the Nature of SOVIET SOCIETY
The Nature of Soviet Society

Contents

Introduction ............................................................ 1
Is the Soviet Union Socialist? ............................... 5
Trotsky's ‘Workers' State' ....................................... 9
State Capitalist Theories........................................ 19
A New Form of Class Rule ................................. 28
Introduction

This pamphlet first appeared as a series of articles in the *Weekly People* on the 60th anniversary of the Russian Revolution of 1917. According to the rulers in the Kremlin, this anniversary was an occasion for celebrating the “construction of socialism in the U.S.S.R.” But for the Socialist Labor Party, which sees little in common between socialism and the Soviet system of commissars and political police, the anniversary was a time for reviewing the many ramifications of “the Russian question” and the various theories which have attempted to explain the real nature of Soviet society.

The Russian Revolution and the society it brought into existence call up for discussion nearly every important social, political and economic question of the past hundred years. To adequately define the nature of Soviet society it is necessary to clarify everything from what capitalism really is, to the nature of the historical era in which we live, to the content of a proletarian revolution, to the role of money in a postcapitalist society, and much, much more. Mountains of historical mythology and oceans of past and present detail must be crossed before anything approaching a definitive description of the Soviet system can be reached.

This pamphlet does not pretend to accomplish such a feat, which obviously would require volumes. Its objectives are much more modest. Primarily it seeks to survey briefly the major paths of investigation which have been pointed to as the correct guides to understanding Soviet society. As explained in the text, these can be reduced to four: the U.S.S.R. can be treated as socialist, as a workers’ state, as state capitalist, or as a new form of class-divided society. The basic premises beneath each of these positions and their legitimacy as starting points for investigating Soviet society are the main concerns of the following articles.

Because it deals with basics, this pamphlet should be especially useful to those who may be unfamiliar with the maze of arguments and implications tied up with the Russian question. For those more familiar with the issues involved, it should help sort out the conflicts and consequences of each of the competing theories. And while the pamphlet argues strongly for a particular point of view, it retains the virtue of presenting the other positions in a nonsectarian fashion which makes their logic comprehensible, even as their inadequacies are uncovered. There are none of the deliberate distortions or falsifications which mark so many leftist discussions of this same question.

It is the position of the SLP that the Soviet Union (and its offspring in China and elsewhere) represents the appearance of a new form of class-divided society which is not socialist, but which is fundamen-
tally different from capitalism. The pamphlet makes clear the reasoning behind this position and the reasons for rejecting the alternative theories.¹

Nevertheless, the SLP does not automatically read those who hold other positions on the Russian question out of the socialist movement. For example, while rejecting the state capitalist theories, the pamphlet acknowledges that it “is possible to attempt a Marxist analysis of the U.S.S.R. and similar systems as state capitalist,” and adds, “There is no disagreement with many of the political and revolutionary conclusions drawn by those who support state capitalist positions.”

Obviously the debate on just what the Soviet Union is will continue. In fact, one of the unavoidable conclusions of the SLP’s view that the U.S.S.R. is a new form of class-divided society is that no one has yet produced the kind of critical, political-economic analysis of this society that, for example, Marx produced of capitalism. And it’s argued here that only by recognizing that we’re dealing with a new class society, instead of trying to make the Soviet Union fit into the classic Marxist analysis of capitalism, can the necessary analysis be made.

This brings up one point which should be mentioned briefly in passing in order to head off any possible misunderstanding caused by its omission, and to provide an example of the importance the fundamental premises discussed herein have for further investigation.

This pamphlet focuses exclusively on the internal development of the Soviet system and hence does not directly address the question of whether the Soviet Union is imperialist in its foreign policy. Yet the different answers given to this question flow directly from the conclusions various groups have drawn about the nature of the Soviet economy and social system.

For example, those apologists who see socialism in the U.S.S.R. see only “peaceful and progressive” policies emanating from Moscow, no matter how many tanks roll over no matter how many workers.

Those, mainly Trotskyists, who see a “deformed workers’ state” resting on “socialist property forms,” may occasionally see reactionary foreign policies. But they contend that these stem only from the subjective mistakes and self-serving policies of a privileged bureaucracy and deny that they are in any way tied to basic material motivations rooted in the nature of the Soviet Union itself. Hence, for them, “workers’ states” like the U.S.S.R. are not considered imperialist.

Those who see state capitalism in the Soviet Union, on the other hand, see a Soviet imperialism which does not essentially differ from Western capitalist imperialism and which presumably has the same material compulsions to export capital, secure labor markets, dump surpluses, etc.

The SLP’s position that the U.S.S.R. is a noncapitalist form of class society leads to a somewhat different approach. On the one hand, the factual existence of Soviet imperialism is there for all who are willing to see: its military occupation of Eastern Europe; the counterrevolu-
tionary invasions of East Germany (1953), Hungary (1956), and Czechoslovakia (1968); its domination of the political economies of the COMECON nations; its support for reactionary regimes (the U.S.S.R. has even given $500 million in military aid to the shah of Iran); its endless involvement in imperialist diplomacy; its unmatched record of counterrevolution through the manipulation of the Third International, etc.

That these have been acts of counterrevolution, expansionism, hegemonism, in a word, the acts of an imperialist power in world affairs, seems self-evident. But are they analogous to capitalist imperialism?

Since Lenin, Socialists have described imperialism as “the highest stage of capitalism,” an era marked by the export of capital from the industrialized countries, the monopolization of the productive forces, and the domination of finance capital as reflected in the predominant role of the banks in all major capitalist nations. However, even in his time, Lenin recognized that there were other types of imperialism:

“Colonial policy and imperialism existed before the latest stage of capitalism, and even before capitalism. Rome, founded on slavery, pursued a colonial policy and practiced imperialism. But ‘general’ disquisitions on imperialism, which ignore, or put into the background, the fundamental difference between socioeconomic formations, inevitably turn into the most vapid banality or bragging....”

(Imperialism, the Highest Stage of Capitalism.)

In other words, it is not sufficient to make superficial equations between seemingly similar imperialist policies generated by different systems. Nor, on the other hand, is it correct to contend that because the two systems are different, they can’t both be imperialist, or that imperialism has become a crime reserved only for capitalist nations. The task on this, as with many other similar questions, is to hone in on the “fundamental differences between socioeconomic formations,” and try to explain their operation as concretely as possible.

How then to explain the ample evidence of Soviet imperialism? It is clearly impossible to do so on traditional capitalist terms. There is no Soviet equivalent of the multinational corporations with their global foreign investments or the mammoth capitalist banks which operate independently to shape the economies of whole nations according to profit criteria. There is no documented evidence that the Soviet Union has a consistent economic compulsion to export capital or that it experiences the kind of overproduction crises which force capitalist nations to seek ever-expanding foreign markets.

If Soviet imperialism is to be explained, it is precisely by beginning with a recognition that it is a manifestation of a new form of class-divided society with its own laws of operation. If one begins by projecting the laws of capitalism onto the U.S.S.R., or conversely, by insisting that because the U.S.S.R. is not capitalist it can’t be imperialist, one creates insurmountable obstacles to accomplishing the real task at hand, which is to try to decipher the unique features of a new, ex-
ploitative class system. It is the aim of this pamphlet to take a small step in that direction.

August 1978
Is the Soviet Union Socialist?

Sixty years after the October revolution, the nature of the society to which it gave birth is still up for debate. Although the Soviet Union and its Communist Party no longer hold the pre-eminence they once did in the international socialist movement, the characterization of Soviet society in many ways remains a dividing line. The positions taken not only influence the way various groups see a host of issues, from detente to national liberation struggles, they also bear directly on the type of society various tendencies are working to bring into existence in their own countries.

While there are many shadings and lines of argument, the various positions on the nature of the Soviet Union can be reduced to four categories:

1. It is socialist.
2. It is a “deformed workers’ state.”
3. It is state capitalist.
4. It is a new kind of class-divided society, neither capitalist nor socialist.

All the significant positions advanced since the 1917 revolution fall into the above areas, though to be sure very different groups can be found occupying the same ground.

For example, the view that the U.S.S.R. is socialist is held and vigorously propagated by the Soviet government, its allies, most of the CPs of the world, and at the same time, by the capitalist powers and the U.S. State Department.

The position that the Soviet Union is a “deformed workers’ state” was the formulation Leon Trotsky arrived at in the 1930s and has since been generally defended by Trotskyist groups. The contradictions of this position have resulted in a growing influence of state capitalist theories among Trotskyists, but the deformed workers’ state continues to be upheld by most.

The state capitalist category is populated by the most diverse assortment of tendencies. Today this position is held by “libertarian communists” and anarcho-syndicalists, as well as Maoists and some social democrats. Obviously, in spite of the fact that they have arrived at the same place, the lines of argument to be found under this heading are as different as the groups claiming the viewpoint.

The final position, that the Soviet Union and similar social formations are a new type of class-divided society, neither capitalist nor socialist, has been taken largely by those who have rejected the first three answers as inadequate. The SLP, too, has characterized the U.S.S.R. as a new kind of “bureaucratic state despotism” since the late 1930s.
Each of these four positions carries with it different historical and political implications. Their ramifications, and the full reasons why an evaluation of Soviet society is important, become clear only upon closer examination. It is not accidental that every new wave of radicalization since 1917 has been accompanied by a new round of debates on the nature of the Soviet Union and its past.

The idea that the Soviet Union is a socialist society is the easiest of all to dispense with. It was in the 1930s, when famine and forced collectivization had killed over 4 million peasants in the Ukraine, when industrial wages were plummeting 40 percent in a 10-year period, when millions of Soviet workers were herded into labor camps, when the party purges and state terror were at ferocious heights, that Joseph Stalin first announced that classes had been abolished and socialism firmly established in the U.S.S.R. All similar claims since have been equally reliable.

Only those who equate socialism with nationalized state property under bureaucratic control, class inequalities, wage labor, police repression, the total absence of workers' democracy, and one-party rule can hold that the U.S.S.R. is socialist. Both then and now, Soviet society has had little in common with the classless, stateless organization of the associated producers projected by Marx and Engels.

Instead of a democratically planned economy producing for social use, the Soviet economy is highly stratified and bureaucratically administered in the interests of a privileged class of officials. It is stamped with elements of wage exploitation, scarcity, and commodity production that rule out all possibility of labeling it socialist.

In place of the fullest flowering of individual potential and development, and the highest cooperative democracy the world has seen, the working people of the U.S.S.R. live under a suffocating state apparatus controlled by a Communist Party that includes just 5 percent of the population. The Soviet working class continues to be denied elementary democratic rights of organization and communication.

Accordingly, the view that the U.S.S.R. is a socialist society is advanced mainly by 1) those who wish to discredit the idea of socialism; 2) those with an interest in making servile apologies for the Soviet state; or, 3) those who conclude “pragmatically” that Soviet society must be what socialism looks like in practice, while all other conceptions are utopian dreams.

Some claim that the enormous economic achievements of Soviet industrialization over the past six decades and the advantages of even a bureaucratically planned economy over a private capitalist one are sufficient to warrant calling the U.S.S.R. socialist. This view is an abandonment of everything understood by socialism in the working-class movement before 1917.

There is no denying the fact of Soviet economic growth. It is one of the few economically backward, predominantly agricultural nations to develop into an industrial power in the 20th century. Such develop-
ment would almost certainly not have occurred without the anticapitalist revolution of 1917.

Capitalism in its imperialist stage is no longer a vehicle for industrializing the underdeveloped world. The weak bourgeoisies of the poor nations (often client classes of imperialist powers) are neither capable of nor interested in leading the type of economic transformation that capitalism brought in the past. In terms of steady, coordinated economic growth, the planned, state-owned systems have demonstrated advantages.

But none of this has anything to do with socialism as Marx understood it. Marxism and socialism have never been prescriptions for overcoming underdevelopment (except inasmuch as socialist revolution in the industrially advanced countries would make those productive forces available for worldwide economic growth).

Marx always presupposed that socialist revolution would come toward the end of the capitalist cycle of industrialization and capital accumulation, not at the beginning. For him, socialism was the way a particular class—wage laborers—would reorganize societies that had attained a particular level of development—one based on socialized, industrial productive forces. To hold that a precapitalist or barely capitalist society can industrialize through socialism is to contradict everything Marx and Engels ever said on the subject.

When the Bolshevik revolution overthrew the Russian government, it was widely understood that the possibilities for avoiding a capitalist course depended on the spread of socialist revolution in the West. Only the support of a socialist Europe could have offered at least part of the material basis needed to open the way for socialist development in the U.S.S.R.

Yet that support did not arrive. In its absence, a unique social formation arose in the U.S.S.R. which was totally unanticipated by Marx and Engels. Moreover, it was to be reproduced in more than a dozen countries. The enormously difficult and complex task was to analyze the nature of the new society and draw out its historic implications.

Those who over the years have defined the U.S.S.R. as socialist accomplished this task mainly by giving the new social formation Marxist labels and revising their content. Socialism became defined as any society in which the economy had been collectivized by the state, no matter what the real social relations were and no matter who held effective state power. The abolition of wage labor, the withering away of the state, and the other transformations envisioned by Marx and Engels were no longer cited as conditions for socialism, but as “distant goals.”

In the years following the 1917 revolution, the effort to interpret the traditional Marxist concepts of socialism in a way that related them to the emerging society was part of a genuine attempt to cope with and analyze new, unforeseen events. It was also an effort to theoretically defend the progressive nature of the revolution, especially the perspective that the successful October uprising was the beginning of
the end of world capitalism, which since the start of the century had entered a cycle of war, depression and general social barbarism. The desire to see the start of the socialist era was overwhelming.

However, the conception of socialism and the ideology that eventually emerged from the experience of the Russian Revolution has become a massive weight around the neck of the world proletariat. The identification of totalitarian state repression with socialism handed to the bourgeoisies of the world a tremendous anticommunist weapon which they use to this day. At the same time, the internationalization of “Bolshevism” under the direction of the Moscow-based Third International helped lead an entire working-class generation to defeat throughout the capitalist West.

In this context, to continue to analyze the U.S.S.R. and its history as “socialist” is to abandon any scientific investigation into the nature of Soviet society. Instead it is an ideological defense of institutions and ideas which remain a major obstacle in the struggle for a world socialist order.
Trotsky’s ‘Workers’ State’

I.

The Trotskyist position that the Soviet Union is a “deformed or degenerated workers’ state” is built on an inherently contradictory theory.

In part this is because the theory Trotsky elaborated in the 1930s was an effort to explain a series of paradoxes posed by the outcome of the Russian Revolution. Among these were the following:

How could the bourgeoisie have been expropriated and capitalism overthrown in the U.S.S.R., yet socialism not established?

How could the history of Bolshevism end up with Stalin at home and the treacherous zig-zag policies of the Third International abroad?

How could the October revolution be both a revolutionary step forward of historic proportions and the source of bureaucratic repression and state terror directed against the very class who made it?

Mixed in with these questions, of course, was a need to explain Trotsky’s own political fate: How could this towering figure in socialist history and prominent leader of the 1905 and 1917 revolutions end up in exile with his followers hounded, jailed, and executed by his own party?

In incisive, often brilliant works like The Revolution Betrayed, Trotsky attempted to confront these questions directly. He sought an answer that would explain the rise of Stalinism without discrediting Bolshevism and without making a total break with the Soviet system. The result was the deformed workers’ state formula.

According to this conception, the U.S.S.R. was a workers’ state—even though the workers did not hold effective state power—primarily because it was based on a noncapitalist economy. In Trotsky’s view the abolition of private property in the means of production and the establishment of a centrally planned economy were accomplishments of a sufficiently socialist character to justify defining the U.S.S.R. as a workers’ state. These were the “historic gains of October,” the “socialist property forms to be unconditionally defended against imperialist attack.”

However, Trotsky recognized that political power was in the hands of a bureaucratic apparatus which in no way represented the working class. The factory committees, trade unions, soviets, and other proletarian institutions of government had been completely strangled by the party machine and the last vestiges of workers’ democracy produced by the revolution wiped out. (Trotsky described this process as the “Thermidor,” a reference to the period after the great French Revolution of 1789 when the most radical elements were thrown back
by conservative forces, who nevertheless did not completely restore
the feudal system.)

As the material basis for this “political expropriation of the prole-
tariat,” Trotsky cited the failure of the 1917 revolution to spread to
the West, and the backward, agricultural basis of the Soviet economy.
These were the objective conditions that kept an already small prole-
tariat weak and paved the way for the rise to power of a privileged
stratum of officials, administrators, and party functionaries.

Trotsky insisted that since the Soviet state had collectivized the
land and means of production, the dominant group in power was not a
ruling class but a privileged bureaucratic stratum. It could not own
productive property and was therefore said to have no material foun-
dation of its own as previous ruling classes had.

The absence of a basis in private property was a major reason why
Trotsky was convinced that the rule of the Soviet bureaucracy would
only be “episodic.” Because the interests of the ruling group were said
to be in contradiction with the collectivized basis of the economy,
Trotsky saw the Soviet formation as inherently unstable. He expected
the bureaucracy to be swept away as soon as the isolation and under-
development of the U.S.S.R. were overcome, or, failing that, he ex-
pected a full restoration of capitalism in Russia.

The exiled Bolshevik leader drew several political conclusions from
this analysis. He called for “political revolution” against the bureau-
cracy rather than a full “social revolution,” because he saw no need to
change Soviet property relations and because he saw no ruling class.
At the same time, he called for “unconditional defense” of the Soviet
state against imperialist attack. These remain the basic positions of
the Trotskyist movement on the Russian question today.

Trotsky’s formula, in itself, was a principled attempt at political
analysis. He sought to defend the progressive nature of the history
and revolution in which he himself had played a leading role, without
doing violence to the ideals and goals of socialism as he and the Bol-
sheviks understood them.

He did not try to explain away the inequalities and oppression in
the Soviet Union with sophistries about the “historic differences be-
tween socialism and communism.” He realized that Marx and Engels
had used these terms interchangeably to describe a stateless, class-
less society, and that such a society did not exist in the U.S.S.R.

And unlike Stalin and his defenders, Trotsky did not base his posi-
tion on a deliberate, gross falsification of history or a cynical revision
of previously held views.

Nevertheless, the Trotskyist analysis is inadequate either as an ex-
planation for the fate of the October revolution, or as a description of
the nature of Soviet society and others like it. Its shortcomings can be
traced to several areas: first, its uncritical defense of Bolshevism; sec-
ond, its assessment of the class nature of the Soviet economy and the
bureaucracy that runs it; third, its evaluation of the historical role
(and implications) of the Soviet social formation.
Trotsky’s explanation of the degeneration of the Russian Revolution vehemently denied that the actions and program of the ruling Bolshevik party from 1917 through 1924 were in any fundamental way responsible for what happened. Instead he drew a hard and fast line between the course of the revolution under Lenin and its evolution under Stalin following Lenin’s death. Trotsky spent nearly two decades unleashing devastating attacks on Stalinism for its reversal of fundamental Leninist positions.

True as these attacks were, they came in place of an examination of the features of Bolshevism which had contributed to Stalin’s rise to power. Yet those features are undeniably there for all those willing to see. In fact, some of their sharpest manifestations surfaced in Trotsky himself.

In the years after Lenin’s death, Stalin was able to commandeer the Bolshevik party machine and turn it into an instrument of bureaucratic dictatorship in great measure because the fundamental groundwork for substituting the party for the class had already been laid. In turn, this substitution of the party for the class (a possibility which Trotsky foresaw as early as 19042) reflected the absence of any solid, programmatic conception in Bolshevism of precisely how the proletariat was to exercise its direct domination over society.

Until 1917, Lenin and the Bolsheviks never really expected the proletariat to seize power on its own. And even when the revolution came, they saw the task of the Bolshevik party primarily as one of holding onto the reins of government until relief came from the West. When that relief did not come, they were forced to devise a plan for reorganizing the society for an indefinite period. What emerged was a plan based on the primacy of the party over all other organizations and, ultimately, on the power of the “workers’ state” against the working class itself.

The process by which the factory committees, soviets and trade unions lost power to the state and party machine is now well known.3 It need not be recounted here, except to recall that the usurpation of proletarian power by the party-state apparatus was defended by the Bolshevik party long before Stalin was in command.

The struggle over how the Soviet economy was to be integrated and managed was the most fundamental arena in which the different conceptions of proletarian power were fought out. Progressively the Bolsheviks opted for an imposed state management by bureaucratized planning ministries, which were manned by specialists and technicians, in place of coordinated management by the workers’ own organizations. They supported one-man management appointed from above, rather than delegated authority responsible to the producers themselves. Even after the civil war had been won, Trotsky proposed the “militarization of labor” in the service of the state and the transformation of the trade unions into state agencies to spur productivity.

In doing this, the Bolsheviks made a fundamental, programmatic attack on proletarian power. Even if one contends that these policies
were somehow necessitated by conditions, it does not alter the fact that they constituted an assault on Marx's dictum that the "political rule of the producer cannot coexist with the perpetuation of his social slavery."

This process was defended and consolidated by all the Bolshevik leaders, including Trotsky. The extent to which it paved the way for Stalinism can be unmistakably seen in Trotsky's famous answer to the Workers' Opposition in 1921. In response to the Opposition's contention that the way to halt the growing bureaucratic degeneration of the revolution was to put management of the economy in the hands of the trade unions, to end practices like top-down appointments, and to restore workers' democracy in general, Trotsky declared:

"The Workers' Opposition has come out with dangerous slogans. They have made a fetish of democratic principles. They have placed the workers' right to elect representatives above the party, as it were, as if the party were not entitled to assert its dictatorship even if that dictatorship temporarily clashed with the passing moods of the workers' democracy. . . . It is necessary to create among us the awareness of the revolutionary historical birthright of the party. The party is obliged to maintain its dictatorship, regardless of temporary wavering in the spontaneous moods of the masses, regardless of the temporary vacillations even in the working class. This awareness is for us the indispensable unifying element." (Isaac Deutscher, The Prophet Armed.)

It is completely superficial to dismiss this and countless similar incidents with references to the "hardships of the time." These attacks on the very premises of workers' management reflect the fundamental flaws of Bolshevism. Yet such rationalizations are offered repeatedly. A typical Trotskyist description of the process appears in Ernest Mandel's work on Marxist Economic Theory:

"For historical reasons, related both to the low level of development of the productive forces, the numerical and cultural weakness of the proletariat, the loss of much of the vanguard during the civil war, the international isolation of the revolution, and the extremely heavy burden of privation that the Soviet working class was called upon to bear, the latter began to show less and less interest in direct management of the state and the economy." (Emphasis added.)

Yet as shown above, when elements of that working class did indeed show "interest in direct management of the state and the economy," they were told by none other than Trotsky himself that they were raising "dangerous slogans," violating the "historical birthright of the party," and contradicting "the indispensable unifying element" of Bolshevism.

Trotsky's position reflected not only the hardships of underdevelopment and the civil war, but the absence of (even hostility to) a basic program for workers' management which is shared by all varieties of Bolshevism. As some of his more candid followers, e.g., the Spartacist League, admit, "Amid Trotsky's voluminous writings on revolutionary
strategy and tactics there is only one substantive article on workers’
control—concerning Germany in 1931.” (Workers’ Vanguard, June 17, 
1977.)

If Socialists were content merely to consider history academically, it
might be possible to accept more readily certain Bolshevik acts and
ideas by citing the traditional explanations. The civil war, the
tremendous devastation of the economy and wholesale destruction of
the Soviet working class, the completely unanticipated nature of the
tasks before the Soviet government, the failure of the revolution in
the West—none of these are “minor details.” The anarchist criticism
that all these factors are a smokescreen to justify Bolshevik repression
is totally ahistorical.

Nevertheless, 60 years after 1917, investigations into the Russian
Revolution involve much more than an historical evaluation. They
should be attempts to draw a balance sheet, not in order to pass moral
judgments, but with a view toward extracting the lessons necessary to
prevent history from repeating itself.

In this regard, the Trotskyist analysis fails fatally, since its expla-
nation of the causes of bureaucratization personalizes and mystifies
events, while papering over fundamental errors. In its rush to ratio-
nalize and excuse certain aspects of Bolshevik policy, it covers up the
consequences of that policy.

Whatever its causes, the absence of an unambiguous, unconditional
program of workers’ management, or a clear understanding of how
the class itself will exercise and maintain its power, disqualifies the
Bolshevik practice of 1917–24 as “the great model” for those seeking
to establish a genuine socialist society.

II.

As he watched the consolidation of the Stalinist dictatorship pro-
ceed side by side with the rapid industrial growth of the Soviet econ-
omy in the 1930s, Trotsky continued to wrestle with the contradictory
outcome of the October revolution. In his analysis, he sought to de-
termine the class character of the process that was unfolding and of
the social forms it created. He also sought out the deeper historical
implications of the society emerging in the U.S.S.R.

Trotsky started by drawing an equation between the Soviet Union’s
state-owned, planned economy and “socialist property forms.” The
U.S.S.R.’s collectivized economy, he held, formed the basis for a work-
ers’ state despite “bureaucratic deformations” in the superstructure.
It was the material foundation that allowed the U.S.S.R. to drag itself
out of feudal darkness and begin building up its productive forces at
an unprecedented rate in a conscious, coordinated way.

This new economic base was also seen as the key to the historic sig-
nificance of the Russian Revolution. For Trotsky, the state’s expro-
riation of the means of production and their development on a planned
basis constituted the historic crossing of a class line between bour-
geois and proletarian forms of society. Because a collectivized, planned economy objectively represented the interests of the proletariat, Trotsky argued, a state resting on such property forms must be defined as a workers’ state, much as a state resting on private property is a capitalist state whether it takes the form of a military junta or a parliamentary democracy.

Trotsky did not close his eyes to the criminal policies of the bureaucracy or to the toll industrialization extracted from the Soviet people under Stalin. But he held that as long as the bureaucracy defended Soviet state property, it was defending the social basis of the workers’ state and the “fundamental gains of the 1917 revolution.” Despite its privileges and its crimes, he insisted that the bureaucracy itself was not a ruling class since it did not legally own property. At most it could be said to have “achieved a degree of independence from the dominating class,” which remained the proletariat.

According to Trotsky, the rule of the bureaucracy was rooted in the backwardness and isolation of the Soviet regime. As these factors were overcome, he argued, the material pressures arising from them would decrease and the privileged status of the elite would become more intolerable. The objective basis for the bureaucracy’s usurpation of power would disappear and precipitate a social crisis.

In effect, what Trotsky foresaw was a growing contradiction between the continued rule of the bureaucracy and the development of the Soviet economic system. On the one hand he predicted “the constant worsening of the political regime in face of the growth of the economy and culture.” On the other he wrote that “the further unhindered development of bureaucratism must lead inevitably to the cessation of economic and cultural growth, to a terrible social crisis and to the downward plunge of the entire society.” This crisis, Trotsky held, could have two possible outcomes.

One was that the bureaucratic regime would be overthrown by the working class in the name of proletarian democracy. The revived workers’ state, in turn, would greatly accelerate the advance toward socialism, fully reveal the “transitional character” of Soviet society and prove that the rule of the bureaucracy was “only an episodic relapse” on the road to socialism.

The second possibility pointed in the opposite direction. As the economy developed, the bureaucracy’s furious effort to defend its privileges would drive it into ever deeper conflict with the collectivized property forms. Its inability to privately appropriate productive property, to inherit or transmit wealth through the family, or to exercise other prerogatives of propertied ruling classes, would lead it to make an open assault on Soviet property relations. In seeking to legalize its privileges, the bureaucracy would tend toward a formal reintroduction of private property. Eventually it would lead, or pave the way for, a restoration of capitalism and a tremendous setback for the world revolution.
Forty years have passed since Trotsky advanced these two alternatives and neither has come to pass. Instead, the history of the U.S.S.R. during that time took a different course, one which Trotsky tended to dismiss as implausible.

What has occurred is the more or less stable, steady growth of the Soviet economy under bureaucratic rule without a fundamental change in the nature of the state or the property forms. Today the U.S.S.R. is neither backward nor isolated, yet the bureaucracy's rule is as secure as it ever was. Neither the Stalinist bloodletting, the Second World War, the trauma of “de-Stalinization” nor any number of other social shocks has produced a serious challenge to bureaucratic domination or a restoration of capitalism.

Economically and culturally, the Soviet proletariat is immeasurably stronger and more important as a class than it was four decades ago, yet it is no closer to holding effective political or economic power. The “episodic, temporary, unstable” rule of a “privileged elite” which was said to have “no material foundation” and “no independent economic role,” has, in fact, proved to be the durable rule of a class capable of expanding its economic basis and reproducing itself.

Equally significant, the Soviet social formation has emerged in over a dozen other nations. Revolutionary developments and processes quite unlike those discussed by Trotsky in analyzing Stalinist Russia have produced similar societies. These systems have a common economic basis, but their modes of formation do not at all correspond to Trotsky's outline, i.e., the deformation of a “genuine Leninist party” and a “genuine workers’ state” by a conservative bureaucracy.

Instead these statist societies have been the direct outcome of varied processes. They have emerged not only from revolutions in which the proletariat played a leading role (Russia), but also from those in which its role was overwhelmingly subordinate to the peasantry (China, Vietnam) or the radicalized petty bourgeoisie (Cuba). They have even been produced by the war-time occupation of Stalin's army (Eastern Europe).

Trotskyist groups have a specific critique of these transformations in each case (the main point being the absence of a Trotskyist leadership). But they nevertheless define each of these societies as a workers’ state because, at bottom, the Trotskyist formula rests on a mechanical equation of any system of nationalized property with a workers' state and a denial of the class nature of bureaucratic rule.

The basis of this position, which is found in both Trotsky’s analysis of the U.S.S.R. and his famous “theory of permanent revolution,” is the premise that the state’s expropriation of the means of production is the dividing line between bourgeois and proletarian societies. Once a society crossed that line, Trotsky insisted, it would not develop into a new social formation, but must advance toward socialism or regress to capitalism. After more than a half century of Soviet history and the emergence of Soviet-type societies on a world scale, this view is no longer tenable.
While it is true that the step from private capitalist to state property implies the negation of capitalist relations, it does not follow that it means the beginning of socialist development or the founding of a workers’ state.

In general, the placing of the means of production in the hands of the state reflects the weakness of a bourgeoisie which is unable to develop the productive forces on a private capitalist basis. (This is true mainly of the poorer countries but usually holds for the more advanced ones as well.) By recognizing in his 1905 theory of permanent revolution that this would be the case with the bourgeoisies in the poorer nations throughout the age of imperialism and world capitalist decline, Trotsky made a profoundly correct insight. The inability of the bourgeoisie to make classic capitalist revolutions has been demonstrated repeatedly in the 20th century.

However, Trotsky concluded that because the bourgeoisie was incapable of leading a democratic revolution, the proletariat would be forced to take up the task. In so doing, he predicted, it would inevitably move beyond democratic objectives (e.g., the overthrow of feudalism, agricultural reform) to socialist ones (e.g., the expropriation of the bourgeoisie). This uninterrupted progression from bourgeois-democratic to proletarian-socialist revolutionary tasks, Trotsky labeled “the permanent revolution.”

For all its insight, the theory included a basic error in its assumptions. What is weakness for the bourgeoisie is not necessarily strength for the proletariat, especially as the two classes historically develop together. The placing of the means of production in the hands of a state apparatus beyond its control also reflects the weakness of the proletariat, which lacks the strength to genuinely socialize the economy under its direct domination.

It is precisely the weakness of the two main contestants for ruling class which forms the basis for the rise of a third contestant, a bureaucratic class based on state property.4

To understand this process it is necessary to realize that nationalization by a state apparatus and socialization by the proletariat are not identical. The first implies management of the economy by an agency apart from the producers themselves—a state bureaucracy, a party, a technocracy, etc. The second, socialization, rests on the direct control of the integrated organizations of the working class itself. It requires the conscious, institutionally safeguarded recognition of the social nature of the productive forces.

Nationalization can give rise to a “public” or state ruling class (just as private capitalism gives rise to a “private” ruling class) precisely because it is not the same as the full socialization of the productive forces.

In the U.S.S.R. this has resulted in the domination of a bureaucratic class totally beyond the producers’ reach. Soviet property relations do not reflect the real “socialization of the productive forces,” but the continued alienation of the producers from the means of produc-
tion and from their bureaucratic masters. Contrary to Trotsky’s theory, the eventual revolutionary uprising of Soviet workers against their exploiters will not be based merely on the democratization of the system as it now stands, but on an explicit understanding of the difference between bureaucratic nationalization by a state apparatus and the socialization of the economy by the associated producers.

It follows that to determine the class nature of a given social system it is not enough to look at the forms of ownership. It is necessary to look at the concrete social relations of production, the organization of the work process, the logic and process of decision making, the division and distribution of wealth, the nature and uses of state power, and other political relations, etc.

Likewise, in order to produce evidence of a workers’ state, it is not enough to prove the absence of capitalist property or even the disappearance of some of its effects. (Stalin, for instance, eliminated unemployment in the 1930s by throwing millions into labor camps and legally binding the peasantry to the collective farms.) To show the existence of a workers’ state it is necessary to show how the producers have in fact remade society in their interests—in short, to show that the workers control the economy and the state. Without workers’ democracy there can be no workers’ state.

It is equally misleading, to say the least, to speak of “socialist property relations” in such societies. Workers’ democracy is the only basis on which real socialist planning and cooperation, as opposed to the bureaucratic administration of the economy, can emerge. It is the only way bourgeois norms of distribution and commodity production can be fully replaced by socialist norms and genuine production for use. It is the only way wage labor can be replaced by a new set of socialist relations among the direct producers.

And finally, to call a society in which the working class has fewer democratic rights than in the capitalist democracies, where it is blocked even from forming independent trade unions, where it lives under police censorship and repression, where it is in fact a state crime just to advocate (let alone organize for) revolutionary socialism—to call such a society a “workers’ state” smacks of sophistry. In some ways it is not fundamentally different from calling it socialist.

In a number of secondary passages, Trotsky hints that the existence of state property might not completely suffice as a class criterion for proving a workers’ state after all, and even that the bureaucracy might be something more than a stratum.

In The Revolution Betrayed, he writes:

“The higher the Soviet state rises above the people, and the more fiercely it opposes itself as the guardian of property to the people as its squanderer, the more obviously does it testify against the socialist character of this state property...”

He remarks further that “if a ship is declared collective property, but the passengers continue to be divided into first, second and third class, it is clear that, for the third-class passengers, differences in the
conditions of life will have infinitely more importance than that juridical change in proprietorship."

As for the ruling elite, Trotsky notes in the same work, “it is something more than a bureaucracy” with “a new and hitherto unknown relation between the bureaucracy and the riches of the nation.”

Yet apart from such comments, Trotsky never offered any objective criteria for identifying a workers’ state aside from the existence of a planned state economy. He was convinced that the new society could not solidify into a class system and the bureaucracy into a stable ruling class without a return to capitalism and the liquidation of state ownership. Until then, the U.S.S.R. would remain a workers’ state.

The Trotskyist movement still holds this position. It continues to call for a “political revolution” against the bureaucracy, but not a thoroughgoing social revolution. Trotskyists also defend these societies as “transitional forms toward socialism” despite the absence of any concrete institutional moves in that direction and over half a century of evidence that these are new forms of class rule. (Even the call for “political revolution” betrays the inconsistency of the theory. Revolution is the overthrow of one class by another class. If the bureaucracy is not an exploiting class, and if, indeed, the proletariat is still dominant, how can there be any “revolution”?)

There is no question that much can be learned from Trotsky’s attempt to analyze the U.S.S.R. It must also be said that Trotsky saw many of the characteristics—and the crimes—of the Stalinist bureaucracy earlier than others, including in some respects the Socialist Labor Party.

But Trotsky’s formula of a workers’ state, drawn from the particular history of the one example he had before him, has proven inadequate as a description of the new social formation that has emerged on a world scale. By defining a system of class domination over the proletariat as a “workers’ state” it continues to lend a color of socialism to the rule of the bureaucracy.
**State Capitalist Theories**

I.

As noted earlier, there are a wide variety of groups holding the position that the U.S.S.R. is state capitalist. While it is not possible to review all the variations and lines of argument used to support this position, the basic outlines of the discussion can be drawn.

The most recent—and most inconsistent—proponents of the state capitalist position are the Maoists. Ever since the Cultural Revolution of the sixties, the Chinese Communist Party has aggressively promoted the view that the U.S.S.R. has degenerated into a “state monopoly capitalist system” (and even into a “fascist capitalist dictatorship of the Hitler type.”) This view rests on the premises that the U.S.S.R. was socialist under Stalin; that Nikita Khrushchev led a “bourgeois coup” in 1956; and that under Brezhnev and Kosygin, the Soviet economy has been fundamentally reorganized from a planned socialist system to a profit-motivated capitalist one.

From a Marxist standpoint, this “theory” is not to be taken seriously. Politically, it is an ideological manifestation of the Sino-Soviet split, which is not rooted in opposing conceptions of how to build socialism, but in the clashing nationalist interests of the Soviet and Chinese states.

Economically, the argument has virtually no scientific content. The features of the Soviet economy upon which Maoist writers attempt to build a case for capitalism are invariably falsified and distorted. (Martin Nicolaus' *Restoration of Capitalism in the U.S.S.R.* is perhaps the prime example in the U.S. left.) Even more telling is the fact that the same features which are cited to “prove” the existence of capitalism in the U.S.S.R.—e.g., economic decentralization, market relations, commodity production—are far more pronounced in China than in Russia. For example, the Chinese agricultural communes have traditionally had considerable more “independence” from the central authorities than the Soviet collective farms.

It is difficult, and not very useful, to try to follow all the contradictions and dead ends to which the Maoist theory leads. Even its most sophisticated defenders, economists Paul Sweezy and Charles Bettelheim, are unable to save the theory from itself. The burden of upholding its basic theses—that Stalin’s Russia was socialist but gradually degenerated into capitalism, that today China and the U.S.S.R. have fundamentally different economic systems, and that the character of a social system depends on the latest purge—is simply too great.

Nevertheless, it is possible to attempt a Marxist analysis of the U.S.S.R. and similar systems as state capitalist. As it becomes increasingly obvious that these states are not socialist—and must be
revolutionarily transformed if socialism is to be established—many more have tried to do so. These more logical and more honest efforts generally start not as the Maoists do, from the standpoint of a particular state bureaucracy, but with an economic and historical analysis of the social system that has emerged in the U.S.S.R.

In evaluating the state capitalist theories, the question of method is important. Too many times (and this is especially true of social democrats) the U.S.S.R. is labeled “state capitalist” on the basis of superficial equations between the Western and Eastern systems. Since workers are exploited in both, since both have a group of ruling, privileged individuals, since both have huge military machines and have invaded other nations, it is argued, they are basically the same. We know the U.S. is capitalist. The only difference is that in the U.S.S.R., the government owns the means of production; hence it is “state capitalist.”

Such surface reasoning will not do. Anyone who has ever opened Marx’s *Capital* has an idea of the depth of reasoning and research needed to describe the fundamental nature of a social system. It is not a matter of absorbing a few impressions and choosing a label. It is a matter of determining the basic “laws of motion” of a society, of examining all the implications of its historical development and its world context.

In short, it’s necessary to make a dialectical materialist analysis of the system at work in the U.S.S.R. to see if, in fact, it essentially corresponds to a society that can rightly be termed capitalist.

The most coherent state capitalist theories hold that it can be because the basic elements of the capitalist mode of production survive, though in modified form. They point to the existence in the Soviet Union of wage labor, commodity production (i.e., production for exchange in a market), the extraction of surplus and its control by the state owners of productive property, the perpetuation of class divisions and state oppression.

The state capitalist proponents also draw support for their theories from certain developments in the major capitalist nations themselves. The growth of government bureaucracy, of state intervention in the economy, and of nationalizations, along with similar tendencies, is taken as evidence that in all the modern industrialized nations of the 20th century, the productive relations are moving toward forms of state capitalism. There is said to be a convergence of monopoly capitalism in the West and “state capitalism” in the East, which completes the development of the system as a worldwide network: the final triumph of capitalism on a global scale and the necessary stage for the advance to socialism.

Proponents of the state capitalist position even claim to find support for their views in Engels’ *Socialism: From Utopia to Science*. Though it should be noted from the start that neither Marx nor Engels in any way anticipated the emergence of a Soviet Union when the following statement was written, it is nevertheless often cited as evidence that...
state ownership does not do away with capitalism and that the U.S.S.R. can be capitalist.

"...The transformation, either into joint-stock companies and trusts, or into state ownership, does not do away with the capitalist nature of the productive forces...The modern state, no matter what its form, is essentially a capitalist machine, the state of the capitalists, the ideal personification of the total national capital. The more it proceeds to the taking over of productive forces, the more does it actually become the national capitalist, the more citizens does it exploit. The workers remain wage workers—proletarians. The capitalist relation is not done away with. It is rather brought to a head.”

In general, then, state capitalist theories rest on the premise that the fundamental elements of capitalist production still exist in the Soviet Union, and that the growth of state capitalism throughout the world reflects our historical epoch in which capitalism is still the dominant economic system. Despite the efforts at proletarian revolution in the 20th century, the theory holds, capitalism has continued to spread, adapting to national and historical conditions to survive.

As compelling as these arguments may seem (especially to those who have rejected both “socialist” apologies and the “workers’ state” formula as ways to describe the Soviet-type societies), they do not stand up to close examination. As argued below, the identification of capitalist forms in the Soviet economy amounts to taking the shadow for the substance. The same holds with the equation of state capitalist tendencies in the West and the systems in the East. Labeling the Soviet economy capitalist does not clarify the complex working of the planned statist economies. Rather, it thoroughly confuses the reality.

To show why this is so it’s necessary first to point up the limitations of the analogies drawn between capitalist economies and the U.S.S.R., and second, to look more closely at how the Soviet system actually operates.

In the first place, it is simply an exaggeration to equate the tendencies, however strong, that push the states in the West to intervene in capitalist economies, with systems based completely on state property.

In the West, even nationalizations generally do not change the basic way a given enterprise fits into the economy. Nationalized firms are still linked to the economy by capitalist market relations, motivated by profit, and run by more or less independent, government-appointed managers.

State capitalist nationalizations generally amount to takeovers of enterprises which private capitalists have abandoned as unprofitable. They do not constitute a real expropriation of the bourgeoisie or transformation of the economy, but a classic example of state intervention to preserve the necessary conditions for capitalist production as a whole.

Moreover, despite all the economic pressures and problems, there have still been relatively few nationalizations in the capitalist coun-
tries. Even in the classic state capitalist nation, Sweden, 95 percent of
the economy is still privately owned.

In sharp contrast, state industries in the U.S.S.R. are not governed
by market relations or run on an individual profit basis. Instead they
are bound by a central state plan that embraces the entire economy
and integrates—however bureaucratically—the economy as a whole.

This distinction also takes the measure of the oft-cited Engels quote
mentioned above. While it contains an important insight on the rela-
tion of the worker to both a private and state employer, it does not
sufficiently define the type of system that exists in the U.S.S.R.
Among other things, it makes no mention of whether these national-
ized industries are operated on an independent capitalist basis by ap-
pointed managers or run in line with a central plan binding the whole
economy. It is not simply state ownership, but also the suppression of
market relations by a bureaucratic plan, that sets off the U.S.S.R.
from the capitalist economies.

Furthermore, in examining the list of “capitalist elements” said to
exist in the Soviet economy, it becomes apparent that some things are
missing. Most glaringly, there is no mention of cyclical crises, of the
depressions which have been a characteristic feature of capitalist
commodity production for over a hundred years.

These crises, which manifest themselves in the destruction of pro-
ductive forces, declines in output, huge stockpiles of unsalable goods,
massive unemployment, etc., result from tendencies inherent in the
capitalist mode of production. They ultimately stem from the capital-
ist exploitation of wage labor, which results in a restricted capitalist
market unable to absorb what has been produced.

Yet both bourgeois academic and Marxist studies have confirmed
that such cyclical crises are not a feature of the Soviet economy. No
one has been able to find periods when the Soviet market is glutted
with commodities. Quite the contrary, there are habitual shortages.

Equally significant is the absence of cyclical contractions of produc-
tion. During both the Great Depression of the thirties and the many
cyclical slumps since, Soviet production has risen markedly while
crises gripped the entire capitalist world. In the depression of 1974–
75, total output in the capitalist countries plummeted by 19.5 percent.
During the same period, Soviet output rose 8 percent. While the U.S.
has had at least four slumps since the mid-fifties, Soviet industrial
production has grown every year.

Similarly with unemployment. While it is possible to find numbers
of Soviet workers without jobs for brief periods, there is no phe-
nomenon comparable to the mass unemployment that is a necessary
condition for capitalist production. Again, all indications are that a
labor shortage exists in the U.S.S.R.

In short, the absence of classic periodic crises is powerful evidence
that the U.S.S.R. is not a capitalist system or a variation of the mode
of production described by Marx. Those who term the U.S.S.R. state
capitalist are implying that capitalism can exist in a form which overcomes its basic contradictions.

None of this means that the Soviet economy is without deep problems or that “job security”—particularly the Soviet kind—denotes a “workers' system.” The Soviet economy has contradictions and problems approaching crisis proportions that are in some ways more severe than in capitalist nations. These contradictions, as will be indicated later on, are rooted in its economic base and productive relations. But there is nothing that shows they are contradictions of a capitalist nature, or in any way analogous to what would be found in a capitalist country.

II.

Another question which is of basic importance in determining whether a given economy is capitalist is whether or not the law of value operates, and dominates production and exchange.

All the basic operations of capitalism described by Marx, for example the exchange of commodities, the flow of investment, the realization and distribution of surplus value, etc., are based on the workings of the law of value in a market economy. The role of money, the falling rate of profit, the concentration of production, the role of competition between individual capitals, and many more phenomena are tied to the functioning of this law. Its working is absolutely essential to capitalism’s “laws of motion.”

However, it has yet to be demonstrated that the law of value governs the Soviet economy the way it dominates capitalist ones. The regulating motive in a Soviet enterprise is not production for sale in a market with a view to maximum profit for the enterprise, or maximum return on investment, but production according to the specifications of a bureaucratic plan. Moreover, the plan amounts to a systematic attempt to suppress the normal operation of the law of value, reducing it to a secondary role.

At the risk of digressing, it should be added at this point that the system of bureaucratic planning in the U.S.S.R. does not work as it's supposed to and has nothing in common with socialism. In order to have effective, rational planning it is absolutely necessary to have the mutual cooperation, trust and democratic exchange characteristic of a classless society of producers with common interests.

None of this exists in the U.S.S.R. Soviet society is divided into classes; its producers play, at most, a passive, after-the-fact role in the planning process; and the bureaucracy is motivated by its own self-interests. For these reasons, “planning” in the U.S.S.R. has large elements of chaos. Planning information is unreliable and deliberately falsified all along the line. There is also no universal interest in making the plan work. This leads to all kinds of economic problems.
However, this is not the same as saying it leads to capitalism. The bureaucratic suppression of the law of value is evidenced in any number of ways, all of which testify to the noncapitalist nature of the economy.

In the first place, virtually all prices and transactions, all decisions on what is to be produced, how, and when—in a word, all basic economic choices—are made in a centralized fashion by a mammoth state apparatus. These decisions do not reflect the logic of a capitalist market—that is, they do not primarily reflect the workings of the law of value but the interests and whims of bureaucratic allocation.

For example, investment decisions are not made according to the logic of the rate of profit, and capital is not necessarily drawn to the area of most demand. If it were, as it is in capitalist countries, there would have been far more funds channeled into consumer goods production and agriculture than has been the case in Soviet history. Instead, investment priorities reflect the choices of the bureaucracy, which for decades has stressed concentrated investment in heavy industry, despite the fact that there is a huge demand (and in large measure an ability to pay) for many scarce consumer items and agricultural products.

Even money, the universal crystallization of exchange value whose dominant power is so obvious in capitalist countries, has a limited role in the Soviet economy. By itself, it is often insufficient to mediate an exchange of goods.

For instance, a Soviet enterprise can only buy raw materials and other industrial input if the purchases are approved at the center, regardless of whether or not it has the funds on hand to pay. These purchases are approved only if they conform to the bureaucratic decisions codified in the plan. Attempts to circumvent this process are prosecuted as state crimes.

Similar constraints operate in the sphere of consumption. Contrary to a capitalist system, cash is often not enough to gain access to goods. Bureaucratic approval—the granting of special privileges to shop at specially stocked stores or even to live in advantageous urban locations—is required and thoroughly regulated by the state's administrative apparatus.

The same limitations hold for the category of profit, whose importance to the Soviet economy is usually emphasized by state capitalist theorists.

For the most part, profit is used in the Soviet economy as a secondary index of enterprise efficiency. The plan fixes in advance the price to be paid for industrial input and who the suppliers will be, as well as the price of the output and who the buyers will be. Profit is used as a measure of how efficiently the enterprise operates within these plan boundaries, but it is not in itself the motive for production. The plan's fixed prices do not necessarily represent the optimum levels for profit maximization or the laws of exchange value. They reflect bureaucratic priorities for the allocation of resources.
In any event, the main criterion of enterprise success is not the creation of the most surplus value per unit of wages, i.e., not the pursuit of profit in value terms. Instead it is the fulfillment or surpassing of the physical output target set by the plan. This goal is generally set in terms of tons of steel, yards of cloth, number of cars, etc. The success or failure of an enterprise—and of enterprise managers—is measured primarily by this yardstick rather than the financial ledger.

In a search for administrative efficiency over the past decade, there has been a move toward greater use of other indexes, including profit, to measure the efficiency with which labor and materials are being used. (As many as 30 indexes may be applied.) But most reports indicate that the effort has been largely unsuccessful.

Moreover, the freedom enterprises would need to really operate on a profit basis—freedom to set prices, lay off workers, choose their markets, etc.—has not been granted. Physical output, not profit rationality, is still the main motive for a Soviet enterprise. (This is one of the reasons that, from a capitalist standpoint, the Soviet economy is massively inefficient.)

Other examples could be cited of how the Soviet economy suppresses, rather than obeys, the logic of what Marx depicted as capitalism’s fundamental driving force—the law of value. They all call into question the applicability to the Soviet economy of categories like exchange value, commodity production, surplus value, etc., which are drawn from the historical experience of capitalist development.

It is true, as state capitalist theories generally assert, that the impact of the capitalist world market and the relative scarcity that still plagues the U.S.S.R. in many areas, condition the Soviet economy to some degree and stamp it with echoes of capitalist exchange value. The role of money mentioned above is a prime example. The very existence of money and its use in circulating goods reflects the persistence of commodity production and the influence of the law of value. At the same time, the limitations on money’s role, its restricted ability to allocate wealth, not to mention the total ban on the buying or selling of the means of production, reflect the suppression of capitalist relations and the dominance of other relations—in this instance, state bureaucratic relations.

The question is whether capitalist influences have been sufficient to shape the Soviet economy in their own image. Is the system as it’s emerged in the U.S.S.R. fundamentally similar to or fundamentally different from the capitalist system? From this standpoint it seems impossible not to conclude that the differences are qualitative and decisive.

Still further evidence of the difference between the capitalist and Soviet systems can be found when the particular contradictions of each are considered. Today’s economic problems in the U.S.S.R. are not those of the capitalist world, i.e., overproduction, inadequate markets, inflation, unemployment, etc. Instead they are the kind that
reflect bureaucratic property relations, i.e., waste, gross inefficiency, administrative suffocation, etc.

For example, bureaucratic factors are the main obstacle to the smooth operation of the plan. The Soviet economy is notorious for wrong delivery dates, a disorganized flow of materials, and unrealistic targets. These all disrupt production and play havoc with the economy. It is common for plants to stand nearly idle for part of the month due to the absence of supplies and then work at double speed in another part to try to fulfill the month’s output goals.

This sporadic, uneven pace in turn contributes to enormous waste in the output. Shoddy, unusable products permeate the Soviet economy. H. Ticktin, who has described the noncapitalist nature of the Soviet economy in a series of articles for the journal *Critique*, cites a report that in April of 1975 over 4 billion rubles worth of defective goods were lying in Soviet warehouses. A shortage of shoes was cited, not because enough hadn’t been produced (in absolute terms there were three pairs per person), but because poor quality made the available shoes useless.

This kind of bureaucratic waste, in which goods are produced that can’t be used, is quite different from the waste of resources in capitalist economies, where goods are not produced because they can’t be sold. The distinctions are typical of the difference between the systems. As Ticktin put it, “Self-evident waste and bureaucratic inefficiency are the immediately perceivable all-pervasive aspects of the Soviet system. The commodity is not.”

While the capitalist world is suffering from the offspring of the law of value—falling rates of profit, limited markets, unemployment, etc.—in the U.S.S.R. it’s the bureaucratic relations of production that are more and more clearly the basic economic problem.

Under Stalin, growth had been fueled for decades by the absorption of the peasantry into industry and the process of original accumulation associated with the first stages of transformation from an agricultural to an industrial society. However, a modern industrial economy depends on an ever-increasing efficiency in the use of labor and materials for its steady expansion. The U.S.S.R.’s bureaucratic relations of production and their special offspring—poor quality products and tools, badly integrated production, unreliable supplies, etc.—place a severe limit on improvements in labor productivity. This is one of the constant problems of today’s Soviet economy, despite its past record of growth, and it reflects a set of conditions peculiar to the type of economic system prevailing in the U.S.S.R.

The above criticisms of the state capitalist position stress the differences between the “economic laws of motion” that appear to be operating in the capitalist and Soviet systems. This is because, at bottom, the basic shortcoming of state capitalist theories is their implication that the traditional Marxist description of capitalism can be used to describe the Soviet-type economies. This simply does not seem to be the case.
The mode of production Marx analyzed has a different mode of formation, different laws of operation, and a different structure than the one in the Soviet Union. The effort to describe the U.S.S.R. in terms of capitalism often seems to be a substitute for making the same kind of thorough analysis of this new mode of production that Marx made of the dominant one in his day.

To be sure, it is possible to emphasize similarities between the two systems. Both are exploitative, class societies. In both, the producers do not control production. Both will require working-class revolutions to reach socialist society. In all this, there is no disagreement with many of the political and revolutionary conclusions drawn by those who support state capitalist positions.

But in the final analysis, the state capitalist label for the U.S.S.R. contradicts too many proven assumptions about what capitalism is to stand up. At the very least, it blurs more than it clarifies.
A New Form of Class Rule

If the U.S.S.R. is in fact a class-divided, exploitative society which is neither capitalist nor socialist, several questions remain, aside from those already addressed. These questions deal mainly with the historical implications surrounding the rise of a new form of class rule in this century.

Among the most important issues is, where does this new social formation stand on the historical scale in relation to capitalism? What role does it play in the march of history?

The ramifications of these questions are extensive. Marx described capitalism as “the last antagonistic form of the social process of production.” For over a century, revolutionary Marxists have been convinced that the contradictions of capitalism must necessarily lead either forward to a socialist future or backward to an immense reaction, the collapse of society into neobarbarism, war, and the wholesale destruction of civilization.

This view reflected far more than a desire for socialism or a belief in its advantages. It was based on the scientific thesis that the capitalist mode of production would inherently prove incapable of continually developing society’s productive forces; that it would exhaust all its possibilities for progress and drag society toward disaster as it declined. Only a revolutionary socialist reconstruction of society was thought to be able to get society moving forward again. Only socialism was seen to be capable of overcoming the chaos posed by the demise of the capitalist order.

Now, however, there are some who see in the rise of a new class rule in the U.S.S.R. a challenge to this prognosis. If, as it turns out, there does exist another “antagonistic” form of production after capitalism which is capable of further developing the productive forces and organizing society, doesn’t this call into question the historic necessity of socialism? Doesn’t it imply that there may be another stage between capitalism and socialism? Doesn’t it challenge the very nature of the epoch in which we live?

These sorts of questions have led some to cling to state capitalist theories or the workers’ state formula, thereby avoiding the difficulties posed by the rise of a new social formation.

But there are several reasons why the answer to the above questions is no. Some relate to the general movement of history, others are more directly applicable to the Soviet system itself.

In the first place, Marx warned against turning the materialist conception of history into an iron law of historical progression. He criticized those who “metamorphose my historic sketch of the genesis of capitalism in Western Europe into an historic-philosophic theory of
the general path imposed by fate upon every people whatever the historic circumstances in which it finds itself... One will never arrive,” he added, at “a general historic-philosophical theory, the supreme virtue of which consists in being super-historical.” (Selected Correspondence.)

In other words, it is important to avoid mechanistic conceptions of the rise of socialism. It is a Marxist premise that a classless, stateless, socialist society is possible only on the basis of the highest capitalist development of the productive forces, but it does not follow that socialism must emerge at that point. Though Marxists are still profoundly convinced that socialism is an historic necessity for human freedom, they do not view it as a certainty of fate.

As De Leon put it, “The Socialist Republic is no predestined inevitable development...[it] depends, not upon material conditions only; it depends upon these plus clearness of vision to assist the evolutionary process.” The victory of socialism depends on a conscious transformation of material conditions by the subjective element—the workers themselves. Ultimately it is the proletariat who will decide when socialism will arrive in history. As long as it remains an exploited class of producers, the working class will retain the potential for organizing a socialist revolution, and the development of that potential will remain the primary task of the socialist movement.

Aside from these perspectives, however, there are much more concrete reasons why the rise of a new system of class rule in the Soviet Union does not at all forecast a new class society after capitalism and before socialism. Wherever it has arisen, the Soviet social formation has generally come not after capitalism but largely in place of it. Only if bureaucratic class rule based on state property were to arise in an advanced capitalist society would there be any basis for projecting a new exploitative class stage after capitalism. This has not happened.

Instead, the Soviet-type societies have emerged precisely where capitalism has been unable to develop on its own terms. The social and historical tasks which in the past fell to capitalism have been accomplished in these countries by a different form of social organization. These tasks include the overthrow of feudalism, the transformation of agricultural society, the process of primitive accumulation and industrialization, and—perhaps most important—the creation of a proletariat. They mark the new social formation as one which is historically analogous to the capitalist stage and which occupies roughly the same historical position between feudalism and socialism.

To be sure, the nature and form of these new societies has been profoundly influenced not only by their internal social tasks, but also by the world context in which they emerged. The age of imperialism and the decline of capitalism have thoroughly shaped their history and development.

Trotsky was correct at the outset of this century when he concluded that, from a world perspective, capitalism was ready for the scrapheap, and in the era of its decline would prove incapable of im-
Socialist Labor Party

planting itself in new areas as a viable social order. In the less developed areas of the world on the verge of revolutionary change, capitalism did not present itself as a road to modernization led by a democratic, nationally based bourgeoisie. Instead it appeared as a parasitic, foreign imperialism which had thoroughly exhausted its progressive energies.

For this reason, the rising national revolutions against feudalism and colonialism moved toward noncapitalist roads of development. Yet where Trotsky and others expected this noncapitalist road to be the dictatorship of the proletariat, it has in fact proven to be a new class system based on state property.

In this, the new social forms have reflected the other side of 20th-century history—the absence of successful socialist revolution in the capitalist nations. Had the socialist order already been ushered in, the history of this period would have taken a wholly different shape. As it is, our era has been dominated by the decline of capitalism on the one hand and the delay of socialist revolution on the other.

With neither the bourgeoisie nor the proletariat able to organize its rule in some areas of the globe, a new form of social organization arose. The absence of a base of material socialist support in the West immeasurably strengthened the tendencies in these societies toward the formation of class rule, repressive state apparatuses and exploitative economies. To the same degree that socialist possibilities were blocked by underdevelopment and isolation, the way opened up for the new class society to take shape.

Moreover, it would be incongruous to expect the contradiction between capitalist decay and the delay of socialism to be decisively resolved in those areas of the world where the proletariat remains a small, relatively weak social force. The proletariat can fulfill its historic role—the organization of socialist society—only where it constitutes the dominant force in society.

In the nonproletarianized countries, the anticapitalist, anti-imperialist revolutions fall either under the control of various class alliances (in which the proletariat has had a subordinate role) or under the direction of the new ruling class in the process of formation. While these revolutionary struggles can contribute to the weakening of the world capitalist order and bring internal progress, they cannot decisively bury world capitalism.

What’s more, as these noncapitalist societies harden into new class systems, they can become extremely hostile to the development of socialist revolution. It is no accident that the Soviet Union and its agents have played a counterrevolutionary role in the proletarian movements of the West for over 50 years, or that China’s foreign policy today is transparently reactionary. This is not simply because Stalin and Mao were “traitors to the proletariat” (how can you betray a class you’ve never represented?) but because they represented the interests of new ruling classes whose aims are in no way identical to those of the workers of the world.
This, in passing, takes the measure of another question that has been raised consistently since the new societies appeared: What is the relation of the international proletariat to these systems? Are workers obligated to defend them, as both Stalinists and Trotskyists contend?

By now the answer should be quite clear. For over five decades the slogan “defense of the Soviet Union” has been a signpost pointing the way to defeat, class collaboration, and opportunism for the working-class movement. It has been used repeatedly in all variations to subordinate the interests of a given working class to the momentary aims of Soviet state policy (or some other state’s policy). The list of defeats in which the proletariat has paid the price for this orientation is already long enough (Germany and Spain in the thirties, postwar Italy, France, Greece, etc.).

Whether in the hands of Stalinists obedient to Moscow, or sifted through the more complex formulas of the Trotskyists, this position is founded on the false premise that the interests of the international proletariat and those of the Soviet state are identical. It is part and parcel of the theory that the new systems are not expressions of class rule over their respective proletariats, but workers’ societies on the way to socialism.

It is equally false to present the defense of the U.S.S.R. or China or any other state as the touchstone of internationalism. Revolutionary Socialists are obligated to oppose all imperialist adventures of their ruling class, whether directed against the new social formations or old ones. For example, they should oppose imperialist intervention whether directed against the “socialist” U.S.S.R. and China or capitalist France and Italy.

In any event, the primary way a working class can defend its internationalist interests is to press its own revolutionary struggle against its exploiters. If there is a state whose interests run contrary to such a policy, it is, by definition, not entitled to a defense by the proletariat.

One final question needs to be taken up before closing: What should these new societies be called?

This has been deliberately left for last, since it is essentially a secondary matter of terminology. It is far more important to investigate the social content of a system than to label it. In fact, only when the former has been done can a label have any real meaning.

Nevertheless, terms are not unimportant. The problem is that 60 years of debate on the Soviet Union have produced a stream of more or less inadequate terms. Each of the four positions discussed in this series reflect this clearly:

Those who hold the “U.S.S.R. is socialist” position have been forced to totally revise and distort the Marxist meaning of socialism.

Those who hold the Trotskyist position are left with a “workers’ state” where the workers do not hold state power.

State capitalist theories describe a capitalism with no capitalists.
And the conclusion of the fourth position, that these are new class systems based on state property, lacks both the brevity and precision sought in a designation for a given social system. On these grounds, the SLP’s use of the term “bureaucratic state despotism” has been legitimately criticized at times. All states are increasingly bureaucratic, it is pointed out, and all are despotic. Valid as these observations may be, the fact remains that all the alternative labels offered have their own defects, many of them more serious ones.

In the final analysis, the terminological impasse reflects the complexity of the questions posed by the rise of the Soviet Union and its offspring. While these complexities will continue to be discussed in the socialist movement, it’s undeniable that all Marxists look forward to the day when class struggle resolves the matter and revolutionary transformation makes it possible to call the Soviet Union socialist without reservation.
Footnotes

1 For a more complete discussion of the development of the SLP’s specific attitudes toward the Russian Revolution and its relations with the Soviet Union over the years, see the recently published New York Labor News pamphlet, *The SLP and the U.S.S.R.*

2 “Lenin’s methods lead to this: the party organization (caucus) at first substitutes itself for the party as a whole; then the Central Committee substitutes itself for the organization; and finally a single ‘dictator’ substitutes himself for the Central Committee.” L. Trotsky, *Our Political Tasks*. Trotsky later renounced this view as incorrect.

3 This history can be extracted from the traditional accounts of the period such as those by E.H. Carr or Isaac Deutscher, or found in various other works explicitly critical of Bolshevik policies. For a discussion of one of the latter, Maurice Brinton’s *Bolsheviks and Workers’ Control*, see the *Weekly People*, March 19, 1977.

4 While Trotsky always insisted a bureaucracy could not be termed a class, this was not the position of Marx and Engels. Writing of Germany in the 1840s, for example, Engels pointed to “the emergence of a special class of administrative government officials that have the main power in their hands and that stand in opposition to all other classes.” Elsewhere he wrote: “The present situation in Germany is nothing but a compromise between the nobility and the petty bourgeoisie; it results in putting the administration in the hands of a third class: the bureaucracy.” (See *Monthly Review*, March 1976.)

The Soviet bureaucracy, in actual fact, has the essential features of a class based on a particular form of property—state property. It is in effective control of the economy. It holds state power. It lives off surplus product. It uses both ideological and police props to maintain its rule. It crushes resistance from those it exploits. It has been capable of reproducing itself and expanding. For Trotskyists, all this is taken not as evidence of the existence of a ruling class, but as the mere “deformation” of an essentially “proletarian” society.