economy. This could only be achieved by planning carried out within a framework that oriented to the international extension of socialism and not the attempt to construct socialism in a single country. This Stalin rejected. This strategic framework determined everything.

Despite the economic growth produced by the first Five Year Plan Trotsky, therefore, rejected any political adaptation to Stalin — because the programme of socialism in one country would inevitably lead the economy into a blind alley both internationally and domestically. Trotsky outlined this fundamentally criticising Preobrazhensky, who had formulated the laws of Soviet economic development as being 'the planning principle versus the market principle', and who therefore capitulated to Stalin with the launch of the first Five Year plan: 'The analysis of our economy from the point of view of the interaction (both conflicting and harmonising) between the law of value and the law of socialist accumulation is in principle an extremely fruitful approach — more accurately, the only correct one.

'Such analysis must begin within the framework of the closed-in Soviet economy. But there is a growing danger that this methodological approach will be turned into a finished economic perspective envisaging the "development of socialism in a single country." There is reason to expect, and fear, that the supporters of this

*Short term successes from the system of Five Year Plans could not solve the strategic problems of the Soviet economy'*

42 Trotsky, 'The New Course in the Soviet Economy', in *Writings 1930*, Pathfinder Press New York 1975 p108.

43 Trotsky, 'Amendments to Rykov's Resolution', in *The Challenge of the Left Opposition (1926-27)*, Pathfinder Press New York 1980 p53.

44 Trotsky, 'Towards Capitalism or Socialism?', in *The Challenge of the Left Opposition (1923-25)*, Pathfinder Press New York 1975 pp372-373.



philosophy... will try to adapt Preobrazhensky's analysis by turning a methodological approach into a generalisation for a quasi-autonomous process.

'It is essential, at all costs, to head off this kind of plagiarism and falsification. The interaction between the law of value and the law of socialist accumulation *must be placed in the context of the world economy*. Then it will be clear that the law of value that operates within the limited framework of the NEP is complemented by the growing external pressure from the law of value that dominates the world market and is becoming ever more powerful...

'The monopoly of foreign trade is a powerful factor in the service of socialist accumulation — powerful but not all-powerful. The monopoly of foreign trade can only moderate and regulate the external pressure of the law of value to the extent that the value of

Soviet products, from year to year, comes closer to the value of the products on the world market... But in the context of the world competition between economic systems, the requirement above remains in full force — that is, the rate of Soviet industrialisation must be such as to assure that Soviet products approximate those on the world market in a way perceptible to our workers and peasants.'

The conclusion which Trotsky drew was that the international policy of the USSR, the necessity to break the international constraint on the Soviet economy and to extend the new non-capitalist relations of production, was the most important of all issues: 'the way out of those contradictions which befall the dictatorship of the proletariat in a backward country will be found in the arena of world revolution... world socialist economy will not at all be a sum total of national socialist economies. It can take shape in its fun-

damental aspects only on the soil of the world division of labour which has been created by the entire preceding development of capitalism.'

The most decisive of all issues for the USSR was therefore its foreign policy and the necessity to break its international isolation by expansion of socialism: 'A correct domestic policy in the USSR is inconceivable without a correct policy for the Comintern. Therefore, for us, the question of the Comintern's line, that is, the strategic line of the international revolution, stands above all other questions.'

This was because: 'Internationalism is not an abstract principle but the expression of an economic fact. Just as liberalism was national, so socialism is international. Starting from the worldwide division of labour, the task of socialism is to carry the international exchange of goods and services to its highest development.'

*The most decisive of all issues for the USSR was its foreign policy'*

45 Trotsky, 'Notes on Economic Questions', in *The Challenge of the Left Opposition (1926-27)*, Pathfinder Press New York 1980 p57-58.

46 *The Third International After Lenin* p40 and p50. It was in its isolation that the final roots of Soviet bureaucratism were to be found. As Trotsky wrote: 'The continuing privations of the masses in the USSR, the omnipotence of the privileged caste, which has lifted itself above the nation and its misery, finally, the rampant club law of the bureaucrats are not consequences of the socialist method of economy but of the isolation and backwardness of the USSR caught in the ring of capitalist encirclement.' (Trotsky, *Marxism in Our Time*, Pathfinder Press New York 1970 p34).

47 Trotsky, 'Declaration to the Sixth Comintern Congress', in *The Challenge of the Left Opposition (1928-29)*, Pathfinder Press New York 1981 p130. The foreign policy aspects of this are dealt with at length elsewhere. See for example *Imperialism, Stalinism, and Permanent Revolution*, London 1972. What is considered in this article is the economic conclusions which flowed from this reality.

48 Trotsky, *The History of the Russian Revolution*, Sphere Books London 1967 Vol 3 p350.

## 2 The central choice in the Soviet economy

From the fact that it was not possible to resolve all contradictions within the Soviet economy on the basis of the economy of one country, however, did not follow that nothing could be done within the USSR itself. Quite the contrary, from the difficulties it flowed that *everything* possible should be done. The point was simply that socialism in one country and the classic Marxist analysis outlined by Trotsky led to diametrically opposite conclusions as to *what* should be done. As Trotsky noted: 'In general, within the boundaries of a single nation, it is impossible to completely overcome the difficulties resulting from the delay in the world revolution. This should be said clearly, firmly and honestly, in a Marxist and Leninist way. But although the fate of the revolution is a function of its international character, it does not follow that the party in each country is relieved of the duty to *do the maximum* in all areas. On the contrary, this obligation only increases, because the economic errors made in the USSR not only retard the building of socialism in our country, but strike in the most direct way at the world revolution.'<sup>49</sup>

He noted: 'A [genuine] left course could not promise to build "full socialism" by our efforts alone. It could not even promise a complete triumph over the contradictions within the country, as long as world contradictions exist. But it could gradually establish more correct control over the domestic class contradictions — more correct from the standpoint of socialism under construction. It could quicken the rate of growth, through a more correct policy of distributing the national income. It could consolidate in a more systematic and serious way the proletariat's hold on the commanding heights of the economy.'<sup>50</sup>

Above all what was at stake was the *goals* of economic growth. In the Stalinist programme economic growth was to lay the basis for a future social-

ist society created in one country. For the Marxist/Trotsky's approach this was impossible. The aim, instead, must be to improve the living standards of the working class to consolidate its support for the Soviet state, increase its attractiveness to the international working class, and thereby create the best base for the international extension of socialism. Or as Trotsky put it: 'The tempo of industrialisation must guarantee, not the building of national socialism, but the reinforcement of the foundation of the proletarian dictatorship and the improvement of the conditions of the working masses of the city and countryside.'<sup>51</sup>

The core issue was that economic policy within the USSR must be dictated not by the utopian goal of constructing socialism in one country but by the most rapid sustainable rise in the living standards of the working class. The 'reactionary utopia' of socialism in one country directly cut across this.

### *The domestic consequences of socialism in one country*

The programme of socialism in one country was, in reality, no more neutral in its effect on Soviet domestic policy than in its international policy. It dictated a thoroughly wrong allocation of resources within the Soviet Union — and its economic consequences directly undermined the political support of the working class for socialism. The economic project of 'socialism in one country' directly strengthened reaction. As Trotsky put it: 'Theoretically, politically, and psychologically, the idea of the five year plan has become for the masses the problem of the construction of a Chinese wall around socialism in one country. The workers find this the only justification for the extreme tension imposed on them by the party apparatus.'<sup>52</sup>

As soon as it became clear that such a project of socialism in one country

could not possibly succeed there would inevitably be a violent reaction against the senseless privations the masses had been asked to endure in its name. As Trotsky noted: 'It is obvious that if it were really a question of outstripping the advanced capitalist countries in the next few years and in this way insuring the invulnerability of the socialist economy, then temporary pressure, however wearing on the muscles and nerves of the workers, would be understandable and even justifiable. But we have seen the ambiguity, deceit, and demagoguery with which this question is presented to the workers. The continuous pressure threatens to provoke a reaction among the masses incomparably graver than the one that developed at the end of the civil war.'<sup>53</sup>

Indeed, as an inevitable consequence of socialism in one country, Soviet reality was painted in a light that not only was palpably untrue but which would demoralise the masses. 'False theory inevitably brings mistakes in policy. From the false theory of "socialism in one country" flows not only a distorted general perspective, but also a criminal tendency to paint up the present Soviet reality.'<sup>54</sup> We will consider these issues point by point.

### *Light and heavy industry / consumer services*

The first, and most central, issue concerned in the ability, or otherwise, to build socialism in one country was that it directly dictated both the *type* and *tempo* of economic growth which was aimed at in the USSR. If it were conceived that socialism could be constructed in a single country, the USSR, then the foundation for this had to be laid in the present. Given the nature of productive processes this meant that, in a self-enclosed economy, absolute priority must be given to heavy industry — in order to produce refrigerators it is necessary to have

49 Trotsky, 'Declaration to the Sixth Comintern Congress', in *The Challenge of the Left Opposition (1928-29)*, Pathfinder Press New York 1981 p138.

50 Trotsky, 'Declaration to the Sixth Comintern Congress', in *The Challenge of the Left Opposition (1928-29)*, Pathfinder Press New York 1981 p138.

51 Trotsky, 'The New Course in the Soviet Economy', in *Writings 1930*, Pathfinder Press New York 1975 p118.

52 Trotsky, 'Successes of Socialism and Dangers of Adventurism' in *Writings 1930-31*, Pathfinder Press New York 1973 p92.

53 Trotsky, 'Successes of Socialism and Dangers of Adventurism' in *Writings 1930-31*, Pathfinder Press New York 1973 p102.

54 Trotsky, 'The Successes of Socialism and the Dangers of Adventurism', in *Writings 1930-31* Pathfinder Press New York 1973 p96.

steel, in order to produce consumer goods there must be machine tools, to run industry electricity must be produced. Indeed for a socialist society, with a higher development of the productive forces than capitalism, quantities of such resources even exceeding capitalist society would be required.

The conception of building socialism in one country therefore led, necessarily, to a total priority on heavy industry — coal mines, steel plants, dams etc — so characteristic of first Soviet and then East European economies. These were conceived as laying the foundations of the future socialist society constructed in one country.

Such an absolute priority to heavy industry, in turn, necessarily meant diverting resources from other sectors. It meant that consumer goods, consumer services, housing etc would be produced to a much lesser extent than possible — producing exactly the superfluity of heavy industry and shortage of every type of consumer goods and services that is seen in Eastern Europe today.

Indeed, the type of shortages seen in the USSR today graphically illustrate the type of economic errors which flow from socialism in one country. Even if the correct economic orientation had been pursued, that is one to raising the living standards of the working class, this, of course, would not have removed all economic difficulties in countries which were economically backward and subject to capitalist encirclement. Priority to consumer goods and services requires a development of heavy industry to supply them. With a correct orientation to prioritising consumer goods and services there might well be problems, for example, of shortage of steel, electricity, or energy to supply light industry and consumer services.

But the shortages in the USSR are not in heavy industry, energy, or raw materials — on the contrary there is a superfluity of supply in these areas. The shortages are in consumer goods and the almost non-existence of consumer services — precisely the areas where the workers state should have the greatest abundance. The type of economic shortage which exist, not the fact of shortages in general, indicates the wrong economic and political orientation adopted.

If the construction of socialism in one country was possible then, of course, such problems would progress-

ively be overcome. Heavy industry would be constructed now and light industry and services later as economic development caught up with that of capitalism. But if socialism in one country were impossible then the economic situation was blocked, the economic project utopian, and the masses would be deprived of consumer supply.

Trotsky's economic policy led to the exact opposite priority to that of socialism in one country. In Trotsky's economic analysis the absolute priority was to consolidate the support of the Soviet working class for socialism. Such a project could only be achieved with a material foundation. The aim must be to raise the living standards of the working class, conceived in the broadest sense, at the fastest possible rate. The most important sectors of the economy were those aimed at achieving this goal — light industry, state social services and consumer services.

This, naturally, did not mean that the construction of heavy industry could be avoided or that there would be no economic problems. The needs of production of consumer goods, and the defence of the USSR, could not be met without the construction of heavy industry. But the constant aim must be to raise by all means the living standards of the working class. This set the priorities and framework of the entire economic policy.

### 'Maximum' versus 'optimum' growth

The issue of improving the living conditions of the working class, of maintaining and strengthening the political support of the proletariat for socialism, therefore, must determine the criteria, and the tempo, of economic growth. Trotsky formulated this choice as that of the 'abstract maximum' rate pursued by Stalin versus the 'optimum' rate — the latter being the rate which most systematically raised the living standards of the working class over a prolonged period and which therefore, over the long term, also yielded the highest actual growth rate owing to the role played by the working class in production. As Trotsky noted in the draft programme of the International Left Opposition: 'The administrative chase after "maximum" tempos must give way to the elaboration of optimum (that is most

*The type of shortages illustrate the errors which flow from socialism in one country'*

advantageous) tempos which do not guarantee the fulfilment of the command of the day for display purposes only, but the constant growth of the economy, with a correct distribution of domestic means and a broad, planned utilisation of the world market.<sup>55</sup>

The goals in such economic growth must be simultaneously economic, that is to achieve the highest sustainable growth rate, and political — to consolidate the political support of the working class and to reinforce its alliance with the peasantry. The first aim of economic policy must therefore be: 'To establish as the criteria of this discussion: the optimum tempos, those which are most reasonable, that is, the tempos which not only permit the application of the present goals, but even more the dynamic equilibrium of rapid growth expansion for a number of years to come; the systematic increase of real wages; the closing of the scissors of industrial and agricultural prices, that is, the strengthening of the alliance with the peasantry.'<sup>56</sup>

Such aims in turn dictated the internal balance of the economy. In particular danger in the relations between industrial and agricultural production would come not only from an insufficient rate of industrialisation but also from a rate of industrialisation based on excessive levels of investment which squeezed the consumption of the working class and peasants. Trotsky noted: 'The fundamental and at the same time the most urgent aim... was to ensure the progress of the productive forces in general in the countryside and, on that basis, to accomplish the task of developing industry in close connection with agriculture... The problem of the *smychka*, the bond between proletariat and peasantry, determined the fundamental economic content of this policy. The aim of the state's economic policies as a whole is to ensure... a dynamic equilibrium between industry and agriculture, with the socialist elements gaining increased predominance over the capitalist elements.'

'It is quite obvious that disruption of this equilibrium could occur under two main conditions: if the state, by its fiscal, budgetary, industrial, commercial, or other policies were to take from the economy and transfer to industry a disproportionately large share of the annual product and of our resources in general, as a result of which industry would run too far ahead, would

55 Trotsky, 'New Zigzags and New Dangers' in *Writings 1930-31*, Pathfinder Press New York 1973 p282.

56 Trotsky, 'Successes of Socialism and Dangers of Adventurism' in *Writings 1930-31*, Pathfinder Press New York 1973 p106.

become detached from the national economic base, especially the agricultural base, and would run into the roadblock of insufficient purchasing power; on the other hand, if the state, through all the levers it controls, took and *insufficient* share of the economy's resources and their annual increases, the result would be that the supply of agricultural products would lag behind the effective demand.

'A disruption of the *smychka* is evident in either case. If industry's development is excessively forced, that imposes an insupportable burden on the peasant and thereby weakens agriculture. But the peasant would suffer just as great a loss if industry could not sufficiently meet the demand from the peasants' sale of the harvest, resulting in a "scissors" crisis between wholesale and retail prices.<sup>57</sup>

Turned into more precise goals an excessively fast rate of growth of production of the means of production, of heavy industry, as projected in Stalinist planning, would cut too heavily into the living standards of the workers. Thus, confronted with the start of Stalinist industrialisation with the first Five Year Plan, Trotsky sharply criticised this tendency noting: 'The tempos of industrialisation must be subordinated to the task of restoring the dynamic equilibrium of the economy as a whole... Those resources which are freed by the lowering of the tempos must be immediately directed into funds for consumption and for light industry... The conditions of the workers must be improved at any price... During the construction of socialism people must live like human beings. What is proposed... is a perspective of decades, and not a military campaign, or "a Saturday," or an isolated case of extraordinary intensification of forces. Socialism is the labour of future generations, but today it must be organised so as to permit the future generations to carry it on their backs.'<sup>58</sup>

### *Opposition to the Stalinist model of industrialisation*

From this starting point Trotsky therefore opposed the model of industrialisation inaugurated by the first Five Year Plan and which provided the

framework of Soviet economic planning until its final breakdown in the late 1980s. This policy did not improve the conditions of the working class to the maximum degree possible but attacked and rode rough shod over them. Thus Trotsky noted in 1930, with the simultaneous launching of the first Five Year plan and the 'third period' in foreign policy (the view that the social democracy was 'social fascist'), that: 'In recent months it has finally become clear that the Stalinist faction has transformed its left zigzag into an ultraleft course both in domestic economic problems within the USSR and in Comintern policy. This course is the negation and adventurist complement of the opportunistic course that prevailed in 1923 and which was especially pronounced from 1926-28. Today's course is in no way less dangerous, and in certain respects is a more serious danger, than yesterday's.

'Ultraleftism in the economic policy of the Soviet Union is now developing along two lines: industrialisation and collectivisation... The opportunists have moved from a passive possibilist position to one of unrestrained subjectivism. A reference by an economist or a worker to actual obstacles — for example, bad equipment, lack of raw material or its poor quality — is considered a betrayal of the revolution. From top down comes the demand for full speed, action, offensive. Everything else is the voice of evil.'<sup>59</sup>

The specific Stalinist course in industrialisation, dictated by the framework of 'socialism in one country', was not used to strengthen the position and conditions of the working class, as Trotsky had proposed in the 1920s, but to *worsen* them: 'The Left Opposition came out with a warning: with too swift a pace, not tested out by previous experience, disproportions may arise between the cities and the country, and between the different branches of industry, creating dangerous crises. Moreover — and this was the chief argument of the Opposition — a too rapid investment of capital in industry will cut off excessively the share allocated to current consumption, and fail to guarantee the necessary rise of the living standard of the people.'<sup>60</sup>

Trotsky noted that: 'The [Left] Opposition never undertook "in the short-

test possible time to overtake and outstrip" the capitalist world... Our estimate of the possibilities of industrialisation was immeasurably broader and bolder than that of the bureaucrats up until 1928. But we never regarded the resources for industrialization as inexhaustible. We never thought that its tempo could be regulated by the administrative whip alone... The Marxist Opposition was denounced by the bloc of the right and centre... They have a common basis: *national socialism*. Together they made a curve of 180 degrees over our heads. More and more, they transform the problem of industrialization into hazardous bureaucratic superindustrialisation.'<sup>61</sup>

Trotsky outlined with perfect clarity, totally confirmed by later events, the consequences of the Stalin model of industrialisation. Its consequences were

- An adventurist attempt to overcome the laws of economics which would inevitably fail. The administrative violence was the expression of this. It was not a question that the violence and crimes of Stalin were a byproduct of a correct course (a case justified by Stalinist apologists as 'you can't make an omelette without breaking eggs') but that they were the symptoms of a totally wrong course.

- An assault on the living standards of the working class that would break its support for socialism.

- A radical worsening of the position of women in Soviet society.

- A suppression of democracy in all spheres of Soviet life.

- The destruction of any rational pricing and accounting system.

- The radical deterioration of the quality of production.

- The destruction of Soviet agriculture.

We will deal with these in order.

### *An adventurist/administrative attempt to overcome the laws of economics*

From the analysis we have given it is clear that far from being impressed by the launching of forced collectivisation and the Stalinist model of five year plans, considering them a 'second revolution' as Deutscher did,

57 Trotsky, 'Amendments to Rykov's Resolution', in *The Challenge of the Left Opposition (1926-27)*, Pathfinder Press New York 1980 p49-50.

58 Trotsky, 'Alarm Signal', in *Writings 1932-33* Pathfinder Press New York 1972 p98.

59 Trotsky, 'The New Course in the Soviet Economy', in *Writings 1930*, Pathfinder Press New York 1975 pp106-107.

60 Trotsky, 'Is Stalin Weakening or the Soviets?', in *Writings 1932* Pathfinder Press New York 1973 p36 our emphasis.

61 Trotsky, 'The New Course in the Soviet Economy', in *Writings 1930*, Pathfinder Press New York 1975 pp116-117.

Trotsky considered them a disaster. As he stated: 'Measures of administrative violence have nothing in common with a correct course. They are the price paid for the incorrect one.'<sup>62</sup>

Forced collectivisation is considered in detail below. But as far as the course embarked on by the first Five Year Plan was concerned Trotsky noted that whatever its short term successes: 'The reactionary utopia of an enclosed socialist economy developing harmoniously on its internal foundations with the safeguard of the monopoly of foreign trade constituted the point of departure of the whole plan.'<sup>63</sup> More precisely the first Five Year Plan attempted to extract the USSR from the measure of the world economy and democratic control via an administrative/bureaucratic attempt to leap over the laws of economics. Instead of Soviet planning being aimed at being guided and realised through the market it was an attempt to *substitute* omnipotent planners for the market — ultimately led by an omnipotent Politburo. As Trotsky put it: 'Even if the Politburo consisted of seven universal geniuses, of seven Marxes or seven Lenins, it would still be unable, all on its own, with all its creative imagination, to assert command over the economy of 170 million people. This is precisely the gist of the matter.' Indeed: 'If a universal mind existed, of the kind that projected itself into the scientific fancy of Laplace — a mind that could register simultaneously all the processes of nature and society, that could measure the dynamics of their motion, that could forecast the results of their interactions — such a mind, of course, could a priori draw up a faultless and exhaustive economic plan, beginning with the number of acres of wheat down to the last button for a vest. The bureaucracy often imagines that just such a mind is at its disposal; that is why it so easily frees itself from the control of the market and of Soviet democracy.'<sup>64</sup>

Instead of this utopian concept the Soviet economy could not be developed on the basis of administrative and voluntarist planning but only by progressively *outgrowing*, not *suppressing*, market relations. As with the state and the family, the market, and

the categories which flowed from the market, could only 'whither away' over a prolonged historical epoch. They could not be suppressed by administrative fiat. Or as Trotsky noted: 'The innumerable living participants in the economy, state and private, collective and individual, must serve notice of their needs and of their relative strength not only through the statistical determinations of plan commissions but by the direct pressure of supply and demand.'

'The plan is checked and, to a considerable degree, realized through the market. The regulation of the market itself must depend upon the tendencies that are brought out through its mechanism. The blue prints produced by the departments must demonstrate their economic efficacy through commercial calculation.'<sup>65</sup>

### *Raising the conditions of the working class*

Within the framework of the purely progressive withering of market relations the criterion of Soviet economic policy could not be a self-enclosed socialist society but the improvement of the conditions of the working class. The first elements of elimination of the market must aim at improving the conditions of the working class — in health, education, housing, the supply of basic necessities etc. Economic policy must be approached from *that* angle. This meant not suppressing the market in other sectors of the Soviet economy. As Trotsky put it: 'The draft programme of the International Left Opposition says: "The living standards of the workers and their role in the state are the highest criteria of socialist successes." If the Stalinist bureaucracy would approach the tasks of planning and of a living regulation of the economy from this standpoint, it would not misfire so wildly every time, it would not be compelled to conduct a policy of wasteful zigzags, and it would not be confronted by political dangers.'<sup>66</sup>

Instead of this, as we have already noted, the standard of living of the working class was the last criteria, the 'residual', considered by both Stalinist and capitalist economic policy: 'No one disputes that bricks and iron, as



*'The plan is checked and realised through the market'*

well as their transportation, must be paid for. The necessity of calculating the costs of production is admitted at least in principle. But if the expenditures necessary for the extended reproduction of socialist labour power and the expenditures necessary to render it more qualified are considered last in all calculations, it is at the expense of these "reserve funds" that all the contradictions of our economy, which is managed in a miserable fashion, are evened up.'<sup>67</sup>

Instead of this bureaucratic approach, in the final analysis rooted in 'socialism in one country', the improvement of the conditions of the working class was the most important economic goal: 'If we speak seriously of independent socialist production, proceeding from the miserable economic base we have inherited, we must be fully and wholly imbued with the idea that of all the economic investments, the most undeniable, expedient and lucrative, is that which is put into the proletariat... They [the Stalinists] do not even dream of understanding this. The myopic conceptions of the petty-bourgeois manager is the most important criterion. Whipped by the lash of the Opposition, the "masters" of the centre... have not understood to

62 Trotsky, 'The July Plenum and the Right Danger', in *The Challenge of the Left Opposition (1928-29)*, Pathfinder Press New York 1981 p169.  
 63 Trotsky, 'Successes of Socialism and Dangers of Adventurism' in *Writings 1930-31*, Pathfinder Press New York 1973 p102.  
 64 Trotsky, 'Alarm Signal', in *Writings 1932-33* Pathfinder Press New York 1972 p96.  
 65 Trotsky, 'The Soviet Economy in Danger', in *Writings 1932* Pathfinder Press New York 1973 p274.  
 66 Trotsky, 'New Zigzags and New Dangers' in *Writings 1930-31*, Pathfinder Press New York 1973 p284.  
 67 Trotsky, 'Crisis in the Right-Centre Bloc' in *The Challenge of the Left Opposition (1928-29)*, Pathfinder Press New York 1980 p330.



this day that unless they make timely investments aimed at developing a skilled workforce — skilled in all respects: social, political, technical, and cultural — they are surely paving the way for the collapse of the whole social system.

"The stereotyped reply "Where will we get the means?" is only a bureaucratic subterfuge. It is enough to compare the state budget, reaching almost 8 billion in 1929; the gross production of state industry, amounting to 13 billion; capital investments of more than 1.5 billion; with the miserable 35 million constituting the annual fund for wage increases."<sup>68</sup>

The result of the Stalinist policy was to reduce to the minimum the proportion of economy devoted to sustaining and improving working class living standards. As Trotsky noted: "the economic turn towards industrialisation and collectivisation took place under the whip of administrative panic."<sup>69</sup> "The wrong method of the plan, the incorrect adjustment in the course of its realisation, the absence of genuine control by the masses, the ab-

sence of the party, the struggle for artificial targets in the name of prestige, the administrative command of the whip, boasting, bluster, stifling of criticism — all these combined have led to a false distribution of forces and means and have created, in view of the extremely rapid growth of the number of wages, an intolerable contraction of the real wage fund."<sup>70</sup>

#### *The downplaying of consumer goods*

The consequence of the excessive contraction of the proportion of the economy devoted to supplying consumer goods, and working class services, was that far from initial industrialisation benefitting the working class it took place at their expense. The pattern of the first Five Year Plan, and forced collectivisation, led not to an expansion of the goods available for the working class but a deterioration in the supply. Even later, when Soviet production of consumer goods did begin to rise, it was inadequate compared with the expansion of heavy industry. Furthermore the consumer ser-

vice sector, typical of the advanced capitalist countries, was almost totally absent. Trotsky noted in response to this that: "The composers of the plan proclaimed that it was their task to "lift up the country to a new and hitherto unseen high level of material and cultural development"... In actuality, the shortage in commodities has become unbearably acute, the supply of bread has sharply decreased, meat and dairy products have become rarities..."

"In reply to this, the theory has been created that socialism is not a consumers' organisation of society. The consolation bears too close a resemblance to mockery! In the midst of newly constructed factories, plants, mines, electric stations, collective and Soviet farms, the workers and peasants begin to feel more and more as if they are in the midst of gigantic phantoms indifferent to the fate of humans. An acute feeling of disillusionment has possessed the masses. The populace, as consumers, can no longer understand to what end they strain their energies as producers."<sup>71</sup>

#### *Imbalances in the economy*

The result of the failure of industrialisation to improve the conditions of the working class was a distortion of the entire balance of the Soviet economy. Light industry and consumer services, production of means of consumption, which serviced working class living standards, were constricted, or even non-existent, while heavy industry, the production of means of production, grew rapidly. The resulting imbalance was wrong economically and deeply discrediting for socialism — which above all seeks to meet the needs of the working class.<sup>72</sup>

Trotsky noted: "Is it not monstrous? The country cannot overcome its scarcity of goods, food shortages occur daily, children lack milk — and the official philistines declare: "The country has entered into the period of socialism." Could socialism be more fraudulently discredited."<sup>73</sup> Against this Trotsky called for priority for light

68 Trotsky, 'Crisis in the Right-Centre Bloc' in *The Challenge of the Left Opposition (1928-29)*, Pathfinder Press New York 1980 p330.

69 Trotsky, 'Successes of Socialism and Dangers of Adventurism' in *Writings 1930-31*, Pathfinder Press New York 1973 p91.

70 Trotsky, 'New Zigzags and New Dangers' in *Writings 1930-31*, Pathfinder Press New York 1973 pp288.

71 Trotsky, 'Alarm Signall', in *Writings 1932-33* Pathfinder Press New York 1972 p101.

72 Trotsky noted: "The second year of the five year plan is characterised in all speeches and articles in this manner: "The national economy of the country has entered into the period of socialism." Socialism exists "in its foundations". Everybody knows that socialist production, even if only in "its foundation," is production that satisfies at least elementary human needs. However in our country, with its frightful scarcity of goods, heavy industry increased last year by 28.1 per cent and light industry by only 13.1 per cent, hampering the basic programme. Even if this proportion is asserted to be ideally correct " which is far from the basic truth " it will nevertheless follow that in the interest of a kind of "primitive socialist accumulation" the population of the USSR will be compelled to tighten its belt more and more. But precisely this indicates that socialism on a low level of production is impossible; only the preparatory steps towards socialism can be taken.

73 (Trotsky, 'The Successes of Socialism and the Dangers of Adventurism', in *Writings 1930-31* Pathfinder Press New York 1973 p96.

industry, for production of consumer goods, for raising the living standards of the working class as rapidly as possible and at all costs: 'The "gaps" in the plan cannot be filled at the expense of light industry, as was generally done during the first two years, since the greatest lag in the plan is to be observed precisely in the production of finished goods... the scarcity of goods demands extraordinary efforts in the sphere of light industry.'<sup>74</sup>

As Trotsky wrote prophetically: 'Socialist construction is a task for decades. One cannot guarantee the solution of this task except by a systematic advance in the material and cultural living standards of the masses. This is the principal condition, more important than the gain in time in the construction of a Dnieprostroy, a Turksib, or Kuzbas, [large scale Soviet industrial projects] because with the fall in the physical and moral energy of the proletariat, all the gigantic enterprises may lack a tomorrow.'<sup>75</sup>

### The political consequences

Trotsky outlined the political consequences of these choices in economic policy clearly. The Stalin course — which instead of seeking every opportunity to raise the living standards of the working class sought economic development *at the expense* of the working class — smashed the support of the proletariat for socialism. Thus even before the phase of superindustrialisation began Trotsky warned bluntly in 1926: 'During the last year the entire economy took a step forward. There was an upturn in industry. The overall standard of living in the country improved. At the same time, real wages, by comparison with the autumn of last year, declined. How and why did this happen? Isn't there a danger that the overall standard of living [of other sections of the population] will continue to rise faster than wages? That would mean that the influence of the working class in society at large would decline. Is it necessary to discuss this question or isn't it?'<sup>76</sup>

Trotsky wrote five years later of the inevitable political consequences of such a course: 'The platform of the Russian Opposition warned five years

ago: "The Mensheviks, agents of the bourgeoisie among the workers, point triumphantly to the material wretchedness of our workers. They are trying to rouse the proletariat against the Soviet state, to induce our workers to accept the bourgeois-Menshevik slogan, "Back to capitalism". The complacent official who sees "Menshevism" in the Opposition's insistence upon improving the material conditions of the workers is performing the best possible service to Menshevism. He is pushing the workers under its yellow banner."<sup>77</sup>

### Stakhanovism

Given the distortion of the entire Soviet economy by the priorities of socialism in one country the various administrative measures, and campaigns, embarked upon by the Soviet bureaucracy made the situation worse not better but worse, as they could not substitute for the material base of improving the living standards of the working class. Stalin's economic policy was thus both reactionary and voluntarist. Or as Trotsky noted: 'Heroic enthusiasm can lift the masses for relatively short historical periods. A small minority is capable of manifesting enthusiasm for a whole historical epoch: upon this is based the idea of a revolutionary party as the selection of the best elements from the class. But socialist construction is a task for decades.'<sup>78</sup>

Thus Trotsky criticised the glorification of the Stakhanovist movement, for example, presented by Stalin as a model for raising economic growth because: 'The administrative method of "emulation" shows that the tempos are being attained largely at the expense of human muscle and nerve.'<sup>79</sup> Naturally 'exemplary' work could be used in the construction of a socialist society but it could not be its basis. Instead of voluntarism the plan must be drawn up to improve the living standards of the working class — not simply extort greater and greater effort. As Trotsky noted: 'Collective verification of the plan must be made in the process of work. The elements of this verification do not lie only in the figures of socialist bookkeeping but also in the muscles

and nerves of the workers and in the political moods of the peasants.'<sup>80</sup>

### Wages policy

These correct criteria of economic advance directly dictated the policy towards wages. The measurements used to decide on economic performance by both the pro-capitalist right and the Stalinists refused to take as the most important criteria how rapidly and sustainably the living standards of the workers were being raised. As Trotsky noted prior to the launching of the first Five Year plan: 'The articles and resolutions against the right clamour a good deal... about capital investments in industry, but they do not contain a single word on wages. This question, however, must become the main criterion for measuring the success of socialist development; and consequently, also the criterion to apply to differences. A socialist advance ceases to be such if it does not uninterruptedly, openly, and tangibly improve the material position of the working class in its daily life.'<sup>81</sup>

Trotsky noted that the approach of the Stalinists fell behind even advanced capitalist sectors in the West: 'Even the progressive capitalists in the epoch of capitalist prosperity and their theoreticians (the Brentano school, for example) put forward the amelioration of the material situation of the workers as a premise for the increase of labour productivity. The workers' state must generalise and socialise at least this viewpoint of progressive capitalism, insofar as the poverty of the country and the national limitation of our revolution does not permit us and will not permit us for a long time to be guided by a real socialist criterion.

'That is to say, the purpose of production is to meet human needs. We will not come to such really socialist relations between production and consumption for a number of years yet, under conditions of victorious revolution in the advanced capitalist countries, when our country is included in a common economic system. But since we have socialised the capitalist means of production, we must at least socialise also, so far as wages are concerned, the tendencies of progressive

*'A socialist advance ceases to be such if it does not tangibly improve the position of the working class'*

74 Trotsky, 'The Successes of Socialism and the Dangers of Adventurism', in *Writings 1930-31* Pathfinder Press New York 1973 p98.

75 Trotsky, 'New Zigzags and New Dangers' in *Writings 1930-31*, Pathfinder Press New York 1973 p284.

76 Trotsky, 'Is Discussion Needed', in *The Challenge of the Left Opposition (1926-27)*, Pathfinder Press New York 1980 p121.

77 Trotsky, 'New Zigzags and New Dangers' in *Writings 1930-31*, Pathfinder Press New York 1973 p284.

78 Trotsky, 'New Zigzags and New Dangers' in *Writings 1930-31*, Pathfinder Press New York 1973 pp286.

79 Trotsky, 'The Successes of Socialism and the Dangers of Adventurism', in *Writings 1930-31* Pathfinder Press New York 1973 p89.

80 Trotsky, 'The Successes of Socialism and the Dangers of Adventurism', in *Writings 1930-31* Pathfinder Press New York 1973 p91.

81 Trotsky, 'Crisis in the Right-Centre Bloc' in *The Challenge of the Left Opposition (1928-29)*, Pathfinder Press New York 1980 pp328-329.



capitalism and not those of primitive or declining capitalism.<sup>82</sup>

This framework directly dictated Trotsky's opposition to Stalin's attempt to lower wages and compress the consumption fund. He noted: "we must crush and throw to the winds the tendencies that imbue the last joint resolution of the Russian trade unions and the Supreme Council of the National Economy relating to wages projected for 1929. It is a decree of the Stalinist Political Bureau. It announces that with a few exceptions... there must be no mechanical (remarkable word!) increases in wages. Innumerable newspaper articles explain that the task for 1929 is to fight for the maintenance of the present scale of real wages. And at the same time all the noisemakers are clattering away to announce the mighty rise of socialist construction..."

"Budget appropriations for the protection of labour are insignificant. Alcoholism is on the increase. And as a perspective we have for the coming year the struggle to maintain the present wages of the workers. This means that the economic rise of the country is being accomplished at the price of decreasing the proletariat's share in the national income... No statistics can refute this fact, which is in equal parts the result of the policy of the right and the centre."<sup>83</sup>

Even in the most difficult economic circumstances Trotsky noted that the most important task was to attempt to sustainably raise the living standards of the workers. Thus for example writing in 1926 he noted: "Economic difficulties do not allow us at present to chart a course towards a substantial rise in wages. The party should recognise, however, that the present wage level is inadequate and should set itself the following tasks in this area:

'a. not to allow a decrease in real wages in the near future; b. to create the material conditions for a future increase in wages, i.e., a sufficient increase in the volume of industrial production in 1926-27 for money wages to be appropriately supplemented in kind (40 to 45 per cent of the worker's budget is now paid for in industrial products); a stubborn and systematic technical reequipment of industry, the only thing that can ensure a systematic and uninterrupted rise in the workers' standard of living.'<sup>84</sup>

### Consumer goods and the productivity of labour

Trotsky pointed out that rises in real wages, above all increasing the supply of consumer goods, would increase, not decrease, the productivity of labour: "There have been differences of opinion on the question of wages. In substance, these differences consist of our being of the opinion that at the present stage of development of our industry and economy, and at our present economic level, the wage question must not be settled on the assumption that the workers must first increase the productivity of labour, which will then raise the wages, but that the contrary must be the rule, that is, a rise in wages, however modest, must be the prerequisite for an increased productivity of labour."<sup>85</sup>

Indeed the appalling economic conditions directly hit against the productivity of labour: "In the category of reasons for the extremely low productivity of the Red Ural combine [in the Soviet press] alongside of "the shocking disproportions between the different parts of the combine," lists the following: (1) "the enormous migration of the labour force"; (2) "the muddle-headed policy of the workers' wage"; (3) "failure to provide [the millworkers] with some manner of livable quarters"; (4) "indescribable food for the millworkers"; (5) "the catastrophic falling-off of labour discipline." We have quoted word for word.

"As regards the migration, which "has grown beyond all bounds," this paper writes, "the living conditions [of the workers] are ghastly in all the enterprises of nonferrous metallurgy without exception."

"In the locomotive factories, which failed to provide the country with about 250 locomotives for the first three-quarters of the year, "there is to be observed an acute shortage of qualified workers. More than two thousand workers in the course of the summer left from the single Kolomensk factory." The reasons? "Bad living conditions." In the Sormovsk factory, "the factory kitchen is a dive of the worst sort." In the privileged tractor factory in Stalingrad, "the factory kitchen has fallen sharply in its work"... To what a pitch the dissatisfaction of the workers must have risen in order to force these

*Increasing the supply of consumer goods would increase the productivity of labour'*

facts into the columns of the Stalinist press!...

"In explanation of the cruel flop of "the six conditions" [a campaign of Stalin] there was a tendency for a long time to confine the observations to bald accusations against the management and the workers themselves: "incapacity," "lack of willingness," "resting on their laurels," etc. However, for the last few months the papers more and more often point out, mostly on the sly, the actual core of the evil, the unbearable living conditions of the workers... This risky explanation was made necessary, no doubt, in order to hide the basic fact: the lack of material goods to supply the workers. The national income is incorrectly distributed. Economic tasks are being set without any account being taken of the actual means. An increasingly inhuman load is being dumped on the shoulders of the workers."<sup>86</sup>

This position of Trotsky's was particularly prophetic. In the 1970s and 1980s systematic increases in wages did occur in the USSR. But there was still a tremendous shortage of consumer goods for these wages to buy. The result was, first, the 'monetary overhang' which now threatens the Soviet economy and, second, the fact that the increase in wages did not produce an increase in productivity — because even when workers received higher wages there were no consumer goods to purchase with them and the incentive effect was therefore minimal. Only a radical redistribution of resources within the Soviet economy could solve the problem.



82 Trotsky, 'Crisis in the Right-Centre Bloc' in *The Challenge of the Left Opposition (1928-29)*, Pathfinder Press New York 1980 pp328-329.

83 Trotsky, 'Crisis in the Right-Centre Bloc' in *The Challenge of the Left Opposition (1928-29)*, Pathfinder Press New York 1980 pp328-329.

84 Trotsky, 'Amendments to Rykov's Resolution', in *The Challenge of the Left Opposition (1926-27)*, Pathfinder Press New York 1980 p55.

85 Trotsky, 'Speech to the Fifteenth Congress', in *The Challenge of the Left Opposition (1926-27)*, Pathfinder Press New York 1980 p134.

86 Trotsky, 'The Soviet Economy in Danger', in *Writings 1932* Pathfinder Press New York 1973 pp267-268.

Piecework

For such reasons Trotsky attacked the almost universal use of piecework under the Stalinist system — a method of payments which has increasingly been dropped even by advanced capitalist production. Piecework was an attempt by the Stalinists to compensate for the lack of incentive given to the working class due to the shortage of consumer goods and services. Trotsky noted for example of Stalin's complaint of the excessive mobility of labour, which the latter described as workers wandering from factory to factory to 'try their luck', that: 'Nine tenths of the new programme of Stalin amounts to the reestablishment of piecework... We are told that in the third year of the five year plan the Soviet Union has entered into socialism... "Do not forget" he [Stalin] says, "that the vast majority of the workers have accepted these demands of the Soviet government (discipline, overexertion of effort, emulation, shock brigades) with great enthusiasm, and they are fulfilling them heroically."

'Now if that is true, if we have entered into socialism, if the "vast majority"... of the workers fulfil their tasks "with great enthusiasm" and even "heroically," one must ask why this same "vast majority" wander from one factory to another to try their luck? And why are they obliged, precisely now, after all the successes have been achieved, to pass over to the system of piecework which is, after all, the most refined method of exploitation of the working class.'<sup>87</sup>

Excessive reliance on piecework was an attempt to substitute for the involvement of the masses in economic life. As Trotsky noted: 'Piecework wages are not in principle contradiction with the conditions of the transitional Soviet economy... But the abrupt turn towards piecework and the extreme accentuation of the capitalist feature of this system present today, in the summer of 1931, at the end of the

third year of the five year plan, after the "uninterrupted successes", after we have "entered into socialism," is one of the harshest blows against the workers, from the material as well as from the moral point of view.'<sup>88</sup>

The overall conditions of the working class

The situation of wages and piecework was, however, simply a symptom of the entire situation of the working class under the Stalin course — the latter's attempt to pursue industrialisation at the proletariat's expense: 'The housing conditions of the workers in many places continue to deteriorate in terms of overcrowding and the restriction of tenants rights. The reduction in the number of adolescents hired... and the introduction of unpaid apprenticeships means an abrupt worsening of conditions for working class youth... The strengthening of the USSR internationally requires the strengthening of the revolutionary proletarian line within the USSR. We are weakened by the delay in raising wages, the deterioration of the workers' housing conditions.'<sup>89</sup>

In short, the real development and defence of the Soviet state could not take place *at the expense* of the working class but only on the basis of *strengthening* the position of the working class. As Trotsky noted: 'bettering the conditions of the workers; that's where the beginning must be made, for herein is to be found the key to everything else. Workers and their families must be assured of food, shelter, and clothing. No matter at what cost!... All questions relating to supplying factories with necessities must be regulated as independent and not supplementary tasks. Order must be brought into the production of consumer goods. Commodities must be adapted to human needs and not to the raw by-products of heavy industry.'<sup>90</sup>

Without this the entire socialist project faced catastrophe. Trotsky warned prophetically of the Stalin course: 'Unbearable working conditions cause a

The position of women was improved by Stalin only insofar as it allowed them to function as a supply of labour'

turnover of labour within the factories, malingering, careless work, breakdown of machines, damaged products, and general low quality in the grade of production. The entire planned economy falls under the blow.'<sup>91</sup>

The consequences for women

Finally the deterioration of light industry, the lack of consumer goods, and almost complete absence of consumer services struck most severely at women — because a large part of the sector was what made possible any beginning of the socialisation of domestic labour.<sup>92</sup>

The reactionary policies of Stalin on women, 'motherhood' etc — the 'Thermidor in the family' which Trotsky wrote of in the *Revolution Betrayed* — had their root in the wrong economic course established by socialism in one country. The position of women was improved by Stalin only insofar as it allowed them to function as an expanded supply of labour — to function as cogs in the emphasis given, in particular, to heavy industry — and not from the point of view of meeting the needs of women themselves. The development of the economic sectors that were necessary for women's needs were disrupted by the entire economic course. For only on a *material* basis could the real liberation of women take place.

As Trotsky noted: 'To institute the political equality of men and women in the Soviet state was one problem and the simplest. A much more difficult one was the next — that of instituting the industrial equality of women and men in the factories, the mills, and the trade unions and doing it in such a way that the men should not put the women to disadvantage. But to achieve the actual equality of man and woman within the family is an infinitely more arduous problem. All our domestic habits must be revolutionised before that can happen. And yet it is quite obvious that unless there is actual equality of husband and wife in the family, in a

87 Trotsky, 'New Zigzags and New Dangers' in *Writings 1930-31*, Pathfinder Press New York 1973 pp283-284.

88 Trotsky, 'New Zigzags and New Dangers' in *Writings 1930-31*, Pathfinder Press New York 1973 pp288-289..

89 Trotsky, 'Declaration of the Eighty-four' in *The Challenge of the Left Opposition (1926-27)*, Pathfinder Press New York 1980 pp234.

90 Trotsky, 'The Soviet Economy in Danger', in *Writings 1932* Pathfinder Press New York 1973 p282.

91 Trotsky, 'Alarm Signal', in *Writings 1932-33* Pathfinder Press New York 1972 p98.

92 Trotsky noted: 'The workers state must become wealthier in order that it may be possible seriously to tackle the public education of children and the releasing of the family from the burden of the kitchen and laundry. Socialisation of family housekeeping and public education of children are unthinkable without a marked improvement in our economics as a whole. We need more socialist economic forms. "Only under such conditions can we free the family from the functions and cares that now oppress and disintegrate it. Washing must be done by a public laundry, catering by a public restaurant, sewing by a public workshop." (Trotsky, 'From the Old Family to the New', in *Problems of Everyday Life*, Monad Publishers New York 1973 p42.). Similarly: 'The problem of women's emancipation... is closely tied to that of the transformation of family life.... This can be accomplished only through the organisation of communal methods of feeding and child rearing.' (Trotsky, 'A Letter to Moscow Women Workers' Celebration and Rally', *Women and the Family*, Pathfinder Press New York 1974 p29).

normal sense as well as in the conditions of life, we cannot speak seriously of their equality in social work or even in politics. As long as woman is chained to her housework, the care of the family, the cooking and sewing, all her chances of participation in social and political life are cut down in the extreme.<sup>93</sup>

Therefore: 'To alter the position of women at the root is possible only if all the conditions of social, family, and domestic existence are altered... The question of motherhood is above all a question of an apartment, running water, a kitchen, a laundry room, a dining room... Running water and electricity in the apartment lighten the woman's burden above all.'<sup>94</sup> The running down of consumer goods and services which was the byproduct of the policy of socialism in one country directly struck women.

Equally severe in its effects on women was the question of quality of production — something considered in detail below: 'Housing construction, the construction of child care facilities, kindergartens, communal dining rooms and laundries must be in the centre of attention, and that attention must be vigilant and well organised. Here questions of quality decide all. Child-care, eating and laundry facilities must be set up so that by the advantages they provide they can deal a death blow to the old closed-in, isolated family unit, completely supported on the bent shoulders of the housewife and mother... But the transfer of material means from the family... will only take place if the social organisation learns to satisfy the most primary demands better than the family.'<sup>95</sup>

Stalin, by destroying the economic basis of consumer goods and services, and the quality of production, threw back women. Trotsky noted: 'The October Revolution honestly fulfilled its obligations in relation to woman. The young government not only gave her all political and legal rights in equality with man, but, what is more important, did all that it could, and in any case incomparably more than any other government ever did, actually to se-



cure her access to all forms of economic and cultural work...

'The revolution made a heroic effort to destroy the so called family hearth — that archaic, stuffy, and stagnant institution in which the woman of the toiling classes performs galley work from childhood to death. The place of the family as a shut in enterprise was to be occupied, according to the plans, by a finished system of social care and accommodation: maternity houses, child care centres, kindergartens, schools, social laundries, first aid stations, hospitals, sanatoria, athletic organisations, moving picture theatres, etc. The complete absorption of the housekeeping functions of the family by institutions of the socialist society... was to bring to woman... a real liberation from thousand year old fetters...

'It proved impossible to take the old family by storm — not because the will was lacking, and not because the fam-

ily was so firmly rooted in men's hearts. On the contrary, after a short period of distrust of the government and its child care facilities, kindergartens, and like institutions, the working women, and after them the more advanced peasants, appreciated the immeasurable advantages of the collective care of children as well as the socialisation of the whole family economy. Unfortunately society proved too poor and little cultured. The real resources of the state did not correspond to the plans and intentions of the Communist Party. You cannot "abolish" the family; you have to replace it. The actual liberation of women is unrealisable on the basis of "generalised want." Experience soon proved this austere truth which Marx had formulated eighty years before.

'The truth is during the lean years the workers, wherever possible, and in part their families, ate in the factory and other social dining rooms, and this fact was officially regarded as a transition to a social form of life... The fact is that from the moment of the abolition of the food-card system in 1935, all the better placed workers began to return to the home dining table. It would be incorrect to regard this retreat as a condemnation of the socialist system, which in general was never tried out. But so much the more withering was the judgement of the workers and their wives upon the "social feeding" organised by the bureaucracy. The same conclusion must be extended to the social laundries, where they tear and steal linen more than they wash it. Back to the family hearth!

'But home cooking, and the home washtub, which are now shamefacedly celebrated by orators and journalists, mean the return of the workers wives to their pots and pans — that is, to the old slavery. It is doubtful if the resolution of the Communist International on the "complete and irrevocable triumph of socialism in the Soviet Union" sounds very convincing to the women of the factory districts.'<sup>96</sup>

The distortion of the Soviet economy, the destruction of light industry, welfare and consumer services, struck its heaviest blow against women.

*You cannot abolish the family, you have to replace it'*

93 Trotsky, 'From the Old Family to the New', in *Problems of Everyday Life*, Monad Publishers New York 1973 pp37-38.

94 Trotsky, 'To Build Socialism Means to Emancipate Women and Protect Mothers', *Women and the Family*, Pathfinder Press New York 1974 p45.

95 Trotsky, 'To Build Socialism Means to Emancipate Women and Protect Mothers', *Women and the Family*, Pathfinder Press New York 1974 pp47-48.

96 Trotsky, *The Revolution Betrayed*, New Park Publications London 1967 pp144-146. Trotsky concluded: 'No, the Soviet woman is not yet free. Complete equality before the war has so far given infinitely more to the women of the upper strata, representatives of bureaucratic, technical, pedagogical, and, in general, intellectual work, than to the working women and yet more the peasant women. So long as society is incapable of taking upon itself the material concern for the family, the mother can successfully fulfil a social function only on condition that she has in her service a white slave: nurse, servant, cook etc... The situation of the mother of the family, who is an esteemed Communist, has a cook, a telephone for giving orders to the stores, an automobile for errands, etc., has little in common with the situation of the working woman, who is compelled to run to the shops, prepare dinner herself, and carry her children on foot from the kindergarten.' (Trotsky, *The Revolution Betrayed*, New Park Publications London 1967 pp155-156).

### 3 Democracy and the categories of commodity economy

It was from the angle of proportions in the economy, not micro decision making, self-management, that the issues of the relation of democracy and economics were most fundamentally posed. Democratic resolution of the plan, to decide the allocation of resources, was the decisive issue. As Trotsky noted: 'The problem of the proportionality of the elements of production and the branches of the economy constitutes the very heart of socialist economy.'<sup>97</sup>

Only by democratic decision making could the essential allocation of proportions in the economy take place. Trotsky noted on this: 'The processes of economic construction are not yet taking place within a classless society. The questions relating to the allotment of the national income compose the central focus of the direct development of the class struggle and that of social groups, and among them, the various strata of the proletariat itself. These are the most important social and economic questions: the link between the city and the village, that is, the balance between that which industry obtains from agriculture and that which it supplies to it; the interrelation between accumulation and consumption, between the fund for capital construction and the fund for wages; the regulation of wages for various categories of labour (skilled and unskilled workers, government employees, specialists, the managing bureaucracy); and finally the allotment of that share of national income which falls to the village, between the various strata of the peasantry. All these questions by their very nature do not allow for a priori decisions by the bureaucracy, which has fenced itself off from intervention by concerned millions.

'The struggle between living interests, as the fundamental factor of planning, leads us into the domain of politics, which is concentrated economics... Only through the interreaction of these three elements, state planning, the market, and Soviet democracy, can the correct direction of the economy of the transitional epoch be attained. Only thus can be assured, not the complete surmounting of contradictions and disproportions within a few years (this is utopian!), but their mitigation, and through that the strengthening of the material bases of the dictatorship of the proletariat until the moment when a new and victorious revolution will widen the arena of socialist planning and will reconstruct the system.'<sup>98</sup>

The distortion of the proportions in the Soviet economy, the disappearance of the light industry and services and the unbalanced expansion of heavy industry, were the expression of the fact that working class democracy had ceased to function — no democratic decision by the working class would ever have arrived at such an allocation of resources. As Trotsky noted: 'the bureaucracy more and more resolutely ruled out any demands, protests, and criticism... The only prerogative which it ultimately left to the workers was the right to exceed production limits. Any attempt to influence economic management from below is immediately described as a right or a left deviation, that is, practically made a capital offense. The bureaucratic upper crust, in the last analysis, has pronounced itself infallible in the sphere of socialist planning.'<sup>99</sup>

This issue was particularly decisive when it came to determining the key question of the rate of accumulation,

*'Soviet democracy has become an economic necessity'*

As Trotsky noted: 'A five year plan can be projected with the necessary proportions and guarantees only on condition of a free discussion of its rates and terms; only with the participation in these discussion by all related industries and by the working class, drawing in all its organisations... only with an evaluation of the whole experience of the Soviet economy in the last period, including the monstrous faults of the leadership.

'The most important element of the plan is not a question of what the workers and peasants want and are able to consume immediately, but what they can save and accumulate. The question of the tempo of industrialisation is not a matter of bureaucratic fancy, but of the life and culture of the masses. Therefore the plan for building socialism cannot be issued as an *a priori* bureaucratic command. It must be worked out and corrected in the same way that the construction of socialism itself can only be realised, ie, through broad soviet democracy... Soviet democracy is not an abstract political demand and still less a moral one. It has become an economic necessity.'<sup>100</sup>

#### *The defence of the working class*

Democracy, not just political but in the unions and workers control, was indispensable for controlling costs of production and preventing industrialisation striking at the interests of the workers. Without this both would inevitably deteriorate: 'In a socialist economy under construction a basic condition for the economical expenditure of national resources is vigilant control by the masses, above all the workers in the factories and shops. As

97 Trotsky, 'The Soviet Economy in Danger', in *Writings 1932* Pathfinder Press New York 1973 p265.

98 Trotsky, 'The Soviet Economy in Danger', in *Writings 1932* Pathfinder Press New York 1973 pp274-275.

99 Trotsky, 'The Soviet Economy in Danger', in *Writings 1932* Pathfinder Press New York 1973 pp276-277.

100 Trotsky, 'The New Course in the Soviet Economy', in *Writings 1930*, Pathfinder Press New York 1975 pp116-117. What applied to the Soviets also applied to political parties within them. Trotsky noted that Stalin's suppression of inner party democracy and public debate was completely at variance with the earlier practice of the Bolsheviks: 'Even in the cruellest hours of the civil war we argued in the party organisations, and in the press as well, over such issues as the recruitment of specialists, partisan forces versus a regular army, discipline etc; while now there is not a trace of such an open exchange of opinions on questions that are really troubling the party.' (Trotsky, 'First Letter to the CC', in *The Challenge of the Left Opposition (1923-25)*, Pathfinder Press New York 1975 p57).

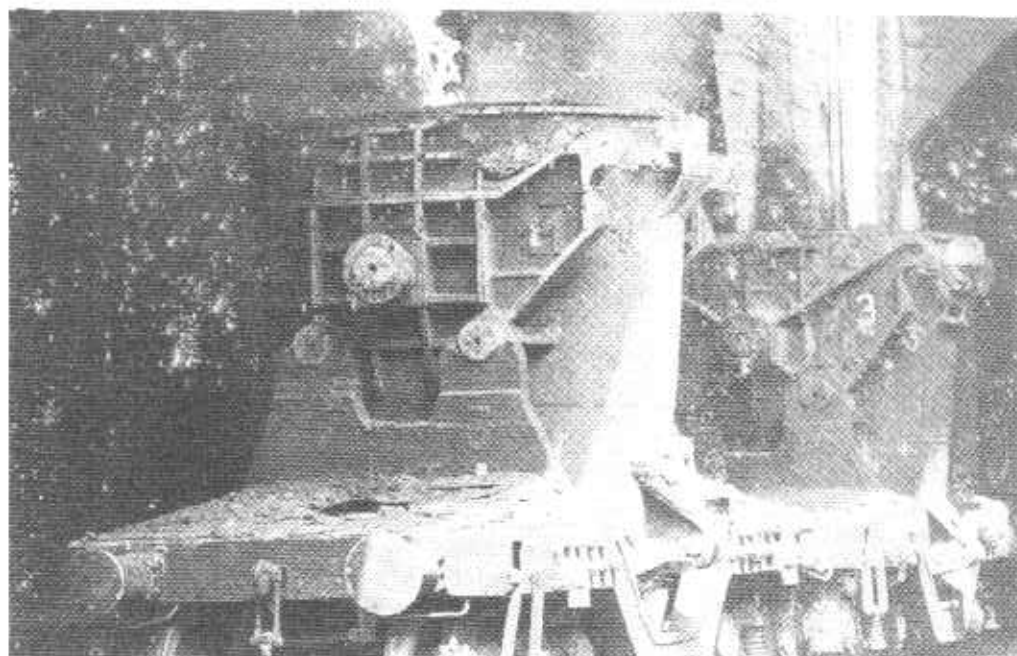
long as they cannot openly criticise and expose irregularities and abuses, exposing those responsible by name... the struggle for a "regime of economy" or for higher productivity will inevitably travel down the bureaucratic path, ie more often than not will strike at the vital interests of the workers.'<sup>101</sup>

It was *only* the introduction of democracy which would ensure economic planning that created a systematic improvement in the position of the working class. Thus even on the direct question of wages for example: 'Without the rebirth of workers democracy, a correct policy of wages is absolutely unattainable. "Collective contracts," says the platform of the Russian Opposition, "should be made after real and not fictitious discussion at workers meetings. The work of the trade unions should be judged primarily by the degree to which they defend the economic and the cultural interests of the workers under the existing industrial limitations. The trade unions must fulfil their functions on the basis of genuine elections, publicity, accountability to the membership, bearing the responsibility at every degree of the hierarchical scale. An article should be introduced into the Criminal Code punishing as a serious crime against the state every direct or indirect, overt or concealed persecution of a worker for criticising, for making independent proposals, and for voting."<sup>102</sup>

Or as Trotsky noted: 'That the old method of wages was bad from every point of view has been obvious to us for a long time. One cannot work out a rational, viable, and progressive system of wages without the collaboration of the masses themselves... Collective contracts and wage scales are elaborated in the offices and imposed upon the workers, like all other decisions in the infallible centre. Without the rebirth of workers democracy, a correct policy of wages is absolutely unattainable.'<sup>103</sup>

### Democratisation of the unions and proportions in the economy

**F**or correct economic functioning, above all correct proportions in



the economy, democratisation had to be extended not only to the Soviets and political parties but to the trade unions: 'The trade unions have finally been degraded to auxiliary organs of the ruling bureaucracy. A system of administrative pressure has been built up, under the name of shock troops, as if it were a question of a short mountain pass and not a great historical epoch. The economic plan must be checked on from the point of view of the actual systematic improvement of the material and cultural conditions of the working class in town and country. The trade unions must be brought back to their basic task: the collective educator, not the knout... The problem of raising the political independence of the proletariat and its initiative in all fields must be put in the foreground of the whole policy.'<sup>104</sup>

Only such methods could ensure the fundamental goal — the improvement at the most rapid pace possible of the conditions of the working class. As Trotsky wrote in 1926: 'It is necessary to reverse all decisions of the last two years that have *worsened* the situation for the workers, and to emphasise forcefully that without a planned and systematic improvement — even if at first it is only a slow improvement — in the conditions of the working class, this "main productive force" (Marx), it is impossible, in the present situation,

*'A true left course would require an economic plan over a period of years'*

to salvage either the economy or the construction of socialism.'<sup>105</sup>

Furthermore, democracy would become still more decisive as the economy developed for: 'Behind the question of quality stands a more complicated and grandiose problem which may be comprised in the concept of *independent, technical, and cultural creation*. The ancient philosopher said that strife is the father of all things. No new values can be created where a free conflict of ideas is impossible... epochs of revolution have never been directly favourable to cultural creation: they have only cleared the arena for it. The dictatorship of the proletariat opens a wider scope to human genius the more it ceases to be a dictatorship. The socialist culture will flourish only in proportion to the dying away of the state. In that simple and unshakable historic law is contained the death sentence of the present political regime in the Soviet Union. Soviet democracy is not the demand of an abstract policy, still less an abstract moral. It has become a life and death need of the country.'<sup>106</sup>

In short: 'A true left course would require an economic plan extending over a period of years... All that can be accomplished by the issuing of circulars from on high is a zigzag to the left. But it is impossible to carry out a true left course by issuing circulars. To

101 Trotsky, 'Declaration of the Thirteen', in *The Challenge of the Left Opposition (1926-27)*, Pathfinder Press New York 1980 p84.

102 Trotsky, 'New Zigzags and New Dangers' in *Writings 1930-31*, Pathfinder Press New York 1973 pp288-289.

103 Trotsky, 'New Zigzags and New Dangers' in *Writings 1930-31*, Pathfinder Press New York 1973 pp288-289.

104 Trotsky, 'Problems of the Development of the USSR', in *Writings 1930-31* Pathfinder Press New York 1973 pp228-229.

105 Trotsky, 'Declaration of the Eighty-four', in *The Challenge of the Left Opposition (1926-27)*, Pathfinder Press New York 1980 pp232.

106 Trotsky, *The Revolution Betrayed*, New Park Publications London 1967 pp275-76.

carry out a left, proletarian course, a Leninist course, our party must have a new orientation, from top to bottom, and a realignment of forces. Those are processes that would have to develop in a serious way over a long period.<sup>107</sup>

### Democracy and the law of value

Nevertheless if democracy set the framework of economic organisation — as Marx put it 'democracy is content and form' of the future organisation of society — democracy was subject to the constraint of the relations of commodity economy over an entire historical epoch.<sup>108</sup> In this contradiction lay the fundamental tension of socialist construction. As long as scarcity existed, that is as long as a superior development of the productive forces to capitalism had not been achieved, allocation of resources according to the democratic will of society collided with the continuation of allocation on the basis of the laws of commodity production — the law of value. Commodity production could only progressively be replaced by democratic, that is planned, allocation of resources. The feature of this prolonged transition period in the economic field, as Trotsky put it, was that for a many years: 'The plan is checked and, to a considerable degree, realised through the market'.<sup>109</sup> This reality, which would last even in the most advanced country for many decades and on a world scale for centuries, in turn dictated Trotsky's attitude to supply and demand and the other features of commodity economy. In particular it meant rejection of the administrative pricing policy of Stalin.

### Prices

The idea of a command economy rapidly overriding commodity calculation, introduced by Stalin and utilised in the Soviet economy up to the present, was an absurdity from a Marxist point of view. While the political transition from a bourgeois to a working class power was necessarily accomplished in a single transition, a revolution, the economic transition was spread out over an entire epoch of development. As Marx wrote in the *Communist Manifesto*: 'The proletariat will use its political supremacy to wrest, by degrees, all capital from the

bourgeoisie.'<sup>110</sup>

What was involved in the Soviet Union was a society, as Marx had foreseen, where: 'What we are dealing with... is a communist society, not as it has developed on its own foundations, but on the contrary, just as it emerges from capitalist society, which is thus in every respect, economically, morally and intellectually, still stamped with the birth-marks of the old society from whose womb it emerges.' In such a society the most important commodity relation, labour power, would remain a commodity over a prolonged period: 'Accordingly, the individual producer receives back from society... exactly what he gives to it.' Only over an entire epoch would payment of labour achieve: 'From each according to his abilities, to each according to his needs.'<sup>111</sup>

What applied to one commodity, labour power, necessarily applied to others. The Stalinist attempt to abolish the commodity character of production by administrative means, rather that

*'Capitalists do not attempt to fight wars on the basis of the market'*

society outgrowing it progressively over an entire historical epoch, was an adventure, an administrative attempt to suppress the labour determination of value, which would inevitably end in economic disaster.

The civil war had imposed on the Bolsheviks the command economy of 'war communism' which administratively overrode commodity relations in the economy — involving rampant inflation, ignoring the pricing mechanism, administrative allocation of resources, seizure of products etc. A command economy is typical even of bourgeois states in times of war — capitalists do not attempt to fight wars on the basis of the market — and was politically justified by such circumstances (as indeed such a mechanism would have been justified during World War II or other times of extreme crisis). But these were exceptional regimes.

For long term efficient economic functioning it was necessary to move towards reintroduction of the realisa-



107 Trotsky, 'Declaration to the Sixth Comintern Congress', in *The Challenge of the Left Opposition (1928-29)*, Pathfinder Press New York 1981 p138.

108 Marx, 'Contribution to the Critique of Hegel's Philosophy of Law', *Collected Works* Vol 3 p29.

109 Trotsky, 'The Soviet Economy in Danger', in *Writings 1932* Pathfinder Press New York 1973 p274.

110 Marx and Engels, *The Manifesto of the Communist Party*, in Marx and Engels *Collected Works* Vol 6 Progress Publishers Moscow 1976 p504.

111 Marx, *Critique of the Gotha Programme*, in Marx and Engels *Collected Works* Vol 24 p85-87.

tion of economic planning through supply and demand and the market — the plan set the framework within which the market functioned, and the plan only progressively made inroads into the market.

Furthermore, as the fundamental economic reality confronted was the world economy, *pricing* would have to fundamentally reflect *world prices* — for prices are the reflection of commodity relations. Other mechanisms for redistributing resources — social spending, subsidies, direction of resources — must be developed with the minimum disruption possible of the pricing mechanism — and least of all by *hidden* distortion of prices. As Trotsky noted: 'A brief experiment showed... that industry itself, in spite of its socialised character, had need of the method of money payment worked out by capitalism. A planned economy cannot rest merely on intellectual data. The play of supply and demand remains for a long period a necessary material basis and indispensable corrective.'<sup>112</sup>

Pricing was necessarily crucial as supply and demand cannot operate without accurate prices. As Trotsky wrote in *The Revolution Betrayed* criticising the theory of administrative pricing developed by Stalin: 'The owl of wisdom flies, as is well known, after sunset. Thus the theory of a "socialist" system of money and prices was developed only after the twilight of inflationist illusions. In developing the... enigmatical words of Stalin, the obedient professors managed to create an entire theory according to which the Soviet prices, in contrast to the market price, has an exclusively planning or directive character. That is, it is not an economic, but an administrative category, and thus serves the better for the redistribution of the people's income in the interests of socialism.'

'The professor forgot to explain how you can "guide" a price without knowing real costs, and how you can estimate real costs if all prices express the will of a bureaucracy and not the amount of socially necessary labour time expended. In reality for the redistribution of the people's income the

government has in its hands such mighty levers as taxes, the state budget and the credit system... The budget and the credit mechanism is wholly adequate for a planned distribution of the national income. And as to prices, they will serve the cause of socialism better, the more honestly they begin to express the real economic relations of the present day.'<sup>113</sup>

The correct objection to proposed price reform in the USSR today is not that it attempts to move Soviet prices towards world prices — that would be a step forward, *but that it does not propose to compensate the working class for the losses involved. That is it is not a price reform but a market attempt to attack the living standards of the working class disguised as a price reform.* It is to move from the Stalinist to the (worse) market attack on the working class. *Both* have to be rejected in favour of a line of *advancing* the interests and living standards of the working class.<sup>114</sup> Given that the aim is to improve working class living standards, price reform which does not include full compensation, that is one which aims to lower the living standards of the working class, should be opposed.

### Accounting and costs

What applied to prices, and currency, in the Soviet economy necessarily applied also to accounting and costs. With the destruction of commodity pricing under the Stalin system rational accounting became impossible — for, as Trotsky noted in the transition period, 'economic accounting is unthinkable without market relations.'<sup>115</sup> Furthermore any attempt to develop the economy without accurately knowing costs, that is without precise accounting, would inevitably lead to misallocation of resources and disaster. As Trotsky put it aphoristically, 'socialism means accounting.'<sup>116</sup>

Trotsky developed this position at length commenting on the speech given by Stalin to economists and managers in June 1931: 'From the speech [Stalin's] we note that "a num-

ber of enterprises and economic organisations have long ceased to count(!), to keep proper accounts, to draw up sound balance sheets of income and expenditure." Reading this one cannot believe one's eyes. How is this possible? What kind of leadership of industry is it whose effectiveness is not measured and not checked on in an every more precise manner? We learn further that such concepts as "regime of economy... rationalisation of production have long gone out of fashion." Does the speaker weigh his own words? Don't they sound like a monstrous slander of the Soviet economy, and primarily a merciless indictment of the top leadership?

"It is a fact," Stalin continues, "that production costs in a number of enterprises have recently begun to increase." We know what such words as "here and there", "in a number of enterprises" means when spoken by Stalin. They mean that the speaker is afraid of the facts, obscures them, and minimises them. Under the words "in a number of enterprises" is concealed heavy industry; yielding a 6 per cent increase instead of 40 per cent. This at the same time drives up the costs of production, undermining in this manner the possibility of its future growth. In addition to this, it turns out that the keeping of accounts is thrown overboard and rationalisation is out of fashion. Does not the alarming conclusion come to the fore that the actual situation is even worse than that presented by the speaker?

'How could this happen? Why and how have accounting and calculation been thrown overboard? Stalin keeps silent... We will reply in his stead. Calculation, which was never ideal, because the Soviet state has only begun to learn to make calculations on a national scale, was thrown completely overboard from the time that the bureaucratic leadership substituted the naked administrative whip for a Marxian analysis and flexible regulation of the economy.'<sup>117</sup>

The inevitable consequence of destroying any rational accounting system was a disastrous escalation of costs and deterioration in quality. As

*'Soviet price reform does not propose to compensate the working class for the losses involved'*

112 Trotsky, *The Revolution Betrayed*, New Park Publications London 1967 p24.

113 Trotsky, *The Revolution Betrayed*, New Park Publications London 1967 p75. In order to have a workable system of prices strict attention had also to be paid to the currency. As Trotsky noted: 'A stable currency system must be restored as the only reliable regulator of planned economy at the present stage of its development. Without it the locomotive of planned economy will inevitably fail to make the grade.' (Trotsky, 'Alarm Signal!', in *Writings 1932-33* Pathfinder Press New York 1972 p112).

114 The IMF is quite clear that what is involved in the USSR is not just a price reform. It's *A Study of the Soviet Economy* argues that 'full compensation is not feasible' for price rises and that 'there is a need to set a ceiling for wage increases.'

115 Trotsky, 'The Soviet Economy in Danger', in *Writings 1932* Pathfinder Press New York 1973 pp276.

116 Trotsky, 'First Letter to the CC', in *The Challenge of the Left Opposition (1923-25)*, Pathfinder Press New York 1975 p57.

117 Trotsky, 'New Zigzags and New Dangers' in *Writings 1930-31*, Pathfinder Press New York 1973 pp281-282.

Trotsky put it: "The coefficients of growth have become questions of bureaucratic prestige. Where is there a place for calculation? The director or chairman of a trust who "completed and exceeded" the plan, having robbed the budget and laid a mine in the form of bad quality of production under adjacent sectors of the economy, proved to be a hero. On the other hand the economist who tried to estimate correctly all the elements of production and did not push for the sacred bureaucratic targets constantly fell into the ranks of the penalised."<sup>118</sup>

### Quality

The inevitable result of the attempt to administratively override commodity relations, supply and demand, prices and rational cost calculation was a catastrophic decline of quality of Soviet production. Indeed the entire bureaucratic system produced deterioration of quality of output. As Trotsky noted, commenting on the Sixteenth Congress of the CPSU in 1930: "Only the figures that describe the rate of growth were given; not one figure that describes the quality of production! It is as though one were to describe a person by giving the dimension of height without that of weight."

"The same was true of net costs. The whole economic system, and above all the effectiveness of its direction, is tested by the productivity of labour, and in the tributary economic forms the productivity of labour is measured by production costs or net costs. To ignore this question is the same as to declare a person healthy on the basis of appearance, without listening to complaints or checking the heartbeat."<sup>119</sup>

Trotsky's views on this were indeed confirmed by the constantly growing Soviet complaints about quality of production: "Matters are worse, however, with the qualitative indices. The newspaper *Za Industrializatsiia*, speaking of coal production, says: "The gap for qualitative indices is much wider than for quantitative indices"... In connection with the output of Krivoy Rog iron ore, the newspaper writes: "The qualitative indices have fallen"... Have fallen! But we know that even earlier they stood at an extremely low level."<sup>120</sup>

Similarly: "Side by side with these quantitative results, which *Ekonomi-*

*cheskaya Zhizn (EZ)* [Economic Life] characterizes as "shocking lapses," there is to be placed an extremely unfavourable and, because of its consequences, much more dangerous decline in quality. Following the special economic press, *Pravda* openly confesses that in heavy metallurgy "the situation as regards the indices of quality is impermissible." "The defective products eat up the steel that is up to quality." "The technical coefficients in the use of the equipment are taking a sharp turn for the worse." "The cost of production of commodities is rising sharply."

"Two figures will suffice: in 1931 a ton of iron cost 35 rubles; in the first half of the current year the cost came to 60 rubles... Coal, hastily mined and poorly sorted, hampers the operation of coke-producing enterprises. Excessively high contents of moisture and cinders in the coke not only reduce the quantity of produced metal by millions of tons but also lower its quality. Machines of poor metal produce inferior products, result in breakdowns, force inactivity upon the workers, and deteriorate rapidly."

"*Pravda* characterizes in the following manner the condition of the Stalingrad tractor factory in which the quantity of annual castings fell from 250 to 140 thousand tons. "The equipment, because of the absence of rudimentary and constant technical supervision... has excessively deteriorated." "Defective products have become as high as 35 percent." "The entire mechanism of the plant is wallowing in dirt..."

"The cement factory in Podolsk is in dangerous straits," writes *ZI*, "In the first half-year the production program was fulfilled approximately 60 percent, in the last months the fulfilment dropped to 40 percent... The basic costs are twice as high as those set by the plan." The characteristics cited above apply in various degrees to all of present industry.

"The administrative hue and cry for quantity leads to a frightful lowering of quality; low quality undermines at the next stage the struggle for quantity; the ultimate cost of economically irrational "successes" surpasses as a rule many times the value of these same successes. Every advanced worker is

acquainted with this dialectic, not through the books of the Communist academy (alas! more inferior goods), but in practice, through experience in their own mines, factories, railroads fuel stations, etc."<sup>121</sup>

This deterioration of quality made a mockery of many official Stalinist claims of economic success: "If we were to introduce a corrective coefficient for quality into the official data, then the indices of the fulfilment of the plan would immediately suffer substantial drops. Even Kuibyshev was forced to admit this more than a year ago. "The figures relating to the tremendous growth of industry become relative," he announced cautiously at a session of the Supreme Council of National Economy, "when one takes into account the variations in quality."

"Rakovsky expressed himself much more lucidly: "If one does not take into account the quality of production then the quantitative indices represent in themselves a statistical fiction."... "One billion rubles have been immobilized, 'frozen' by [heavy] industry, in the course of only the first half of 1932, in the form of stocks of materials, unfinished products, and even finished goods in factory warehouses"... Such are the expressions in terms of money of certain disproportions and discordances according to the official estimate."<sup>122</sup>

Once more deterioration of quality particularly struck at light industry and consumer services — the sectors which were most important from the point of view of the standard of living of the working class: "While the growth of industry and the bringing of agriculture into the sphere of state planning vastly complicates the tasks of the leadership, bringing to the front the problem of quality, bureaucratism destroys the creative initiative and the feeling of responsibility without which there is not, and cannot be, qualitative progress. The ulcers of bureaucratism are perhaps not so obvious in the big industries, but they are devouring, together with the cooperatives, the light and food producing industries, the collective farms, the small local industries — that is, the branches of economy which stand nearest to the people."<sup>123</sup>

### Reduction of quality struck again at light industry and consumer services'

118 Trotsky, 'New Zigzags and New Dangers' in *Writings 1930-31*, Pathfinder Press New York 1973 p282.

119 Trotsky, 'Who Will Prevail?', in *Writings 1930*, Pathfinder Press New York 1975 pp328-329.

120 Trotsky, 'The Five Year Plan in Four Years?' in *Writings 1930-31*, Pathfinder Press New York 1973 p183.

121 Trotsky, 'The Soviet Economy in Danger', in *Writings 1932* Pathfinder Press New York 1973 p262.

122 Trotsky, 'The Soviet Economy in Danger', in *Writings 1932* Pathfinder Press New York 1973 p262.

123 Trotsky, *The Revolution Betrayed*, New Park Publications London 1967 pp275-76.



The inevitable result was that the already insufficient production of light industry and consumer services was further degraded: 'Light industry, which lagged excessively behind the plan last year, showed a rise in the first half of the current year of 16 percent, but in the third quarter it fell below the figures of last year. The industry providing foodstuffs occupies last place. The supplementary production of products by the plants of heavy industries composes for the eight months only 35 percent of the yearly goal. It is not possible at present to estimate what part of this mass of commodities that are hurriedly improvised really meets the requirements of the market.'<sup>124</sup>

### The economic role of the bureaucracy

The above analysis, which reads like a guided tour of the contemporary Soviet economy, was not made by Trotsky today, when the whole world knows the problems of Soviet quality, but in the 1930s, at a time when the success of the Five Year plan were dazzling the world and Stalin's praises were being sung by reformists throughout the West. It was an incredible example of economic analysis and foresight.

From it flowed also Trotsky's formulation of the historical role of the bureaucracy — a formula which is now widely accepted although its sources are not acknowledged. He noted: 'The progressive role of the Soviet bureaucracy coincides with the period devoted to introducing into the Soviet Union the most important elements of capitalist technique. The rough work of borrowing, imitating, transplanting and grafting, was accomplished on the bases laid down by the revolution. There was, thus far, no question of any new word in the sphere of technique, science or art.

'It is possible to build gigantic factories according to a ready made Western pattern by bureaucratic command — although, to be sure, at triple the normal cost. But the farther you go, the more the economy runs into the problem of quality, which slips out of the hands of a bureaucracy like a shadow. The Soviet products are as though branded with the grey label of indifference. Under a nationalised economy, quality demands a democracy of producers and consumers, freedom of criticism and initiative — conditions

incompatible with a totalitarian regime of fear, lies and flattery.'<sup>125</sup>

### Agriculture and collectivisation

Finally, to complete our survey of the Soviet economy, the Stalin course not only struck blows at the working class directly but smashed the class and social alliances which the working class had to make — with disastrous political and economic consequences. On the Marxist formula the working class needed to place itself 'at the head of the nation' within the Soviet Union — that is to lead all the oppressed and exploited. The Marxist formula, encapsulated in Lenin's concept of a 'worker-peasant alliance' as the basis of the Soviet state, was that the working class had to expropriate monopoly capital and lead, ally with, the urban and rural petty-bourgeoisie. This was the expression of working class hegemony. It was vital not merely politically, to maintain state power, but economically — because the peasantry was both the supplier of the single most important basis of working class living standards, food, and a large internal market of the Soviet economy.

*'A peasant could not consume a dam or a steel mill*

On the basis of a correct development of the Soviet economy, that outlined by Trotsky, there was no strategic contradiction between the economic development of the working class and peasantry. In addition to direct industrial goods for agricultural production what the peasants most wanted was what the working class required — a rising supply of consumer goods and state and consumer services. An industrialisation based on improving the living standards of the working class, and therefore axed towards light industry and services, would have supplied the peasantry and given it a strong incentive to produce food to sell in exchange for these goods. Such a course of industrialisation strengthened the worker-peasant alliance — as Trotsky had advocated in the 1920s.

But the Stalin course cut completely across this. A peasant could not consume a dam or a steel mill. If industry would not supply consumer goods for the peasants, because it was totally oriented to heavy industry, then the peasants had no economic incentive to produce food for the working class. Food production would therefore have to proceed by coercion. The pattern of industrialisation decided upon by Stalin dictated not an alliance with the peasantry but a violent assault on it — with catastrophic consequences for Soviet agriculture and the entire economy.

The course embarked on towards agriculture and the rural petty-bourgeoisie (the peasantry), has been the achilles heel of the Soviet economy ever since the 1930s. Trotsky's position on this also nails decisively the Stalinist/Gorbachevite lie that Trotsky was an exponent of a commandist/administrative line or of 'workerism'.

To create the alliance of the working class and peasantry the correct formula was that the proletariat should expropriate monopoly capital and ally with the petty-bourgeoisie — that is what 'placing itself at the head of the nation' meant in social terms. But Stalin turned that into a different formula — that the working class should expropriate not only monopoly capital but also the petty-bourgeoisie. Such a formula of a revolution not leading, but against, the petty-bourgeoisie was not merely a political but an economic disaster (Pol Pot's in Kampuchea was the ultimate expression of such a course).



124 Trotsky, 'The Soviet Economy in Danger', in *Writings 1932* Pathfinder Press New York 1973 p262.

125 Trotsky, *The Revolution Betrayed*, New Park Publications London 1967 pp275-76.

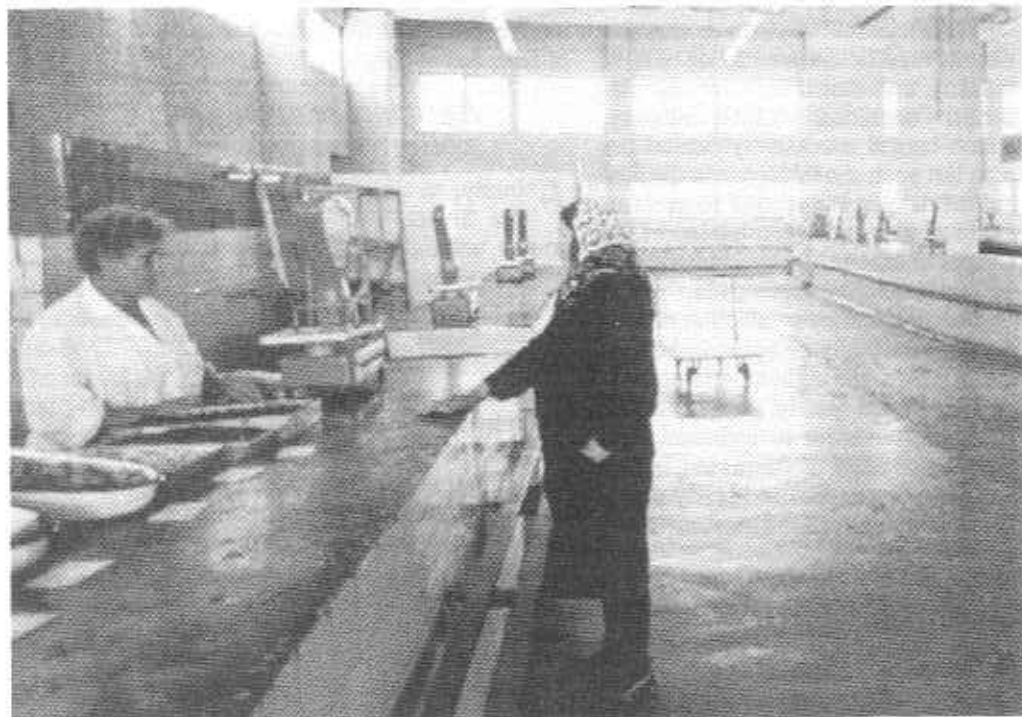
The most dramatic expression of this was in Soviet agriculture — the peasantry being by far the largest section of the petty-bourgeoisie.

### *The catastrophe of forced collectivisation*

Trotsky foresaw with total clarity that the result of forced collectivisation, the expropriation of the petty bourgeoisie, would destroy the productivity of Soviet agriculture. As he noted in *The Revolution Betrayed*: 'An exaggeratedly swift collectivisation took the character of an economic adventure... Twenty-five million isolated peasant egoisms, which yesterday had been the sole motive force of agriculture... the bureaucracy tried to replace at one gesture by the commands of two thousand collective farm administrative offices, lacking technical equipment, agronomic knowledge, and the support of the peasants themselves. The dire consequences of this adventurism soon followed.'<sup>126</sup>

Far from being a step forward forced collectivisation was a catastrophe: 'Fifteen million peasant farms have been collectivised; and ten million private enterprises have been deliberately placed under such conditions so as to hide the superiority of primitive small scale farming over purely bureaucratic collectivisation. Thus by means of combined methods the bureaucracy succeeded in weakening, if not in killing, all stimulus for work among the peasantry. The harvest of crops, even previously extremely low, began to drop ominously. From season to season the supply of raw materials to industry of food to the cities worsens catastrophically.'<sup>127</sup>

The administrative attempt to leap over commodity and small scale production guaranteed there would be a lack of food, a permanent block to the increase in living standards of the Soviet population, and a permanent drain on the Soviet economy. Trotsky noted clearly that every attempt by the bureaucracy to use administrative methods down this path to try to overcome the situation could only lead further into the mire: 'The piling up of fixed prices, those set conventionally and the prices in the free market; the transition from planned collection of farm products, that is the semblance of *trade* between



the government and the peasantry, to grain, meat, and milk *taxes*; the struggle not for survival but against death itself, against mass pillage of collective-farm property and against mass concealment of pillage; the out and out military mobilisation of the party for a struggle against kulak sabotage, after the "liquidation" of the kulaks as a class; and simultaneously with all this the undernourishment in the cities, the return to the card system and rations, and finally the restoration of the passport system... The bureaucracy leans harder and harder upon the administrative lever instead of pulling asunder the framework that restricts the personal interest of the peasant in conformance with the real conditions of agriculture.'<sup>128</sup> Anyone acquainted with the inability of the bureaucracy to improve the situation in Soviet agriculture, despite the vast resources allocated to it, will recognise perfectly the situation already outlined by Trotsky in the 1930s.

Trotsky therefore also noted that the more rapidly forced collectivisation went after 1928 the worse it became: 'Collectivisation has already at the present time, ie, at the beginning of the second year, taken in more than 40 per cent [of the peasantry]. If this tempo is maintained, in the coming year or two collective farms will encompass the entire peasantry. This

*'Weakening, if not killing all stimulus for work among the peasantry'*

would appear to be a great success. In fact, it is a great danger...

'The liquidation of NEP presented the middle peasant with the following alternatives: either to revert to the natural consumers' economy, ie to become extinct, or to become involved in a civil war for the market, or to try his hand at the new way in the collective economy...

'The [Stalinist] leadership created a new theory: the building of socialism has entered into its "third" stage: there is no longer any need for a market; in the near future the kulak as a class will be liquidated. In essence this is not a new theory. It is the old theory of socialism in one country, but shifted into "third gear". Earlier, we had been taught that socialism would be built in backward Russia "at a snail's pace" with the kulak growing into socialism. Now the snail's pace has been replaced by a speed almost that of an aircraft's. The kulak is no longer growing into socialism... but is simply being liquidated by administrative order.'<sup>129</sup>

The class error of this policy was to launch an attack not on monopoly capital but on the petty bourgeoisie — a turn from the hegemony of the working class to administrative terror — a totally false class line: 'In practice the liquidation of the kulaks led to merely administrative methods of the confiscation of the kulak's property, his

126 Trotsky, *The Revolution Betrayed*, New Park Publications London 1967 p39.

127 Trotsky, 'Alarm Signal', in *Writings 1932-33* Pathfinder Press New York 1972 p109.

128 Trotsky, 'Alarm Signal', in *Writings 1932-33* Pathfinder Press New York 1972 p98.

129 Trotsky, 'The New Course in the Soviet Economy', in *Writings 1930*, Pathfinder Press New York 1975 pp108-112.

house, his lot; and to his deportation. This policy has been carried out in a way that regards the kulak as an entirely foreign body among the peasants, some kind of invader, like a Pecheneg or Polovstian nomad. As a matter of fact, the kulak represents only one of the stages of the development of the middle peasant.<sup>130</sup>

By this erroneous class policy the entire system of motivation in Soviet agriculture was thereby destroyed: 'The headlong race to break records in collectivization, without taking into account the economic and cultural potentialities of agriculture, has led in fact to ruinous consequences. It destroyed the incentive of the small commodity producer long before it was able to replace it by other and much higher economic incentives. Administrative pressure, which exhausts itself quickly in industry, is absolutely powerless in the sphere of agriculture.'<sup>131</sup> The total debacle of Soviet agriculture in the six decades that followed flowed inevitably from this course.

Furthermore, while the attempt to suppress the rural petty-bourgeoisie was the most disastrous of all the same principle applied to the urban petty-bourgeoisie — shopkeepers, the retail trade, the service sector. The nationalisation of small units of production or service in the USSR had nothing to do with a Marxist analysis. It was positively harmful. Recreating a petty-bourgeoisie is, paradoxically, one of the tasks of the working class in regard to reversal of the Stalinist economic course.

Finally it should be noted that the maintenance of peasant production by itself would have dictated the continuation of market relations in large parts of the Soviet economy because: 'A peasant represents a small productive unit and as such cannot exist without a market.'<sup>132</sup> This market in turn would have created a distribution network linked to it. The absence of an adequate distribution and service system in the USSR is itself indissolubly linked to forced, as opposed to any elements of voluntary, collectivisation.

### China and Vietnam

Where this disastrous policy of forced collectivisation has been abandoned the results have been re-

markable. In China and Vietnam de-collectivisation turned the countries' agriculture from shortage, and even famine, to surplus — Chinese peasants have far exceeded Japanese industry in the rate of growth of productivity in the last decade. Small rural industry was thereby similarly created. China, whatever one thinks of its politics, is the greatest economic success story of the last decade — far exceeding in its economic achievements South Korea and the other East Asian 'Newly Industrialising Countries'. China, contrary to myth, has not pursued a policy of 'market socialism' in industry but what might be termed the 'original NEP'. It has reintroduced market-commodity relations into agriculture, and allowed the recreation of a petty-bourgeoisie, but kept the industrial sectors of the economy under planning. As the IMF put it: 'rural China has undergone the transformation to a market based system... and urban areas have not.'<sup>133</sup> The result is startling economic success compared to USSR.

With Soviet agriculture still not having recovered sixty years later few warnings were more prophetic than Trotsky's implacable opposition to the policy of forced collectivisation. In agriculture it was a total confirmation of his warning that 'It is... false... to measure the degree of the realisation of socialism by the specific gravity of state and private economy.'<sup>134</sup> The decisive issue was not voluntarist statification but the class alliances the working class could make to most rapidly develop its own living standards — and, in large part through the market this created for the peasantry, to help maintain its place at the head of the nation.

Developing light industry and services, the essential base for improving working class living standards, will help recreate the base for the alliance with the peasantry.

### Conclusion

We have now traced Trotsky's analysis of the Soviet economy from the most general to detailed considerations. Its implications and programme for the Soviet, and East European, economies are clear:

●Because of its position in world economy the attempt to reintroduce capitalism into the USSR, and Eastern Europe, will produce not economic im-

provement but economic decline, radical deterioration of the living standards of the working class, and dictatorship.

●If the attempt to create market capitalism produces a radical attack on the position of the working class so does the reactionary utopian course of socialism in one country of Stalinism — which must be broken with and which, in reality, has already collapsed.

●The criterion of economic policy must be to raise as rapidly as possible the living standard of the working class. This means not opening up the economy to capitalism, which will further reduce living standards, but as swiftly as possible reallocating resources away from heavy industry, and carrying out the most rapid expansion possible of light industry and consumer services. Heavy industry must be resituated from being a cog in a reactionary utopian attempt to create 'socialism in one country' to supplying light industry.

●Rapid expansion of light industry and services will recreate the potential base for an alliance with the peasantry. Indeed *only* on the basis of raising the living standards of the working class can the peasantry be aided — as the reduction of the working class's living standards by the reintroduction of capitalism destroys the market for the peasants production, food, and the EC and other capitalist states will not admit the peasants products as exports to their own countries. The recreation of an alliance between the working class and peasantry, based on expanding the domestic market, will in turn raise the living standards of the working class by expanding the food supply. Capitalism and Stalinism by driving down the living standards of the working class therefore also directly strike at the peasants.

●It is impossible to decide from outside the USSR and Eastern Europe at exactly at what pace, in what forms, and to what degree de-collectivisation must proceed. But the rural economy must develop in that direction and towards the recreation of a rural petty bourgeoisie. This means that the limits on individual private agriculture must be removed.

●The greatest attempts must be made to rapidly recreate a consumer, and state, service sector. This requires the reemergence of an urban petty-bour-

*'Capitalist restoration would mean economic decline and dictatorship'*

130 Trotsky, 'The New Course in the Soviet Economy', in *Writings 1930*, Pathfinder Press New York 1975 pp108-112.

131 Trotsky, 'The Soviet Economy in Danger', in *Writings 1932* Pathfinder Press New York 1973 pp270-271.

132 Trotsky, 'The New Course in the Soviet Economy', in *Writings 1930*, Pathfinder Press New York 1975 p110.

133 IMF/World Bank/OECD/European Bank for Reconstruction and Development, *A Study of the Soviet Economy*, OECD Paris 1991 Vol 2 p154.

134 Trotsky, 'Problems of the Development of the USSR' in *Writings 1930-31*, Pathfinder Press New York 1973 p218.

geosic.

●Prices must be moved towards world levels. This does not mean that there should not be subsidies of the working class and economic sectors, quite the reverse, but these must be paid as far as possible *without* distorting the pricing system ie via wages, taxation, benefits, or, where necessary, the most explicit possible, and not hidden, price subsidy. The objection to price reform in the USSR and Eastern Europe is that it is not merely a change in pricing, *but in fact an attempt to reduce the living standards of the working class*. As the aim of the policy proposed here is to raise the living standards of the working class a minimum of *full compensation* for price rises must be paid and price changes not protected in this way must be opposed (even distortion of the pricing system is better than reduction in the living standards of the working class).

●To prevent the collapse of the economy, planning, and therefore nationalisation, must be maintained in the essential industrial sectors — this need not apply to the rural or small scale sectors (as in China). To be effective however, that is to generate the correct proportions in the economy, and in particular the right rate of accumulation, democracy must be restored not simply as a necessary political goal but for directly economic reasons.

●The trade unions must be freed from both the legal limitations of market capitalist and Stalinist suppression. Without this the correct proportions in the economy cannot be achieved.

●The projection of both a market economy and the 'reactionary utopian' attempt to construct socialism in one country must be rejected. The greatest possible attempt to integrate, on the above basis, the national economy into the world economy must be undertaken. The criterion of economic development must be set as the most rapid sustainable increase in living standards.

In the West socialists must demand that the attempt to force the East European economies towards marketisation and privatisation ceases and that instead Western markets are opened to exports from the East — this will particularly affect the EC and areas such as the Common Agricultural Policy. Socialists in the East must directly campaign for this — and make links with the labour movement in the West to fight for it.

Such a programme is entirely practical, and will produce the most rapid possible economic recovery, once its starting point — to raise as rapidly as possible the living standards of the working class and recreate its alliance with the peasants as a necessary part of that — is pursued. Such a policy, however, is not eclectic but a whole. It corresponds to the most direct and classic Marxist principles — indeed Trotsky's was nothing more than their consistent detailed application.

### The fundamental basis of economic policy

Finally, put in the broadest and most strategic terms such a programme consists of nothing more than the consistent application of the fact that, in Marxist terms, the working class is a 'universal' class. That, socially, in the present epoch, the working class is the bearer of the progressive tendencies of human social development — it has the capacity to be a hegemonic class. Economically, that the working class is the bearer of a new mode of production, of a superior organisation of production.

But the *universality* of the working class flows not from subjective considerations, voluntarism, but from two strictly objective features which were violated to their core by Stalinism. First, that intermediate classes tend objectively towards the working class — both in their alliances and in their trend towards proletarianisation — *only over an entire historical epoch* — centuries on a world scale. Attempts to administratively violate this reality,

except for short periods in exceptional circumstances such as war, through measures such as administrative suppression of commodity relations, administrative pricing, forced collectivisation, and elimination of the urban petty bourgeoisie inevitably end in disaster.<sup>135</sup>

Second that the working class is an *international* class — it exists as the base of an *international* mode of production. To attempt to pull back the productive forces into the development of socialism in one country would inevitably end in disaster — as it did under Stalin. As Trotsky put it: 'Internationalism is not an abstract principle but the expression of an economic fact. Just as liberalism was national, so socialism is international. Starting from the worldwide division of labour, the task of socialism is to carry the international exchange of goods and services to its highest development.'<sup>136</sup>

On these classical bases Trotsky developed a comprehensive framework of the transition to socialist economy from its broadest conceptions to its fundamental details. To read his works of the 1920s and 1930s is to understand just how clearly he presented and predicted the nature of the present Soviet economy — and the alternative to it.

It was an intellectual achievement of towering magnitude. One whose stature only grows as the devastation brought by both Stalinism and market capitalism to Eastern Europe becomes evident. It remains the only policy capable of steering a course out of disaster.



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135 Put in social terms the working class must not suppress but lead its allies.

136 Trotsky, *The History of the Russian Revolution*, Sphere Books London 1967 Vol 3 p350.