

III. THE SOVIET ECONOMY UNDER BREZHNEV AND KOSYGIN: THE FULL ESTABLISHMENT OF CAPITALIST RELATIONS OF PRODUCTION

1) The Fall of Khrushchev

While Khrushchev was very effective at wrecking socialism, his free-wheeling, shoe-banging style was actually quite ineffective at establishing a functioning capitalist economy.

Take his reform of planning, which placed effective direction of the economy in the hands of regional Economic Councils. These Councils put the interests of "their own region" and its enterprises above the needs of the national economy as a whole. They hoarded raw materials and industrial goods produced in their regions.

Two striking examples of this are found in the June 6, 1963 *Pravda*. The article reports that the Uzbekistan Chemical Machinery Plant had failed to supply 162 units ordered by what then passed for the national plan. What was the problem? The plant was too busy producing for unplanned orders placed by its Economic Council. Similarly, the Nizhny Tagil Metallurgical Combine shipped 33,000 tons of the above-plan metals to its republic chief supply administration in 1962, totally ignoring the plan for other deliveries. It is easy to see how this sort of thing resulted in chaos and a near breakdown of production in some areas and industries.

Now, while this was a clear triumph of the bourgeois principle of "Me First", and was a reflection of the fact that capitalist forces had been "let loose", Khrushchev's "reform" had not gone far enough! While proletarian ideology and centralized planning had been thrown out the window, the capitalist principle of *production for exchange at a profit* had not been firmly established in the revamped Soviet economy.

With the further development of capitalist relations, the Economic Councils would have made aggressive attempts not only to assure their own supplies, but to penetrate and corner the markets of other regions as well. Under those conditions, an economic crisis would have resulted from a glut of goods on the market—goods which could not be sold profitably, not from the hoarding of what had been produced. But the bureaucrats and managers continued to be judged and rewarded on the basis of the gross output of their region or plant, regardless of whether it was profitable and whether it was even sold!

Khrushchev's agricultural policies were also

plagued with inconsistency. As we have seen, he made a brilliant start towards restoring capitalism in agriculture during the years 1953-1959. But after the first year or so of the Seven Year Plan (which began in 1959 only to be interrupted by the Brezhnev-Kosygin palace coup), Khrushchev reversed himself. Faced with a severe grain shortage, he cut back on the amount of land which could be allotted to private production, and put pressure on the farmers to sell their livestock to the collective farms. Investment in the agricultural sector by the state was slashed, while quotas for deliveries to the state jumped.

Since Khrushchev's earlier agricultural policies had abandoned socialist principles and dealt a body blow to the worker-peasant alliance, it should come as no surprise that his new attempt to "tighten up" was met by passive resistance on the part of the collective farms. Production—particularly of meat and dairy products—dropped severely. A series of "get-rich-quick" schemes designed to ease the agricultural crisis—the Virgin Lands development in Central Asia (about which more later) and the substitution of U.S.-style maize for traditional grain crops—only aggravated the situation.

By 1963, the agricultural crisis had become so grave that Khrushchev was forced to make massive grain purchases from the U.S. and Canada. When Brezhnev, who had been Khrushchev's right-hand man in the first years of the Virgin Lands scheme, ousted his boss a year later, he condemned Khrushchev's agricultural policies as "harebrained." The recourse to the capitalist world market to obtain food figured prominently in Brezhnev's catalogue of Khrushchev's incompetence and mismanagement of the Soviet economy.

Of course, Brezhnev found himself in almost exactly the same position a little under ten years later, when the Soviet Union had to buy a full quarter of the U.S. grain crop for 1972. But unlike Khrushchev, he was able to turn his country's agricultural failure into a neat commercial profit through sharp dealing. "The Great Grain Robbery of 1972" sent the price of wheat skyrocketing around the world—something the Soviets immediately took advantage of by selling large quantities at the new, inflated price after the good harvest the following year. And it

opened the eyes of a number of people to just what kind of men they were dealing with. As the U.S. Department of Agriculture's commodity export specialist, George S. Shanklin, told *The New York Times*, "I give them credit for being very good capitalists."

It was not only in questions of the domestic economy that Khrushchev failed to adopt a consistent capitalist approach. Although he initiated the export of capital from the Soviet Union to the Third World, the degree of economic and political control (not to speak of the profitability) afforded by early deals with India and others was not satisfactory to the emerging Soviet social-imperialist class. And Khrushchev's tendency to provoke and then back down from confrontation with U.S. imperialism, which was most dramatically displayed during the Cuban missile crisis, alarmed not only other Party leaders, but the Soviet military brass as well.

To sum up, as far as the bourgeois forces in Soviet society were concerned, Khrushchev had not gone far enough in restoring capitalism. But as far as the Soviet working class was concerned, he had gone too far!

Khrushchev had constantly promised to increase production of consumer goods and help raise the living standard of the people. But despite all his talk of "goulash communism", living standards actually declined. For all of Khrushchev's attempts to revise Marxism-Leninism, most Soviet workers still remembered what communism is supposed to mean: not simply an abundance of the good things of life, but the breakdown of distinctions between mental and manual labor and between worker and peasant and town and country; not a "state of the whole people", but the withering away of the state. The workers still remembered what goulash tasted like, too—and they knew they weren't getting much of that, either.

Of course, it was never intended that they should. Khrushchev's Seven Year Plan actually called for a lower rate of growth in the consumer goods industries than prevailed during the preceding seven year period (1952-1958). But with the dismantling of the centralized planning apparatus, what was bad news on paper turned out to be disaster in practice.

The frenzied pursuit of self-interest by the Economic Councils led not only to hoarding, but to heavy new investment in the producer goods industries as well, to assure local self-sufficiency. Thus, instead of exceeding the rate of growth of consumer production by 14% provided in the Seven Year Plan, the growth rate of the producer goods industries shot ahead by 22%.¹

This resulted in a rapid and unplanned expansion of the size of the national wage fund—not only because new jobs had been created, but because wage rates in the producer goods sector are much higher than in the consumer goods industries. New purchasing power had been created, but there was almost nothing to purchase.

Because of the diversion of investment, the actual output of consumer goods fell short of the low planned targets. Shortages and inflation were the order of the day. Where low planned prices were maintained, long lines sprang up and a criminal "black market" flourished.

This was certainly not the first time in Soviet history that the production of producer goods had outstripped the production of consumer goods—this situation was typical of the economy during the Stalin era. But at that time this pattern of investment was decided upon according to central planning. The production of producer goods was emphasized so that the long-term overall productive capacity of the economy could be increased for the benefit of the masses. Inflationary pressures generated by the rapid development of heavy industry could be foreseen, as this was planned politically from the center and not by rival gangs of regional bureaucrats "doing their own thing."

Such pressures could then be held in check by Stalin's proletarian policy of setting and strictly maintaining, if need be through rationing, low and stable prices for basic consumer goods.

Like so much else, Khrushchev threw this policy out the window. Soviet statistics show that the retail prices of flour, cotton textiles, shoes and twelve other major consumer items rose 42%, while the wages of office and factory workers went up by only 18.9% from 1959 to 1964.² The new Soviet bourgeoisie tried to make the workers pay for the results of the wrecking of socialism, using every trick in the book short of actual layoffs and plant shutdowns.

Things got so bad that riots broke out in the industrial cities. The best documented of these happened in June 1962 in Novochoerkassk, an important center of machine tool, locomotive, and mining equipment production. A few days after speed-up and a 10% cut in piece rates had been instituted in the factories, price increases for meat and dairy products were announced. This sparked a general strike.

As with similar workers' protests in Poland in 1971, thousands of workers, housewives and students gathered before the local Party headquarters, demanding an explanation. They were met with bullets. Several children were hit and killed, and the righteously enraged crowd tore the headquarters and several other public buildings apart. The rioting continued for several days and it was necessary to call in outside troops to restore order. Similar instances are known to have occurred the same year in Temir-Tau in Kazakhstan and in Kemerovo in the Siberian industrial basin.³

Beset by internal contradictions and meeting with growing resistance from the Soviet proletariat, Khrushchev's attempt to restore capitalism was also being exposed and attacked within the international communist movement by the Chinese Communist Party and the Albanian Party of Labor. Clearly, things could not be allowed to

continue in this manner for very much longer. And they were not. In October of 1964, Leonid Brezhnev and Alexei Kosygin, two chairman of the board types, axed Khrushchev.

2) The "Return to Leninism"

This changing of the guard was hailed as a great return to Leninist principles by the same hacks who had been praising Khrushchev's "creative development of Marxism-Leninism" only a few months before. The days of subjectivism, voluntarism and adventurism were officially announced to be over, and proletarian rule was supposedly back in the saddle again. Centralized state economic planning and management were re-established with the elimination of the Economic Councils in the fall of 1965, and Khrushchev's artificial and extremely unpopular division of the Party into industrial and agricultural sections was abolished almost immediately.

Of course, what actually prompted this reversal of policy was not any regard for Marxist-Leninist principle and the building of socialism. Centralized control of the economy was necessary to avoid total chaos, and it is not strictly incompatible with either capitalist relations of production or bourgeois dictatorship as both the Nazi economy and the post-war experience of West European countries have demonstrated.

Similarly, piecing together the Party was not intended to put proletarian politics in command. Calling upon Party members to be "political leaders" rather than narrow administrative experts was supposed to actually expand the authority of Party functionaries in practice. In restoring the Leninist model of "the party of a new type", Kosygin and Brezhnev were trying to use it as a fig leaf, the political representative and organizer for a monopoly capitalist class of a new type!

In the same breath as they heralded their "return to Leninism" to fool the masses of the Soviet working people, Brezhnev and Kosygin assured their real social base—the collective farm managers, factory directors, technicians, etc. and corrupt Party officials—that capitalist restoration would be continuing, but on a "professional" and systematic basis this time.

Here, too, "Leninism" was to serve as a smokescreen. Since 1956 revisionist economists had scrounged around for quotations from the Marxist-Leninist classics which, taken out of context, might seem to justify their attempts to reintroduce capitalist economic methods and relations in the Soviet economy. They hit pay dirt in Lenin's writings dating from the introduction of the New Economic Policy (NEP) in 1921.

In these texts, Lenin talks about the necessity of freeing trade and commodity relations, strengthening the authority of managers and experts in the factories, using material incentive to stimulate production, and last but not least, even

allowing foreign capital to invest in Soviet resources. The state must run nationalized industrial enterprises as autonomous "profit extracting" units, he said. (The term "profit extracting" *izvlechenie pribyli* comes from the Decree on Trusts of April 10, 1923.) As we shall see, all of these features of the NEP are key aspects of the Brezhnev-Kosygin "economic reforms."

By carefully selecting and pruning their quotations, the revisionists try to pass off the policies Lenin pursued during the NEP as his final word on how a socialist economy should be organized. For example, a whole page of the 1967 *Theses of the Central Committee of the C.P.S.U. on the 50th Anniversary of the Great October Socialist Revolution* is devoted to the NEP, stating among other things that "the basic principles underlying the New Economic Policy are of international value and are being utilized in the process of building socialism in other countries."⁴

Lenin made no such claims for the NEP. He saw it as a temporary retreat forced on the dictatorship of the proletariat by the unprecedented difficult conditions created in Russia by centuries of backwardness and the havoc of civil war. In all his writings of the period, Lenin stated with ruthless honesty that the NEP was "our *retreat* to the ways, means and methods of *state capitalism*."⁵ (emphasis added)

Paradoxically, it was only by a retreat to capitalist relations of production—under the watchful control of the workers' state, which continued to control credit and trade as well as embodying the political power of the working class—that the dictatorship of the proletariat could be preserved and consolidated. In cities the breakdown of large-scale industrial production was forcing the proletariat to turn to petty bourgeois profiteering to survive. In Lenin's words, it was becoming "declassed" and was in danger of losing its ability to wield political power.

The material basis of proletarian class consciousness, industrial production, had to be restored, even if it meant putting bourgeois elements in charge of the factories. In the countryside, the worker-peasant alliance was being strained to the breaking point by arbitrary state requisitioning of grain. Lenin saw clearly that

*"It is impossible to establish a correct relationship between the proletariat and the peasantry, or an altogether stable form of economic alliance between these two classes in the period of transition from capitalism to socialism, without regular commodity exchange or the exchange of products between industry and agriculture."*⁶

At the same time, he pointed out with equal clarity that "commodity exchange and freedom of trade inevitably imply the appearance of capitalists and capitalist relationships."⁷

It should be quite clear that it is an obscene distortion of the theory and practice of Lenin's

leadership to claim, as does the Soviet economist, V. Morozov, in his article "The Development of Commodity-Money Relations in the Countryside":

*"From Lenin's works that are devoted to the economic problems of building a communist society, it follows that the decisive factor in the development of socialist social relations is the use of trade, money, and other instruments of a commodity economy. Lenin's theoretical elaborations found their practical embodiment in the N.E.P."*⁸

The NEP had very little to do with questions of economic efficiency under socialism. But it had everything to do with socialism's fundamental precondition: the political hegemony of the working class. If the NEP has an "international value", it is as a brilliant example of putting politics in command of economics under the dictatorship of the proletariat.

3) Restoration of Capitalism in Agriculture: The Creation of a New Kulak Class

Brezhnev, Kosygin and Co. "returned to Leninism" to tear out its proletarian and revolutionary heart. But they cannot be faulted for not learning from Lenin, who had seized on the countryside as the decisive link in the transition between capitalism and socialism in Russia. And so, like the capitalist roaders within the CPSU before them (Trotsky, Bukharin, and latter-day revisionists like Voznesensky and Khrushchev), they turned their attention to the problems of the rural economy.

Immediately upon taking power, Brezhnev moved back in the direction of encouraging the growth of the private sector in agriculture. All of Khrushchev's belated restrictions on private plots and livestock ownership were once again removed. In line with this, attempts to prevent profiteering in the free markets where the peasants sell their privately produced goods by means of publicly posted ceiling prices were abandoned in 1965, much to the dismay of the urban consumers who are forced to rely on such markets for virtually all fresh produce and dairy products.

Not only have the prices on these markets jumped, but so have their volume of sales and the number of commodities offered as well. Collective and state farms have now been authorized to dispose of an increasing percentage of their socially produced output on the free market, and are even allowed to sell "surplus" seed, fodder and equipment.

Today a tremendous private sector continues to exist and plays a major role in Soviet agriculture. According to official Soviet figures, 62% of all potatoes, a staple crop, are grown on private plots and marketed privately. Nearly half of all egg production is private, and the Soviets are proud that per capita egg consumption in the USSR is higher than in the U.S. Over a third of all meat and 44% of all milk were privately produced in 1972.⁹ From

January, 1965 to January, 1967, the number of privately owned pigs increased by 13.7%, cows by 5.6% and sheep and goats by 4.2%.¹⁰

In line with this encouragement of private production and trade is the break-up of socialized production by the system of *beznarzhadnie zven'ya* (unregulated teams), an experimental system of production which is gaining increasing favor on Soviet state and collective farms. The present day *zveno* is a refinement on the mini-teams that Khrushchev had pushed as the basic unit of collective farm labor back in the late 40s.

Under this system, collective or state farm land is parceled out to a group of five or six peasants (generally relatives or neighbors) for an indefinite period of tenure. The group is provided with seed, equipment and instructions on what to grow, and they continue to receive a monthly salary. The group is free to work when it pleases and how it pleases. The *zveno* then sells its output to the collective or state farm for cash. It is estimated that participants in this scheme get double the income of regular workers in agriculture, and since the *zveno* members are supposed to decide on how the revenue from their crop is shared out, inequality can emerge within the bosom of these cozy groups as well.

The development of the *zveno*, while not as yet generalized throughout the state and collective farm system, dealt a series of powerful blows to the painfully won and relatively fragile socialist relations in the Soviet countryside. On the most obvious level, it creates inequality and disunity among the unskilled and semi-skilled workers who make up the majority of the members of collective and state farms. This can only serve to strengthen the rule of the real capitalist elements in agriculture—the farm managers.

It also represents a penetration of full-fledged commodity relations into the very heart of supposedly socialized or collectivized agricultural production. Here we should recall that Stalin saw the persistence of the law of value in the Soviet Union stemming from commodity exchange between the collectivized agricultural sector and the state sector. What is going on with the *zveno* is qualitatively different and more serious. This is the spread of commodity exchange *within* collectivized agriculture!

The indefinite tenure of the *zven'ya* on nationalized land can be seen as a step towards the restoration of private property in land, though, as Lenin pointed out, private property in land is not a necessity for capitalism, and capitalist agriculture can exist on the basis of nationalized land. Nevertheless, some Soviet commentators have actually come out front and suggested that the teams be granted permanent and recognized rights over the land they farm. One enthusiast, writing in *Literaturnaya Gazeta*, claimed that loss of personal ownership of the land had caused the peasant to lose his love for the land, and that this was the root cause of the problems of Soviet agriculture!¹¹

The theme of "personal responsibility"—and productivity—is developed further in an important article by P. Rebrin and A. Strelanov, which appeared in the bourgeois liberal magazine *Novy*

Mir.¹² The authors complain that on farms comprising thousands of acres and hundreds of workers, the warm personal tie between man and his labor has been replaced by plans and state norms, and this leads to indifference and low productivity. Of course, the warm, personal tie these authors are actually talking about is what Marx called the cash nexus. For all its metaphysical language, this article actually gets to the heart of the *zveno* scheme as a tool of capitalist restoration in the countryside.

The collectivization of agriculture was an urgent task for the Soviets, not because it was a way of squeezing more out of the peasants to finance industrialization (the Trotskyite theory of "primitive socialist accumulation" echoed by so many bourgeois scholars). Nor was its greatest importance that it was a more efficient system of production than small-scale cultivation (although it was certainly was that); nor even that it was a way of rescuing the poor peasants from ruin at the hands of the kulaks. Above all, collectivization was the first step towards the communist goal of eliminating the contradiction between town and country and the abolition of classes.

By participating in scientifically organized, mechanized agricultural labor in large brigades, peasants on the state and collective farms got their first taste of socialized labor. Collectivization involved the labor process as well as land ownership, and thus paved the way for the gradual "collectivization" of the peasants' consciousness—the replacement of the individualism and selfishness of the small producer with proletarian qualities of cooperation and solidarity. By attacking socialized labor in the countryside, the *zveno* system marked a great step backward.

But if it hurt the ideological proletarianization of the peasants, it furthered their economic transformation into a class of rural wage laborers, exploited by a new kulak class. For if the *zveno* represents an individualized basic production unit, it is still not a unit of political and economic control, which rests in the hands of the farm managers.

The *zveno* system has to be examined in light of the fact that the main thrust of Brezhnev's economic policy was not to encourage small-time private producers—though small-scale production did expand rapidly as the forces of capitalism were unleashed—but to transform the collective farms and state farms into self-supporting, profit-oriented agricultural firms, linked to the state not so much by planning or obligatory deliveries and sales as by relations of bank credit (which in the case of the state farms was to replace grants from the budget). Both institutions were supposed to operate on the basis of internal cost-accounting (*khozraschot*).^{*} The

^{*}Under socialism, the term "cost-accounting" was used to describe the process whereby enterprises attempted to cover expenditures with income in the most efficient manner possible according to plan. Today, however, this term, along with the synonymous expression, "economic accounting", refers to the process whereby an enterprise attempts to cut costs and maximize profit. When Soviet economists refer to efforts made to "strengthen cost-accounting", they refer to the further maximization of profit. The existence of the practice

of farms paying *zven'ya* for their crops fits in nicely with this sort of "control by the ruble", and can be compared with the so-called transfer prices that different shops in a giant enterprise or different divisions of the same firm sometimes charge each other in monopolized industries in the West.

Under Stalin, agricultural experts were employed by the state and stationed in the MTS. Though this arrangement did create some inefficiency with respect to the deployment of experts in on-the-spot situations, one of its main goals was to keep such bourgeois elements under proletarian control, isolated in the MTS and thus incapable of forging a bourgeois political base among the more affluent peasants. When Khrushchev abolished the MTS, however, these bourgeois experts entered directly into the administrative structures of the collective and state farms. Moreover, in many cases they took on positions of Party responsibility as well.

In his report to the plenary meeting of the Central Committee on March 24, 1965, on "Urgent Measures for the Further Development of Soviet Agriculture", Brezhnev made it quite clear on whom the Party planned to base itself in the countryside, and for whose benefit the urgent measures were to be taken:

*"The Party regards these specialists as its reliable and qualified support in the fight to advance agriculture. We trust our specialists who have been reared by the Communist Party. With the active support of the heads of enterprises, Party and soviet organizations, agricultural specialists will develop their creative potentialities and ensure the constant growth of crop yields and of productivity in animal husbandry."*¹³

of "cost-accounting" under socialism reflects the fact that the laws of commodity production, though restricted, still continued to operate. The strengthening of cost-accounting under revisionist rule does not just mean more emphasis on efficient use of funds, but reveals the restoration of the law of value to a regulating position (more on this later).

Another, more telling comparison can be made, one which equates the *zveno* to recent experiments by the Swedish auto firm, Volvo, which replaced some assembly line production with small groups of workers "personally responsible" for putting together entire cars. The real purpose is not to make the workers feel better, or get a real grasp of auto production, but to make them work harder for the capitalist. So-called "job enrichment" is merely another means of capital enrichment.

Similarly, the *zveno*, for all its elements of private ownership and petty production, is primarily an extremely efficient way to speedup agricultural laborers. Members of the teams are responsible for the cultivation of almost three times the area that members of normal collective brigades are assigned to work. Since the drift of young people off the collective farms was coming to resemble a stampede during the Khrushchev years, this aspect of the *zveno* system has made it doubly useful to the rural capitalists.

But just who are these rural capitalists? They are not primarily the people with the largest private plots or the most cows, nor are they by any means the participants in the *zveno* scheme. They are the managers and technical specialists of the collective and state farming establishments. Many of them are not even of peasant origin. The Soviet revisionists have removed many veteran peasant cadre from positions of leadership in agriculture, replacing them with a horde of capitalist-minded "experts."

Under Khrushchev, the collective and state farms had in most instances been granted a tremendous degree of independence, but at the same time this was consistently infringed upon by arbitrary increases in state procurement quotas. Now Brezhnev promised that there would be no more big state campaigns in agriculture, no more "preemptory orders and bureaucratic instructions, petty tutelage and usurping of the functions of the leaders and experts of collective and state farms" by the Party.¹⁴

In return a decree was issued "on the increased role of the Ministry of Agriculture of the U.S.S.R. in controlling *kolkhoz* and *sovkov* production."¹⁵ This decree formalized the relationship between the state and the collective and state farms. It was now decided that the farm managers would serve as agents of the state bourgeoisie by running the farms according to the demands of the profit motive. Along these lines specialization of farms was stepped up. Production delivery targets were now to be planned well ahead of time and could no longer be altered arbitrarily by the state. Relations between the farms and central state purchasing agencies were also placed on a commodity exchange basis (all allocations and requisitions by the state were now to be determined by contract).

To encourage farm chairmen in developing agriculture on a profit-oriented basis, remuneration of farm officials was put on a capitalistic basis in 1966, cutting these officials in on the take in a manner similar in many respects to how industrial managers were treated under the 1965 economic "reform" (see section 7).

In the past, the salaries of collective farm officials had been based on the socialist principle of "to each according to his work" and determined first on the basis of the size of the sown areas and herds on a farm, later on the basis of the value of gross output. Now their salaries are based on the level of gross monetary income as determined by the farm's production-finance plan. To the basic salary (which itself depends on whether the collective is rich or poor), the managers are entitled to add bonuses of up to 50% of their annual earnings: 5% of the monthly salary for every percent of profit attained, 2% of the annual salary for every percent by which the plan is overfulfilled; bonuses set for the state for putting certain highly profitable industrial crops like flax into cultivation (this one is very big in practice!), and bonuses which management can fix itself for "economizing on outlays of materials and labor."

For many managers, especially those on the really large and rich collective and state farms, even this system of payment doesn't go far enough. In an article which appeared in the scholarly and influential *Voprosy Ekonomiki* in 1969, the chairmen of the Kirov Collective Farm in the Smolensk region called for basing managerial salaries not on gross revenues, but on the rate of return on the capital invested in agricultural production.¹⁶

Whatever the basis of distribution, the new kulaks are skimming cream off the top. The

sociologist K. A. Shaibekov reported in his book, *Lawful Remuneration on the Collective Farms* (note the "lawful" in the title), that on 11 out of 27 collective farms investigated in Kazakhstan, chairmen drew wages 15 and even 19 times that of ordinary farmers. In 1965, the chairman of the Baku Worker Collective Farm in Azerbaijan received an average monthly salary of 1,076 rubles; the chief accountant was paid 756 rubles. On the same farm the average member received less than 38 rubles a month for arduous labor in the fields.¹⁷

Some of this income comes from what is known as "subsidiary agriculture"—private agriculture engaged in "on the side" by many of the new kulaks. While this is not the *main* form which capitalism takes in Soviet agriculture, it does provide one important base of kulak power and reflects the extent to which the abandonment of proletarian dictatorship has unleashed all the spontaneous forces of capitalist production. For example, most of the new kulaks are into livestock production in a big way, often hiring members of the collective to tend their private herds or cultivate their private plots.

In 1967, Brezhnev introduced a Decree on the Further Development of Subsidiary Enterprises in Agriculture, which opened up vast new possibilities for further exploitation of the peasantry on a wage labor basis, and for the profitable transformation of high managerial income into private capital. Farms were allowed to set up manufacturing enterprises, particularly in processing of agricultural produce (for example, canneries), building materials and consumer goods, provided this did not come at the expense of agricultural production.

Financing was to come from retained profits of the farms and from credits from the state bank. These enterprises can establish their own production plans, which are not subject to higher approval, and can negotiate prices with consumer cooperative and state retail trade networks, as well as sell directly to industrial enterprises and on the peasant free markets. They are the forerunners of Soviet agribusiness—merging the new kulaks (as growers and processors) with the state finance capitalists (in their role as bankers).

Another important step towards the establishment of the new kulaks as a definite class was taken in 1969, when the Council of *Kolkhozes* was created, grouping together the chairmen of the collective farms and state agricultural functionaries. The Council serves as the lobbying organ of the rural bourgeoisie.

It is clear that the general trend in Soviet agriculture is towards greater autonomy of the productive units with regard to the state. However, before we accuse Mr. Brezhnev of completely abandoning the countryside to *local* bourgeois elements, we should mention the numerous proposals that the Soviet state, as legal owner of the land, assume its agricultural

responsibilities once again—by charging the collective and state farms rent in cash for its use. And according to the Western expert, Alec Nove, the establishment of a cadastre—an official registration of the quantity, quality and ownership of land—is being contemplated.¹⁸ This would serve as the basis for the state exacting *differential rent* from the farms. This is the form of ground rent specific to the capitalist mode of production. It takes account of the fact that some land is more productive than other land, and regulates the apportionment of surplus value to the landlord—in this case the Soviet state—accordingly.

To sum up: with respect to the restoration of capitalism in agriculture, Brezhnev and Kosygin picked up where Khrushchev left off. Khrushchev's policy had been a contradictory one of, on the one hand, encouraging an orgy of small-scale private enterprise farming and, on the other hand, of arbitrary interference by the state through increased requisitions. This was abandoned by Brezhnev and Kosygin, who chose to solidify the collective and state farm managers and technicians as a new rural bourgeoisie. Labor intensification and the final destruction of socialized production relations was systematically carried out by the introduction of the *zveno* system.

Meanwhile, the collective and state farms were set up as virtually independent firms tied to the state bourgeoisie through the latter's role as finance capitalist. (Here it might be instructive, by way of comparison, to recall the example of the Bank of America's role in California agribusiness noted in Chapter I.) Finally, the Council of Kolkhozes was established to provide the rural bourgeoisie with its own lobbying agent in the central government. In addition, the Communist Party, now based in the countryside mainly on the new kulaks and their lackeys, provided the key *political* link tying the rural capitalists to the predominant power of the central state monopoly capitalists.

4) The Liberman Debate: Enter the Profit Motive

While all this rural capitalism is fairly impressive as an indication of which way the wind was blowing in the USSR, we should remember that after decades of proletarian rule and socialized production, the Soviet Union was predominantly an industrial country. For this reason the reorganization and consolidation of industrial production along fully capitalist lines was even more crucial to the completion of capitalist restoration.

This occurred in 1965 when Premier Kosygin announced a sweeping "economic reform", patterned on the NEP and the recommendations of his first mentor, Voznesensky. This reform made the profit motive the major guiding force in the Soviet economy, and opened a new period, the stage of the conscious construction of a state capitalist

economy.

This economy, now fairly well established, although still in the process of evolution, is not based on serving the needs of the broad masses of the Soviet working people. It is in no respect controlled by them. It is an economy based on the principle of the exploitation of man by man; on the extraction of surplus value from the workers by a new ruling class of state monopoly capitalists.

The main outlines of these reforms were suggested during the famous Liberman debate carried out among Soviet economists in the early 1960s under the auspices of no less a figure than Khrushchev. This high patronage should alert us to the fact that the debate was designed to serve as a forum for bourgeois ideas about economics. Its slogan, in fact, might have been a perversion of Mao Tsetung's famous call to "let a hundred flowers bloom, let a hundred schools of thought contend." All one had to do was replace the word "flowers" with "weeds."

But there were other aspects to the debate as well. The failures of Khrushchev's economic policies made the questions debated of more than academic interest—something had to be done with the Soviet economy but quick. The old system of planning and management was in serious need of reform. Managers of factories persistently resisted innovation and technical change that might result in higher planning indexes for their enterprise. The quality of goods produced left much to be desired. The system of centralized supply was bogged down in red tape and inefficiency. The most extreme anecdote about this problem concerns an auto factory whose requisition for ball bearings had to be processed by fourteen different agencies and generated some 430 pounds of documents!¹⁹

As a result, managers would hoard raw materials, and machinery, put in inflated orders and employ "blat" (a term which can cover anything from coat-tail pulling to outright bribery) to make sure their enterprise would suffer no interruption of production due to problems of supply. All of these practices, of course, were strictly illegal, and subject to the most severe penalties if discovered.

The use of the index of gross output as the chief gauge of an enterprise's success in fulfilling its plan tended to produce some fairly grotesque side effects. An article written by the head of the Tatar Economic Council, F. Tabeyev, which appeared in *Izvestia* gives a classic account of what tended to go on:²⁰

At a factory producing children's clothes, the principal plan target was *value* of gross output. In order to meet and overfulfill the plan, management had fancy silk-embroidered and fur collars sewn onto kid's winter coats, thus jacking up the value of each unit produced.

Measuring gross output in *physical* terms didn't help much either. Soviet humor magazines abound in cartoons showing nail factories whose entire year's output is one gigantic nail weighing

hundreds of tons.

Now while certain of the problems involved with the old system were indeed technical (particularly certain problems of supply), the majority of them were basically political questions. For example, in the case of the children's coat factory, the problem could have been resolved by an all-out political struggle by the workers against these phony and wasteful methods of "meeting the plan" and the bourgeois ideology behind them—by the working class exercising its rights as the true owner of society's productive resources.

But the Liberman debate never even touched on such questions. The argument was conducted almost completely from a "practical" and technical point of view. In large measure this was due to conscious interference by leading political figures up to and including Khrushchev himself. In fact, shortly after the discussion began Khrushchev spoke before the November 1962 Party Central Committee plenum where he endorsed the notion that under socialism, "in the individual enterprise... (profit has) great significance as an economic index of the effectiveness of its work."²¹ Such statements only encouraged Liberman's opponents to confine their criticisms to pragmatic considerations.

Thus even those economists who opposed the wholesale reintroduction of capitalist criteria and relations were infected with the revisionist approach. Their solution to the problems of the Soviet economy was to find fool-proof techniques for allocating resources and measuring success, planning gimmicks that not even the cleverest and most crooked manager could distort or outwit. All of their solutions for straightening out the Soviet economy called for putting technique in command.

Some extremists called for a planning process virtually untouched by human hands. Giant computers were to survey the needs of every enterprise and household in the economy in physical terms, draw up a national plan balancing expansion of production with consumption and allocating resources and production quotas, then analyze and evaluate the execution of the plan. The problem of programming the computer to achieve the optimum *political* solution to economic problems, to take into account the complexities of class relationships in the socialist period, was not discussed at all, and of course, was not possible at all.

Of course, not all the conservative economists went as far as these computer freaks. Tabeyev, whom we mentioned before, drew up a new index to replace the gross output norm, and actually put it into practice in the Tatar Economic Council. Called the "normative value of processing" (NVP) method, it calculated standard values for each line of production on the basis of expenditures on labor, fuel and a fraction of overhead costs.

The NVP set out to avoid the types of abuses we ran down earlier by excluding the bulk of material inputs, and most importantly, profit, from its

calculation. Tabeyev reported that after its introduction, "clothiers ceased sewing expensive collars on children's overcoats." However, the NVP was such a complex index that there was virtually no way the workers could grasp the principles on which it was based, or monitor its application. More than ever, it made control over production a bureaucratic affair, involving mathematicians and managers, not "mere" production workers.

The conservative economists like Tabeyev were mainly concerned with rationalizing the system of centralized planning (particularly in dealing with problems of supply) and eliminating managerial hanky-panky and waste in the enterprises. But the capitalist roaders who had usurped state power in 1956 and their academic henchmen had their eyes on a different set of problems. They were concerned with the Soviet Union's relative strength in so-called "peaceful competition" with Western imperialism, with intensifying the exploitation of the Soviet working class, and perfecting the mechanisms by which the new capitalist class could appropriate the surplus value created by the proletariat.

The period of restoration of bourgeois dictatorship and of Khrushchev's economic experimentation was also a period of economic slow-down for the Soviet Union.²² Through the mid-50s, growth rates were high: GNP rose at an average annual rate of 7%, while industrial output increased by over 10% each year. But by 1959 these rates were on the decline, although they continued to be higher than comparable statistics for the West. According to U.S. economists, during 1960-67 Soviet GNP grew at only 5½% annually, while the increase in industrial production had fallen off to 7½% annually. This did not bode well for the Soviet bid for international economic dominance.

Even more alarming to the capitalist roaders was the fact that not only was growth falling off, but its cost was rising sharply. In the past, the Soviet economy had achieved and maintained its sensational growth rate not through the intensification of labor (speed-up) but by ploughing back a large percentage of the product into new investment in physical plant. This meant more machines, more factories, and also more jobs.

By the late 1950s investment absorbed a third of the total output of the Soviet Union, but its efficiency—that is, its profitability—was not keeping pace. In 1950-58, each additional ruble of investment yielded half a ruble of new product, but in 1959-66 each ruble invested yielded only about a third of a ruble's worth of output.²³

Now, to a capitalist, the purpose of economic activity is to obtain the maximum return on every penny—or kopeck—that he invests. So it should come as no surprise to us that the other camp in the Liberman debate, made up of the various brands of more conscious capitalist roaders, focused a great deal of attention on the problem of "increasing the efficiency of investment."

They were emboldened by the fact that a fundamentally capitalistic outlook on questions of economic policy had already received the Party's stamp of approval at its 22nd Congress, held in 1961. The new program of the Communist Party of the Soviet Union, which was adopted then, states:

*"The building of the material and technical basis of Communism calls for a continuous improvement in economic management and planning. Chief emphasis at all levels of planning and economic management must be laid on the most rational and effective use of the material, labor and financial resources and natural wealth and on the elimination of excessive expenditure and of losses. The immutable law of economic development is to achieve in the interests of society the highest results at the lowest cost."*²⁴

Of course, communism cannot be built on the basis of waste and economic irrationality. But we can measure just how far Khrushchev and Co. had gone along the capitalist road by comparing their views on the "transition to communism," waste and so forth with what Lenin had to say about the same questions, 40 years before. In *A Great Beginning*, Lenin writes:

*"Communism begins when the rank-and-file workers begin to display a self-sacrificing concern that is undaunted by arduous toil for increasing the productivity of labor, husbanding every pod of grain, coal, iron and other products, which do not accrue to the workers personally or to their 'close' kith and kin, but to their 'distant' kith and kin, i.e. to society as a whole, to tens and hundreds of millions of people united first in one socialist state, and then into a Union of Soviet Republics."*²⁵

(emphasis in original)

The difference between these two passages is not simply one of style, or an unfortunate choice of words by the framers of the new Program. It comes down to the fact that each represents the outlook of opposing classes: Lenin speaks for the aspirations of the proletariat, and Khrushchev for the bourgeoisie.

Any lingering doubts as to what direction the Party program is charting for the Soviet Union are cleared up a few lines later in the 1961 Program, when the capitalist cat is let out of the bag:

*"The Party attaches prime importance to more effective investments, the choice of the most profitable and economical trends in capital construction, achievement of the maximum growth of output per invested ruble, and the reduction of the time lapse between investment and return."*²⁶

(emphasis in original)

David Rockefeller himself could not have summed up the requirements of a capitalist investor more succinctly.

Exactly how the restructuring of the Soviet economy along capitalist lines should proceed was a subject of intense debate among the capitalist roaders themselves. They were divided

into moderates and extremists, piecemeal reformers and people with a rigorous and theoretically coherent blueprint for capitalist restoration.

The man who lent his name to this great debate, Yevsel Liberman, can be classified among the moderates, and was no big name in the Soviet political or academic world. In fact, his relative obscurity has led some observers²⁷ to see him as a front-man for more famous, and cautious, figures who did not want to go out on a limb by openly advocating capitalist measures.

This makes sense, but we think that there are other reasons for Liberman's emergence from the shadows of Kharkov University's Institute of Economic Engineers (the equivalent of a U.S. business school). The first reason, which doesn't contradict the "front-man" theory at all, is that Kharkov is in the Ukraine. It is more than likely that Liberman and his colleagues had long-standing connections with Khrushchev's Ukrainian political machine. That would certainly explain why the pages of the authoritative journal *Kommunist* were thrown open to Liberman's capitalistic theses as early as 1956 and 1959, the period when Khrushchev emerged as the unquestioned master of Party and state.

However, there is a second reason which we think is most important. By virtue of his position as a "business economist" and teacher of managerial cadre, Liberman had his finger on the pulse of one of the main social bases of capitalist restoration: the managers and technicians. In fact, his reform proposals are a direct reflection of the outlook and demands of this section of the rising Soviet bourgeoisie.

Liberman claimed that the root cause of the difficulties of the Soviet economy lay in the fact that the enterprises were not sufficiently "interested" in the results of their work. This interest was not, of course, the political consciousness so movingly described by Lenin in the passage from *A Great Beginning* quoted above. Liberman meant the interest expressed by the question, "What's in it for me?"—bourgeois self-interest expressed in cash terms.

Liberman's "solution" to this problem was for the state planning commission to throw out all but the most essential binding instructions and indexes for the enterprise, and to restore profitability to its traditional capitalist position as the basic index of economic success. And Liberman defined profitability as the ratio of profits to investment of constant and variable capital (for machines, raw materials, etc. and for wages), as does Marx in his formula for the rate of profit ($s/c+v$). (Liberman, like most bourgeois economists, used the terms fixed and working capital to refer to the categories of constant and variable capital.) Further, Liberman urged, the state should permit the enterprise to retain a significant percentage of profits realized, and use them as a source of incentive funds and managerial bonuses—to cut the managers in on the surplus value created by the workers under their direction!

Lieberman came out front in a number of speeches and articles about the implications of his proposal. To a discussion group organized by *Ekonomicheskaya Gazeta*, the Party Central Committee's weekly newspaper, he said: "It is first of all necessary that everyone be clear on one point: the new system does not involve the simple substitution of one index for another—the replacement of gross production by profitability."²⁸ What is really at stake in making profitability the chief planned index is "a reform of the enterprises' relations with the national economy."²⁹ (emphasis in original)

In line with this, centralized planning must proceed from the principle that "what is profitable for society should be profitable for every enterprise."³⁰ (emphasis in original) In other words, the state must see to it that not only profits, but the economic power and privileges of the managers are maximized. The enterprises, operating under a regime of profit maximization, must regain autonomy in planning and management relative to the state, and they must be able to appropriate a portion of the surplus product they produce.

In reply to critics of his proposal, who correctly pointed out that putting profit in command of production was a step backward to capitalism, Lieberman engages in a revision of Marxism that puts even Khrushchev to shame. In an article called "Are We Flirting with Capitalism? Profits and Profits," which appeared in the English language *Soviet Life*, Lieberman lets us in on a little secret: "In essence and origin profit under socialism bears only a superficial resemblance to profit under private enterprise, while by its nature and by the factors to which it testifies it is fundamentally different from capitalist profit." He explains that "Behind Soviet profits there is nothing except hours of working time, tons of raw and other materials and fuel, and kilowatt-hours of electrical energy that have been saved," while "the main part of the profit under the private enterprise system comes not so much from production, as from the process of exchange."³¹

This would have come as big news to Karl Marx, who repeatedly stressed as the most fundamental principle of capitalist political economy that whatever form profit might take (whether the industrial profit that Lieberman claims is "now" virtually unique to socialism, commercial profit, or interest and rent), it had one source and one source alone: surplus labor extracted in the process of production. It would also have been quite an eye-opener for Lenin who, following Marx, stressed that "Surplus value cannot arise out of the circulation of commodities, for this represents only the exchange of equivalents."³²

However, if we are to believe Lieberman, since "there is neither private (i.e., individual—Ed.) ownership of the means of production nor stock capital and, consequently, no stock market" in the Soviet Union, there can be no capitalist exploitation in production, either. Putting profit in command of production through this feeble sleight of hand becomes the essence of socialism!

Not all the capitalist readers so blatantly ignored Marx as Lieberman, however. In their article, "Payment for Production Assets and Enterprise Profits," L. Vaag and S. Zakharov (the extremists of the profit-oriented school) came up with a proposal for a "self-regulating" system of economic management that matches Marx's model of a capitalist economy outlined in Volume III of *Capital* point for point.

They called for a reform of the pricing system which would replace the old, politically determined prices with "prices of production" (the term is even taken from Marx), including a uniform rental charge of 20% on the value of fixed capital, to be paid to the state. (The authors estimate that if consumer prices were maintained at their existing levels, this would result in an 80% increase in the prices of producer goods! One can imagine what sort of result that would have on any extensive approach to the development of production—the intensification of labor would become the only economical way to expand output because firms could not afford to purchase new machines, etc., in order to develop production.)

Vaag and Zakharov echo Lieberman in calling for more planning autonomy for the enterprises, and basing managerial bonuses on profit. But the real interest of their scheme, aside from its classical inspiration and rigor, lies in the proposal that the state begin to treat the means of production as capital, that is, as a means of appropriating surplus value for a non-productive minority, extracting interest from the enterprises for its use.

Of course, with their emphasis on the extraction of surplus value by the state rather than by the enterprise, Vaag and Zakharov were able to construct a much more elegant defense against any charges that they were seeking to restore capitalism. While Lieberman had imitated Khrushchev's outright distortion of the basic truths of Marxism-Leninism, Vaag and Zakharov prefigured the "return to Leninism" of Brezhnev and Kosygin:

"This kind of scornful attitude toward profit, which once appeared in a book by Bukharin, is known to have been sharply criticized by V.I. Lenin. Bukharin's formula was: 'Production in conditions of capitalist rule is the production of surplus value, production for the sake of profit. Production under proletarian rule is production for meeting the needs of society.' Objecting to this kind of assessment of the significance of profit, Lenin wrote: 'That won't do. Profit also satisfies 'social' needs. What should be said is this: where the surplus product does not go to the owner class, but to all the working people, and to them alone.'"³³

This is quite slick, but our capitalist readers have picked up a rock only to drop it on their own feet. The main thrust of Lenin's criticism of Bukharin's book, *Economics of the Transformation Period*, was that it approached socialist economic policy in exactly the same way the Vaag and Zakharov article does: divorcing economics from politics under the cover of rhetoric about proletarian rule, treating it as though it were a simple

question of the most rational and efficient utilization of the productive forces.

When Lenin reminded Bukharin that "profit also satisfies 'social' needs", he meant that under capitalism use values *are produced*—for profit—and profit *did* serve as a measure and spur of economic efficiency and the development of society's productive forces. If the categories of capitalist exploitation served no economic function, and if the capitalist system consistently failed to assure the working class even a miserable living (as a *class*, because there is always the ruin and starvation of individual workers), the profit system would have passed off the face of the earth long ago.

The real question certainly *is* which class owns the means of production, organizes their utilization, and appropriates the surplus product. When the means of production are nationalized, we must also ask which class rules the state. The policies and methods pursued by the state in organizing production can provide a partial answer to this question. Vaag and Zakharov's version of putting profit in command, having the state relate to the means of production in exactly the same manner as a capitalist, should serve as a signal that bourgeois forces had usurped state power. We will go much deeper into these problems when we discuss the actual "reform" of the Soviet economy.

The openly capitalistic character of Vaag and Zakharov's proposal to restore prices of production drew fire from even members of the revisionist camp. It can be seen as providing a convenient cover for less blatant proposals, and we should note that most of the criticisms did not focus on the relations they sketch out between the state, the enterprise, and the worker. However, as the debate intensified, at least a few participants raised objections to its class character. The Soviet economist Chakhurin openly stated that "Some of those engaged in the discussion are obstinately trying to produce a system that would work automatically and be managed by engineers technicians and economic leaders."³⁴

Whether out of sincere opposition to what were overtly capitalist proposals, or conservatism, the majority of the economists involved in the Liberman debate rejected the various proposals to run the Soviet economy on a more or less *competitive* capitalistic basis, and instead called for the general introduction of the NVP index. However, Khrushchev publicly intervened in favor of the Liberman proposals. In May 1964, *Ekonomicheskaya Gazeta* announced that the Central Committee was sponsoring an experiment putting Libermanism into practice at two clothing factories: Bolshevichka in Moscow, and Mayak in Gorky.

5) Testing the Water: Experiments with Capitalism

The basic idea behind the Bolshevichka-Mayak experiment was replacing what little was left of the *discipline* of the plan with the discipline of the

market. Under the old system, orders for the garment industry were channeled through the state Retail Clothing Trade Organization, which not only took care of making wholesale marketing arrangements but finalized and checked up on the fulfillment of centrally-set production plans. Under the terms of the experiment, this organization was to be bypassed. Instead, Bolshevichka and Mayak established direct, contractual relations with a select group of large retail stores around the USSR.

Contracts were drawn up between the factories and stores, establishing the quantity and quality of goods to be delivered (in extreme detail as to color, style, etc.), setting prices and delivery schedules. On the basis of these orders, the enterprises were to draw up their own production plans. The rationale behind this should be familiar to anyone who has suffered through a senior economics class in high school—on the basis of their sales, the retailers were supposed to have a better grasp than either Party or state of what the Soviet people want and need. Contractual relations between manufacturer and seller were to serve as the instrument through which capitalist-style "consumer sovereignty" could be exercised.

As Liberman had recommended, the enterprises participating in the experiment enjoyed unprecedented autonomy. Productivity, materials to be employed in production, costs, the wage fund and methods of paying the workers (piece rate or hourly) were all left up to the discretion of management. Bolshevichka and Mayak had the liberty of setting the size of their inventories and if they exceeded their planned working capital, they were guaranteed credit from the state bank.

The only centrally planned indices were the volume of sales to be realized (measured in rubles) and total profit (figured in the old way, as difference between cost and wholesale price of production rather than as per cent of capital as Liberman recommended). Prices for goods sold were also to be set according to plan. However, the experimental enterprises were permitted to bargain directly in the sale of completely new items, and special markups, to be determined by enterprise management, were authorized for the addition of new features and trimming.

Introduction of the experiment in the retail clothing trade was conditioned by an outstanding problem. The growth of revisionist attitudes among the planners in the 1950s created a situation in which garment production strayed completely out of line with people's needs. Looking to develop and fulfill the plan as "conveniently" as possible, the enterprises, guided by their superiors in the planning agencies, turned out millions of items of clothing which the Soviet people simply refused to buy. As a result, stocks of unsold, shoddy or otherwise undesirable apparel rose dramatically from 1,485 million rubles worth on January 1, 1959 to 4,133 million rubles on January 1, 1964.³⁵

In solving this problem, the experiment at first seemed successful. At Bolshevichka it was

estimated that had the original plan drawn up from above been kept to, about 30% of stipulated production would have been unsaleable. Moreover, stocks of unsold finished goods decreased drastically—at Bolshevichka by over 50% in two years and in retail outlets contracted to the experimenting plants by an equivalent margin.³⁶

Based primarily on this progress in decreasing accumulated inventory, the experiment was deemed successful. In October 1964—even as Brezhnev and Kosygin were putting Khrushchev out to pasture—it was proposed that the new regulations be extended to 31% of garment factories, 17% of textile mills, 33% of footwear factories and 18% of leather plants in Gorky, Leningrad, Moscow and elsewhere. Altogether, about 400 enterprises went under the Bolshevichka-Mayak system beginning in the second quarter of 1965. This widespread experiment in the garment industry was paralleled by similar projects undertaken on a much smaller scale in transport, a machine-building plant, lumber and mining.

With the extension of this experiment in "market planning", its real deficiencies became clear. In the garment industry sales volume for 1965 rose by 4.5% over the previous year. However, this increase was due largely to an 8.9% jump in the luxury silk trade. Cotton goods sales, on the other hand, fell by 0.9%, woolens by 8.5% and footwear by 2.5%.³⁷

These figures reveal that the new system, though ostensibly designed to rescue consumers from the whims of arrogant, bureaucratic planners, was, in fact, a scheme directly opposed to the interests of Soviet workers. The system of "direct ties" established between the experimental firms and cooperating retail outlets was based upon the principle that "money talks." In other words, stores would contract for those goods which would bring in the most rubles, and as in any capitalist economy, those individuals with more rubles had more say as to what was sold and what produced. As a result, output of luxury items tended to increase while inexpensive popular wear was shortchanged.

This problem was made even worse by the pricing system. To increase both sales volume and profit indices, managers would routinely add trimmings and other features to items, thus gaining the right to raise prices. Moreover, the planned price system was still structured somewhat according to political and social considerations. Thus, those items which were in high demand by the masses were precisely those which were cheaply priced and less profitable to the producing firms and the sales outlets. For example, children's clothing remained extremely unprofitable while high-fashion women's clothing was expensive and profitable.

This situation created an additional problem which actually served to cut profits. Since luxury clothing items could be purchased by a relatively small segment of the population, negotiated orders were generally much smaller in size than had

been the case under planned production. A barrage of small batch orders led to a sharp increase in production costs, decreased efficiency and lower total output.

For plant workers this led to speed-up and "productivity" campaigns designed to make up for small difficulties created by continuous disruption of production by small orders. Managers took advantage of their newly granted control over wages to set up elaborate bonus systems aimed at pitting the workers against each other in the competition for monetary rewards. As a result, for example, during the third quarter of 1965 growth in labor productivity exceeded that of wages by 3.8% in the cotton industry and 3.2% in silk.³⁸ Summing up the situation, one bourgeois economist has aptly noted that under the experiment, "Large mass production enterprises are turned into custom sewing shops."

The introduction of those experiments was only a step, and not the whole process, in restoring fully capitalist relations, but given the political line being followed, such a transition was surely inevitable.

The difficulties which a socialist economy may confront can only be solved by building on pre-achievements, consciously summing up lessons, and moving forward towards communism by mobilizing the masses of people collectively, consciously and scientifically to solve the problems in the interests of the entire working class. Once the Soviet economy was steered backwards in a capitalist direction—even experimentally—it had to continue on this path in the absence of sharp class struggle to reverse the backward movement.

This point became clear when the 400 experimental firms entered into economic relations with the rest of the economy. Though by this time the new bourgeoisie was firmly in command, most of the economy was still formally organized (though not managed) according to socialist principles. Thus, when a clothing firm would contract with a store to produce a certain number of Dacron slacks, it had to obtain the needed Dacron from a chemical firm not participating in the experiment whose output had been already planned from above. Thus, serious difficulties arose in supply and many contracted orders could simply not be met.

In addition, the existence of this experimental market island within the overall planned economy led to continual bickering between planning authorities and enterprise managers. The case of the Glushkovo Cotton Combine is typical. This firm entered the experiment in the second quarter of 1965. In preparing its 1966 plan, it concluded direct contracts with a number of suppliers and wholesale outlets at the inter-republic textile fair of August 1965. Yet by December, these contracts were administratively preempted by Moscow Economic Council which ordered the firm to deliver its total output to the Moscow Central Cotton Storage Base. Specified orders were almost completely different from those originally contracted for.

Incidents like this reveal that even at this stage,

a sharp struggle was still going on over who should control production. The planners, deprived of proletarian party leadership bolstered by mass support and criticism, could no longer lead the economy forward. But conditioned by their training and experience, many among these forces continued to fight for at least the *form* of centralized planning. Here they came into conflict not only with the enterprise managers but, most important, with their state and Party superiors. This is the political content behind the "bureaucratic sabotage" which has plagued all Soviet economic "reforms" down to the present.

One other aspect of the experiments worth noting is the effect they had on income distribution within affected enterprises. In nearly all firms, the experiments led to a general increase in wages, due largely to the special treatment experimental firms enjoyed. But because management was given full control over the wage fund, the lion's share of the increases did not go to the workers.

This is most clearly illustrated by the experience of five Moscow and Leningrad trucking firms placed on an experimental basis substantially similar to the Bolshevichka-Mayak system in the second quarter of 1965. In the three Moscow firms, total wages for 1965 rose by 15.6%, 23.6% and 23.4% over 1964. For drivers the figures were 13.6%, 18.3% and 24.9% respectively, but for office staff (including top management) they were 26.2%, 38.3% and a whopping 61.9%!

In Leningrad, where the entry of technocrats into high management was more advanced than in Moscow, top management were counted together with engineers. In these two firms drivers' wages rose by 19% and 30% and wages of maintenance men by 13% and 25%. Auxiliary workers saw wages rise by 33% in one firm but drop by 9% in the other. However, for engineering staff (including top management) wages in the two firms rose by 48% and 40% respectively.⁴⁰

These figures indicate that one of the political purposes of the experiment was to solidify the social-imperialist base among the enterprise managers. As we shall see, this was also a major goal of Kosygin's general economic "reform" of 1965.

The Bolshevichka-Mayak and similar experiments began under Khrushchev but were completed under Brezhnev and Kosygin. This is appropriate as they mark in effect a transition from the destruction of socialism characteristic of Khrushchev's reign to the systematic reconstruction of capitalism by Brezhnev and Kosygin. (We should note, however, that no brick wall separates these two periods. Each "task" is intimately connected with the other.)

Having firmly established bourgeois political rule and having created a situation where real economic problems could no longer be solved within the context of proletarian socialist planning, the social-imperialists were forced by the internal logic and necessity of their political line to turn to capitalist methods. With the Bolshevichka-

Mayak experiment, the new capitalists got their feet wet in the waters of "Lake Profit." But it was not until the fall of 1965, having learned something about the water, that they finally took a real dive.

6) The Economic "Reforms": Profit in Command

On September 27, 1965 Premier Alexei Kosygin spoke before a plenum of the Central Committee of the CPSU. The purpose of his talk was to announce a widespread "reform" of the economy designed to put enterprises on a more self-governing basis and to restore profit and other "economic regulators" to the command post of the economy.

Kosygin began by outlining briefly some of the problems faced by the Soviet economy. He pointed specifically to the decline in industrial output per ruble of fixed assets, a disappointing rate of growth in labor productivity and a lag in agricultural development.

In his view, these problems and others stemmed from insufficient development of management skills and techniques. For the economy to function well, he claimed, it would have to be managed effectively and this could only come about through the introduction of material encouragements to managerial initiative within both the individual firm and the economy as a whole.

According to Kosygin:

"The greatest attention should be focused on improving the methods and forms of industrial management. The existing forms of management, planning and stimuli in industry are no longer in conformity with modern technical-economic conditions and the present level of the productive forces.

"The economic initiative and rights of enterprises are too narrow and their area of responsibility is insufficient. The cost-accounting system is in many ways a formality. The existing system of material encouragement to industrial personnel does little to interest them in improving the overall results of the work of their enterprises and often operates in contradiction to the interests of the national economy as a whole."⁴¹

Accordingly, Kosygin offered several proposals to stimulate the economy. First, but least important, was an appeal to increase efforts at improving scientific and technical standards: "In conditions of the present-day scientific-technological revolution, the task of planning is to provide for a rapid rate of industrial application of the latest achievements of science and technology."⁴² This was in essence a call to further develop reliance on experts and to increase the employment of automation techniques.

More important was a proposal for the decentralization of planning. Kosygin proposed to "expand the economic independence and initiative of enterprises and associations, and to enhance the importance of the enterprise as the main economic unit in our economy . . . To this end it is necessary to abolish excessive regulation of the economic activity of enterprises, to provide them with the necessary

means for developing production, and to establish firm legislative guarantees for the expanding rights of the enterprises."⁴³

Also in connection with this, Kosygin promised to "strengthen and develop the system of cost-accounting, to intensify the economic stimulation of production with the help of such means as price, profit, bonuses and credit."⁴⁴

This was actually the key to the "reform." Kosygin was proposing that some of the methods tried out in the experiments of 1964-65 be generalized throughout the economy. Where in the past control over the economy by the state was political-administrative, Kosygin proposed the broader use of "economic levels." Specifically, the index of gross output, previously the principal measure of enterprise success, was replaced by the index of volume sold as had been done in the Bolshovichka-Mayak experiment. Moreover, Kosygin noted that "In order to orientate enterprises toward raising efficiency, it is best to use the profit index."⁴⁵ Here, he cautioned that profit should not be seen merely as an accounting category but that "amount of profit per ruble of fixed assets" (i.e., rate of profit) must also be considered.

In planning, all but five indices previously set by higher authorities were now to be set at the enterprise level. According to the "reform", only volume of sales, basic assortment of product, total size of wage fund, profit and profitability (rate on capital), and payments into and allocations from the state budget were still to be centrally determined. All other factors including productivity rates, number of personnel, and level of average wages were now to be set by the enterprise management according to its needs. However, major investment in additional plant capacity or major technical modernization projects were still to be centrally conceived or approved.

Under the new system a larger share of profit would stay at the enterprise level. In the past nearly all such profit went directly into the state budget where it could be allocated according to planned social decision. Kosygin now proposed that "profits to be left to the enterprise should be in direct proportion to the effectiveness with which it utilizes the fixed assets assigned to it, the increase in volume of the goods it sells, the improvement in the quality of its goods, and the increase in profitability."⁴⁶

Retained profits would thus act as a material incentive to the enterprise as a whole and to its manager, in particular. Profits would go into a production development fund out of which management could set up incentive and technological development programs.

But there was no effort to make the individual enterprises self-financing and thus truly "independent." After all, this would amount to little more than a utopian step backward to competitive capitalism. Capital, under the new system, was still to come overwhelmingly from the state. However, in good banking tradition Kosygin announced that capital grants would begin carrying

a price tag:

"The financing of capital investment is currently handled by free grants from the state budget. Enterprise managers show little concern as to the cost of the reconstruction of the enterprise or how effective the additional capital investment will be, because their enterprises are not obliged to refund the sums granted them. . . . One way of tackling this problem is to switch from the free allocation of means for capital construction to long-term crediting of the enterprises. . . . It is proposed to abolish the practice of providing free supplements to the circulating assets of enterprises from the state budget and instead, where necessary, to grant them credits for this purpose."⁴⁷

In addition to supporting increased use of state bank credit, Kosygin also announced institution of the system of charges on capital whereby enterprises would pay to the state fixed sums amounting in essence to "government rental taxation on fixed capital", to use the terminology coined by the leading Soviet economist Nemchinov. As we shall see, this was one of the most important provisions of the "reform." Put briefly, its political-economic effect was to restore to the means of production the character of capital—the state would now employ the means of production to extract a maximum profit in the form of capital charges—and this would establish the state as finance capitalist vis-a-vis the enterprise.

Finally, as a direct result of the previous measures Kosygin announced that a sweeping revision of the Soviet price structure would be undertaken in the interest of putting as many firms as possible on a strict cost-accounting basis; that is, on the basis of maximizing profit. (For a more complete explanation of "cost-accounting" see section 3 of this chapter.) Here Kosygin approached to some degree the ideas of the prices of production school of economists (men like Vaag and Zakharov).

In this vein he remarked that "Prices must increasingly reflect socially necessary outlays of labor, and they must cover production and turnover outlays and secure a profit for each normally functioning enterprise." Moreover, *"The existing neglect of economic methods in planning and managing the national economy and the weakening of the system of cost-accounting are to a great extent connected with the considerable shortcomings in the system of price formation. If prices are not substantiated then economic calculations lose their dependability and this, in turn, encourages the adoption of subjective decisions."⁴⁸* We shall have occasion to probe beneath the surface of such abstruse statements shortly.

The "reform" was put into effect slowly. The original time-table envisioned all industrial enterprises under the new rules by the end of 1968 and all other state enterprises (except state farms) by 1970. However, 1966 saw just slightly over one per cent of the Soviet Union's approximately 45,000 industrial enterprises converted to the new system. This included a pilot group of 43 select in-

dustrial enterprises from 17 industries with a total of 300,000 employees converted on January 1. This group was followed by a second batch of 200 firms on April 1 and by a third group of 430 in August. In addition, some communications and transport networks were also operating under the new conditions by year's end.⁴⁹

In the following years the pace of conversion continued to be slow as illustrated in the table below.

Commenting on the achievements of the first 704 enterprises during 1966, A. Bachurin, Deputy Chairman of Gosplan, reported that sales had increased by 11%, profits by more than 24% and labor productivity by 8% as compared to the 1965 plans. These increases were substantially above growth rates in the unconverted sectors of the economy.⁵⁰

As the chart below indicates, however, such figures are deceiving. Those enterprises placed under the "reform" represented the "cream" of the Soviet economy. Thus, the 15% of all enterprises operating under the new system by 1967 earned 50% of all industrial profit, and employed 32% of all workers. More than half the 242 enterprises transferred to the new rules in the first half of 1966 had previously registered a rate of profit of over 40%.

Clearly, to get a more accurate assessment of the reform's success, one would need to know the figures for participating enterprises in 1964 and 1965. No such data has been made available, a fact bemoaned even by revisionist economists. What is known is that as the "reform" spread, its "successes" were less outstanding.

Revision of the price system also proceeded slowly. New price lists were established for the light and food industries as of October 1, 1966, and on January 1, 1967 for products of heavy industry effective July 1, 1967. This sweeping revision resulted in a general increase of wholesale prices of 8%, 15% in heavy industry. Further revisions pushed wholesale prices up even further on January 1, 1969 and January 1, 1970.⁵¹

Key to the Kosygin "reform" is the expansion of profit as an economic regulator. According to V. Garbuzov, USSR Minister of Finance,

"the role of profit as a stimulus becomes substantially greater under the new conditions ... Along with other plan indices, profit will become a major economic criterion in the evaluation of the work of en-

*terprises. The size of the profit and the rate of its growth will indicate the contribution made by their workers to the national income, to expanding production and improving the people's well-being."*⁵²

The decision to make profit the principal measure of enterprise success marks a clear step backward toward regulation of the economy by the blind law of value. As we pointed out in a previous chapter, Stalin had stressed that the law of value continues to apply under socialism. This is true because under socialism there is still commodity production and the law of value is that law regulating *all* commodity production. Socialism marks a transition period between capitalism, the highest and most developed form of commodity production, and communism which is the complete elimination of commodity production.

Thus, Stalin argued that it was essential for Soviet planners to take into account the continued operation of the law of value. This meant that indicators such as "profit" were important and that strict cost-accounting procedures had to be followed. However, Stalin argued that it was necessary to increasingly limit the sphere of operation of profit and the law of value. This could happen as the workers more and more seized control of the economy, breaking down the inherited commodity system.

To the revisionist economists, however, it is the law of value which must predominate over "administrative control." Let us take, for example, the arguments of Soviet economist A. Birman in his 1967 article "Profit Today." Birman notes that

*"The experience of recent decades has convincingly shown that it is impossible to attain real centralization of economic planning without freeing planning organs from regulating each of the millions of relationships among economic organizations and building these relationships on the basis of economic accountability. The more planning strives to be "concrete", scrupulous, encompassing, all details, the more difficult it is to maintain genuine planned development of the national economy as a whole."*⁵³

What Birman is getting at here is the simple fact that the planning of a complex economy calls for a multitude of administrative and political decisions. If the planners rely only on themselves they will become bogged down in such decisions, with hopelessly entangled bureaucracy the pro-

TRANSFER OF INDUSTRIAL ENTERPRISES TO CONDITIONS OF "REFORM"

By the end of	no. converted	total ents.	accounting for % of		
			output	employees	profits
1966	704	1	8	8	16
1967	7,248	15	37	32	50
1968	26,850	54	72	71	81
1969	36,049	72	84	81	91
1970	44,300	90	92	(?)	95

Source: Gertrude Schroeder, "Soviet Economic Reform at an Impasse"

duct. Seeing this as inevitable, Birman proposes the law of value ("economic accountability") as a rescue from the administration of detail.

What he fails to see, of course, is that socialism is not based on administration of the economy by a few experts and managers, but rather by the masses of working people.

It is true that centralized planning calls for making millions of conscious decisions each day—decisions which under capitalism are made "spontaneously" in the market. But under socialism there are many more millions of conscious workers to help make such decisions. This is why central planning can only be and must be a mass process. And this is also why the failure to apply a correct proletarian political line must inevitably lead to the restoration of capitalist relations of production.

Not basing himself on this crucial political principle, Birman must conclude that "there are no grounds to deny the definite regulating role of the law of value under socialism." In his view, *"it is not the law of value but the forms of its action, its manifestation, that are specifically capitalist in nature . . . So the trouble is not the 'regulating role of the law of value' in general, but the uncontrolled nature of this regulation, its economic, social and political consequences under capitalism and the private ownership of the means of production."*⁵⁴

This is a thoroughly ass-backwards approach. The law of value is precisely the *regulator of private commodity exchange* whose highest form is the private control of the means of production themselves, marked by the complete separation (alienation) of the direct producers from the means of production. To say that the "trouble" is the uncontrolled nature of this regulation is to accept such regulation and thus accept in some form or another the continuation of private commodity production.

This has nothing in common with the revolutionary approach of Karl Marx who foresaw the complete elimination of commodity production. It is much more similar to the reformist stand of J.M. Keynes who sought to better "regulate" the anarchy of capitalist production through bourgeois government intervention designed to keep under control the consequences of such anarchy.

According to the revisionists, a principle function of profit under socialism is as "an important synoptic index for evaluating an enterprise's cost-accounting activity." By this they mean that enterprise success vis-a-vis the economy as a whole is most fruitfully measured through the profit index. This is because "the main virtue of profit as an index is its objectivity."

This gets right to the root of the matter. "Objectivity!" What does this mean? Precisely it means the domination of objective reality (nature) over man and not the domination of man over his world. Yet the essence of socialism is not this "objectivity." It is the growth of man's conscious domination over his own society and the conditions of human existence.

This is exactly the opposite of the revisionist approach. The revisionists despair of increasing the domination of humanity over society and nature because as a class they do not represent the interests of all humanity. Only the working class can carry on its banner the liberation of all people, for in liberating itself the working class must make everyone a proletarian and thereby eliminate all classes. The social-imperialists are eager to bow down before the "objective" laws of commodity production since these are based precisely on the continued subservience of humanity to nature, and more important, on the subservience of the masses of people to a few exploiters.

Starting from the notion of profit as an index of production efficiency, it is but a brief journey toward the notion of profit as the very center of production itself. Thus, we read in Birman's article: "Profit is the *source* of expanded reproduction not only at the given enterprise, but in society as a whole . . ." ⁵⁵(emphasis in original) This clearly means that the basis of economic growth (expanded reproduction—that is, not simply the replacement of the used up productive forces, but their expansion) is not the continued efforts of living labor, but employment of living labor by accumulated labor, i.e., by *capital*.

The revisionists now define profit as a percentage of invested capital. On this basis profit can only mark the source of expanded reproduction through the primacy of capital over labor and this means that profit must represent not just surplus product but surplus value, too. We shall have more to say on this in section 7, when we discuss the Soviet drive for increased labor productivity.

With respect to the reform of prices, Birman hits the nail on the head in defining its source. He says: "The practical conversion of profit into one of the leading economic indices brings the problem of improving price formation to the forefront."⁵⁶

This was because previously, prices were not set to reflect the demands of the law of value, although these were of necessity taken into account. As much as possible, prices were set according to conscious, politically determined criteria; in other words, with the best interest of the masses in mind. However, profit is a meaningless indicator unless prices permit the determination of an average rate of profit; i.e., unless prices reflect "values": socially necessary labor time. Thus, according to Garbuzov, "Prices must be as close as possible to the socially necessary labor expenditures; they must create conditions for the operation of enterprises with normal profits . . ."⁵⁷

This marks a repudiation of conscious collective control of the economy by the proletarian state characteristic of socialist planning and instead puts forth the "regulated anarchy" of state-capitalist "planning." Under socialism the most important coordinating agent between the interests of the individual enterprise and the economy as a whole is *political line*. This means that, increasingly, the development of production

is governed by the conscious will of the working class; that the workers organize the economy through planning and that in the process of doing this the lessons learned are summed up by the workers' own Communist Party on the basis of Marxism-Leninism. The political line of the Party represents this summation which is then returned to the workers so that the whole process can be strengthened, deepened and raised to a higher level.

However, under the conditions of "reform", "price is the basic economic point of orientation for the enterprise", and it is "the most important instrument of coordination of the interests of the national economy and the individual enterprises..."⁵⁸ This means that the conscious summing up of experience which places politics in command has been abandoned. Thus, shortly after the enactment of the "reform" we find influential economists like N. Fedorenko demanding that "only the prices of the most important products should be set by the central authorities... Much wider powers should be given to the enterprises to set contract prices."⁵⁹

While the reintroduction of profit as the central regulator of the economy marks a decisive step in the reinstatement of capitalist production relations, its practical function was mainly to regulate the decentralization of economic decision-making. However, as we shall explain more fully in section 8, the decentralizing thrust of the "reform" disguises its *really capitalist* essence.

For Kosygin had no intention of reviving a market economy in the Soviet Union. Rather he was interested in harnessing spontaneous market forces (commodity relations) to better serve the interests of the centralized state-finance bourgeoisie. Thus, while bringing the category of enterprise profit to center stage, at the same time he instituted measures which placed control of this profit—and, more important—control of the labor power which produced it—in the hands of the state.

This was most clearly done through the institution of credit relationships. In the past, under socialism, the Soviet state treated the capital under its control as a resource for the whole population. Thus, when an enterprise needed more capital to expand, it received this in the form of a free grant. The distribution of such grants was decided by the planning authorities (under Party direction) according to the overall needs of the economy and of the working class. This is very different from the capitalist method of seeking the highest "return" on your "investment."

Under the "reform", this system was abandoned. Enterprises were now to finance their capital expansion either from their own profits or by means of loan capital obtained at interest from the state. Clearly under this latter arrangement, the state represents the finance capitalist while the enterprise management plays the part of industrial capitalist. Moreover, under this system the means of production come to be treated as "income-producing" capital.

The reintroduction of bank credit acts to restore to some extent the existence of a capital "market" within the confines of the state monopoly. By this we certainly do not mean that the state revisionists have reintroduced a stock exchange where trade in capital (and thus in surplus value) takes on an open, brazen form. This is hardly the case.

However, to treat capital as a commodity it is not necessary to sell it in the marketplace. The assignment of capital over to another in the expectation of receiving a predetermined return, generally in the form of interest, is also a type of commodity exchange.

This can be seen most clearly when a U.S. capitalist goes "shopping" on the money market to different banks for a loan. Here he seeks to pay the lowest interest on his capital requirements. He wants to share with the bank the smallest portion he can of the surplus value which the workers he hires will produce. This is true as well for big firms enjoying a steady monopoly relationship with a single banking group. The economic essence of this procedure is for all intents and purposes duplicated when a Soviet firm goes to the state to negotiate credit. In both cases the industrial capitalist "bargains" for a price—the interest rate—on the commodity: capital (i.e., the right to exploit and control the surplus value produced by wage laborers). Thus, with the economic "reform" capital reappears as a commodity to be bought and sold, though this takes on a new and "hidden" form.

Yet we should also note that the institution of credit mechanisms could, under proper conditions—including, first and foremost, proletarian rule—serve a certain useful function, and it is this which the revisionists use when justifying this aspect of the "reform." Specifically, under the old system it was possible for a corrupt or inefficient manager to waste or otherwise improperly utilize granted funds. In fact, this was a common occurrence in Soviet industry.

Managers would pull strings to get capital greater than their real needs so that little attention would have to be paid to efficiency and economy. After all, such funds came at no cost to the enterprise! The most effective way to fight such abuses was to mobilize the vigilance of the workers and to wage vigorous and patient ideological struggle against the kind of "me-first" ideology which lay behind this. However, it is clear that the institution of interest payments for capital could also help.

It is for this reason that the Chinese rarely grant funds freely. In their economy the existence of credit relationships between the state and the enterprises is widespread. However, we must point out that here credit plays a very different role than in the Soviet Union today.

While the aggressive designs of the two superpowers have forced China to divert significant production to strengthening the national defense, this has not placed quite the same kind of burden on the economy as did imperialist encirclement in the Soviet Union. This is one re-

ason why the pace of industrialization has not seemed so forced in China and why economic development has been somewhat more balanced than in the Soviet Union.

Because the Chinese have been able to place relatively more investment in agriculture and light industry than did the Soviets, the Chinese economy has a much larger collective—not state-owned—sector. The Chinese population is still 80% peasants, while in the Soviet Union today only 41% of the population is rural. This means that the persistence of commodity relations is greater in China than in the Soviet Union and this was even true when the Soviet Union was at a more comparable level of economic development. In addition, investable resources are much more scarce in China than in the Soviet Union today, and economy in their social use is a more pressing concern.

As we noted previously, in summing up both their own experience and the lessons of the Soviet past, the Chinese have chosen to place somewhat greater emphasis on the step-by-step resolution of the mental/manual and town/country contradictions than did the Soviet Union under Stalin. In connection with this, they have tended to proceed more slowly in restricting the sphere of operation of the law of value.

Nevertheless, the Chinese have worked from the beginning toward the gradual elimination of all commodity relationships, including state-enterprise credit relations. As progress is made in this direction, the role of credit in the economy is decreasing. Interest rates are established to ensure that enterprises, both state-owned and collective, maintain the efficient and economical use of invested funds. Such rates are not set to ensure an effective return on investment, and in some cases funds may be freely granted.

In China the interest rate on state credit acts as an additional check on enterprise management, *supplementary* to the ideological and political mobilization of the working class. Today these rates are very low and do not play a regulating role. Nonetheless, the continued existence of state-enterprise credit relations still represents an inheritance from capitalism which must be (and is being) overcome in the course of building socialism.

In the Soviet Union, however, according to spokesmen for the social-imperialists, "the role of interest in assuring a system of planned proportions in socialist expanded reproduction is growing."⁶⁰ In other words, profit, including profit in the form of interest for the state finance capitalists, is the commanding principle of the economy in determining where (in what area of production) funds are invested. At this stage, after several decades of the state granting free use of funds, the new credit policy is clearly a step backward into capitalism.

According to a 1971 article in *Finansy SSSR*, most Soviet economists "adhere to the view that the effectiveness of bank loans should be up-

permost in the economic substantiation of interest rates."⁶¹ This means that the rate of interest will be established not according to how effectively this will regulate the efficient use of investment by enterprise management; but instead according to how effectively such loans will yield financial returns. One economist, S. Sh-teinshleiger, went straight to the essence of things when he declared that "interest is a planned measure for increasing the value of sums loaned by the bank."⁶² Can there be a more concise description of income earned by *loan capital*?

According to one Soviet source, "over 65% of the circulating assets in trade are borrowed and interest is paid for the use of them."⁶³ Under the "reform", the relationship between the enterprise and the state is not solely one of firm to banker. There is also an element here of the relationship between a monopoly capitalist corporation and one of its subsidiaries. Despite decentralization, the state remains the legal and actual *owner* of the enterprise.

Thus an additional financial link was created to express this. It is known as the capital charge, whereby, according to a complicated scheme, each firm must pay to the state a yearly charge on its productive capital. The need to justify this new category has forced Soviet economists into some revealing rationalizations and it will be useful to examine the debate which developed over this question.

One faction among Soviet economists views the basic function of the charges on capital as an economizing incentive. As such their "content as an economic category lies in the fact that (they) appear as an economic stimulus to the better use of productive capital."⁶⁴ This is the view of V. Sitnin, in charge of Soviet price policy. However, as another economist succinctly noted:

*"the advancement of the stimulating function of capital charges as a factor determining the essence of the charges is tantamount to confusing cause with effect. Capital charges stimulate expedient utilization of fixed and working capital insofar as they express a certain objective economic content. The interpretation of capital charges solely as an economizing incentive is superficial, since it does not explain why capital should be saved nor provide substantial principles for calculating the size of the charges."*⁶⁵

In other words, capital charges may be introduced in part because they act as an economizing incentive, but this does not adequately explain what this particular form of incentive means objectively for the economy.

To get around this problem, Liberman and others proposed that the charges be considered as a government tax on productive funds. But this, too, must be rejected because "any tax is based on some specific type of income. Taxes do not produce income but only redistribute it."⁶⁶ Since the state owns the enterprises it would be

absurd to view this payment as a tax. For how can the state tax itself?

True to form, members of the prices of production school proposed that capital charges be considered as part of enterprise production costs representing in essence depreciation on investment. Unlike the two previous definitions, this is not just an attempt to fudge over the true economic content of the charges with sleight of hand book-keeping methods. However, this definition presupposes the independence of the enterprise from the state, implying that ownership and control rests with the individual firm.

This is fully in tune with the production price school's apparent aim of making the Soviet plan into a full reconstruction of Marx's model of a competitive capitalist economy with the state benignly supervising from above. But it is *not* in line with the intentions of the social-imperialist bosses or with the realities of the Soviet economy at its actual stage of development. Firms continue to be controlled by the state and this control is not just a paper thing.

If the capital charges really represented the costs of depreciation—and were not part of the surplus value newly created in production—these costs would ultimately have to be paid out in return for something concrete needed for production. In other words, were they really depreciation costs this would mean that the enterprise had actually *purchased* the depreciating plant and machinery from the state.

The only remaining explanation offered by Soviet economists is that "capital charges are the rental assessment of equipment and other elements of productive capital."⁶⁷ This finally gets to the heart of the matter. For what is precisely at issue here is the *employment of capital in order to gain a financial return*. In this case it is a return on capital invested by the state-monopoly capitalists. This means that the goal of production has now become the creation of surplus value and the ripping off of that value by the capitalist class. For state income to reflect this change and for the state-monopoly capitalists to get a cut of the loot, reflecting their predominant role as owners of the means of production, it is essential that state income be based upon capital investment and on this alone.

And sure enough, Soviet economists admit "that, in time, this payment will become the basic form of payments to the budget!"⁶⁸ In the past, of course, the state budget was financed mainly through income obtained from state-owned productive enterprises. But this income did not take the form of capitalist profit because it did not vary according to how such capital was invested.

The capital charge amounts in essence to a rental-type form of distribution of surplus value designed mainly to give the state its share of the surplus value produced in industry. Secondly, by means of a complex formula the capital charge attempts to equalize the rate of profit in different industries, without success, as this is not possible under conditions of monopoly.

Along these lines, the nature of capital charges is further exposed when we find that the institution of capital charges inspired at least one economist, B. Rakitskii, to propose a similar rental charge on manpower resources. Starting from the premise that the state as owner of all capital had a right to charge its subordinate enterprises "rent" on funds furnished, Rakitskii suggested that the state could also rent out workers! Supposedly this would assure a more "rational" deployment of manpower. Whereas the institution of capital charges marked a decisive step in capitalist restoration, Rakitskii's proposal would indicate a move toward "state-feudalism" or even slavery, since it would actually deprive the worker even of ownership of his own labor power.

Rakitskii's proposal has not yet been seriously considered by the social-imperialists. However, it does reflect in gross form the essential character of the "reform." This has been to systematically reintroduce and markedly increase the exploitation of the working class—the theft of surplus value produced by the workers for the use of an alien class. To better comprehend this fact, we must analyze the social-imperialists' much-publicized drive for increased "productivity."

7) Exploitation of the Working Class

Under socialism the Soviet economy was developed mainly on the basis of "extensive" rather than "intensive" investment. This is an important distinction. Any economy, of course, must strive to develop production to the fullest extent. And within the sum total of goods produced, a section—the surplus—must be reinvested in order to maintain the dynamism of growth. Under socialism such reinvestment can serve the additional purpose of easing the burden of labor for the workers. Such socialist investment is termed "extensive" because it *extends* production on the basis of the achievements of previous production and not at the expense of the working class.

"Intensive" investment is instead based upon intensification of the labor process itself. Here reinvested product takes the form of surplus value and it does not serve to ease the burden on the worker but to increase that burden. This means that an increasingly substantial segment of growth comes from speed-up and similar labor-intensifying measures. The introduction of new capital is not an added resource for the worker but is yet another mechanism for strengthening the worker's subjugation by capital. Extensive development would mean the construction of new plant and machinery. Intensive development might also mean the improvement of machinery, but only insofar as this facilitates a faster production line.

Since capitalism is based upon the extraction of surplus value through the employment of living labor by capital, it is obvious that intensive development must be primary under this system. Socialism, of course, does not stand for anything

less than the most efficient and productive use of labor. But under socialism such efficiency does not stem from the need to maximize the extraction of surplus value. Rather, since the products of work under socialism are controlled by the workers themselves through the proletarian state, developing the efficiency and productivity of labor becomes a social responsibility. This is because production serves the people and not the other way around.

Under socialism the creative initiative of the workers themselves is liberated to devise new methods and techniques. We have seen how this can happen in our discussion of the Stakhanov movement. While this serves to stimulate economic growth, it cannot provide the basis for that growth since any retreat from extensive investment will result only in the workers losing the motivation to improve efficiency. Thus, again, extensive development of production was the foundation of increased labor productivity under socialism in the Soviet Union.

With the introduction of the "reform", the social-imperialists turned from extensive to intensive development of the economy. According to Birman, "the growth of social production should proceed not on an extensive, but on an intensive basis, that is, in such a way that the expenditures of social labor per unit of output decrease and the additional return from the application of this labor increases."⁶⁹ And in Brezhnev's announcement of the 1971-75 Five Year Plan, it was revealed that over 80% of all industrial growth would come from increases in labor productivity.⁷⁰

We have seen how in agriculture the decentralizing aspect of the *zveno* system masked an increased intensification of agricultural labor (see section 3 above). Similarly, in industry the decentralizing thrust of the "reform" worked to facilitate greater exploitation of the industrial workers. Specifically, the main vehicle for achieving this was the wage and bonus system.

Before the "reform" all wages were set according to plan. However, under the "reform" only the total size of the enterprise wage fund was predetermined. Managers were given free rein to establish a wage hierarchy according to their own desires.

Under socialism where the general principle is, "from each according to his ability, to each according to his work", some equalization of wages did occur but full equality was not yet possible. This was because with the limited technical base of the economy, jobs were not equally productive. For example, a steelworker at Magnitogorsk might produce far more actual value than did a textile worker sewing garments at a single machine.

Wages under socialism did not fully reflect this discrepancy, however, because the proletarian policy was to push forward toward greater unity and equality wherever this was possible. Hence, though differences—sometimes quite large—did exist, in general skilled, productive work was, in effect, underpaid while wages for less productive

jobs were supplemented. Similarly some skilled positions were better paid as an incentive to advancement, but at the same time political motivation was also used.

The transfer of wage determination to the enterprise management changed all this. Now motivated by the need to achieve ever higher profits, the managers abandoned all political considerations in wage policy. The new practice was to set the wages of highly productive, skilled positions higher, and unskilled, less productive work lower. This reflected the fact that once again, as under capitalism before, labor power had become a commodity bought and sold according to its value.

Even more important than the change in wage determination was the incentive system adopted under the "reform." This was designed to get the workers to work harder and to increase labor productivity.

In theory the system resembles a corporate "profit-sharing" plan. For the first time profits originating with the enterprise were placed at the disposal of enterprise management. A good chunk of this was to be plowed back into productive investment through a "production development" fund controlled by enterprise management (and thus representing totally unplanned growth.) However, another—often larger—portion was placed in incentive funds designed to reward productive workers, technicians and management with bonuses. These are mainly keyed to fulfillment and overfulfillment of the profit plan. By 1970 such incentive funds amounted to an average of 10% of the total Soviet wage fund.⁷¹

It is beyond our scope here to attempt an analysis of the complete workings of the incentive system, as this is extremely complex. According to the bourgeois economist Gertrude Schroeder, "The ministries establish norms for the formation of these funds based on a complicated set of formulas. Although standard and stable norms were supposed to be fixed for various categories of enterprises, the ministries have in the main fixed separate norms for each enterprise and changed them at least annually."⁷² Moreover, in 1968 for example, at least 30 additional special bonus plans existed as supplements to the basic incentive program.⁷³

Such complexity is not accidental. It exists to cover up the fact that the incentive system is designed to fool the workers into harder work. Its more important goal, as a study of the system's operation in Kiev revealed, is "chiefly to improve the earnings of engineering and technical staff and white-collar employees."⁷⁴

For the social-imperialists to be successful in establishing profit as the goal of production, it was necessary for them to cut the enterprise managers in on the action. And this had to be done in a way which tied the growth of managerial income to enterprise profit success. As much as anything else, the "reform" aimed at spreading the capitalist outlook of the social-imperialist leadership throughout lower and intermediate

levels of economic management.

The incentive system really involves only the state and its managerial staff in the profit-sharing. For instance, within one month the manager of the Lipetsk Industrial Engineering Trust got bonuses (amounting to 1,300 rubles) seven times more than an ordinary worker's wage for two years.⁷⁵ In enterprises placed under the new system in 1966, white-collar managerial employees increased their income by 10.3%, engineering-technical personnel by 8.2% but workers by only 4.1%. Bonuses paid out of profits for the fourth quarter of 1967 amounted to more than 20% of average wages of two privileged groups, but to only 3.3% of the average wage of workers.⁷⁶

In three Kiev enterprises bonuses as a percentage of earnings rose for workers from 4.7% to 6.4%. But for engineers and technicians they increased from 20.3% to 28.1%, and for white collar staff from 20.8% to 23% following introduction of the "reform." In the words of this study, "Not very much was disbursed to workers from the Material Incentive Fund in the form of bonuses."⁷⁷

But this should not be taken to indicate that the incentive scheme was *merely* a managerial rip-off. Of course, this it was. Yet it was still also aimed at solving the problem of increasing productivity on the basis of intensive investment. In doing this the main goal was to tie the managers into the system, creating in them the "need" to maximize productivity and thus profits and bonuses. The workers' share of the bonuses existed mainly as a disguise. The real way the system gets the workers to work harder is by encouraging management to force them to.

All this means that with the reform's introduction, conditions in the factories changed drastically for the worse. With the maximization of profit as the goal of production, intensive development came to the fore. On the basis of its capital investment, the state extracted its share of the surplus value produced by means of interest and capital charges. On the basis of their success in fulfilling the profit plan, the managers and technicians get bonuses. (They can also act as junior independent capitalists in their own right through their control of reinvested profit in the Production Development Fund.) As for the workers who produce all this wealth, the "reform" gave them nothing but trouble.

We have already spoken briefly of speed-up, which now characterizes Soviet industry as much as it does industry in the U.S. In addition, the need to exploit cheap labor has led some firms to employ children at long hours and low wages. This was the case, for example, at the "Metal-Worker" Factory and the Aurora State Farm in Sverdlovsk.⁷⁸

However, one of the most important methods of increasing productivity, intensifying labor and thus raising profits is the outright sacking of supposedly "extraneous" workers, accompanied by speed-up of those left. According to the Soviet economist E. Manevitch,

*"not infrequently there are many people employed at enterprises who are not needed at all. They do not have an adequate work load and often perform functions that have nothing to do with production. A surplus of workers at industrial enterprises is not conducive to the strengthening of labor discipline and to the rational use of labor time."*⁷⁹

The "reform" acted to "solve" this problem. As N. Fedorenko notes:

*"Among the other factors making for higher profit is improved employment of manpower... This was facilitated in many ways by the fact that the enterprises have been relieved of the duty to plan the number of workers and their distribution by functions as directed from above. For the first time in many years of economic activity, employment in the enterprises working under the new system was 0.8% below the planned figure. In some of the enterprises the absolute number of people employed has actually decreased, although up to 1966 it invariably increased. The redundant workers have found employment at enterprises continuing to work under the old system."*⁸⁰

We can only ask here what has happened now when there are no longer any enterprises left "under the old system"! Of course, under socialism it was also sometimes necessary to "lay off" workers, and it is probably also to some extent true that Soviet enterprises today have more than their fair share of extraneous employees. The latter is not surprising considering that since 1956, managers have been increasingly encouraged to look for the easy way out. However, under socialism such abuses were fought ideologically, and managers found that padding the payroll could be severely punished. Moreover, workers who were no longer needed in one enterprise, construction project, etc. were shifted in a planned way to new endeavors which were the product of extensive development. So the term "lay off" in the capitalist sense—workers cut loose with no guarantee of other employment, able to find work only if they can sell their labor power to a different capitalist to make profit for him—this does not exist under socialism.

Under the "reform", the Soviet workers are reduced exactly to the position of sellers of their labor power to capitalist exploiters. Increasingly investible surplus is derived from intensive exploitation of the workers. And as Federenko indicates, this means a decrease in the work force. Hence, for example, to increase their rate of profit five truck and auto companies in Moscow and Leningrad discharged 239 workers, 4% of total staff, in five months. And the Red October Iron and Steel Works implemented the "reform" by closing down two of its older workshops, throwing 730 workers onto the streets.⁸¹

But one hitch was quickly found in the reform mechanism. The size of the incentive fund is tied somewhat to the size of the wage fund which is in turn dependent on the number of employees. The

problem was that there was little incentive to increase productivity by laying off workers, as this only decreased the funds available to management from the incentive fund. And in fact "the tendency to overstate the planned wage funds leads to the employment of excessive manpower."⁸²

A "brilliant" solution—one which was not at all original, but a tried and true capitalist answer—has been found, however. In 1969 the management of the Shchekino Chemical Combine came up with a plan to increase the bonus fund for those workers retained by transferring money saved from the wage fund by laying off other workers. This could be done because the wage fund, unlike the bonus fund, is set for several years in advance by the central planners. Initially the scheme met with tremendous resistance, mainly from the Shchekino workers. Several workers protested their firings and appealed to the highest court in the land. One worker summed things up when he declared: "What?! My comrades fired so I can get higher wages?!!"

Nonetheless, in October 1969, the Party Central Committee endorsed the scheme. In late 1970 the Shchekino "experiment" was formalized with a decree on the matter issued by the Council of Ministers. This included detailed regulations for systematically applying the program elsewhere. By January 1971, 121 enterprises with a total work force of nearly $\frac{3}{4}$ of a million workers were reported to be trying the scheme. The plan was to reduce the work force of these firms by some 65,000 within two or three years.⁸³

After a year of such experimentation throughout the economy, labor productivity increases were double the average for the economy as a whole. "While the volume of production grew considerably, the personnel at these enterprises was reduced by 23 thousand . . ."⁸⁴

The social-imperialists pose the Shchekino plan as a model to be emulated throughout the economy and they trumpet its results in all their propaganda. The booklet, "Labor Remuneration, Labor Incentive Funds and Soviet Trade Unions" by I. Lazarenko, brags that "the 3-year experience of the Shchekino Chemical Combine has yielded good results." Such results include a 108.1% increase in labor productivity with only a 30.7% increase in average wages (for those lucky enough to still have work).⁸⁵

At the Shchekino Combine itself, where the number of workers so far has been cut by a thousand, management is still trying to work out provisions for those unfortunate enough to be "displaced by technical progress." Letters to *Pravda* and *Izvestia* have indicated "a popular uneasiness about the prospects of unemployment."⁸⁶

Such uneasiness is indeed well grounded, for unemployment is the only possible result as this plan is extended to all enterprises. Even Soviet economists admit that "With the growth of the number of enterprises adopting the new system, the scope of dismissals in the labor force will also grow . . ."⁸⁷ This has led to the necessity of opening 80 unemployment offices with the task of

replacing discharged workers. (We will deal more with the problem of unemployment and how it affects the Soviet working class in Chapter V.)

The basis for unemployment under capitalism is private ownership and control of the means of production and the need of the capitalist to extract increasing amounts of surplus value from the workers. This is true in the Soviet Union today. Since the triumph of the bourgeois political line in 1956, the problems of the Soviet economy could only be solved on a "self-regulating", profit-oriented basis. This has forced the social-imperialists, led by Brezhnev and Kosygin, to adopt the economic "reform." As we have seen, this "reform" returned profit to center stage and restored to the means of production the character of capital. This in turn meant that labor power was once again reduced to a commodity to be bought and sold by the capitalist class.

This made intensive development of the economy essential because profit on capital can only come from the labor of working people. When these workers do not control the product of their work, collectively through a proletarian state, that section of the product they produce which goes beyond what they need to live and reproduce confronts them as surplus value in the hands of the capitalists. This is the fundamental law of capitalist society and it is therefore the fundamental law of social-imperialism, too.

8) Will the Real Bourgeoisie Please Stand Up?

So far we have spoken extensively of the increased role played by managers and technicians under the "reform." But though they have always been and remain today an important segment of the Soviet bourgeoisie, these managers and experts are not the real power holders. The real state-finance capitalists are those high bureaucrats and Party officials who control the central state apparatus. For purposes of clarity, it is useful to view the lower level managers as industrial capitalists subordinate to the state bureaucrats and high Party officials, the top dogs of the Soviet ruling class whose power is based upon state-monopoly control of the economy.

The introduction of a competitive market economy is not the means through which capitalism has been restored in the Soviet Union. Under the "reform", central planning was retained and control of the economy continues to rest in the hands of the Party and state leaders who, in the final analysis, direct the planning process. Of course, as we have noted, the "reform" did initiate certain concessions to managerial control and enterprise independence, and, financially, the managers were among the chief beneficiaries of the changes. But we cannot stress enough that such "decentralizing" aspects of the reform were only intended to firm up the alliance between the central state capitalists and their underlings.

All this was clearly indicated by Kosygin in his speech announcing the "reform". Here he stated that

*"The proposals put forward for consideration at the plenary meeting have as their point of departure the leading role played by centralized planned management in developing our economy. Deviation from this principle would inevitably lead to the loss of the advantages offered by a planned socialist economy."*⁸⁸

By this Kosygin meant that any independence granted to the individual enterprises was designed only to strengthen the overall position of the state. Though in many respects formally "set loose" from the restrictions of planning, the "reformed" enterprises continued to be subordinate to central authority.

This was stressed also by A. Bachurin, head of Gosplan, in a 1968 article in the authoritative economic journal *Planovoe Khoziastvo* (Planned Economy). He states:

*"The question comes to establishing an optimal relationship between planning and initiative, under which there will be a maximum coordination of the interests of each enterprise and its collective with those of society as a whole. It is this that constitutes one of the principal tasks of the reform, and by no means abandonment of the methods of planned economy with conversion to the techniques of a free market mechanism as the principal regulator of the economy."*⁸⁹

This was very quickly recognized by those few managers who were under the illusion that power had passed to them. Complaints by managers of "petty tutelage" by the central ministries have been quite common since the "reform's" enactment. In a 1970 survey of 241 directors of enterprises in Siberia and the Far East, 56% of those polled stated that the reform was insignificant in expanding enterprise independence and the power of the factory director; 34% complained that insufficient enterprise independence was the main difficulty faced by their firm under conditions of "reform."⁹⁰

It is necessary, then, to stress once more that the Soviet Union is *not* in the stage of competitive capitalism, but is an *imperialist* country. Moreover, the development of competitive capitalism, that is, of an unregulated market economy, would not mark a further degeneration into capitalism as some would have it. In fact, the kind of "planned" state capitalism which characterizes the Soviet economy today is a *higher* stage of capitalist development than pure competition on the market.

This is why we have not placed much emphasis on certain aspects of the "reform" which do introduce elements of the market, even though some analysts have seen in these key links in the re-establishment of a fully capitalist economy in the Soviet Union. For example, we have not stressed the introduction of the Production Development Fund whereby enterprises can invest profit independently of the plan. Though of some significance, this fund in most firms amounts to only between 2% and 5% of the value of fixed capital. This is not enough for the enterprise to

make any significant investment on its own. In 1969 an average of only 15% of all profit was retained at the enterprise for investment and incentive payment purposes.⁹¹

To a certain extent, the "reform" also established free trade in producer goods which meant in effect the establishment of a wholesale market for the means of production. Some have seen in this the key to capitalist restoration and the re-emergence of the anarchy of production. However, in reality this was a relatively insignificant development. In late 1969 only 460 small wholesale stores were in operation with a total turnover of 800 million rubles. This amounted to less than 1% of total exchange in producer goods. The remaining 99% was allocated and paid for centrally, according to plan.⁹²

In our view, the key aspects of the "reform" are those we discussed in section 6 of this chapter. These are the introduction of profit maximization as the goal of production and the consequent realignment of the economy according to the dictates of the law of value, and also the institution of capital charges and interest leading to the treatment of the means of production as capital. While certainly restoring market categories to a place of prominence, these measures are not dependent upon or even indicative of the abandonment of planning and central state control. They indicate only that such control is no longer "conscious" in the sense of the working class taking the economy in hand and running it for the benefit of the broad masses.

Thus, the position which states that "whatever strengthens the market strengthens capitalism" really misses the point. The Soviet Union as an imperialist country has a state-monopoly economy. Within this economy, anarchy of production reigns because the production of goods is subordinate to the production of profit. This, in turn, stems directly from the loss of state power by the proletariat. However, this economy is of a different type than, for example, the so-called "market socialism" which characterizes the Yugoslav economy.

Yugoslavia abandoned the construction of socialism almost immediately after the seizure of state power by Tito's "Communists." Thus a real socialist economy had no chance to develop there. Instead, the Yugoslavs have built up a competitive capitalist economy which may be one of the last examples of such an economy left. Under state supervision, monopoly, both foreign and domestic, has been kept under control and a myriad of small to medium-size businesses, supposedly managed under "workers' control", compete in relative freedom (and absolute anarchy) on the open market. The regulating roles of both state and Party are minimal and the plan means very little.

This is not, as some would have it, *more capitalist* than the kind of centralized state-monopoly found in the Soviet Union. It is a different form of capitalism indicating Yugoslavia is at a much lower stage of development than is

the Soviet Union. And the Yugoslavs have been "successful" only because they have so far managed to skillfully maintain a degree of independence vis-a-vis the two superpowers.

In fact, the Soviet economy bears a lot stronger resemblance to the fascist economy of Nazi Germany. And this is why Marxist-Leninists like the Chinese and Albanians often label the Soviet Union "social fascist." Under the Nazis all sections of German imperialism were subordinated to the state bureaucracy run by the Nazi party. In return for abandoning a certain amount of "independence", the big corporations were rewarded in a number of ways. Primary, of course, was the vicious repression directed against the working class and other mass movements. But also important was the "corporatization" of the economy which saw the destruction of tens of thousands of smaller competitive firms.⁹³

In the Nazi economy, competition between monopolies was held in check by the state which used its control over military spending as one key level of authority and influence. The economy, of course, remained thoroughly capitalist but the state played the leading role.

But this situation was fraught with contradiction and within 12 years led to disaster for German imperialism. These same contradictions wrack the Soviet economy today and no "reform" can ever alter the situation.

In any capitalist economy, the fundamental contradiction is between the social nature of production and the private nature of appropriation. This must lead to a "tension" between centrifugal (decentralizing) and centripetal (centralizing) forces: On the one hand, the anarchy of production and the spontaneity of the market, on the other hand, the tendency toward concentration and monopoly. These two tendencies exist together and the development of one does not mean the elimination of the other. In fact, as Lenin noted, the development of monopoly *increases* competition, and exists together with it.

The social-imperialists are faced with this contradiction as are all capitalists. In pursuit of profit they have become increasingly enslaved to the spontaneous law of value. This means that their economy develops unevenly and anarchically and that competition between different groupings within the economy is inevitable. Unable and unwilling to rely on the masses, the Soviet rulers must turn to the law of value to regulate production. But this implies the unshackling of market forces and, to a certain degree, restoration of "independence" to the individual enterprises. In one sense, the 1965 "reform" marked a concession to the demands of this centrifugal tendency.

On the other hand, however, stands the centralizing force of state power—the concentration of economic and political power in the hands of the bourgeois state and its monopoly Party. This centripetal force is the force of monopoly, but monopoly far more highly developed than under "traditional" imperialism because it is the inheritor of socialist state ownership. The extreme

centralization of power which state-monopoly implies stands in direct contradiction to the "natural" gravitation of restored capitalism toward spontaneity, anarchy of production and ultimately the market.

This contradiction is what lies behind the continuing flip-flop which the social-imperialists are forced to execute as they switch back and forth from decentralizing to centralizing measures. For if the 1965 "reform" can be viewed as a partial concession to centrifugal forces, policy since then has been marked by re-imposition of central control on the now supposedly "independent" enterprises.

This all came to a head with the 1973 reorganization of industry. This latest measure marks an attempt by the social-imperialists to organizationally deal with the problem. Their solution is to make the "Production Association", an entity fundamentally similar to the traditional capitalist corporation, the basic unit of the economy. This only more openly reveals the true monopoly capitalist nature of the Soviet economy.

The merging of several enterprises into larger conglomerates began tentatively in the Soviet Union in 1961. The first two firms were formed in the shoe and leather industry in Lvov in the western Ukraine on the initiative of the merging enterprises. By 1965 there were 592 such conglomerates throughout the country, and though the movement slowed as enterprises were transferred under the "reform" after 1965, by 1971 approximately 650 associations were in operation merging 2,700 enterprises, or 5.5% of all industrial enterprises.⁹⁴

Experience gained in such firms quickly revealed to the Soviet leadership that such combined corporate units were far more manageable under the new conditions. When small and middle size firms were eliminated through merger, it was found that a tighter rein could be kept on things while still operating on a profit-oriented basis. For example, Fedorenko argued as early as 1967 that

*"Big amalgamations are in a better position than small enterprises to keep track of public demand; concentrate funds for the establishment of new shops, enterprises, and industries; redistribute expenditures connected with the production of new types of output; summarize advanced know-how; technology, and the introduction of new techniques within the framework of this combine; maneuver reserves; set internal (transfer) prices; centralize part of the supply and sales operations."*⁹⁵

This was really quite logical and reflects the fact that the competitive capitalist "individual enterprise as the basis" notion was only a veneer and was out of line with and impossible under the actual conditions, and level of development of the Soviet economy. As the British economist, Alec Nove, pointed out:

"It would be absurd to expect the necessary decisions to be made at the level of an enterprise,

which corresponds to a Western plant. What decisions are made by the manager of a plant which is part of Dupont, U.S. Steel or General Electric? These giants are bigger than many a Soviet ministry and perhaps no less centralized." 96

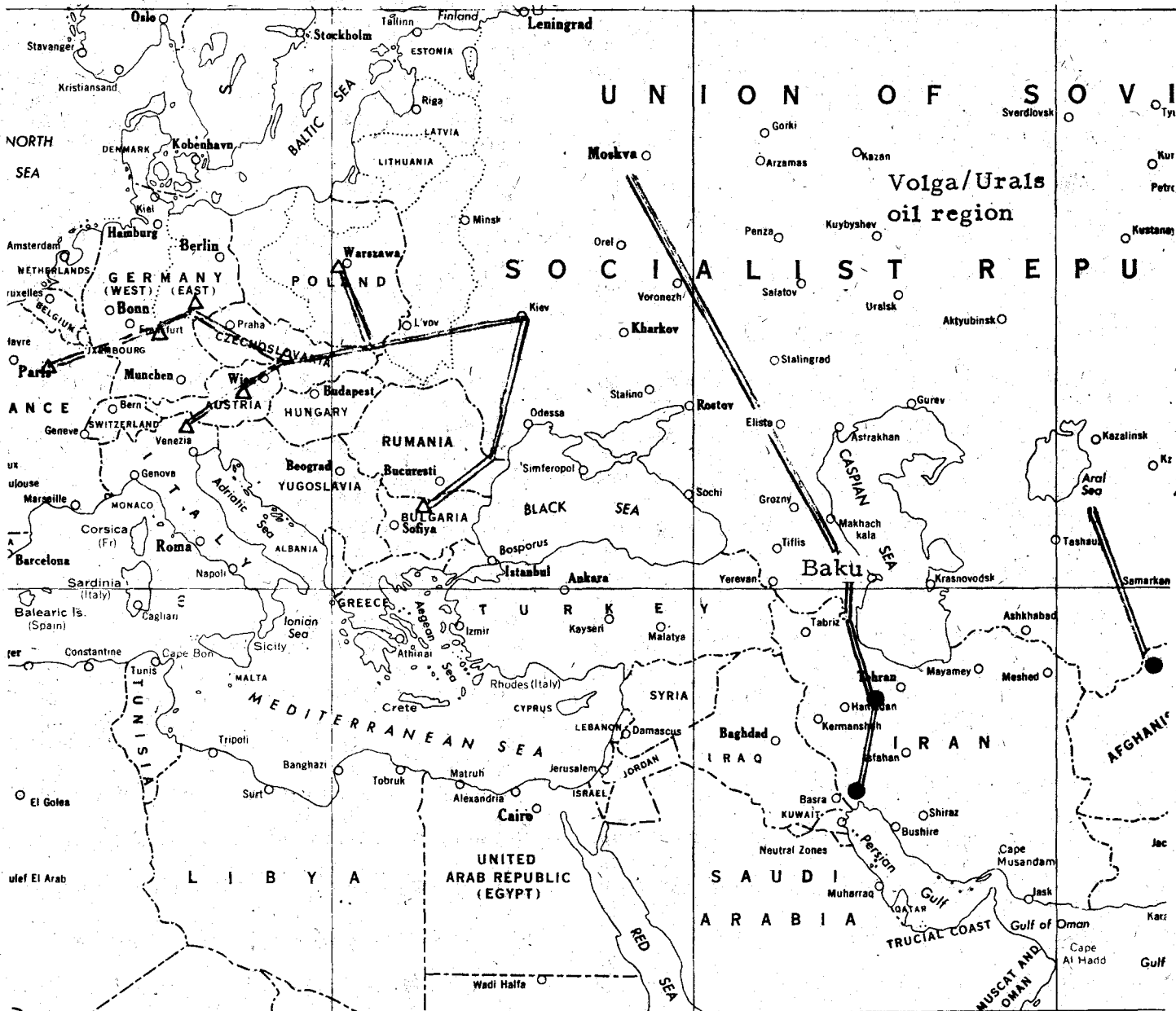
Once they recognized the situation, the social-imperialists were quick to pick up on this crucial point. On April 2, 1973 they announced that all industrial enterprises would be combined into associations. The powers given to the enterprises by the 1965 "reform" were now handed over to the associations. Amalgamations are to be formed on nation-wide, regional and local bases depending upon conditions. According to the announcement the new scheme is to be operative by the end of 1975.

It remains to be seen how this maneuver will affect the workings of the Soviet economy. It in-

dicates clearly, however, that the social-imperialists have not solved the contradictions they face. This, of course, they can never do. As the Chinese stress, "The economic base of social-imperialism is monopoly capitalism", which is "subject to the same objective laws of imperialism."

Map Symbols indicating foreign gas fields supplying the Soviet Union (⊙), pipeline routes (—), and countries receiving or destined to receive Soviet natural gas exports (⊙) represent general rather than exact locations. The actual route of the pipeline into France has not yet been announced. (France was originally insisting that the line bypass West Germany.) Most of the extensive natural gas pipeline network inside the Soviet Union is not indicated.

SOVIET FOREIGN TRADE IN NATURAL GAS



9) Summary: The Soviet Economy as a State-Capitalist Economy

In the preceding sections we have gone to considerable detail in explaining how the social-imperialists sections we have gone to considerable detail in explaining how the social-imperialists have restored capitalism in the Soviet Union. At times this account has been necessarily quite complicated, reflecting the complex process of class struggle and capitalist restoration, and some readers may have found parts a bit confusing. In the course of examining all this, it is easy to lose sight of the forest for the trees.

To summarize briefly what we have described up to this point: The restoration of capitalism in the Soviet Union had its roots in the class struggle waged between the proletariat and the bourgeoisie under socialism. With the rise to power of Khrushchev, the bourgeoisie managed to seize control of the Communist Party, the political vanguard of the working class, and from this position turn the state into an instrument of bourgeois dictatorship and begin the restoration of capitalism. *This was the crucial turning point in the restoration process.*

Under Khrushchev's leadership, the Soviet bourgeoisie proceeded first to negate the achievements of socialism by breaking up the centralized rule of the working class and dismantling socialist institutions. Centralized direction of collective agriculture was sabotaged when Khrushchev sold the Machine Tractor Stations to the collective farms. In the industrial sector the planning administration was broken up into a series of regional economic Councils. Discussion centering around reintroduction of the profit motive and reorganization of the economy according to the fundamental law of commodity production, the law of value, was begun with open encouragement by the Communist Party leadership. Experiments in this direction were also initiated.

Politically, too, Khrushchev worked to destroy the centralized power of the proletarian state. He launched a systematic attack on the most fundamental principles of Marxism-Leninism and his diatribes against Stalin served only as a smokescreen for attacks on the dictatorship of the proletariat. Under his leadership bourgeois liberal forces emerged in all areas of social life.

By expelling large numbers of tested proletarian fighters from the Communist Party, Khrushchev further weakened the working class. These fighters were then replaced by bourgeois and petty bourgeois elements at all levels. Khrushchev finally went so far as to divide the Party into "industrial" and "agricultural" sections which immobilized and demoralized honest Party cadres, effectively limiting their political role by saddling them with administrative chores.

Khrushchev's role was to launch the attack on the proletariat, carry out the wrecking of socialism, and thereby unleash the spontaneous

forces of capitalism.

But Khrushchev's negation of socialism in turn called forth its dialectical opposite—the negation of the negation. This can be seen in the thoroughgoing reordering of the economy along state-capitalist lines carried out under the leadership of Brezhnev and Kosygin.

This, too, had its political and economic aspects. In the political sphere Brezhnev and Kosygin moved to reassert centralized state and Party control—but this time on a new basis: on the basis of consolidating the political power of a new state-finance bourgeoisie consisting of high Party and state officials. Here the supposed "return to Leninism" provided a convenient cover. The Party was pieced back together and even strengthened as the organized representative of the new ruling class.

With respect to the economy, decentralization appeared to continue, as the economic "reform" granted wide leeway to individual enterprises. However, the "reform's" real purpose was to systematize control by the state monopoly clique along well-ordered capitalist lines. In practice it only strengthened the hand of the central state capitalists. This can be seen quite clearly from the fact that after remaining essentially stable in numbers during the Khrushchev period, employment in the state administration grew each year during 1964-1970, with a total increase of 516,000, or 38.3%.⁷ Decentralization has since been further strengthened with the introduction of the Production Associations in 1973.

Where Khrushchev's negation of socialism brought only chaos to the economy, Brezhnev and Kosygin's systematic "reform" succeeded—as much as is possible under the capitalist system—in stabilizing and restructuring the economy according to consistent monopoly capitalist principles.

This negation of the negation must be firmly grasped. There is the first negation: Under Khrushchev's leadership the bourgeoisie attacks Marxism-Leninism, begins the wrecking of socialism. Chaos reigns in the economy and liberalism is dominant in politics. But then there is a second negation, in a sense symbolized by the coming to power of Brezhnev and Kosygin (though there is no brick wall politically dividing their reign from that of Khrushchev). Khrushchev and Khrushchevism come under attack. "Discipline" and "control" re-emerge as watchwords of the day. The economy is systematically restored to working capitalist order.

But all this takes place on an entirely new basis, under completely transformed conditions. Negating the negation of socialism does not return us to socialism once more but marks instead the systematic restructuring of a functioning capitalist society, a capitalist society based on an historical foundation heretofore completely unprecedented.

Combining "two into one" and failing to recognize the two stages in the restoration pro-

cess, failing to see this dialectical process as not just the negation of socialism but as the negation of the negation, can lead to at least two serious errors. One would be the error of mistaking Brezhnev and Kosygin's show of centralism for a return to socialist principles. This line is put out by those bourgeois and petty bourgeois commentators who label the present Soviet rulers "Stalinists."

A second error is to see Khrushchevism as *all* there is to the process of capitalist restoration. From this point of view, capitalist restoration becomes only the *breaking apart* of socialist society and not also the *reconstruction* of capitalism. Such an analysis views the market as the key factor in capitalist restoration and fails to recognize that capitalism can also exist in conjunction with centralism (as shown in the past by the example of Nazi Germany).

This view implies that a country like Yugoslavia is more capitalist than the Soviet Union. It implies also that under Dubcek's "Market Socialism", Czechoslovakia was attempting to break loose of Soviet domination in order to move more rapidly down the capitalist road. Taken to its logical conclusion, such a view sees the rise of capitalism in the Soviet Union as a simple reversal of historical motion. One might as well argue that the Soviet Union has simply turned around in history and is now heading from socialism through monopoly capitalism back to competitive capitalism and thence, perhaps, to feudalism. While this may be what is desired by some idealistic, "dissident" Soviet intellectuals, the absurdity of such reasoning is certainly obvious.

How are we to explain the restoration of capitalism in the Soviet Union?

Any society is basically an organized way that its members produce and distribute the material requirements of life. At every level of social development, people enter into definite relations with each other and with the productive forces to carry out this task.

In all societies a surplus, above and beyond what people need to live and reproduce, must be and is produced, accumulated and utilized to expand future production as well as provide for the educational, cultural and other social requirements of life. For this to happen some "lever" must operate in society, some force or law must regulate the process whereby this surplus is appropriated, distributed and re-invested in society.

Under slavery this "lever" was the whip which forced the slave to produce a surplus which was then appropriated by the slave-owner. Under feudalism the landlord's control of the land enabled him to extract a surplus, generally in the form of a share of the crop, from the peasant. In both these societies the actual producers—the slaves and the peasants—did not themselves participate in the commodity (exchange) economy to any great degree. Their minimum needs were provided mainly through natural production.

However, under capitalism the "lever" which regulates the appropriation and distribution of the surplus is the system of commodity production and circulation, regulated by the law of value. In this system workers must *alienate* their labor power—give it over to another, a capitalist, in exchange for another commodity, money—wages—because, under capitalism, labor power is itself a commodity and the means of production are monopolized by the capitalist class. Only by selling their labor power can the workers gain even the barest means of subsistence. In short, the way people are mobilized to produce plus under capitalism is expressed succinctly by the slogan "work for me or starve", which might well be the motto of the bourgeoisie.

Under capitalism the distribution of goods and services, too, can only take place with the "lever" of commodity exchange and the law of value. The capitalists, who appropriate to themselves the products of production, will only alienate these products on the basis of receiving something of equal value in return. The surplus (in the form of *surplus value*—value extracted from the unpaid labor of others) that is *created* in the process of production, is *realized* by the capitalist in the sale of commodities. By selling commodities produced by the workers, the capitalist ends up with more money than he spent in his original investment, reflecting his control of the surplus created by the workers and appropriated by him in the process of commodity production. In this way each capitalist accumulates the surplus and decides, on the basis of how to repeat the process on an extended scale, how to invest this new sum of money once again to end up with still more—how and where the surplus will be distributed and utilized.

Thus, under capitalism, the sum total of society's surplus is accumulated "in pieces" by various capitalists, who not only stand above the working class, but are isolated from and in competition with each other. As a result, it is impossible for capitalist society as a whole to collectively appropriate and utilize the surplus, and it is impossible for society to *consciously* undertake the struggle to produce and distribute the material requirements of life. As Marx put it, under capitalism the relations between man and man, and between man and nature, are disguised as the relations between things, between the various commodities that different individuals and groups in society own.

What is more, there is no way under capitalism for the capitalists to get together, sit down and rationally and peacefully divide up the take. The internal logic of the capitalist system forces each capitalist to re-invest his own share of the surplus in order that this share will increase in size relative to the shares of all the other capitalists. If the capitalist does not do this he will perish as a capitalist.

The entire development of commodity production takes place spontaneously, independent of the

consciousness and will of man. But as the commodity system develops its laws are also revealed. In the highest stage of commodity production—under capitalism—the laws governing the system can be fully comprehended. With this knowledge the proletariat can set out—for the first time in the history of class society—to consciously reshape and remold the world. This is precisely what Marx meant in his famous thesis: “The philosophers have only interpreted the world differently, the point, however, is to change it.”⁹⁸

The struggle for socialism must be and is a struggle for the *conscious* control of society by the working class. This is why socialism can never grow up spontaneously within capitalism as did capitalism within the bowels of feudal society. This is why socialism is a radically different form of revolution from all previous upheavals in society which simply brought forward a new system of exploitation.

To build socialism and advance to communism, the “lever” that makes possible the production, accumulation and utilization of the surplus cannot be commodity production and the law of value, but can only be *ideological and political line*. That is, socialism, and even more fully communism, can only be built by the workers in society (under socialism the working class through its state power and under communism the whole population, no longer divided into classes, and all acting as both workers and administrators) *consciously and collectively determining a plan* for producing and distributing the material requirements of life.

This in turn can only be accomplished by first drawing on the experience and collective wisdom of the masses of people, and applying the scientific principles of Marxism-Leninism to summing these up. Under socialism this is accomplished by the Party, through the application of the mass line. Under communism it is done by the whole of society, since by then *everyone* will have reached the stage of consciously striving to apply communist principles to all phases of life.

Even under socialism, the dictatorship of the proletariat, commodity production continues and there is some scope for the law of value. As Lenin pointed out, this provides the material basis for capitalist relations, even in socialism, and provides the material basis for capitalist restoration. Class struggle in socialism continues between those who want the law of value and blind market forces to regulate production, and those who want to subject production to class conscious control of the proletariat. Increasing the power of subjective class conscious forces over production, narrowing and finally eliminating the law of value, is the task of socialism as the transition from capitalism to communism. This is why it is not idealist to stress the importance of proletarian ideology as the leading blow against capitalism, and why it was essential that Stalin's and Lenin's proletarian line be smashed *first*, to disarm the working class and make possible the extension of the law of value instead of its constriction.

This is why we emphasize that the struggle of the working class must be based upon mass mobilization and education of the workers. To wrest control of society from the spontaneous forces of commodity production, the collective efforts of the *whole class* are necessary. As Marx said “the liberation of the working class must be the work of the working class itself.”⁹⁹ This is not merely a moral stricture, but a fundamental law of socialism. Without the growing participation and mobilization of the masses of workers there can be no socialism.

*“Once the leadership of the working class struggle abandons the mass line and fails to mobilize and rely on the masses in the conscious struggle to strengthen the dictatorship of the proletariat and build socialism; in other words, once the leadership of the Communist Party abandons Marxism-Leninism and consolidates revisionism, no matter what their subjective intentions or desires may be, capitalist restoration is then inevitable. As the Chinese comrades state: “The rise to power of revisionism means the rise to power of the bourgeoisie.”*¹⁰⁰

If under socialism the production plan is not based on the experience and felt needs of the masses—on what they collectively and ever-more consciously see as necessary and possible to produce, not in their individual interests but in the interests of society as a whole (and ultimately the world struggle for communism)—and if, in turn, this plan is not taken back to the masses, as a concentrated expression of their collective wisdom (through the application of Marxism-Leninism); and if they are not, on this basis, mobilized to carry out this plan, taking the initiative into their own hands, to fulfill and even overfulfill this plan; *then some other way must be found* to induce, and ultimately to *force*, the masses into production of a surplus.

It is impossible for some classless group of “bureaucrats” to rule society in the name of the proletariat, because in order to maintain such rule these “bureaucrats” must organize the production and distribution of goods and services. If bureaucratic methods of doing this prevail and come to *politically characterize* the planning process under socialism; and if a group of bureaucrats, divorced from and not relying upon the masses, makes the decisions on how to carry out this process; then inevitably this will be done along capitalist lines.

In the final analysis, the revisionists can only fall back on the law of value as the “lever” which organizes production. They must reduce the workers to propertyless proletarians, competing in the sale of their single commodity—their labor power—to live. They must appeal to the narrow self-interest of the worker in this competition, backing this up with the power of the state, as a force standing above and oppressing the workers, a weapon in the hands of the owners of the means of production. They must do this because they must find some way to organize production which

they cannot do consciously in a planned way by themselves. *They have no choice but to become a new bourgeoisie.* (The law of value is modified by monopoly in the sense that monopolies can raise the prices of their commodities above their actual value. But this does not eliminate the regulating rule of the law of value; in fact it intensifies the contradictions of capitalism.)

Once this road is taken, the planned relationship between various sectors of the economy, according to the socialist principle of subordinating profitability—at the enterprise level, and in society generally—to the objective of all-round and constantly rising development must also come under the regulation of the law of value. And this means that profit must be put in command. Profit must act as the regulator of relationships between different enterprises and spheres of the economy and determine the basis on which they exchange their products, as commodities, with each other. Moreover, profit, for different individual capitalists, or groups of capitalists, must act as the regulator of how the surplus of society is appropriated and utilized (re-invested).

Once production is no longer regulated by a true socialist plan based upon the summation of the needs and desires of the masses of working people determined by a revolutionary Marxist-Leninist party with close ties to the masses, then it can only be regulated by a capitalist market—by what will bring the most profit. Even where a capitalist “plan” for development exists, including a state “plan” designed to ensure the profitability of key monopolized industries, the laws of commodity production/exchange, including especially the law of value—the blind force of the market—will still remain dominant. This means that competition between various capitalists, controlling different sectors of the economy and different “pieces” of the surplus will inevitably develop, too.

This is what is happening in the Soviet Union today. Competition takes place not primarily between the industrial capitalists—enterprise and farm directors and managers, etc. (although it certainly does take place on this level also)—but principally between different high Party and state officials who control different ministries, regions, industries, etc.

As we have noted, the Soviet economy can be compared in many ways with that of Nazi Germany, and under the Nazis different sectors of the economy—steel, coal, etc.—were organized into trusts or syndicates under the control of the state which used credit as a key regulator. But there was also very fierce competition between conflicting capitalists *within* these various trusts and syndicates, and between capitalists whose wealth and power was concentrated in one or several *different* trusts and syndicates. And there was fierce competition within the ministries controlling credit between capitalists more closely involved in or aligned with these various different trusts, syndicates, etc.

Basically similar things are going on within the Soviet Union, although the particular forms this is taking, and the specific individuals and firms involved, have not as yet been clearly exposed. But once profit comes to regulate the relationship between different areas of the economy, and between them and the state credit institutions, it is inevitable that, for example, those whose profit comes from steel production primarily will battle it out with those who supply means of production—coal, oil, iron ore—for the production of steel; as well as with those who purchase steel products.

The creation of the large-scale Production Associations reveals that this is developing rapidly in the Soviet Union. These Production Associations will inevitably compete with each other in pursuit of profit. An association centered around the production of steel, for example, will attempt to branch into coal mining. Soon the Production Associations will not only be set up according to industry but will—and to some degree, no doubt, they already do—come to represent competing groups of capitalists whose interests are quite varied; equivalent, say, to the Morgan or Rockefeller groups in the U.S. These competing groups will in turn fight it out for political influence and control in the Communist Party.

It will be impossible for these competing capitalists to peacefully divide the wealth. They will try, but their eternal quest for ever-greater profit will always create new contradictions for them. It will always smash to smithereens whatever agreements they succeed in reaching among themselves. This is directly due to the fundamental contradiction of capitalism and imperialism everywhere—the contradiction between private appropriation and social production of wealth.

It is this contradiction which is already wreaking havoc in the Soviet economy. With profit in command, the Soviet bourgeoisie, like the bourgeoisie everywhere, cannot possibly develop the Soviet economy efficiently, rapidly and in a balanced, all-round way. One example of this is revealing: In 1972, when poor planning and bad weather combined to create one of the worst agricultural disasters in Soviet history, the Soviet Union urgently needed large numbers of harvesters, trucks and driers for an emergency harvest. However, many were out of use due to a shortage of spare parts. This was because the production of spare parts is not as profitable as the production of machines.

The same problem reappeared in 1973 when the Soviet authorities bragged of an “unprecedented bumper harvest” amounting to 222.5 million tons of grain. At the December 1973 plenum of the Central Committee, Brezhnev admitted that the shortage of farm equipment caused large quantities of this “bumper crop” to rot in the fields. Some Western observers estimate that the usable crop amounted to only about 165 million tons.¹⁰¹

Because under capitalism there is no way for the overall needs of the economy to be fully taken into account, such anarchy is inevitable. Moreover, capitalism cannot succeed—

particularly as it develops into the stage of imperialism—in developing the productive forces to their maximum. The anarchic, disorganized competitive appropriation of the surplus, and its reinvestment according to the profit motive, not only distorts what is produced but affects also how much is produced. This is what Marxists mean when we say that capital becomes a *fetter* on the development of production.

Since 1928, the Soviet Union has carried out nine Five Year Plans for economic development, including the current 1971-75 Plan. Up to the 5th Five Year Plan (1951-55), the gross value of industrial output grew at an average annual rate of more than 13%, the highest growth rate in the world.¹⁰² However, in the period 1966-70, output grew by only 8.4% a slight decline from the 8.6% growth rate of 1961-65.¹⁰³ Moreover, according to U.S. government estimates, there has been a somewhat steeper decline in non-military production growth—during 1966-69 this grew at an estimated rate of 6.2% compared with 6.8% in 1961-65 and nearly 10% in the 1950's.¹⁰⁴ According to statistics released by the Soviet Central Statistical Board, growth of total industrial production in the first three years of the 9th Five Year Plan slid further to only 7.8% in 1971, 6.5% in 1972 and 7.4% in 1973.¹⁰⁵

Because the Soviet Union is a state-capitalist society, the effects of capitalist anarchy can be ameliorated to some degree through the working out of the central state plan. This plan is designed to balance out the needs of different industries, guaranteeing a "fair" profit to each. But the plan cannot resolve the contradictions of the system, and in fact these contradictions are no doubt expressed in vicious in-fighting when the plan is drawn up. As a result, the plan itself has become increasingly divorced from the realities of

economic life.

Whereas under socialism, Soviet plan quotas were nearly always fulfilled and even overfulfilled, today these are more often revised and marked down in mid-plan. Even so, many important economic departments do not even meet the revised quotas. The sorry, crisis-ridden state of the Soviet economy today is illustrated most clearly in the following statistics which describe the results of the 8th Five Year Plan which was concluded in 1970. (See Table Below.)

This stagnant economy reflects the moribund, dying nature of Soviet social-imperialism and all imperialism. Imperialism cannot fully develop the productive forces because as more and more surplus value is ripped off from the working class and is transformed into capital, subjugating and oppressing the workers, it becomes increasingly difficult for the imperialists to gain maximum profit in their own market. Profit must be realized in the sale of commodities produced, and the principal market for all commodities is the working class, which makes up the majority of the population. Moreover, the anarchic development of production under capitalism means that some products are always, in effect, overproduced while others are shortchanged. Not only do these factors produce the periodic crises of capitalism, they also tend to permanently depress the rate of profit, stagnating economic development. Thus, all imperialists are driven by the internal logic—the fundamental laws of their system—to seek new markets for their commodities, but, more important, for the investment of their capital.

The drive for the highest profit forces the competing Soviet capitalists to invest increasing amounts of the surplus wherever it will bring the highest return (rate of profit). In other words, the social-imperialists, like imperialists everywhere,

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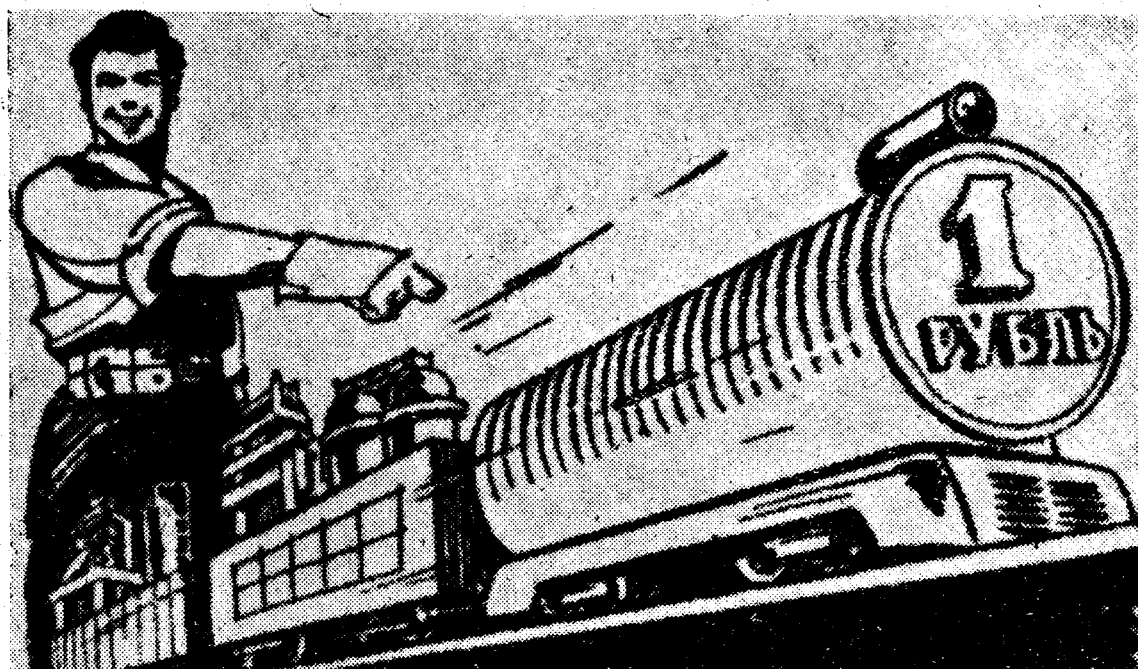
RESULTS OF THE 8TH FIVE YEAR PLAN (1966-1970)

	Original Target	Revised Target	Actual Output
Electricity (thousand million KWH)	830-850	807	740
Natural Gas (thousand million cubic meters)	225-240	215	200
Coal (million tons)	665-675	—	624
Steel (million tons)	124-129	124	116
Rolled Steel (million tons)	95-99	96	92
Chemical Fertilizer (million tons)	62 - 65	62	55.4
Synthetic Fibre (thousand tons)	780-830	707	623
Automobile (thousands)	1360-1510	1360	916
Agricultural Machinery (thousand million rubles)	2.5	—	2.1
Cement (million tons)	100-105	—	95.2
Paper (million tons)	5.0-5.3	5.0	4.2
Textile (thousand mil. sq. meters)	9.5-9.8	—	8.6
Synthetic Resin and Plastic (million tons)	2.1-2.3	1.8	1.7

must export capital to other countries—and along with this they must station armies abroad and do other things to “guarantee” a profitable return on these investments. They are forced to enter into competition with rival imperialists, to fight for a re-division of the world and of the markets for capital.

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Example of how Soviet revisionists try to put across capitalist idea that money, rather than the working masses, is what makes things go. Illustration is from Soviet journal, entitled "The Powerful Locomotive" with the front of the engine reading "One Ruble."