

THEORETICAL JOURNAL OF THE INTERNATIONAL
MARXIST GROUP - BRITISH SECTION OF THE
FOURTH INTERNATIONAL

INTERNATIONAL

VOLUME 2 NUMBER 2 SUMMER 1973 30P

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Fourth International Theses:
**Revolutionary
Perspectives in Britain**

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**LEON TROTSKY
WHITHER
RUSSIA?
Towards
Capitalism or
Socialism**

DOSSIER ON CHILE

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SUBSCRIPTIONS	Single Copies 30p/\$1 plus 5p/20c postage Annual subscription £1.50 inland, £2.00/\$6 overseas (seamail), £3.50/\$11 overseas (airmail), £3.00/\$10 libraries and institutions Back issues (as available) Volume One 1-8 30p plus 5p/20c postage Volume Two 50p plus 5p/20c postage 182 Pentonville rd., London N1	

DOSSIER ON CHILE

Statement by the United Secretariat of the Fourth International
16 September 1973

An Inevitable Confrontation

After the defeat of the Bolivian working class in August 1971, Chile became the epicentre of the class struggle in Latin America. The international revolutionary movement followed events in Chile with the knowledge that a trial of strength was inevitable. This trial of strength — prepared for by a series of partial confrontations in the course of the two preceding years and foreshadowed by the attempted coup of 20 June 1973 — took place in dramatic fashion on 11 September. The armed forces carried out a criminal attack on the working class, its organizations, its conquests — whether of long standing or of recent date — and on the most elementary democratic rights. Thousands, and probably tens of thousands, of dead in Santiago and the rest of the country have demonstrated once again the barbarity of the so-called 'national' ruling classes and of imperialism. The latter have once more given eloquent and bloody proof that they subordinate every political, juridical or human consideration to the savage and intransigent defence of their threatened interests.

One more tragic confirmation of the danger which a capitalism historically in its death throes still represents for humanity! One more confirmation that the 'principles' and 'values' of a society based on exploitation and repression are a shameful mystification! One more confirmation of the catastrophic consequences for the working class of the illusory and irresponsible perspective of a 'peaceful', 'democratic' transition to socialism — in a world which for over fifty years has seen, on every continent, a succes-

sion of local and general wars, revolutionary upheavals, bloody repressions, and fascist or military dictatorships.

The Programme of the 'Unidad Popular' and the Dynamic of the Mass Mobilization

The *Unidad Popular's* programme was presented by its supporters as the prelude to a stage in which the transition to socialism would be on the agenda; it aimed to carry out certain reforms within the framework of the capitalist system. This is why the coalition included political formations of petty-bourgeois origin. Worse still, the coalition sought a collaboration with sectors of the bourgeoisie itself and with the party that represented them, and it reaffirmed its total loyalty to the existing constitutional order. This is why the key sectors of the bourgeoisie — who had already supported a moderate reformist path under Frei's presidency — had decided to give the go-ahead to the Allende experiment, under the conditions worked out in the negotiations which followed the 4 September 1970 elections, conditions which included unchanged maintenance of the existing military apparatus. To symbolize the relative continuity of the reformist perspective, the *Unidad Popular* did not propose a new agrarian reform, but confined itself to applying more systematically and more rapidly the reform adopted by Frei.

Nevertheless, the victory of 4 September and Allende's accession to the presidency were seen by the broad masses as a defeat of historic dimensions inflicted

on the class enemy. In fact, a new relation of forces had been created, one more favourable than ever in the past to the working class, the peasantry and the radicalized petty bourgeoisie.

The realization of the reforms announced in the UP programme and the blow inflicted on imperialist property in the mining sector further stimulated the mass movement. The latter soon showed a tendency to come into conflict with the limits fixed by the reformism which Allende and his coalition advocated. The workers wanted to expropriate the factories which were to remain in the private sector. The peasants had their own interpretation of the agrarian reform. The logic of the fundamental interests at stake determined a rapid development of the dynamic of the class struggle, shattering the pre-established formulae.

The very sectors of the bourgeoisie which had at first been favourable to the UP began to grow alarmed, as they became aware of the dangers which menaced not the 'freedom' of the Chilean people or elementary democratic rights, but their own interests as exploiters. After numerous crises, they moved irrevocably into the opposition camp. The right wing of the UP left the government and broke from the coalition. The Christian Democrats adopted an increasingly aggressive attitude, carried to the point of obstruction and sabotage. As the conflicts grew progressively sharper, the activity of fascist shock brigades and the incitement of petty-bourgeois strata to a reactionary revolt were more and more widely employed as political weapons. Imperialism, and above all US imperialism, made its own contribution of blackmail, threats, pressures and every kind of economic and financial manoeuvre.

The situation thus led to an absolutely clear-cut opposition and drawing of the battle lines between the antagonistic forces, while the petty-bourgeois layers oscillated and divided. Terrified by the dynamic of the mass movement, the bourgeoisie now rejected the reformist road. The proletariat struggled to enlarge the breaches already made in the system and to assert its power. The UP, while it wanted an agreement and desperately sought some compromise, nevertheless could not accept the capitulation demanded by the bourgeoisie, which would have meant cutting itself off from the masses and hence its own demise.

The Bourgeoisie Chooses the Path of a Military Coup

The failure in all essentials of the Christian Democrat plan of forcing Allende to capitulate in a series of partial confrontations and thus progressively eroding key sectors of his mass base, was made clear by the outcome of the struggles of October 1972, by the results of the March elections, and by the impossibility of mobilizing more than a derisory percentage of the El Teniente miners in June through a demagogic campaign of sabotage. This failure posed anew, for the Christian Democrats and for the bourgeois front as a whole, the problem of their fundamental strategy. Could they afford to continue playing the game of respect for constitutional norms and utilization of the mechanisms of the state apparatus to counter and indeed paralyse Allende's actions? Or should they opt for a coup d'état?

The failure of the 29 June attempted coup — over and above any technical errors and setbacks there may have been — reflected the continuing indecision of the bourgeoisie, its internal divisions, and the hesitations of the armed forces themselves. But Colonel Souper's attempted coup provoked a tremendous mobilization of the masses, who attained an unprecedented level of radicalization. More than one thousand factories were occupied

by the workers, who exploited to the full the potentialities of the *cordones industriales* — instruments of proletarian democracy thrown up by the struggles of October 1972 — in organizing their political control and their defence, and who proclaimed their intention of not handing back to the owners even those factories which in principle were included in the private sector. At the same time, the consciousness of the masses made a qualitative leap, grasping the need to arm themselves in order to resist new reactionary attacks.

The Chilean bourgeoisie at once realized that the situation had reached a crucial turning-point. It had suffered a very serious blow to its economic power; it saw that a dual power situation was beginning to emerge, and that embryonic worker militias were being formed. In consultation with the American imperialist leaders, it decided to give up partial confrontations and go for a major trial of strength; to give up using 'legal' tricks and obstructive manoeuvres of every kind, in favour of using arms. The July/August negotiations probably served the purpose either of gaining time or of checking once again, at the eleventh hour, whether it was not possible to force Allende to capitulate without a struggle.

Since Allende was neither able nor willing to capitulate without a struggle, and since the mass movement was not subsiding, the coup was launched with a determination and savagery which, from the viewpoint of defending the interests of the exploiters, were made necessary by a highly explosive situation and an exceptional level of mobilization.

The Chilean working class opposed the coup d'état with a courage and spirit of sacrifice which will go down in the history of the international workers' movement. The factories were defended gun in hand against the army's attacks; centres of resistance arose both in the very centre of Santiago and in the suburbs; groups of soldiers and sailors of worker and peasant origin, who were not prepared to obey the criminal order of their officers, mutinied with heroism. Despite the massive use of military firepower and of outright massacres, the resistance has not been completely broken. The working class of all continents and democratic public opinion in general have expressed their indignation and condemnation swiftly and on a massive and unprecedented scale.

The working-class movement in Latin America, after receiving a blow in July in Uruguay, has now suffered a defeat of major proportions. If the new military régime manages to consolidate its position, this defeat will weigh heavily in the balance of forces on the continent as a whole.

The Lessons of a Tragic Defeat

For three years the communist and socialist parties of the whole world held up the Chilean example as a proof that their theories concerning the road to socialism were valid. The tragic conclusion of the UP experiment provides a number of key lessons. It was already possible to draw these lessons from innumerable past experiences, especially in Latin America — from the overthrow of the Arbenz régime in Guatemala in 1954 by a mercenary army to the coup, fostered by the imperialists and by the Brazilian gorillas, which installed Banzer in power in Bolivia in August 1971. The fact that these lessons had only been drawn by vanguards which are not yet capable of determining the course of events has been paid for by the Chilean proletariat at an extremely high cost. It is the duty of revolutionaries to fight to ensure that the heroic sacrifice of thousands of Chilean workers and militants is not a vain one, and that the reformist and opportunist



Chile's new military junta — it came to power over the bodies of thousands of socialist militants.

mystifications imposed on the masses by the traditional bureaucratic apparatuses are destroyed forever.

Events in Chile over the last three years show just how illusory is the perspective of a democratic, anti-oligarchic and anti-imperialist 'stage' of the revolution, in which the 'national' bourgeoisie can participate — illusory both in terms of its objective basis and in terms of political possibilities. No bourgeoisie can go beyond reforms of a strictly limited kind, which do not harm the fundamental interests of imperialism. Moreover, no bourgeoisie is prepared to venture onto this terrain at all unless it has a guarantee that it will be able to control the process strictly and stifle any autonomous dynamic of the mass movement. In this respect, the Peruvian military régime is a classic example.

The Chilean events show that working-class reformism, even in highly favourable conditions, quickly leads into a blind alley. Reforms actually carried out risk being themselves challenged and voided of all content if they are not generalized. Such generalization inevitably leads to a threshold which cannot be passed without breaking the mechanism of the capitalist system itself. Moreover, partial measures damage multiple interests without destroying them, and provoke the inevitable reaction of forces which still have at their disposal powerful resources and allies. Once again it has been proved that the petty bourgeoisie cannot be won over by a conciliatory attitude, without providing an anti-capitalist perspective and without combating with the utmost determination the manoeuvres of the ruling classes.

The Chilean events show the absurdity of planning for a transition to socialism unaccompanied by the destruction of the state apparatus in its entirety — an apparatus which the ruling classes have organized and structured in the most effective way for the purpose of ensuring the

maintenance of their system of exploitation and oppression. This does not mean rejecting any tactical utilization of legal possibilities, or any exploitation of exceptional circumstances such as the situation created in Chile by the elections of 4 September 1970. But it is essential to understand the absolute and urgent necessity, in a situation of revolutionary mass upsurge, of building revolutionary organs of proletarian democracy — bodies that are at once elements of dual power, weapons of struggle for the conquest of power and, in embryo, the qualitatively new political structures of the workers' State to which the revolution will give birth.

The Chilean reformists systematically denied this necessity, contenting themselves with promoting bodies with absolutely limited functions and without any real autonomy from the 'constitutional' organs of the State. The workers, however, under the impact of dramatic experiences, especially during the past year, rediscovered these fundamental needs and created bodies rich in revolutionary potential like the *cordones industriales*. But their initiatives developed late and were not generalized. Worse still, they were often partially emptied of their content by the manoeuvres of the bureaucracy, determined to strip the *cordones* of their potential of becoming Chilean soviets and, having drained them of all life, to integrate them into its own reformist, constitutionalist strategy.

The Chilean events, finally, have shown once again that the thesis that it is possible to overthrow capitalist power without revolutionary violence, without armed struggle, is the most shameful of mystifications, the most suicidal of illusions. It is of primordial necessity to understand that when the crucial moment of the confrontation for power is reached, armed conflict, independently of the specific forces involved, is inevitable in all cases, and that in Lenin's phrase 'the military question is the

central political question'.

The working class must prepare itself systematically for such a perspective, rejecting all spontaneist illusions and understanding the necessity, even on this terrain, for centralized action. It must understand that a purely defensive attitude is doomed to failure once the crucial day of reckoning draws near, and must seize the initiative from the enemy.

'Experience in other countries, especially in Latin America,' said the December 1971 Statement by the United Secretariat of the Fourth International, 'from the invasion of Guatemala in 1964 to Banzer's coup d'état in Bolivia last August, has shown that the working class must see as a primordial task its own armed defence. This lesson is written in letters of blood—the blood of workers, peasants and students. Any belief in the enemy's 'good will' is suicidal and must be rejected. In view of the nature of the government and the relationship between the UP coalition and the masses in their overwhelming majority, the task to be accomplished is the arming of the workers and peasants, the creation of instruments of political and military self-defence, the formation of genuine people's militias, and the dissemination of revolutionary propaganda among the soldiers. *Not to take any initiative in this direction would mean in practice to gamble on the "democratic loyalty" of the army and the specialized forces of repression; it would mean to be incapable of responding to a need that is felt by broader and broader sectors of the masses, made aware of the danger by the Bolivian events. Allende's declarations that the UP will respond to any reactionary violence are nothing but demagogic chatter, inasmuch as they have no practical implication. Rather than relying on spontaneism and on improvisation, it is necessary to create immediately the requisite means to prevent the class enemy from enjoying material conditions of overwhelming superiority in the confrontations that inevitably lie ahead. So that there can be no misunderstanding, the revolutionary Marxists stress that it is not against Allende but against the threats of the right and to riposte against any attack by the bourgeois repressive apparatus that the workers and peasants must place on the agenda the crucial problem of arming themselves.'*

The Chilean reformists contested these elementary truths. The fact that many of them have added their names to the long list of martyrs of the workers' movement neither annuls nor attenuates their massive historic responsibility.

The absence of a revolutionary party capable of playing a hegemonic rôle at the level of the masses has once again shown itself to be the decisive factor as far as the proletariat is concerned. 'Chile will be no historical exception', said the United Secretariat's December 1971 Statement. 'The overthrow of the capitalist order cannot be accomplished without the decisive intervention of a revolutionary party, the conscious vanguard of the masses. The tasks which belong to such a party cannot be delegated to the Communist Party. The latter, deeply marked by a long Stalinist tradition, is the expression of an indigenous working-class bureaucracy and of relatively conservative strata of the proletariat which are not mobilizing in the present crisis with the same dynamism as the new generation. It retains all its traditional conceptions, not having in any way broken the umbilical cord which links it to the Soviet bureaucracy. Neither can the tasks of the revolutionary party be delegated to the Socialist Party. The latter has extended its mass audience, particularly among the younger workers, and has in its own constituent bodies adopted positions which place it to the left of the Communist Party (which is the real spear-head of reform-

ism). But it does not have the structure of a combat party, does not have solid or continuous links with the masses which it influences, and appears more as a conglomeration of tendencies and groups than as a homogenous formation; in short, it has the characteristic features of a *centrist organization*. It is essential, at all events, to reject any conception based—whether explicitly or implicitly—on the hypothesis that thanks to the dynamism of the revolutionary process and the power of the mass movement, thanks to the weakening of the bourgeoisie and its probable progressive decomposition, and thanks to conditions in which imperialism is forced to relinquish the idea of military intervention, the proletariat will be able to win power even in the absence of a true Leninist revolutionary party. It is essential likewise to reject the variant which effectively holds that a substitute for the revolutionary party will be sufficient—in the present case, in the form of a front grouping all revolutionaries or a cartel of the various organizations of the revolutionary left.'

Struggle against the Military Dictatorship! Organize Militant International Solidarity!

A military coup in a situation like that of Chile in the last few months could not have been imposed unresisted or by means of a limited repressive action. Everything pointed to the likelihood of a courageous and tenacious resistance by the proletariat; it was also not impossible that sectors of the army—whose rank-and-file was made up of sons of workers and peasants carrying out their military service—might rebel against the orders of reactionary officers unleashing a dynamic of civil war. In the event, resistance did indeed develop heroically, and has not been completely crushed; but the second possibility was not realized, or at least not to a sufficient extent to create the preconditions for an immediate civil war.

The problem of the struggle against the military dictatorship is on the agenda. The revolutionary vanguards have the duty to carry out the necessary turn with the maximum speed. The problem of armed struggle is no longer posed in the same terms in which it was posed from September 1970 on. The previous orientation would remain fundamentally valid in the event of a civil war involving the occupation by worker and peasant forces of certain regions of the country. In such circumstances, revolutionaries would put forward the slogan, on a world scale, of creating international brigades.

It is necessary to create, throughout the world, a campaign of active solidarity evoking the best traditions of mobilization for Vietnam. Working-class Chile must be defended against the barbarity of the *golpistas* and their 'national-bourgeois' and imperialist patrons.

For immediate, massive, militant solidarity with the Chilean proletariat! Halt the criminal hand of the murderers! Demand the re-establishment of the elementary democratic rights of the Chilean people! Demand the immediate freeing of all political prisoners! Defend the right of asylum for political refugees from the other Latin American countries and their right to go to another country of their own choosing! Give political and material assistance to the heroic resistance of the Chilean workers!

Imperialism and the so-called national bourgeoisie are congratulating themselves cynically on the blow they have inflicted on the Chilean workers and peasants—indeed on the entire worker and peasant movement in Latin America and throughout the world. But the enormity of the crime and the heroism of the resistance will have incalculable repercussions. The Chilean events will accelerate the ripening of revolutionary consciousness, just as did

imperialism's criminal war and the heroic struggle of the people in Vietnam. Capitalism will pay for its present — and historically ephemeral — victory in Chile by a dramatic deepening of its own contradictions.

Political Resolution from the Central Committee of the Revolutionary Socialist Party, Chilean Section of the Fourth International — 1 September 1973

1. The political situation in the country turns essentially around the search for a definitive solution to the problem of power. The need to put an end to the period of instability is producing important changes in the overall political co-ordinates, and thus modifying the relation of forces between the antagonistic classes; it is also bringing about changes within the latter. The result is to precipitate a confrontation in the short term.

2. The UP (Popular Unity) Government, such as it emerged in September/November 1970, has exhausted its potential. Today, it suits neither the proletariat nor the bourgeoisie. In spite of its obvious evolution to the right and the concessions it has made, it is unable to satisfy the requirements of imperialism and the national bourgeoisie, which, encouraged by those concessions, are now seeking the total capitulation of the UP — as a first alternative — while simultaneously organizing with a view to overthrowing it by force.

3. To this end, the exploiters are utilizing all means, both legal and illegal. Their various sectors divide up the work. Naked terrorism is complemented by political pressure via the opposition parties, with massive mobilizations, strikes of their trade-union sections, attempts to split the workers' movement itself with the aim of weakening its social base. At the same time they are speeding up their work within the Armed Forces, to push them into a coup d'état.

4. The bourgeois class is at present on the offensive politically, and in its aggressivity it is ahead of its own parties. This reality is an expression of the crisis of bourgeois leadership. The bourgeoisie finds itself hemmed in on the one hand by the absolute necessity of combating and crushing the workers' movement and on the other by the inadequacy of its traditional political structures. This contradiction accelerates its restructuring on a new class basis, intensifies political, economic and social instability, and thus lays the foundations for the predominance of the Armed Forces, which are perceived as the only solution to this crisis of leadership.

5. Pushed by this offensive from concession to concession, the government has transformed its character. Swinging to the right, it blocks off its progressive potential and separates itself objectively from the masses who support it. Its gestures of *sui generis* Bonapartism increase, giving it the physiognomy of a bureaucratic-military government. Its detachment from the ensemble of worker and peasant forces is thus accentuated.

6. The worker and peasant movement is going through a phase of exceptional development, showing all its real, fundamental power at the base. Important sectors of the national industry, the most decisive ones, contribute to this power. By the most diverse means it is carrying out expropriations of private property, exercising both in manufacturing industry and in agricultural concerns combined forms of workers' control of production and of direct self-management, fired by the firm decision not to hand them back to their previous owners.

7. This reality shows the strength of the workers' offensive, which puts its stamp on this whole period. If up to now there has not yet been an effective general political mobilization, it is quite clear that this is being prepared from the material levels already attained. We are passing through a stage of accumulation of forces within the class movement, and one of its dominant characteristics is the military preparation which is spontaneously rising from the base, from the very bowels of the class, from the factories, the peasant committees and from the *cordones industriales*. The will to go forward to the socialist revolution is raising the level of consciousness of the workers, who are preparing to stop the bourgeois counter-offensive arms in hand.

8. The continuing radicalization, the maturing of a political consciousness as the direct product of their own activity, is opening a daily-widening rift between the masses in struggle and their reformist leaderships. Broad vanguards, linked to the working class as a whole, are rapidly coming to understand both the need to destroy imperialism and the national bourgeoisie and the urgency of building an authentic revolutionary leadership. The reformist leaderships, making every effort to obstruct this positive development, are temporarily preventing the unleashing of a clear anti-bourgeois offensive — whose dynamic would also put an end to the illusions which the present government is still able to awaken.

9. The possibilities for political control of the masses on the part of the reformist leaderships are visibly diminishing. The bases of the workers' parties are strongly affected: an integral and decisive part of the workers' movement, they cannot now reconcile its activity with that of their own leaderships and are getting ready to give battle within their own parties. Healthy revolutionary currents are searching for the appropriate form of organization, auguring political shifts which will create the preconditions for the formation of the revolutionary party.

10. It is the ensemble of these phenomena, their interaction, which thrusts inevitably towards an ever more imminent class confrontation. For imperialism and the national bourgeoisie, it is a matter of life or death to first contain — and subsequently crush — this workers' movement, which is actually engaged in expropriating them. The bourgeoisie clearly understands that even the capitulation of the government is not enough, if this does not mean the latter's collaboration in a line of offensive against the workers' movement. It is this decision which conditions the time which the bourgeoisie will concede to the present government, before pouring all its forces into an attempt to overthrow it.

11. These are the social and political conditions which make it certain that the resolution of the problem of power, the extension of the revolutionary process and the latter's triumph, can only be accomplished on the terrain

of armed struggle. It is the broad masses, industrial workers and peasants, who are now preparing for the struggle with this fundamental understanding. The class struggle is being extended within the Armed Forces: here too, a breach is opening between the base and the officer corps. The troops, conscious of their class origin, participate in the general spirit of the workers, and let loose contradictions within the repressive forces of the bourgeois state.

12. The Revolutionary Socialist Party places its integration into this process of armed struggle at the centre of its activity, and it does so unambiguously and with determination. To be a decisive nucleus in the formation of the Party of the socialist revolution, working for its triumph, is inconceivable if one does not integrate oneself into the preparation and development of the armed struggle. It is not a question of substituting ourselves for the class, but of participating unreservedly, united with the broad masses and ready to play a leading rôle, in the inevitable armed confrontation to which the most active sectors are already committed, in response to the initiative of the working class.

13. We reaffirm the tasks of the Political Committee resolution of 10 August:

(a) To crush the bourgeois counter-revolution, particularly its most active centre in the lorry-owners stoppage. Support for the initiative of the *cordones industriales* and *comandos comunales* to requisition the vehicles immobilized by their owners.

(b) To reject all dealings, all dialogue with the enemies of the workers.

(c) In order to crush the bourgeoisie and go beyond reformism, to strengthen the real bases of workers' and popular power: the *cordones industriales* and the *comandos comunales*. No restriction of nationalized industry. Continue the expropriation of the national bourgeoisie.

(d) To construct a 'Revolutionary Unity', as an instrument for advancing the revolutionary process. To concretize this unity with the MIR, the MAPU(G) and the vanguard sectors of the Socialist Party at all levels.

The rising class consciousness of the proletariat and the problem of power

Editorial prepared for the September 1973 issue of *Revolucion Permanente*

The revolutionary upsurge of the workers' movement has seen a significant increase in political class consciousness since the victory obtained over the attempted coup d'état of 29 June this year. This increase has been expressed not only in the occupation of more than 500 factories in Santiago and an equivalent number in the rest of the country, but fundamentally in the *arming of the proletariat* which has already become general in the vanguard sectors of the working class.

The embryos of workers' and popular power, generated above all in the *cordones industriales*, have been strengthened to such an extent that in numerous enterprises there exists a duality of power between the bourgeoisie and

the working class. Moreover, there has arisen a duality of power in the public-sector enterprises, between the working class and the bourgeois state apparatus as represented by the *interventores*. The workers who occupied the factories in July and August not only seized real power from the bosses of the private enterprises, but also in various public-sector industries overthrew the bureaucrats put in charge by the government (*interventores*). It is necessary to struggle for this dual power to express itself at the political level, in order to launch a struggle for the definitive conquest of power.

Workers' power in the present situation passes via the *cordones industriales*. As the 9 August proclamation of the *Cordon Vicuña Mackenna* said: 'The Cordon is Popular Power.'

The most effective way to crush the bourgeoisie and go beyond reformism is for the proletariat to go *over openly to the offensive*, reinforcing working-class and popular power. We call for a struggle *For All Local Power to the Cordones and the Comandos Comunales*, which will have to requisition lorries, wipe out the fascists by means of People's Tribunals, organize food supplies through the JAP and solve health problems in collaboration with the FENATS workers and the left-wing doctors.

It is urgent to co-ordinate the embryos of local power, to convene as soon as possible a *Popular Assembly*, which does not merely discuss but prepares for the seizure of political power.

For the important thing in the end is to let it be clearly established that (as with Kornilov in 1917 Russia), the struggle is not simply one to crush the fascists, but basically one of preparation to become an alternative power to the capitulating government. It is necessary to fix a clear strategy for power, without allowing oneself to be drawn off by minor conjunctural questions—which have tended to convert certain organizations of the revolutionary left into mere left-wing pressure groups on the traditional left.

The workers cannot go further along the blind alley into which the capitulations of reformism have led them. They cannot simply remain on the defensive, waiting until either the bourgeoisie obliges Allende to resign or the military decides to launch a coup d'état. The question now posed is not one solely of preparing to counter the imminent coup, but of organizing to initiate a struggle to seize power. The proletariat and the organizations of the revolutionary left, of the revolutionary sections of MAPU (Garretón-Aquevedo) and of the Socialist Party, must take the political initiative, overcoming by means of a 'Revolutionary Unity' front the failure of revolutionary leadership, with the aim of establishing a strategy for power and preparing seriously and responsibly to initiate the armed struggle for the conquest of proletarian political power.

The armed struggle must be initiated not when the proletariat enters a period of retreat, as can happen in the face of massive repression by the Armed Forces, but precisely in a period of revolutionary upsurge of the masses like the present. The dangers of *foquista* or 'militarist' deviations will be overcome, not simply through the organizations of the revolutionary left understanding the errors committed by the guerilla groups of Latin America, but as a result of the massive character which the armed struggle will acquire in Chile, with the incorporation of thousands of proletarian men and women in the Revolutionary People's Army. The determined attitude of the proletariat will be a catalyzing factor in accelerating the present crisis within the Armed Forces, impelling the soldiers and sailors to pass over to the cause of socialism. 'Proletarians. Forward! To the Attack!'

THE SITUATION IN BRITAIN AND THE TASKS OF THE IMG

Theses prepared by the United Secretariat of the
Fourth International for discussion in the British Section

1

The historic crisis of British imperialism, which has been maturing for many years, has two basic roots. First, the general crisis of the world capitalist system, which since 1966-7 has entered a new, more serious phase; this seriously limits the possibility for British capitalism to profit indirectly from international capitalist expansion. Second, the

precipitate decline of British imperialism within the international capitalist framework; with the end of British hegemony first on a world scale, then in Europe, South Asia, the Mediterranean and finally in Africa, the British capitalist class has been reduced to a third-rate power, already outstripped by the U.S., Japanese and West German imperialists.

After twenty years of slower growth than any of its rivals, the reserves on which British imperialism could feed to obscure and hide this decline have now disappeared. The decline has become clearly visible, influencing not only economic trends, political developments and tensions between the classes, but every single field of social life in Britain. The decline in the rate of profit of British capital, the relative decline of repatriated profits compared to the national income, the decline in the share of world exports, the decline of the pound as a world currency, the decline of British wages compared to those of half a dozen other imperialist countries, are the key indicators of this mortal crisis.

2

Traditional bourgeois society and traditional bourgeois rule in Britain (parliamentary democracy) were solidly founded on a British hegemony over the capitalist world which lasted nearly two centuries. A deep-rooted belief in the stability of the system, which could be 'reformed' but never seriously challenged; a general acceptance of the

bourgeois-parliamentary 'rules of the game'; the capacity of the bourgeoisie to avoid large-scale social explosions, through occasionally granting massive social reforms (the last time was in the period of the 1945-50 Labour government); the powerful combination of mass unionism and mass social-democracy; the absence of any mass tradition of revolution, Marxism or communism; a much deeper influence of social-patriotism and chauvinism within the working class; an

acceptance by the bourgeoisie of the reformist social-democratic Labour Party as an alternative bourgeois government: all these and other specific features of British society had their objective roots in the specific position of British capital in the capitalist world market and the Empire and its effect on the interrelationship between the basic classes of British society. The at first gradual, and now precipitate, disappearance of all these material roots leads, of necessity, to a fundamental crisis of all aspects of British bourgeois society and traditional bourgeois political rule in the country.

The outbreak of civil war in Northern Ireland; the divisions this has created inside the ruling class; the temporary appearance of armed organs of dual power in the Catholic areas of Northern Irish cities; the use of the British army as a torturing police against the Northern Irish insurgents; the inevitable demoralization provoked by these developments inside the army; the seeds of revolutionary and counter-revolutionary developments which these experiences implant in the British working class and the British bourgeoisie: all these constitute a key aspect of the decline of British imperialism.

The crisis in Ireland is the most striking manifestation of the crisis of British imperialism, and has in turn accentuated the latter. In the context of intensified economic problems and a turn to the E.E.C., British imperialism's interests would be best served by a neo-colonialist relationship with the whole of Ireland — such as now exists in relation to the Twenty-six Counties. Its initial moves to achieve this end sparked the crisis in the North, which now poses an imminent crisis throughout the whole of Ireland. The crisis in the North is the sharpest and most intractable aspect of that crisis, but British imperialism's orientation to the E.E.C. also coincided with the end of an epoch for the bourgeoisie of the South. The attempt by the national bourgeoisie, through the Fianna Fail party, to create an independent economy in the Twenty-six Counties had failed by the mid-sixties; although some important developments had been consolidated, the basic relationship between the Irish and British economies remained, in essence, the same as that which had existed before the 1916-21 national struggle.

The Southern economy was still based on the export and processing of agricultural goods for the British market, and the industrialization of the economy and urbanization of Southern society did not change this basic relationship. From the mid-sixties, the strategy of

the Southern bourgeoisie was to get the best possible deal *within* this relationship — the attempt to change it was abandoned. Thus the need for sweeping changes in the South — economic, political, cultural and ideological — was to become entwined with the attempts of British imperialism to reform the North. The contradictions in the South are more heterogenous and less explosive than those in the North, but are being exacerbated by the Northern crisis. Once these contradictions produce mass struggles in the South, they will bring broader social forces into the conflict, changing the whole balance of forces in the triangular crisis of the three states (Britain, the Six Counties and the Free State).

The British ruling class has failed to date in its various attempts to defuse the struggle of the minority in the Six-County statelet; there is no sign that it can demobilize the struggle unless it inflicts a decisive defeat upon them. This is extremely difficult for the ruling class whilst it has not yet settled accounts with the British working class's current militancy. The continuing struggle of the minority creates problems for the ruling class in dealing with the British workers, in that it creates crises of policy, ties up resources and contains the potential of the two struggles being linked. The historic relationship between Ireland and Britain; the existence of 1½ million Irish workers in Britain, who remain part of the Irish working class but are simultaneously integrated into the British working class; the fact that each struggle limits the ability of the bourgeoisie to defeat the other; and many other features, ensure that the destinies of the Irish and British revolutions are closely linked.

However, the objective interest of the Irish and British working class in smashing British imperialism is not reflected at the level of consciousness. This is a product of the political backwardness, reformism and chauvinism of the British working class and its organizations, which has prevented them from understanding the common interest they have with the Irish national struggle, and the necessity for them to support that struggle. It is, therefore, a necessary part of the class struggle to fight this backward consciousness of the British working class, and to seek to build a solidarity movement in support of the Irish struggle which does not retreat on key questions, such as solidarity with the armed struggle in Ireland against British imperialism.

For the IMG, therefore, a strategic aim, which would consolidate the links between the struggle in Ireland and the struggle of the British working class, would be the building of a mass movement in solidarity with the Irish struggle, which would support that struggle at whatever level it had reached. Such a movement, representing a break with the entire tradition of the British working class in relation to the Irish and other colonial struggles, would indicate a profound shift in the relationship of forces between reformism and revolutionary politics in the working-class movement, and is inseparable from a more generalized upsurge of the class struggle in Britain, the deepening of the crisis of the imperialist intervention in Ireland, and the numerical and political strengthening of the revolutionary vanguard in Britain. The building of such a solidarity movement is the centralizing focus of all our work on the Irish question in Britain, and a continuous aspect of our campaigns, regardless of ups and downs and changes in the political conjuncture.

In the present period, the trends towards a troops withdrawal movement represent the most favourable possibilities in the situation, and our intervention must be designed to accelerate and consolidate these trends. The

development of a broad movement demanding the withdrawal of the troops, and linking this to the demand for the right of Ireland to self-determination, would not only render immediate aid to the Irish struggle, but would greatly enhance the possibilities of breaking down the political backwardness of the working class on the Irish question, and would create much greater possibilities of building a solidarity movement.

The onslaught of repression against Irish militants in Britain poses two tasks:

1. to defend the victims of repression (e.g. the Belfast Ten, the Coventry Seven);
2. to work within the anti-repression movement to direct it towards a political offensive on the question of the British Army. We should at all times link this repression with that in Ireland itself, and with the repression in general against working-class and revolutionary militants in Britain and Europe.

The fact that the North of Ireland is being used as a laboratory for repressive techniques, which will be utilized by the NATO powers for internal 'security', shows concretely why the question of the British Army in Ireland centralizes the most important aspects of the immediate struggles against repression, and links them to the need for solidarity with the Irish struggle.

Finally, the IMG must, in all its activities on Ireland and by direct assistance, help to build the Fourth International in Ireland, the Revolutionary Marxist Group.

3 Revolutionary Marxists, more than any other section of British society, must be conscious of all these changes and draw all the conclusions which flow from them, even though the mass of their class has not yet reached that understanding. *The crisis of British imperialism implies a crisis of British parliamentarism and working-class reformism: that is the key conclusion we must draw.*

But imperialism, even in its period of death agony, does not know situations without any way out. However deep the present crisis, British capital is capable of solving at least its main difficulties. The solution which it has embarked upon over the last decade, and which the election of a Conservative government in 1970 brought a step nearer to realization, runs as follows: to integrate British capital with Western European capital into a new imperialist 'super-power', capable of competing with Japan and the U.S.A. on equal terms; to conquer a dominant position for British capital inside the Common Market; to utilize entry into the Common Market for seriously stepping up the rate of economic growth, even overtaking the declining growth rates of most of the continental capitalist powers; with that in mind, to qualitatively increase the rate of profit of British capital.

Furthermore, the decline of British imperialism, the growth of the power of rival imperialisms and the overall backwardness of British industry, combined with the general decline of those industries which were the backbone of Britain's former position as the 'workshop of the world', necessitate an all-out attack on the standards of living, working conditions and social reforms conquered by the working class since the beginning of this century. Such a decisive change in the relationship of forces, such a qualitative increase in the rate of profit, requires an all-out attack on the organized working class, with the inflicting of a decisive defeat on the trade unions in a large-scale

confrontation.

Entry into the Common Market was also intended to facilitate the carrying out of such a decisive change in the relationship of forces (through the advantages to be gained by closer political and economic collaboration; through intensifying the use of market forces to rationalize industry; through diverting the anger of the working class over the steep rise in the cost of living, etc.); but over the last period it has shown little sign of achieving this aim. On the contrary, the worsening balance of payments reveals the urgent need of the British bourgeoisie to deal with 'its own' working class before it can hope to make real gains out of the Common Market.

The main obstacle in the path of the realization of these goals remains, however, the tremendous organized strength and self-confidence of the British working class. It is the only working class in the world not to have suffered any serious defeat for over forty years (since 1926-31). This organized strength expresses itself both in the increased total strength of the trade unions and in the spectacular rise of the number of shop-stewards in the factories. The sharp increase in strikes over the last five years is both the expression of the organized strength and growing radicalization of the class, as well as its answer to the growing capitalist offensive necessary for an implementation of a bourgeois solution of the crisis. For these reasons, a *head-on collision between Capital and Labour seems unavoidable in the period before us.*

This does not mean that British capitalism has lost its overall margin of manoeuvre, or that it prefers a collision course rather than an attempt to arrive at some sort of compromise with the trade-union bureaucracy. From the bourgeoisie's point of view, there is no contradiction between a policy of 'integration' of the trade unions in the bourgeois state and a policy of breaking the influence of the 'militants' inside the factories — although, of course, these demand different tactical responses from the revolutionaries and the vanguard. On the contrary, the bourgeoisie would prefer that the backbone of militants in the factories was broken by the Labour Party bureaucracy (that was the objective function of the Wilson government). But the fate of *In Place of Strife* indicated that, given the relationship of forces within the working-class movement, this 'ideal' variant was unrealizable. In these circumstances, and despite the temporary attempts to arrive at an understanding with the 'moderate wing' of the trade-union

movement, the depth of the crisis and the power and militancy of the working class makes a decisive test of strength between the classes inevitable. Only after a defeat of the more militant sectors of the working class could a change in bourgeois tactics again occur.

The central objective of the bourgeoisie in the coming test of strength will be qualitatively to strengthen the state (as in 1958 in France). Methods such as fascism or the installation of military dictatorship would, in the present relationship of forces, meet with a massive response from the working class. And even the qualitative strengthening of the bourgeois state (the only other means the ruling class has in Britain of strengthening its hand over the working class) could only be achieved if a humiliating and crushing defeat was inflicted on the working class.

4

The objective pre-conditions for a victorious socialist revolution in Britain are ripening fast. Seldom in European history have there been more favourable relations between the classes for such a victorious revolution: decay, potential division and confusion in the ruling class and its allies; an insignificant rôle played by intermediate layers and forces.

What stands in the way of a successful solution of the British crisis through a socialist revolution is the weakness of the subjective factor necessary for such a revolution, i.e. the class-consciousness of the working class and its leadership.

Specifically, given the spectacular rise of the shop stewards movement and the no less spectacular decline of the control of the Parliamentary Labour Party over the working class as a whole, the nature of the crisis of the subjective factor and the cause of the revolutionary vanguard's weakness can be summarized by two factors:

(a) the fragmentation of the working-class struggles and the more militant shop stewards, confined to single firms and industrial branches — a fragmentation which, at best, is only overcome periodically, and on a local level;

(b) the deep-rooted influence of reformism, electoralism and parliamentarism (combined with social-chauvinism) inside broad layers of the working class. In other words, a lack of understanding of the nature of parliament, the existing state apparatus and all the 'values' which prop them up as tools of the class struggle of Capital against Labour.

British social democracy shows in an extremely advanced form the general tendency of European social democracy, and more latterly Stalinism, towards the depoliticization of the working class. By confining its operation and perspectives within the framework of the bourgeois state, with its necessary distinctions between the 'political' and the 'private/non-political' spheres, these parties reduce politics to parliamentary and electoral activities in which the mass of the class cannot and will not be involved on a continuous basis. Inasmuch as late capitalism tends to increase the tendency, inherent in class struggles even at an earlier stage, to transform daily economic struggles into conflicts with the bourgeois class as a whole supported by its state and government, syndicalism and reformism feed on each other and both tend to weaken the capacity of the working class to give a united class answer to the challenge of the social crisis.

The building of the revolutionary party in Britain will essentially involve the removal of these key obstacles on the road to a victorious socialist revolution. Conscious efforts by revolutionaries are an essential precondition for

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this removal. But they are powerfully helped by the *growing contradiction between the militancy and radicalization of successive layers of the working class and the oppressed in general on one hand, and the relative backwardness of their ideology on the other hand*. It is by conscious intervention in struggles through the development of initiatives and forms of action and organization, and by fighting for goals and slogans corresponding to the needs of the masses and understood by growing sectors of the vanguard — combined with revolutionary propaganda, but not essentially by propaganda alone — that this contradiction can be overcome; that the grip of primitive syndicalism and reformism on successive layers of militant workers can be loosened and the building of the revolutionary party take a qualitative leap forward.

5

In a situation of growing class confrontation, approaching a head-on collision between the classes and potentially growing over into a pre-revolutionary situation, the existing nucleus of the revolutionary party, the IMG, can only go through a qualitatively new phase of growth towards the building of a revolutionary mass party, if it fulfills two basic conditions simultaneously:

basic conditions simultaneously:

1. projects before the advanced layers of the working class, the radicalized youth and women as well as the anti-imperialist militants, a general line, a 'central strategic project', which corresponds both to the objective needs and logic of the unfolding class confrontation — incorporating and expressing the basic socialist solution to the social crisis shaking Britain — and to the instinctive thrust of the masses in preparing for this confrontation;
2. concentrates its day-to-day activities on those fields and in those forms where the best vanguard elements already active in various current struggles can be won over to our general line, through the experience of participating in or observing our intervention and our initiatives, which they regard as answering some of their problems.

Both conditions form a dialectically intertwined totality. The first without the second implies the danger of sectarian propagandism (or an opportunist combination of propagandism plus tail-ending current struggles). The second without the first — the attempt to develop an action programme with *no* central thrust — implies the danger of pragmatism, subjectivism and impressionism: jumping from one 'field of intervention' to another following the conjunctural ups and downs of the situation, without a central guideline or project or without taking into consideration the general needs of the class struggle. In the present circumstances the 'central strategic project' can only be: *support, extend, unify and generalize all current struggles towards the preparation of a general strike to bring down the Tory government and create a situation of dual power in Britain.*

This general line dovetails both with our analysis of the dynamics of the class struggle, which is in the direction of a generalized confrontation, in which we obviously want to create the best conditions for the victory of our class; and with our analysis of the main subjective obstacles on the road of a victorious socialist revolution, inasmuch as a unification, generalization and politicization of the current struggles helps to overcome the obstacle of syndicalism, and the thrust towards fighting for the creation of organs of dual power tends to overcome the obstacle of electoralism and reformism.

By projecting as our central thrust the perspective of

a general strike to bring down the Tory government, we warn the workers that if they continue to answer the capitalist onslaught (the I.R. Act, wage freeze and similar measures) in a fragmented and split way, they risk defeat. We prepare the necessary conditions for overcoming these internal splits and fragmentations of the class, through the extension and growing unification of the struggles actually being conducted. We avoid the danger of a growing isolation of the militant sectors from the broader mass of workers, more likely to be influenced and weakened both materially and ideologically by the bourgeois offensive. We contribute via our interventions to raising the political level and consciousness of the class, by underlining the political nature of the class struggle at present intensified in the country. We simultaneously combat the danger of a new deviation into reformist, electoralist channels of the growing political awareness and militancy in the advanced sectors of the working class which expressed itself graphically in the miners' strike and the struggle to 'Free the Five', with the use of political mass actions outside the 'traditional' realm of parliamentary politics, unprecedented in the postwar history of the British working class.

While we do not exclude in advance a general confrontation breaking out around some other issue than the direct posing of the existence of the Tory government — for example, the wages freeze, severe and outrageous acts of repression, open political provocations, etc. — and in such circumstances would support and push forward all calls for a general strike and other decisive methods on these issues, nevertheless by adopting a line of preparing for a general strike to bring down the Tory government *we consciously and deliberately attempt to give a central focus to all existing struggles*. In this way we contribute in practice, be it within the limit of our own modest forces and influence, to overcoming the objective fragmentation of workers' struggles — and of the struggles of other oppressed sectors of society — which is such an important obstacle on the road to victory in the decisive test of strength between capital and labour in Britain.

In the event of a decisive clash becoming posed round

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some other issue in a given conjuncture, the IMG would have two interlinked tasks. Firstly, in its *agitation* to push forward by every possible means the movement towards a general strike on the key issue around which the class forces were becoming polarized; simultaneously, in its *propaganda* to emphasize that while the movement towards a general strike on the issue under dispute had to be supported completely, nevertheless it was necessary to go further to take up the issues of the government, of dual power, etc. Thus while we do not exclude in advance the use in agitation of slogans for a general strike on issues other than the Tory government, and do not mechanically counterpose the slogan of a general strike to bring down the government to movements, thrown up by the objective development of the struggle, towards general strikes on other issues, we nevertheless regard such questions as *conjunctural* slogans within the general tendency towards a clash between the working class and the centralization of bourgeois strategy via the Tory government. In the event of a general clash breaking out around some issue other than the existence of the Tory government, and in the period leading up to the outbreak of such a struggle, the question of the Tory government should assume a direct rôle in the agitation of the organization.

6

A correct understanding of that general line implies combating a whole series of deviations which many who claim to be Trotskyists have repeatedly been guilty of in Britain.

1. We do *not* tie the general strike perspective to that of the re-election of a Labour government. First, because we do not exclude in advance the more favourable variant, namely, that the strike would have an extra-parliamentary outcome (dual power), and we do not contribute to strengthening the social-democratic tradition of looking only to elections for 'political solutions', at the very moment when this tradition is being seriously weakened. Second, because we cannot exclude that the general strike could actually take place when a Labour government was in power; this would be a real possibility if a Labour government was returned within the next few years.
2. We do not counterpose the general strike perspective to the existing struggles (a mistake made implicitly by those in the labour movement, like the SLL, who stress the *futility* of anything *less* than a general strike, instead of the *potential* of existing struggles); on the contrary, we present the general strike as the necessary culminating point of all the current struggles (which we vigorously support and strive to extend), necessary because recent experience indicates very clearly the difficulties confronting isolated sectors of the working class.
3. We do *not* counterpose the preparation of a general strike 'from below' to the preparation of a general strike 'from above' (i.e. through motions presented to the TUC). We consider that *all* discussions, resolutions and actions which tend to put that perspective before broader and broader layers of the workers are useful, and we therefore periodically agitate at normal trade-union meetings in favour of the recall of the TUC to prepare a general strike, without making such agitation in our press and in our interventions into the main, permanent axis of our campaign.
4. We do not limit the general strike propaganda to factory workers alone; for the deep-rooted, overall social crisis shaking British capitalism makes a growing partici-

pation by university, polytechnic and school students, women, intellectuals, technicians, etc. in such a general strike (as in France, in May '68) not only probable, but highly desirable. Simultaneously, we understand the priority of rooting the organization in the vanguard of the militant sectors of the working class and we understand that its credibility among other layers will depend upon its ability to *combine* the presentation of over-all solutions for the social crisis (and itself as a force with a following amongst the advanced sectors of the working class) with concrete proposals for the most adequate forms and goals of struggle for these layers.

5. We do not conduct the popularization of the general strike line in an ultimatum or hectic way (a headline in every issue of the paper), nor in a haphazard and impressionistic fashion. We understand it as a *continuous political campaign* which recurs regularly in our press and our interventions, tied to various current struggles and analyses, but which takes an *agitational* form only under circumstances where this becomes both necessary and credible (i.e. in relation to existing struggles, debates within the organized labour movement, etc.).
6. Finally, we consciously combat any tendency towards an economist adaptation to the strong syndicalist traditions of much of the vanguard of the working class in Britain. We do not crudely *subordinate* the struggle of students, women, blacks, etc., to the general strike perspective, but, through fighting for our action programme throughout the labour movement, seek to involve all those who are conscious of their oppression under capitalism in working for the general strike, as a social confrontation which will put in question every aspect of life under capitalism.

7

Preparation of the appearance of organs of dual power immediately before or during the general strike — or whatever other form the generalized confrontation between the two classes pending in Britain will take — is our main strategic goal in the coming period, the one which differentiates us most sharply from all other currents on the left, currents which either effectively work towards the reabsorption of mass struggles within the framework of parliamentary democracy (the Labour left, CP, RSL, and, partially, the SLL), or fundamentally avoid the question of state power tied to the question of dual power (IS).

Obviously we are not content with posing the creation of organs of dual power. We want workers' power, the creation of a workers' state based on workers' councils and workers' democracy. But this remains a purely theoretical statement, liable in the best of cases to be understood only by individual members of the vanguard (or rather of the vanguard of the vanguard), until the working class has passed through the experience of dual power. The function of a period of dual power is to modify in a qualitative way both the possibility for the working class to break in practice with reformism and bourgeois parliamentary ideology, and the possibility to build a mass revolutionary party.

It is impossible to predict today the precise way in which dual power organs will actually arise in Britain. They could arise out of strike committees (the classical Russian variant). They could arise out of factory and shop-steward committees (the tendency prevalent in Germany in 1922-3). They could arise out of local and regional bodies for 'united action' against the Tories and the employers, on a much broader basis (the tendency

prevalent in Spain, in 1936). It is useless to speculate on these variants and consider this or that form as more likely than (or preferable to) another. What revolutionaries have to do today, is:

1. propagate tirelessly the coming together on a local regional basis (and as soon as possible on a national basis) of the real militants leading the struggles, across factory, sector, industry or political alignment separations — in other words, propagate the most diverse forms of *unification in action of the vanguard* around the key issues thrown up by the class struggle, concretely helping it to prepare for the general strike to bring down the Tory government, i.e. to fight for a global class answer to the social crisis and the bourgeois offensive;
2. acquire in this way the capacity to inter-relate and combine the various forms of such action committees which will, in circumstances of working-class upsurge, arise under different labels and different leadership (in some places, local meetings of shop stewards; in others, local trades councils; in others again, local united front committees of left groups; and in some cases the possibility exists of local Labour Party bodies playing a rôle);
3. use all these diverse forms of action committee, and every experience of unity in action of the vanguard, in order to prepare and educate the vanguard for the appearance of the qualitatively different Councils of Action which will emerge in a general strike situation.

8

In this framework, we must reject two deviations.

1. A sectarian deviation which seeks to establish Councils of Action on a programmatic basis. This deviation blurs all distinction between (i) action committees comprising *vanguard* elements of the class united for specific objectives; and (ii) the emergence of embryonic organs of dual power (Councils of Action), which by their very nature must be *all-embracing representative* bodies, reflecting all the political divisions and relations of forces inside the working class as they are at a given moment, and whose key importance lies in the way they can begin to raise an *alternative authority* to that of the bourgeois state, thus combining a capacity for class unity at a qualitatively new level with a capacity for big leaps forward in class consciousness.
2. An opportunist deviation which views these bodies as simply pressure groups to 'force' the trade-union bureaucracy and the Labour Party to fight. This view is based on the concept that because the working class still votes for the Labour Party, it is thereby incapable of *acting* as a class outside the organizational framework of the Labour Party (except in 'purely economic struggles'). On the contrary, the whole present situation is characterized by the fact that, although they still vote Labour in their overwhelming majority, the workers — especially the more militant ones — look less and less upon the Labour Party as a means to overthrow capitalism and solve the social crisis in Britain, and look less and less upon parliamentary elections as a means to solve their basic immediate problems. We must firmly base ourselves upon this contradiction, and see in the capacity of the class to create organs of dual power *although* it still votes for the Labour Party a more systematic expression of this contradiction, creating the means to solve it in a favourable sense from the revolutionary viewpoint.

It is in the framework of our central strategic goal, to ensure that organs of dual power actually arise out of

the general strike in which the decisive test of strength between Capital and Labour in Britain could culminate, that propaganda and wherever possible agitation for, and attempts at exemplary implementation of, workers' control take on a special importance in the orientation of the IMG.

Revolutionary Marxists reject any confusion between workers' control and workers' self-management. They likewise reject the gradualist notion that workers' self-management under capitalism or workers' participation alongside employers on management boards of capitalist firms can be in the interests of the working class. However, at times of heightened class struggle, workers' control can include taking decisions about the productive process as a part of the struggle against the employers — e.g. the decisions on the allocation of electricity made by the strike committee at Brest. In pre-revolutionary situations, workers taking over and running the means of production (dual power at the level of the factory) can act as a focus, a spur and an aid to the development of the class struggle in a revolutionary direction and to the establishment of dual power at the level of the state.

Workers' control means to us the actual defiance of employers' authority and capitalist decisions by the workers, *before* they have the power to overthrow capitalist relations of production and the bourgeois State. It marks a *process* of qualitative increase of class consciousness and class militancy, prior to an actual revolutionary situation. In its main expressions (attempts to abolish commercial and banking secrets; to veto speed-ups and changes in labour organization at plant level — i.e. actually not apply them; to veto lay-offs or reductions in the volume of employment in factories, localities, regions or branches of industry, while simultaneously refusing any responsibility for managing isolated plants), it creates both the objective and the subjective conditions favourable for the establishment of embryos of dual power, both *in reality* and, even more important, in the consciousness of the working class. Concrete experiences of this type, and especially their extension, will be a vital and necessary precondition for the emergence of actual organs of dual power on the occasion of a general strike or other form of decisive generalized mass mobilization of the working class and the oppressed.

This method of approach to propaganda and, whenever possible, actual struggles for workers' control exemplifies the more general method by which the IMG should approach the application of the transitional programme. What is involved here is the need to understand the absolute priority of *starting from the class struggle*, from the experiences accumulated by sectors of the class — and finally by the class in its entirety — through their struggles, *in order to raise the consciousness of the working class*. For that reason, we do not believe that our intervention should consist essentially in 'explaining' (propagandizing) fundamental aspects of the Marxist-Leninist theory of the State or of capitalism (although propaganda for the full programme is obviously an essential, and too often underestimated, element of the activity of a revolutionary organization); nor that it should be limited to supporting the immediate demands which the workers in struggle advance themselves (although, there again, such support is absolutely essential, except when these demands conflict basically with the interests of the working class as a whole) and hoping to win the most resolute militants for our organization simply by being more militant than others in our fight for these demands.

Our intervention has to be based on a conscious application of the transitional programme in the sense

that, starting from the given needs and consciousness of the masses, we try to bring broader and broader sectors of them to fight for such goals and in such forms as to significantly raise that level of consciousness. In that sense, there is a world of difference between a struggle against redundancy which limits itself to a protest demonstration (even under the slogan 'Bring down the Tory government') or, worse still, to a lobby of parliament, and a struggle against redundancy which — as exemplified by actual strikes led by Trotskyists in various European countries — brings the workers to prevent lay-offs in plants and regional branches of industry, and instals actual organs of workers' control over the level of employment in these plants. We have, of course, not the slightest illusion that this could actually become stabilized or institutionalized on a wide scale, i.e. that the workers could 'abolish' unemployment without abolishing capitalism. But we are firmly convinced that experiences of that type qualitatively increase the self-confidence of the working class, qualitatively increase its capacity for self-organization, and thereby create more and more favourable conditions for the emergence of an actual dual power situation from a generalized mass upsurge.

9

For the time being, the basic trend of the working class, and especially its more militant sectors, is towards less and not more involvement inside the Labour Party. At the same time, electoral polarization, especially in a general election, will be stronger than ever, given the degree of sharpening of the class contradictions in Britain. A vote

for Labour will be a class vote, not in the sense that it will be a vote for socialism (nobody apart from certain self-proclaimed 'Trotskyists' believes that a Wilson government could implement socialist policies, and one has at least to express the hope that those 'Trotskyists' who still shout 'Labour to Power on a socialist platform' do this tongue in cheek, in order to convince some mythical working class said really to believe that the Labour Party is about to introduce socialism, said to need a 'new negative experience' which will expose the 'traitors'), but in the sense that it will be a vote against the capitalist class and what the mass of the working class see as its most faithful representative, the Tory Party. Under these circumstances, the IMG will have to call for a vote for Labour, but without creating any illusions in the nature of the incoming government or in the possibility of solving the crisis of British bourgeois society through parliamentary action. The correct slogan will have to be a shortened variant of a formula of the type: 'Vote Labour, but rely only on your own struggles, which must be unified'.

For the same reasons, we should not propagate the idea that we are always automatically in favour of the party which commands the electoral support of the majority of the working class forming a government. Historically, there have been many occasions when such an attitude has been inadmissible for revolutionaries ('Noske to power' in 1919 was not proposed by a single communist, however 'right-wing' he might be). And equally today, we should not educate our members with any such 'absolute rule'. As we said before, with regard to the formula for the general strike, the concrete combination of circumstances during which a generalized upsurge of the mass struggle actually occurs could very well orient the working class away from a parliamentary-electoralist solution. And a significant rift might occur between the remnants of electoral loyalty towards the Labour Party and the relation

of forces in local 'councils of action' which, without consciously breaking with the Labour Party, might be dominated by militants already to the left of the Labour Party. Especially if a general strike occurs under a Labour government, such a combination of circumstances would be very possible. Even if the majority of the workers still showed loyalty to the Labour Party, and the slogan 'All Power to the Councils of Action' actually implied a government a majority of whose members would formally be members of the Labour Party, this would have an entirely different significance from saying that we were in favour of the Labour Party forming the government.

But today, disputes around questions of this type are essentially of an educational nature, whose only purpose is to avoid the adoption of general formulas supposedly applicable to all and every situation. It is unnecessary to come out in advance with the 'correct government slogan' in our propaganda for the general strike, because the very success of that propaganda, together with all the other subjective changes which are occurring and will occur in the British working class (especially its more militant sector), could significantly modify the conditions upon which the correct formulation of such a slogan depends.

Nevertheless, the reality of the working-class radicalization in Britain covers a great variety of local and regional situations. It is undoubtedly the case that in many localities it is both possible and necessary to involve local Labour Party Young Socialists and even local Labour Parties in different united front activities (in support of strikes, anti-imperialist struggles, student, school-student or womens' liberation campaigns, etc.). The organization should be prepared to undertake this without sectarianism or inhibition, and should consider this a specific application of the general policy of building and extending *autonomous united action bodies* on a local scale — bodies which pave the way towards real 'councils of action' tomorrow and real dual power organs the day after tomorrow.

If and when a shift in the situation occurred, e.g. a sudden massive influx of radical workers into the Labour Party or the sudden rise of a 'new left' in the constituency parties, we should be ready to re-examine the situation with the maximum flexibility. What we are basically interested in is to struggle together with the vanguard and convince it of the correctness of our policies for the working class as a whole. Whether this vanguard acts inside or outside the Labour Party cannot be the most important aspect of the situation, neither positively nor negatively. The basic fact is that it is not encompassed inside the Labour Party, does not orient towards the Labour Party, and is capable of acting independently from the Labour Party. That is the basic reason why any form of entryism is misplaced under the given circumstances. But this does not exclude at all attempts to involve local Labour parties in genuine unity of action, nor approaching them systematically with this purpose, wherever this is credible and necessary for the success of a given action or campaign.

10

It is urgent for the IMG to work out a concrete transitional programme for Britain, i.e. a programme which offers the working class socialist solutions for all the basic manifestations of the global social crisis which British society is experiencing and which leads to a central conclusion: the necessity for the working class to struggle for power.

The programme should be formulated in such a way that it starts from the concrete problems posed to the

working class by the social crisis (inflation; unemployment; decline of social services; massive reappearance of poverty; crisis of housing, the education system and the National Health Service; crisis of the patriarchal family; racism and xenophobia; erosion of the democratic freedoms of the working class, etc.). It must offer to these problems solutions for which the working class can be mobilized in the coming years and which, taken together, are incompatible with the functioning of the capitalist economy and the bourgeois state.

Through the struggle for this programme, the working class can acquire the experience and consciousness needed to create organs of dual power, a necessary precondition for it to become able to tackle in practice the destruction of the bourgeois state and the suppression of capitalist relations of production. In the process of this same struggle, especially following the appearance of a revolutionary situation through the spread of organs of dual power, revolutionary Marxists can build the mass revolutionary party which will lead their class to a victorious socialist revolution.

11

Under the given circumstances in Britain, with an unfolding and deepening social crisis, with innumerable variants of local trade-union struggles, political struggles, anti-imperialist and anti-racist struggles, struggles against the bourgeois family, student struggles and struggles for democratic demands, etc., intertwining and combining, *there is a very real danger*

that the fragmentation and absence of a unifying central focus of the class struggle and the struggle of the oppressed in society will reflect itself in a revolutionary organization through a growing fragmentation of intervention and activity, each local branch or regional sector concentrating on the issues which happen in the opinion of comrades to be the most likely to lead to rapid recruitment, or even on the issues in which, for accidental reasons of age, profession, place of residence, etc., they happen to be most easily involved. Such a fragmentation would be disastrous for the capacity of the organization to appear as a real force in the

vanguard, presenting key answers to the key questions posed for the class in the present situation. The struggle for a central, unifying perspective, a central political line which the organization will fight for in the working class, thereby becomes in itself a struggle to strengthen and centralize the British section, both politically and organizationally.

When so many struggles occur simultaneously in a country as they do in Britain today, the absence of a unifying and centralizing political line, axed around a key demand and a *key political campaign*, not only tends to increase centrifugal tendencies inside the organization, thus preventing it from objectively playing a unifying rôle within the vanguard, but could also strengthen a fundamentally wrong approach to party-building which sees the choice of priorities in function, not of the objective needs of the class struggle and its perspectives, but of purely subjective considerations of what this or that group of comrades considers to be the most 'paying' activity in terms of short-term recruitment, gaining a foothold in this or that sector of the mass movement or increasing the influence of the organization in this or that area.

Since the process of the rising mass struggles is uneven in scope and tempo, in relation both to sectors and to regions, such a method of approach would inevitably increase differences amongst the comrades, since these subjective judgements on priorities would vary greatly according to the specific circumstances and experience within which they operated.

For that reason, the adoption of a central political line by the organization greatly contributes to unifying the cadre and overcoming disputes about priorities in this or that field of work. Provided such a general line is applied with the necessary flexibility, many activities which might seem contradictory and mutually exclusive will appear as complementary and capable of being unified and focussed around a central campaign.

In this sense, the adoption of the line of a general strike to overthrow the government will transform the IMG into a strong pole of attraction for a growing number of radicalized workers and youth, and will help it to continue the growth and development which the organization has experienced since the last World Congress.

10

ARAB REVOLUTION AND NATIONAL PROBLEMS IN THE ARAB EAST

It is not our intention in this article to discuss the national question in general, or to develop the subject from first principles. Our general point of departure is the revolutionary Marxist position on the national question. Moreover, we are here concerned with this question only in so far as it is connected with the problematic of the Arab socialist revolution; our main interest is the impact of the national question on the revolutionary movement in the Mashreq (Arab East).^{*} The Arab East has, in fact, not one but several intertwined national problems.

First of all, there is the national problem of the Arabs themselves, who constitute the overwhelming majority of the population of that area. In addition, there are the problems of the various non-Arab nationalities living there.

Let us start by analysing the national problem of the majority—the Arab nation. Only a small part of this nation is at present subject to direct foreign domination and oppression: the Palestinian Arabs, living under Israeli occupation or exiled by Israel. We shall return later to this aspect of the problem, which is of very great political importance although it involves *directly* only a small part of the Arab nation. With the above-mentioned exception, the Mashreq has achieved political independence—but under conditions of extreme balkanization. *The national problem of the Arab nation is thus primarily that of national unification.*

National unification is necessary not simply because the Arabs of the Mashreq share a long common history, a language and a cultural heritage. It is necessary primarily because the present political fragmentation of the Mashreq is a huge obstacle in the way of development

of the productive forces, and facilitates imperialist exploitation and domination. In fact, the Arab East was in the first place balkanized by the imperialist powers, in their own interest. Dividing the region between them, they were able more easily to dominate each part separately and use one part against another. But from the point of view of economic development this fragmentation is an obstacle, because the various parts are mutually complementary, each lacking what the others possess in abundance. The main natural wealth of the region is oil. But most of the oil is concentrated in tiny and backward mini-states with small populations. (Even Libya, which looks vast on the map, is really small; most of it is uninhabitable desert, and its population is about 1.5 million. The same is true of Saudi-Arabia; although its population is about 6 million, this is in a country over four times the size of France). These oil states are the most backward parts of the region, and have no economy to speak of other than that of oil. The huge oil revenues are shared between imperialism and a small ruling clique which spends its share on lavish luxuries. Hardly a penny of this fabulous wealth is invested in building up the local economy. (What the oil sheikhs do invest, they invest not locally but in the West). When finally the time comes when the oil reserves are exhausted, the oil states will remain without any sort of productive economy, like an oasis whose spring has dried up. All the wealth that had been extracted in the meantime will have been wasted as far as the regional economy is concerned. On the other hand, countries like Egypt and

^{*} By the 'Arab East' or 'Mashreq' we mean the Arabic-speaking world east of Libya, i.e. the old historical Mashreq plus Egypt.

Syria are forced, in order to develop their economy, to incur huge foreign debts — a bitter irony, in view of the fact that the annual oil profits would have sufficed to finance the building of three Aswan dams. A similar complementarity also exists in terms of availability of arable land in one Arab country and a surplus rural population in another.

All these historical, cultural and economic factors are vividly reflected in the consciousness of the Arab masses throughout the region. The aspiration for Arab national unification is one of the most deeply rooted ideas in the minds of these masses. But Arab national unification is impossible without a struggle to overthrow imperialist domination, which is the root cause of the present balkanization. And genuine anti-imperialist struggle means at the same time struggle also against the ruling classes in the Arab countries.

The political independence of the Arab countries was achieved as a result not of a victorious popular revolution, but of inter-imperialist rivalry and a compromise between the imperialist powers and the local ruling classes. As a result of this compromise, the local ruling classes have achieved the maximum concession they could get from imperialism. Direct foreign political rule was ended and has been replaced by a neo-colonialist arrangement, consisting of an alliance between imperialism and the local ruling classes in which the latter have become junior partners in exploiting the working masses of the region. Both sides are interested in keeping this alliance, since both are afraid of a socialist revolution which would put an end to their profits and privileges. Thus both imperialism and its local junior partners have a stake in the continuation of the *status quo* and are ready to defend it tooth and nail.

The local ruling classes have also developed their own localist economic interests, those of one country competing with those of another. This economic rivalry has led to political contradictions and conflicts, encouraged by imperialism. All these economic and political conflicts, as well as the fact that national unification requires an anti-imperialist struggle and a mobilization of the masses, make the local ruling classes not only incapable of achieving national unification, but actually opposed to it — though they pay lip-service to it in order to deceive the masses. It follows from all this that national unification — the main national problem of the Arabs in the Mashreq — cannot be achieved without overthrowing the present ruling classes, *i.e.* a socialist revolution.

In Europe, the solution of the national problem was part and parcel of the tasks of the bourgeois revolution. But in the third world, the local propertied classes have proved incapable of carrying out a bourgeois-democratic revolution. Therefore, the unfulfilled tasks of such a revolution have been left to the proletariat to solve in a socialist revolution. The coming revolution in the Arab East cannot be a national-democratic, but only a socialist one — led by the working class, relying on an alliance with the peasantry. Either a proletarian socialist revolution, or none at all.

By the very nature of its tasks, this socialist revolution can be conceived only as a revolution of the whole Mashreq. This does not mean that it must occur simultaneously in all parts of the region; what it does mean is that even if it starts in one part of the region it must be conducted under the banner of an all-Arab revolution, because its immediate political aim will be to establish a united socialist Mashreq. Moreover, a revolution in one Arab country will draw an immediate intervention by the ruling classes of the whole region, supported by

imperialism. (This is not merely a theoretical prognostication: in the pact establishing the so-called confederation between Syria, Egypt and Libya there is an explicit clause to this effect!). Under these circumstances there can be only two possible outcomes — either a victorious revolution in the whole area, or a crushing of the revolution wherever it may start.

The revolution in the Mashreq is thus necessarily one and indivisible — it cannot have a preliminary separate national-democratic stage, and it cannot be victorious in each country separately. Its immediate outcome must be the establishment of a united socialist Mashreq.

The Palestinian Struggle

The Palestinian Arabs are the only part of the Arab nation which is under direct foreign rule. The Palestinian armed resistance movement which developed after the 1967 war regarded its task as confined to Palestine alone; it saw itself as a national liberation movement of the Palestinians alone. Even those Palestinian left-wing groups that favoured the idea of a socialist revolution, relegated it to a separate second stage.

At the time we criticized this tendency, and pointed to the dangers inherent in it. In an article entitled 'The struggle in Palestine must lead to Arab revolution', published in *Black Dwarf* (14 June 1969), we said: 'The balance of forces, as well as theoretical considerations, show the impossibility of confining the struggle to one country. What is the balance of forces? The Palestinian people are waging a battle where they confront Zionism, which is supported by imperialism; from the rear they are menaced by the Arab regimes and by Arab reaction, which is also supported by imperialism. As long as imperialism has a real stake in the Middle East, it is unlikely to withdraw its support for Zionism, its natural ally, and to permit its overthrow; it will defend it to the last drop of Arab oil. On the other hand imperialist interests and domination in the region cannot be shattered without overthrowing those junior partners of imperialist exploitation, the ruling classes in the Arab world. The conclusion that must be drawn is not that the Palestinian people should wait quietly until imperialist domination is overthrown throughout the region, but that it must rally to itself a wider struggle for the political and social liberation of the Middle East as a whole . . . The formula that restricts itself to Palestine alone, despite its revolutionary appearance, derives from a reformist attitude which seeks partial solutions, within the framework of conditions now existing in the region. In fact, partial solutions can only be implemented through a compromise with imperialism and Zionism.'

In the same article we pointed out why the Arab governments encouraged the attitude prevailing among the Palestinian groups, according to which they were to confine their struggle to Palestinian issues only: 'The very mobilization of the masses in the Arab countries — even if only for the Palestinian cause — threatens the existing regimes. These regimes therefore wish to isolate the Palestinian struggle and to leave it entirely to the Palestinians. The Arab governments — both reactionary and 'progressive' — are trying to buy stability for their regimes with a ransom to the Palestinian organizations. Moreover, the governments want to use this financial aid to direct the Palestinian struggle along their own politically convenient lines, to manipulate it and to utilize it merely as a means of bargaining for a political solution acceptable to them. . . The four great powers are now meeting to

reach an agreed solution which will then be imposed on the region. If the Arab governments achieve their aim, through this solution, they will be prepared to desert the Palestinians, and even take an active part in a political and physical liquidation of the Palestinian movement. The four powers will probably insist on this as a condition for a political settlement'.

This analysis and prognosis was proved to be correct to the letter by subsequent events, especially the smashing of the guerilla forces in Jordan by the Hashemite regime in September 1970, with the complicity of the other Arab regimes and the support of imperialism and Israel. We can only reiterate the conclusion that we drew in that article. The Palestinian problem can only be solved through an all-Arab socialist revolution, and within the framework of a united socialist Arab East.

The Problem of the Israeli Nation

In addition to the national problem of the Arabs themselves, there exists also the problem of the non-Arab national communities living in the Mashreq: the Kurds in Iraq, the South-Sudanese and the Israeli Jews. The solution of this problem too is among the tasks of the coming all-Arab socialist revolution. It therefore should be considered in the context of the united socialist Arab East which that revolution will set up.

As for the Kurds and the South-Sudanese, there is a wide agreement throughout the Arab left that these, as oppressed nationalities, should be granted the right to self-determination. The case on which there is no such agreement is that of the Israeli Jews. The main arguments against granting them the right of self-determination are (a) that they are not a nation, and (b) that even if they are a nation, they are an oppressing one. Sometimes it is also argued that to grant them the right to self-determination means to accept Zionism and recognize the State of Israel.

The idea that the Israeli Jews do not constitute a

nation is a myth, a piece of wishful thinking based on lack of familiarity with the actual facts. In reality, they satisfy all the generally accepted criteria for nationhood. First, they live concentrated on a continuous territory. It is true that they obtained this territory unjustly, by a process of colonization at the expense of another people. But there are many other nations which developed as such on a territory conquered from others. One can, and should, condemn such depredations; but value judgements are irrelevant to the objective question of defining nationhood.

Second, they have a common language, Hebrew. It is true that Hebrew had been for centuries a dead language and has been revived artificially for political motives. But the objective result is nevertheless that the Israeli Jews have Hebrew as their common language, which they use both in literature and in daily life. In this language they have developed a new culture which is quite specific and different from the cultures of the various Jewish communities in East or West.

Third, the Israeli Jewish community has its own common socio-economic structure, with its own class differentiation, as in other capitalist societies. That the Israeli economy is heavily subsidized by imperialism does not change the basic fact that the Israeli socio-economic system exists as a real and specific entity.

Finally, all these factors have helped to create an Israeli national consciousness. It is true that Zionist ideology has helped the formation of this consciousness by artificially fostering a synthetic 'Jewish national consciousness', which is supposed to embrace not just the Israeli Jews but all Jews around the world. The means used by Zionism have been self-contradictory. It revived Hebrew in order to foster the attachment of the various Jewish communities to each other and to their ancient history. But since this revival succeeded only in Palestine, the actual result was to sever the cultural ties of the Israeli Jews to the Jewish communities in their various places of origin. Similarly, in order to encourage the immigration of Jews to Palestine, Zionism struggled against the culture and mentality of the Jewish communities in the diaspora; in this too it helped to create a separate Israeli culture and mentality. But since the aim of Zionism is the ingathering of all Jews into Israel, and since it needs the material and moral help of world Jewry, Zionism is at the same time doing its best to combat this feeling of separateness of the Israeli Jews and to strengthen their feeling of identity with all Jews around the world. Thus under the pressures of Zionist ideology on the one hand and the influence of their real material conditions on the other, the Israeli Jews find themselves in a psychological conflict between a Zionist all-Jewish 'national consciousness' and an Israeli national consciousness. When Zionism is defeated, the Israeli Jews will not lose all national consciousness; while their synthetic all-Jewish 'national consciousness' will tend to wither away, their specific Israeli national consciousness will on the contrary tend to be reinforced.

It is sometimes argued that the Israeli Jews cannot be a nation, since there is a constant stream of immigration to Israel, so that at any given time a considerable proportion of the Jews there are new arrivals, with their own language, culture etc. But in this the Israeli Jews are no different from any other nation created by immigrant settlers. In all such cases, once the national character of the older settlers crystallized, the new immigrants were soon assimilated. Mass immigration did not have to be stopped before an American nation was created.

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Israel and the Arab Socialist Revolution

As to argument (b) above, it is true that it is ridiculous to talk about granting the right to self-determination to an oppressing nation. An oppressing nation is in no need of being granted such a right: it has not only appropriated this right for itself, but is denying it to others! Clearly, the right to self-determination is meaningful only in the case of a nation which is denied, or in danger of being denied, such a right.

At present, the Israeli Jews are an oppressing nation. This is so because of certain conditions: the domination of Zionism, its connections with imperialism, the aggressive and colonizing rôle it is playing in the Mashreq. But what is being discussed here is not the right of self-determination for the Israeli Jews now, in the present context. What is here under discussion is the programme of the socialist Arab revolution. A victorious Arab socialist revolution implies the overthrow of Zionism and of the entire Zionist state structure, together with the liquidation of imperialist domination in the Mashreq. Under such circumstances the Israeli Jews would not remain an oppressor nation; they would become a small national minority in the Arab East. The question which we are raising, and which all revolutionaries of the region must raise, is how this national minority should be dealt with.

There are only three possibilities: expulsion from the region, forcible annexation or, finally, granting them the right to self-determination. As socialists, we are totally opposed to the first and second possibilities. There remains only the third possibility: self-determination. To deny them this right would *in itself* reduce them to the status of an oppressed nation, and the maintenance of a proletarian state is not compatible with the oppression of

national minorities.

It should be stressed that the status of being oppressed or an oppressor is not immutable; being oppressed is no guarantee against becoming an oppressor. The Jews have been oppressed, but those of them who have immigrated to Palestine have become part of Zionist oppression. Similarly the Arabs, who are now oppressed, would by denying the Israeli Jews' right to self-determination become themselves oppressors.

It must be clearly understood that self-determination does not automatically mean separation. What it does mean is that the decision whether to separate or to remain in the same state is to be taken by the minority nation, not imposed on it by the majority. In the specific case of the Israeli Jews we do not recommend a Jewish state separate from the socialist Arab union. Such a separate state would not in fact be viable economically, militarily or politically. If Israel has existed so far, that is only thanks to imperialist support. Liberated from Zionism and imperialism, the Israeli Jews will have no viable alternative other than to integrate (preserving only some degree of autonomy) in the socialist union of the Mashreq. But in our view, the chances for a successful integration of this kind will be considerably increased if the decision about it is left to the Israeli Jews themselves. Conversely, denying them the right to self-determination will tend to strengthen their separatism and create a problem of an oppressed national minority struggling for separation. The task of struggling for integration is primarily that of the revolutionaries of the national minority. The revolutionaries belonging to the national majority should not try to enforce a decision on the minority.

Our position is not abstract, it does not consider the national problem *per se*, but is completely determined by our understanding of the strategy of the socialist revolution in the Arab East. The inclusion of the right of self-determination to the Israeli Jews in the programme of the revolution will help the course of that revolution. It presents to the Israeli masses an alternative to Zionism, and thus makes it possible to attract sections of these masses to the side of the revolution. It is true that it is not impossible for the socialist revolution to triumph in the Mashreq even without the support of any section of the Israeli masses. But without such support, the course of the revolution will certainly be much more difficult and bloody. Denying them the right to self-determination will push all Israeli Jews to the side of counter-revolution: they will fight to the bitter end because they will not see any acceptable alternative to Zionism.

Finally, does not granting the right of self-determination to the Israeli Jews mean accepting Zionism and recognizing Israel? On the contrary, it means just the opposite. Such a right can only be granted, will only become meaningful, when Zionism and the present Israeli state are overthrown.

But what about the borders within which the Israeli Jews will be allowed to exercise their right to self-determination? And does not this right conflict with the rights of the Palestinian Arab refugees? The answers to these two questions are inter-connected. Of course, the Israeli Jews' right to self-determination must not infringe the right of the Palestinian Arabs to be repatriated and rehabilitated. But even after their repatriation and rehabilitation, there will still be a continuous territory inhabited by an overwhelming majority of Israeli Jews. In that territory they will exercise the right to self-determination. The right of self-determination has nothing to do with the borders of Israel, or with any other borders that can be drawn on the map at this moment.

Genesis of Trotskyism

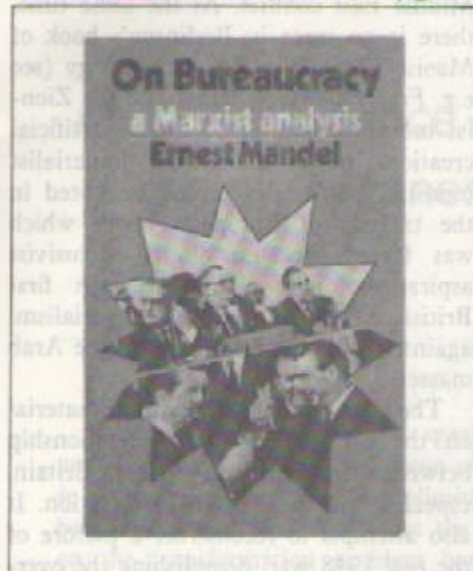
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REVIEWS



Ernest Mandel, *On Bureaucracy*, IMG Publications, 25p.

Ernest Mandel's important pamphlet *On Bureaucracy* is in many ways a model of revolutionary propaganda. Although based on a series of lectures to a Paris student audience, this pamphlet will be equally invaluable to vanguard workers — especially today, when the new rise of working-class struggles is coming more and more into conflict with the bureaucratic leaderships.

On Bureaucracy is articulated at three different levels. First, Mandel discusses the roots and nature of working-class bureaucracy, insisting on the need to distinguish between two quite different phenomena: 1. the *tendency* towards bureaucratization which is an inevitable feature of all workers' organizations under capitalism (a consequence of their proletarian status); 2. *complete* bureaucratization, as found in reformist and Stalinist parties and in the deformed workers' states, which is dependent on the relation of forces between the proletariat and its class enemies (for example, it was the failure of the revolution in Germany, coupled with the extremely difficult economic conditions under which the socialist transformation had to be undertaken, which determined in the last instance the bureaucratic usurpation of power in the Soviet Union).

Having discussed the roots of bureaucratic deformations inside workers' organizations, Mandel goes on to discuss the extreme forms which this deformation can take, particularly after the working class has seized power. This he does in the context of a discussion of the general problematic of transitional societies, seeking to distinguish between what was unavoidable and what was due to the failure of the subjective factor. His historical and theoretical narrative is

closely interwoven with an account of the growing awareness of this problem among revolutionary Marxists and their attempt to solve it both in theory and in practice. Mandel criticizes those (like *Socialisme ou Barbarie* or *Solidarity*) who do not understand the material roots of this problem, as well as those (like Deutscher) who are fatalistic about it.

Mandel's account takes issue with many common mistakes regarding the relationship between the working class and its bureaucracy. The most common mistake, mostly due to ignorance, is to believe that degeneration like that of the Stalinist era would be impossible in an advanced capitalist country. This is to forget that only a combination of favourable economic conditions, international spread of revolution *and* a principled revolutionary leadership can effectively check the spread of bureaucratization and encourage the growth of workers' democracy. It is absurd to believe that the 'objective conditions' of an advanced capitalist state will themselves take care of workers' democracy, just as it is absurd to believe that the Bolshevik Party should have been able to solve all the problems of the first workers' state purely by correct use of the strength of the 'subjective factor'.

The problem of the bureaucracy, thrust so rudely upon the proletariat by the degeneration of the Second and Third Internationals, continues to be the acid test of revolutionary Marxism. Those, like the SLL or the IS in Britain, who fail to perceive the dual nature of the bureaucracy (its defence of the gains of the revolution, its fear of the world revolution) end up with an effectively abstentionist position in the international class struggle (the case of Korea with the IS, Cuba with the SLL). Already in the Transitional Programme it was found necessary to devote a whole chapter to this trend ('Against Sectarianism').

To be a revolutionary Marxist today means to understand that the degree of political expropriation of the proletariat in the existing workers' states was by no means inevitable; in other words, to understand what the Left Opposition represented in the history of the world revolution. This is possible only if one understands the nature of the mistakes committed by the Bolsheviks.

Potentially the most interesting section of the whole pamphlet — because it clearly relates the Leninist theory of the party to the nature of proletarian democracy in the period of the dictatorship of the proletariat — this section is unfortunately the least developed. Mandel does not here draw together clearly and explicitly the elements of his own analysis. After an extremely abbreviated discussion of the Leninist theory of the

party (pp. 10-11), he simply lists the 'institutional' errors committed by the Bolsheviks (the banning of factions; the introduction of one-man management; the espousal of the single-party principle) — errors which necessarily aided the political expropriation of the proletariat (p. 28). But he does not fully bring out or give adequate emphasis to the relationship between proletarian democracy and the nature of the vanguard party of the proletariat. It is, therefore, to a great extent left to the reader to put together some of the key lessons of *On Bureaucracy*.

The Leninist theory of the party is based on a double principle: the need for a party of professional revolutionaries that necessarily organizes only a minority of the proletariat, and the need for the party to be rooted in the masses. The problem posed here cannot be solved just by the 'rota system', as implied at one point. Rather, it is a dialectical problem involving many elements. A crucial one is the ultimate control over their party by the masses, which is possible if and only if the proletariat maintains its political autonomy through institutions representing the class *as a whole*. This means that the period of the dictatorship is necessarily a period of maximum political freedom of the proletariat, limited only by the need to maintain that dictatorship. In other words, it is a period of co-existence of the Leninist party with other parties representing different political trends inside the proletariat. Mandel clearly spells this out: 'Nothing in Lenin's writings suggests that the period of the dictatorship of the proletariat allows for only one party. Nor is such a principle to be found in the Soviet constitution.'

The intimate link between proletarian democracy and political freedom is borne out repeatedly by the development of opposition movements inside the existing workers' states. Those who rush in with support for the bureaucracy against oppositional tendencies of a right-wing nature forget that it is the bureaucracy itself which makes it possible for such tendencies to develop. A necessary premise of the political revolution in these countries is the right to freedom of speech and assembly, which necessarily leads, however tentatively at first, to the development of various parties.

Proletarian democracy is *soviet* democracy, i.e. its primary organizational form is the creation of soviets: before the revolution as organs of dual power, after the revolution as organs of workers' democracy. This is not a question of 'fetishizing' soviets, which Mandel at one point warns against; it is a central lesson drawn from his own analysis. The Transitional Programme, with respect to

workers' states, is clear on this point: 'The struggle for the freedom of trade unions and factory committees, for the right of assembly and freedom of press, will unfold in the struggle for the regeneration and development of Soviet democracy. The bureaucracy replaced the soviets as class organs with the fiction of universal electoral rights—in the style of Hitler-Goebbels. It is necessary to return to the soviets not only their free democratic form but also their class content . . . Democratization of the soviets is impossible without *legalization of soviet parties*.' Moreover, the political power of the proletariat must be paralleled by its control over the economic life of the country. As Mandel points out, one of the decisive institutional errors of the Bolsheviks was the introduction of one-man management of the economy. The struggle for workers' democracy is also a struggle against any radical separation of the working class from control over the economic life of the country.

While Lenin never conceived the period of the dictatorship of the proletariat as a one-party system, he also did not believe that this dictatorship could be maintained without the Bolshevik Party. The rôle of the Bolshevik Party is absolutely crucial to the building of socialism. What distinguishes this party from other forms of workers' organization is not just that it is a party of professional revolutionaries, but also that it is a party built on the principle of democratic centralism. As Trotsky says in *The Revolution Betrayed*, the party takes 'watchful care not only that its boundaries should always be strictly defined, but also that all those who enter these boundaries should enjoy the actual right to define the direction of the party policy. Freedom of criticism and intellectual struggle . . . is . . . an irrevocable content of the party democracy . . . In reality the history of Bolshevism is a history of the struggle of factions.' The disappearance of democratic centralism inside the Bolshevik Party and the banning of factions was an important factor contributing to its degeneration.

Working-class bureaucracy, Stalinism, the nature of soviet democracy, the self-activity of the masses before and after the revolution, the meaning of democratic centralism, workers' control and self-management—all these, far from being problems of the past or problems particular to one sector of the world, are problems integral to the world revolution in all its aspects. It is no wonder, therefore, that they have been and remain the subject of the most vigorous debates both on the left in general and within the Fourth International in particular, as the burning issues of today and tomorrow.

Michele Lee.

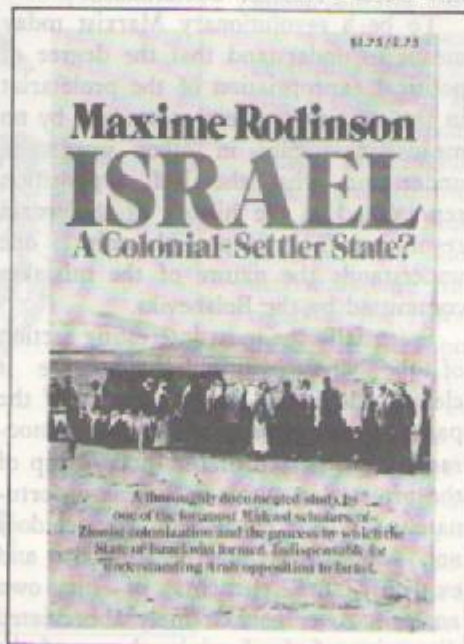
Maxime Rodinson *Israel: Settler-colonial State?*, Pathfinder Press, 75p.

In 1967, when the whole of Europe was engulfed in a wave of pro-Israeli hysteria, when practically without exception the 'left intelligentsia' rallied to the defence of 'socialist' Israel against the 'feudal, fascist' forces of the Arab world, Maxime Rodinson's lucid analysis, published in a special issue of Sartre's *Les Temps Modernes* devoted to the Arab-Israeli conflict, threw much-needed light on a subject which is still buried in mythology and sentimentality.

Rodinson, himself a Jew, and until 1958 a member of the French Communist Party, coolly and without polemical excess undermines the traditional Israelophilia of the European 'socialist' intelligentsia, exposing the double standards of the self-styled anti-imperialists whose critical thinking stops just short of Tel Aviv.

The publication for the first time in English of Rodinson's essay is thus a welcome event, even if Israel by its own actions has helped dissipate some of the unqualified pro-Zionism of the sixties. The vindication of Rodinson's basic analysis by the aftermath of the Six-Day War and the protracted Israeli occupation is aptly underlined in Peter Bluch's otherwise disappointing introduction, which is characterized by an unbelievably facile optimism about the Palestinian guerilla movement and its perspectives. His idealization of a movement which has never escaped the politics of Arab nationalism is combined with a defiance—purely symbolic—of reality which leads Bluch actually to deny that the Palestinians have suffered a terrible defeat from which they show few signs of recovering.

It is to Rodinson and, of course, to that venerable teacher Isaac Deutscher,



that the revolutionary Left owes its break from the guilt-ridden schema which has hitherto guided its sympathies on the Middle East conflict. At the same time there is no trace in Rodinson's book of Maoist-Third Worldist demonology (see e.g. *Free Palestine*). Israel and the Zionist movement are seen, not as artificial creations of a monolithic imperialist monster, but as developments rooted in the tragedy of European Jewry which was forced, because of its exclusivist aspirations, into alignment with first British, then American imperialism against the national struggle of the Arab masses.

The book contains a wealth of material on the early years of the relationship between Zionism and Great Britain, especially on the Balfour Declaration. It also attempts to reconstruct a picture of the real 1948 war, demolishing the oversimplified accounts of Zionists and Arab nationalists alike. Rarely has the case for consideration of the Zionist State as a colonial fact, the culmination of a colonializing enterprise which involved the subjugation and dispossession of the indigenous Palestinian Arab population, been put with greater cogency or subtlety.

Rodinson is correctly at pains to underline the specific characteristics of Zionism which set it apart from other colonial movements—notably the evasion, rather (at least until 1967) than exploitation, of the native inhabitants, to make room for a completely new Jewish society with its own working class. The author takes issue with the left-Zionist dismissal of Herzl as a peripheral bogey-man, demonstrating how what is known as the 'Arab-Israeli Conflict' was inscribed in the very logic of the programme for a Jewish State in Palestine. It is here perhaps that the economic and political mechanisms of the colonial process could have been outlined at greater length, as could the reaction of the Palestinians to the 'homecoming' settlers, a chapter of Middle-Eastern history about which too little is known, despite the 'rediscovery' of the Palestinians after 1967 as a result of the dramatic rise of their resistance.

An indispensable guide-book, therefore, to the often confusing tableau of a region in perpetual effervescence, even if its political conclusions are themselves contestable. Certainly a book about the Arab world and Israel written in a more rigorously Marxist framework is needed—a book, moreover, which updates Rodinson's analysis in the light of Israel's gradual slide into apartheid-type policies. But such a book will have to assimilate and transcend this unique contribution towards an understanding of the problems of the troubled Palestinian arena.

Alan Adler

Marxism, Science or Dogma? —a reply to Ernest Mandel

Before I deal with the specific points raised by comrade Mandel in the last issue of *International*, I find it necessary to make some preliminary remarks. It must be emphasized, first of all, that the differences that exist on the transformation problem have no bearing on an overall assessment of the IS permanent arms economy theory. Whatever solution to the transformation problem is adopted, that of Marx or that of von Bortkiewicz, it cannot be used to demonstrate that a fall in the general rate of profit can be prevented by investment in the arms sector. Michael Kidron's argument is wrong on logical grounds because he says nothing about the development of the conditions of production in the capital and consumer goods sectors, and it is here, according to his assertions, that the rate of profit is determined. (See *International*, Vol. 1, No. 8, pp. 58-60.)

Hence it is a serious theoretical and tactical error to centre a critique of the permanent arms economy on the question of the transformation problem. The IS opposition grouping around David Yaffe made precisely this mistake. As a consequence they failed to demolish Kidron in the eyes of a large section of the IS membership and facilitated their own expulsion.

Prices of Production and the Rate of Profit

Of course, if prices of production are defined in the explicit manner that Marx defines them in his solution to the transformation problem, then it follows as a mere tautology that total value equals total price of production, and total surplus value equals total profit. What is at issue is the adequacy, relevance and internal consistency of Marx's approach.

When we talk of the equalization of the rate of profit in capitalist society, we are talking of a real process which exists as a general tendency under all forms of capitalism. Hence any theoretical treatment of this phenomenon must identify the actual mechanisms by which the rate of profit is equalized. The capitalist perceives his world in terms of everyday market prices. He is not aware of, or disposed to be interested in, data concerning the labour embodied in his plant or the value of the labour power employed. The capitalist bases his investment decisions on the magnitude of the rate of profit in price terms, i.e. his money profit divided by the price of his total capital investment. Each capitalist will search out a higher rate of profit measured as a ratio between prices, not between values.

The transformation problem covers the abstract equilibrium situation where the rate of profit is equalized between firms; where capitalists cannot increase their gains by shifting investment elsewhere. Hence the general

rate of profit is not $s/(c+v)$, or any other ratio between values in this form. It is the ratio between profit and capital invested in price terms, in each and every firm.

The prices of production that are relevant in this situation are the actual equilibrium prices which are associated with the formation of the general rate of profit in price terms. Contrary to Mandel's assertion, no solution to the transformation problem yet published is concerned with the 'problem of price fluctuations on the market'. Von Bortkiewicz's solution cannot be tarred with the brush of bourgeois micro-economic theory.

We can define new 'prices of production' and eschew 'actual prices' until the cows come home, but these questions remain: Have we identified the real process of the equalization of the rate of profit in a capitalist economy? Are our definitions analytically useful?

The 'prices of production' that Mandel gleans from Marx will not produce an equalization of the rate of profit, neither is there any reason to suppose that Marx's solution describes an actual process in the capitalist economy. But there is plenty of evidence in *Capital* that Marx was not trying to construct empty tautologies. For instance he writes: 'The price of production is regulated in each sphere and likewise regulated by special circumstances. And this price of production is, in its turn, the centre around which the daily market prices fluctuate and tend to equalize one another within definite periods.' (*Capital*, Vol. 3, Moscow 1962, page 176, my emphasis.) This explicit definition of prices of production is in logical contradiction with the implicit definition elsewhere in *Capital* — the one so tenaciously defended by Mandel.

Profit and Surplus Value

Mandel writes: 'The circulation and competition process can only modify the division of the mass of surplus value, not the quantity of this mass itself.' But it does not follow that total profit equals total surplus value. The reason for this is incredibly simple. The surplus product can be measured in three ways:

1. by a physical unit, e.g. tons, cubic feet;
2. by value units, i.e. hours of socially necessary labour time;
3. by price units, e.g. dollars, ounces of gold.

Surplus value cannot, indeed, be created or destroyed in circulation, but when it becomes transformed into profit the same surplus is measured by a different accounting system. Hence, in general, total profit does not equal total surplus value.

This does not, by any means, amount to a negation of the law of value. Profit is still an increasing function of surplus value; when surplus value is hypothetically zero so too are profits. Profit and surplus value are different quantitative expressions of the same surplus product. But they are not the same category.

The Arms Sector

Mandel writes: 'The idea that value and surplus value production in the armaments sector is "neutral" to the average social rate of profit leads to absurd conclusions. Does it mean that no profit is made in that sector at all? Does it mean that all profit made in that sector originates only and exclusively from surplus value produced in that sector...?'

Of course the surplus value produced in the arms sector enters into the general pool of surplus value, and this extra surplus value is in turn transformed into more profit. What is actually asserted by von Bortkiewicz and

myself is that the *rate* of profit is determined by the conditions of production in those industries which directly or indirectly produce the real wage. To compare *absolute* profit with the *rate* of profit is like comparing distance with speed.

The former von Bortkiewicz assertion about the determinants of the rate of profit is not the same thing as equating the rate of surplus value with the rate of profit. This latter confusion arose in Ricardo because he 'forgot' constant capital in the wage goods sector, and Marx was quite correct to criticize him on this point.

Von Bortkiewicz's assertion is easy to understand if it is remembered that the rate of profit in each firm is profit divided by capital advanced. By definition the physical form of this advanced capital cannot be arms or luxury goods. Hence the conditions of production in the arms and luxury goods sector do not enter into the determination of the rate of profit in the other sectors, and the general rate of growth must be determined solely by the conditions of production in the wage and capital goods departments.

Mage's Data for the US Economy

Challenging Shane Mage's data which appeared in Appendix 2 of my article, Mandel remarks that it is a human 'miracle' that the US economy has been growing much faster in postwar decades with a lower rate of profit. However, the rate of profit is not *mechanically* related to the rate of growth; the economy does not respond automatically, in all circumstances, to a fall in the rate of profit.

In fact the rate of growth *also* depends on the rate of accumulation. (See Appendix 1 of my article.) And a relatively high rate of growth with a low rate of profit can *possibly* be explained by a high rate of accumulation. As the rate of accumulation is less than unity in all circumstances, Mage's data *would* be invalidated if at any time the rate of growth was higher than the rate of profit in a full employment situation.

Personally, I find none of the existing sets of 'Marxist' data on postwar capitalism completely satisfactory. But Mage's data seem to indicate certain trends, such as a falling rate of surplus value, which seem consistent with the British experience. I feel that the onus is on comrade Mandel to produce an adequate alternative set of data for the US.

Seven Questions on the Transformation Problem

If the debate on the transformation problem is going to be useful for the revolutionary left, then a *dialogue*, rather than a sequence of assertions and counter-assertions, has to take place. To this end I would like to pose seven questions:

1. Do capitalists base investment decisions upon the rate of profit in price terms, or in value terms?
2. What definition of prices of production, if any, will ensure that (a) total price equals total value and total profit equals total surplus value; (b) the rate of profit is equalized; and will also (c) be the 'centre around which daily market prices fluctuate'?
3. In what units are these prices of production measured?
4. Are these units the same as those used to measure values?
5. Do prices generally and permanently deviate from values, or do equal values tend to exchange?
6. Why is the average rate of profit the same as the general rate of profit? Or are they unequal?

7. What is wrong with (a) the assumptions used, or (b) the logic of the argument made by von Bortkiewicz? Or is his approach correct?

Geoff Hodgson

Short Bibliography on the Transformation Problem

Karl Marx, *Capital*, Volume 3, Part 2.

Paul Sweezy, *The Theory of Capitalist Development*, New York 1942, Chapter 7.

Geoff Hodgson, *Marxist Epistemology and the Transformation Problem*, available from the Conference of Socialist Economists.

Ernest Mandel, *Marxist Economic Theory*, London 1968, Volume 1, pp. 327-8.

Value, Price and the Permanent Arms Economy -a comment

In recent times it has become fashionable on the left to 'correct' Marx with the help of the work of the neo-Ricardian Ladislas von Bortkiewicz. Indeed, a radical form of Ricardianism has, in the work of many claiming to be in the Marxist tradition, replaced Marxist political economy both in content and method. Recent examples include the work of Glyn and Sutcliffe and Geoff Hodgson's articles in *International*.¹ What both these contributions have in common is a rejection of certain of the basic propositions of Marx's *Capital* and a substitution of others having more in common with the work of Ricardo. The justification for this change is an appeal to the 'facts', to empirically given 'real' processes.² So that the falling rate of profit is not connected with the rising organic composition of capital, but with a falling rate of exploitation due to rising wage costs or some other phenomenon. The proof of this is in the 'facts' of modern capitalism, whether Mage's statistics for the American economy or Glyn and Sutcliffe's 'facts' of the British economy. Ernest Mandel has correctly pointed out the weaknesses of Mage's calculations and a similar criticism can be directed against the calculations of Glyn and Sutcliffe.³ Similarly, in arguing for the rejection of Marx's solution to the 'transformation problem', comrade Hodgson appeals to the fact that the capitalist 'bases his investment decisions on the magnitude of the rate of profit in *price terms*'⁴ and argues for the priority and reality of this rate of profit if our intention is not 'to construct empty tautologies'.⁵

In all the cases mentioned we are dealing with a rejection of Marx's method and a substitution of one variety or another of 'empiricism'. What is forgotten is the fact that value relations for Marx are the expression of definite social relations of production and are not mere quantities. Further, it is precisely the money-form of the

¹ Andrew Glyn and Bob Sutcliffe, *British Capitalism, Workers and the Profits Squeeze*, London 1972, Geoff Hodgson, 'The Permanent Arms Economy', *International*, Vol. 1, No. 8, pp. 54-66, and 'Marxism: Science or Dogma—A Reply to Ernest Mandel', *International*, this issue.

² Hodgson, 'Reply'.

³ Ernest Mandel, 'Value, Surplus Value, Profit, Prices of Production and Surplus Capital—A Reply to Geoff Hodgson', *International*, Vol. 2, No. 1, p. 64. For a critique of Glyn and Sutcliffe see my article in *New Left Review* No. 80, 'The Crisis of Profitability: A Marxist View'.

⁴ Hodgson, 'Reply'.

⁵ *Ibid.*

world of commodities that actually conceals the social character of private labour and the social relations of production as well as the laws of motion of capitalist production. The value categories of *Capital* have no direct empirical counterpart, yet the value analysis is essential if we are to penetrate the 'veil of appearances' to understand the laws of motion of capitalist production. Far from accepting the immediate reality of the rate of profit in price terms, it is just this which needs to be explained on the basis of the value analysis. Marx makes this point very clearly: 'The final pattern of economic relations as seen on the surface, in their real existence and consequently in the conceptions by which the bearers and agents of these relations seek to understand them, is very different from, and indeed quite the reverse of, their inner but concealed essential pattern and the conception corresponding to it.'⁶ It is precisely the method Marx adopts that enables him to grasp the essential relationships of capitalist production, and it is precisely the rejection of this method that leads comrade Hodgson to reject as dogma some of the basic propositions of Marxist political economy.

The Method of Political Economy

It is the particular form which social relations take under capitalist production, their fetishistic form, which makes it necessary for political economy to start from simple (abstract) conceptions such as labour, division of labour, need, exchange-value and move by a process of increasing concretization to grasp the concrete reality. 'The method of rising from the abstract to the concrete is only the way in which thought appropriates the concrete, reproduces it as the concrete in the mind.'⁷ This is regarded as the scientifically correct method and the structure of *Capital* clearly conforms to it. In Volume I, the nature of value and the origin of surplus-value are discussed and developed. This is followed by the examination of capital, of value which generates surplus-value (value in process⁸), which presupposes a definite historical relationship, the wage-labour relationship (labour power as a commodity). Throughout the analysis it is assumed that commodities exchange at their values and the General Law of Capitalist Accumulation is developed on this basis. Similarly in the analysis of the process of Circulation of Capital in Volume II, and in particular in the reproduction schema, the same assumption is made. It is only in Volume III of *Capital* that Marx begins to 'locate and describe the concrete forms which grow out of the movements of capital as a whole', and 'thus approach step by step the form which they assume on the surface of society, in the action of different capitals upon one another, in competition, and in the ordinary consciousness of the agents of production themselves.'⁹ It is here that the categories of price of production, profit and the average rate of profit become central in beginning the explanation of the concrete forms of capitalist production. To confuse any intermediate stage of the analysis with the concrete empirical reality, as Rosa Luxemburg did in the case of the reproduction schema or, as I shall argue, comrade Hodgson does in the case of prices of production, is to make a fundamental methodological mistake.

If commodities do not exchange at their values but, as a first approximation, at their prices of production, which are quantitatively different from values, then this fact has to be explicable on the basis of the value-analysis. Whereas bourgeois economics takes this fact as datum, Marx points out that prices of production must themselves be deduced from values. 'Without such a deduction the

general rate of profit (and consequently the price of production of commodities) remains a vague and senseless conception.'¹⁰ If this is agreed, then as comrade Mandel points out the total value of commodities must be equal to total price and total surplus-value equal to total profit. Anything else makes nonsense of Marx's theory of value. What remains is to show where comrade Hodgson is mistaken and the roots of his mistake.

Value and Price of Production

A price of production for Marx is a modified value. It is the cost price of a commodity, the quantity of paid labour contained in it, plus a share of the unpaid labour, of the annual average profit on the total capital invested in its production. 'When a capitalist sells his commodities at their price of production, therefore, he recovers money in proportion to the value of the capital consumed in their production and secures profit in proportion to his advanced capital as the aliquot part in the total capital. His cost prices are specific. But the profit added to them is independent of his particular sphere of production.'¹¹ That we are only dealing with modified values is even clearer in this passage: 'In Books I and II we dealt only with the value of commodities. On the one hand, the cost price has now been singled out as a part of this value, and, on the other, the price of production of commodities has been developed as its converted form.'¹²

Hodgson's first mistake is to confuse prices of production with money prices and the general rate of profit with the empirically given rate of profit. To begin to explain the empirically given rate of profit would require a further process of concretization, taking into account many other factors in the real world such as the existence of merchant capital, rent and banking capital. The price of production is an 'intermediate link' in the process of explaining the empirically given reality on the basis of value relations and the law of value. Marx did speak of the price of production being the centre around which the daily market prices fluctuate¹³ but he, unlike Hodgson, did not stop there. At this stage of the analysis, merchant capital had been left out of consideration¹⁴ and so had banking capital and rent. Merchant capital, for example, while creating no new value, participates in levelling surplus-value to average profit. The general rate of profit, therefore, contains a deduction from surplus-value due to merchant capital, and therefore a deduction from the profit of industrial capital.¹⁵ Marx indicates very clearly his method: 'In the course of scientific analysis, the formation of a general rate of profit appears to result from industrial capitals and their competition, and is only later corrected, supplemented, and modified by the intervention of merchant's capital.'¹⁶

⁶ Karl Marx, *Capital*, Vol. III, Moscow 1962, p. 205. This does not mean to say that Marxists reject empirical evidence. On the contrary, it is the way they critically examine and explain such evidence that distinguishes them from bourgeois economists.

⁷ Marx, *Grundrisse*, London 1973, p. 101.

⁸ *Capital*, Vol. I, Moscow 1961, p. 154.

⁹ *Capital*, Vol. III, p. 25.

¹⁰ *Ibid.*, p. 155.

¹¹ *Ibid.*, p. 157.

¹² *Ibid.*, p. 161.

¹³ *Ibid.*, p. 176 (Quoted in Hodgson, 'Reply').

¹⁴ *Ibid.*, p. 204.

¹⁵ *Ibid.*, p. 281.

¹⁶ *Ibid.*, p. 282.

Similar considerations would be involved with rent and banking capital, including the production of the money commodity itself. The process of analysing the actual intrinsic relations of capitalist production is a very complicated matter¹⁷ and it is only the kind of method adopted by Marx that can lead to any deep understanding of the real concrete relations. A necessary stage in this analysis is the transformation of values into prices of production and surplus-value into average profit. The method Marx adopted is the only one which makes it possible to grasp the fact of a general rate of profit on the basis of the value analysis developed in Volume I of *Capital*. 'If the limits of value and surplus-value are given, it is easy to grasp how competition of capitals transforms values into prices of production and further into mercantile prices, and surplus-value into average profit. But without these limits, it is absolutely unintelligible why competition should reduce the general rate of profit to one level instead of another, e.g. make it 15% instead of 1,500%. Competition can at best only reduce the general rate of profit to *one* level. But it contains no element by which it could determine this level itself.'¹⁸

Hodgson's second error is in thinking that the definition of the price unit is an arbitrary matter and that, as a consequence, unless we accept that total price does not equal total value we cannot explain inflation.¹⁹ In fact the matter is surely the other way round. We can only explain inflation by accepting what money really is and has to be, the universal equivalent of exchange-value. Hodgson confuses the content of money with its nominal value. By merely regarding money price as an index of exchange he denies money its real content, i.e. as a socially recognized symbol of labour-time as such.²⁰ In this he follows von Bortkiewicz, but inexplicably fails to draw the logically necessary consequences of this approach. Price for von Bortkiewicz is, like value, the index of an exchange relationship and both are purely theoretical structures. Marx was in error because he did not pay the slightest regard to the conditions of production of the good serving as the measure of values and prices. His assertion that total price equals total value is therefore not only unproven but false.²¹ But then von Bortkiewicz draws the obvious conclusion, which clearly Hodgson does not want to accept: 'We are thus driven to reject Marx's derivation of price and profit from value and surplus-value.'²² To reject von Bortkiewicz's conclusions means to accept Marx's method. It is a failure to understand the method of political economy, as we have indicated above, that leads Hodgson to erroneous conclusions in his two articles.

The Permanent Arms Economy

Before I briefly discuss my differences with both comrades Hodgson and Mandel, it is necessary to put the record straight as far as the expulsion of the IS opposition grouping in the recent period is concerned. 1. The grouping was not expelled merely because of its ideas on the Permanent Arms Economy. It in fact raised a whole number of other issues, concerning e.g. the Labour Party, trade unions, the Transitional Programme and workers' control. 2. The central critique of the Permanent Arms Economy did not rest on the question of the transformation problem, as only a brief acquaintance with the articles published would have made clear. The main attack was on the under-consumptionist and Keynesian foundation of that theory.

In spite of Hodgson's protestations to the contrary, his position does not differ substantially from that of Kidron. This is because he argues with Kidron that 'the conditions

of production in the arms and luxury goods sector do not enter into the determination of the rate of profit in the other sectors, and the general rate of profit must be determined solely by the conditions of production in the wage and capital goods sector.'²³ Kidron would also accept that 'there is nothing to stop the organic composition of capital in those industries (that are directly or indirectly involved in the production of the real wage) rising (or falling), *independently* of the conditions of production in the arms industry, thus causing a fall (or rise) in the rate of profit . . .'²⁴ This does not in any way contradict Kidron's argument for the arms industry as a stabilizer of capitalist production since the second world war.

While we agree with Mandel that the arms sector participates in the equalization process of the rate of profit, we do not accept that this sector produces surplus value from the standpoint of total social capital. Although the capitalist producing for the arms sector receives the average rate of profit and his workers work unpaid labour-time, nevertheless this constitutes merely a redistribution of surplus value already produced. This is because state revenue (from taxes or deficit financing) is utilized to buy the products of the armaments industry. This constitutes a drain on capital which means that a smaller mass of surplus value is spread over a larger capital base.²⁵ It becomes clear now why inflation increases as a consequence of such expenditure. The money supply and/or government borrowing usually increases to finance such expenditure, that is, grows with total output, of which an increasing part is unprofitable from the standpoint of total social capital. The non-productive expenditure increases the purchasing power in the economy without a simultaneous increase in profitable production.²⁶ It is surprising that Hodgson seems to hold a similar view²⁷ and yet still maintains that the arms sector has no overall effect on the rate of profit.

David Yaffe*

* David Yaffe has asked us to make it clear that he is not a member of the International Marxist Group.

¹⁷ *Ibid.*, p. 307.

¹⁸ *Ibid.*, p. 308. For an excellent analysis of value and price, and of crisis, in Marx, see Henryk Grossmann, 'Die Wert-Preis-Transformation bei Marx und das Krisenproblem' in *Aufsätze zur Krisentheorie*, Archiv sozialistischer Literatur 20, Verlag Neue Kritik, Frankfurt. Unfortunately little of Grossman's work has been translated into English.

¹⁹ Hodgson, 'Permanent Arms Economy', p. 59.

²⁰ *Grundrisse*, p. 144. This section on money in the *Grundrisse* is really very instructive and shows how wrong it is to regard the 'symbols of labour time as such' as merely arbitrary. Marx brings out very clearly the contradiction in a particular commodity representing the general commodity, and indicates the real difference and contradiction between money-price and value (see pp. 136-53).

²¹ Ladislav von Bortkiewicz, 'Value and Price in the Marxian System', *International Economic Papers*, 2, 1952, pp. 6 and 11.

²² *Ibid.*, p. 13.

²³ Hodgson, 'Reply'.

²⁴ Hodgson, 'Permanent Arms Economy', p. 60.

²⁵ This assumes that the arms goods are not sold to other countries. If this is the case, to that extent the industries' products find their equivalent exchange outside the national economy. Our argument then holds for the world economy as a whole.

²⁶ See my article, 'The Marxian Theory of Crisis, Capital and the State', *Bulletin of the Conference of Socialist Economists*, Winter 1972, pp. 5-58 (reprinted in *Economy and Society*, Vol. 2, No. 2, May 1973) and my article in *New Left Review* No. 80, for a full discussion.

²⁷ Hodgson, 'Permanent Arms Economy', p. 53.

WHITHER RUSSIA?

Towards Capitalism or Socialism

by Leon Trotsky

The object of this little book is to outline the principal factors in our economic process. The difficulties of such an analysis are apparent when the reader considers the sharp turns that have taken place in the course of our evolution. When a development proceeds along a straight line, two points are sufficient to determine its direction. But when, at a crucial moment, the course of affairs describes a complicated curve, it is difficult to judge the various sectors of this curve. And — in a new social order — eight years are but a short period.

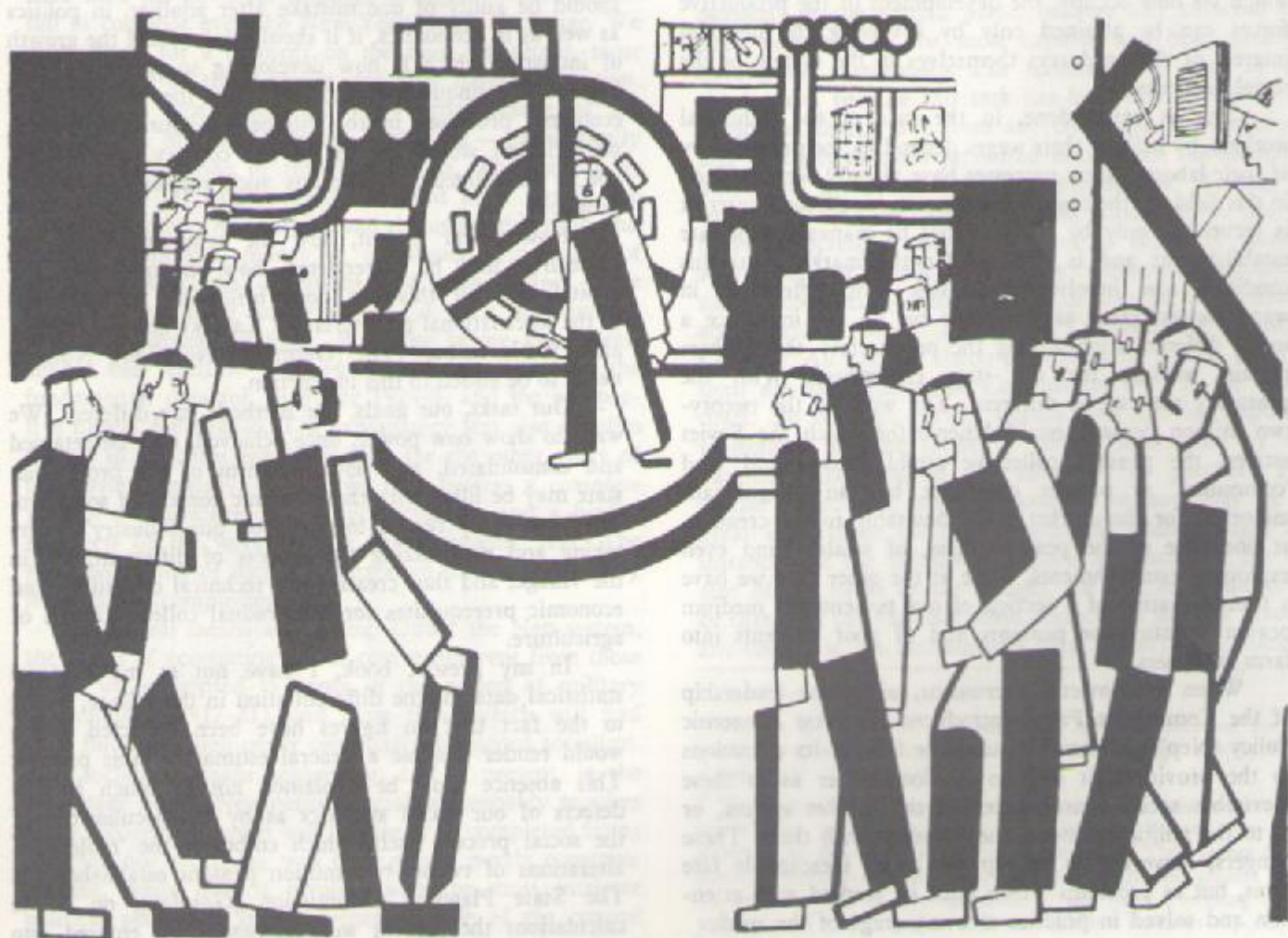
Our opponents and enemies, however, have not hesitated to deliver themselves — on more than one occasion — of their 'infallible' judgments on our economic development, nor have they waited until eight years elapsed after our November Revolution. These judgments are of two kinds. In the first place, we are told that we are ruining the country by our work of socialist construction; in the second place, we are told that our development of the productive forces is in reality carrying us into capitalism.

Criticism of the first type is characteristic of the mode of thought of the bourgeoisie. The second style of criticism is rather that of Social-Democracy, *i.e.* bourgeois thought in a socialist disguise. It would be hard to draw

a sharp line between the two styles of criticism, and frequently the two modes of attack exchange their arsenal of arguments in a neighbourly manner, of which act they are scarcely aware, intoxicated as they are with the sacred war against communist barbarism.

The present book will, I hope, prove to the unprejudiced reader that both camps are lying, not only the outright big bourgeoisie, but also the petty bourgeoisie who pretend to be socialist. They lie when they say that the Bolsheviks have ruined Russia. Indisputable facts prove that in Russia — disorganized by imperialist and civil wars — the productive forces in industry and agriculture are beginning to approach the pre-war level, which will be reached during the ensuing year. It is a falsehood to state that the evolution of the productive forces is proceeding in the direction of capitalism: in industry, transportation, communications, commerce, finance and credit operations, the part played by the national economy is not lessened with the growth of the productive forces, but — on the contrary — this rôle is assuming increasing importance in the total economy of the country. Facts and figures prove this beyond dispute.

The matter is much more complicated in the field



of agriculture. No Marxist will be surprised by this; the transition from the scattered single peasant establishment to a socialist working of the soil is inconceivable except after passing through a number of stages in technology, economy and culture. The fundamental condition for this transition is the retention of power in the hands of the class which means to lead society to socialism, and which is becoming ever more competent to influence the peasant population by means of the state industry, by the process of raising the technique of agriculture to a higher level, and thus creating the prerequisites for a collectivization of agriculture.

It is hardly necessary to state that we have not yet solved this task; we are only beginning to create the prerequisites for a consistent gradual realization of it. More than this, these achievements will themselves develop new contradictions, new dangers. What is the nature of these?

The state today furnishes four-fifths of the industrial production for our domestic market. About one-fifth is provided by private producers, *i.e.* particularly by the petty establishments of home industry. Railway and marine transportation is one-hundred per cent in the state's hands. The commerce of the state and co-operatives today amounts to almost three-quarters of the trade turnover. Foreign trade is carried on ninety-five per cent by the state.

The credit institutions are likewise a centralized national monopoly. But these mighty self-contained state trusts are opposed by twenty-two million peasant establishments; the uniting of national and peasant economies — the productive forces meanwhile increasing as a whole — thus constitutes the principal *social* problem of a socialist construction in our country.

Unless the productive forces grow, there can be no question of socialism. On the economic and cultural level which we now occupy, the development of the productive forces can be attained only by involving the personal interest of the producers themselves in the system of the social economy.

This is being done, in the case of the industrial workers, by making their wages depend on the productivity of their labour. Great successes have already been attained in this field. In the case of the peasant, his personal interest is secured if only by the fact that he manages a private establishment and is working for the market. But this condition also involves difficulties. The differences in wage classes, great as they may be, do not introduce a social differentiation among the proletariat: the workers remain workers for the state enterprises. With the peasantry the case is different. The work of the twenty-two million peasant establishments (of which the Soviet estates, the peasant collective establishments and land 'communes' at present constitute but an insignificant minority) for the market leads inevitably to the creation, at one pole of the peasant mass, of wealthy and even exploiting establishments, while at the other pole we have a transformation of a section of our present-day medium peasantry into poor peasants and of poor peasants into farm labourers.

When the Soviet Government, under the leadership of the Communist Party, introduced the New Economic Policy (Nep) and then extended the field of its operations to the provinces, it had no illusions either as to these inevitable social consequences of the market system, or as to the political dangers they brought with them. These dangers, however, do not appear as an inescapable fate to us, but as problems which must be studied with attention and solved in practice at every stage of the work.

The difficulty could hardly be eliminated if the state economy in industry, commerce and finance should surrender its positions while the class differentiation of the village was advancing. For in this case, private capital might strengthen its influence on the market, particularly on the peasant market, and thus accelerate the process of differentiation in the village, and hence shunt our entire economic evolution onto the path of capitalism. Precisely for this reason, it is extremely important for us to determine in the first place what is the direction pursued by the alignment of class forces in the fields of industry, communications, finance and domestic and foreign trade. The increasing predominance of the *socialist* state in all the fields named (which has been presented in indisputable terms by the State Planning Commission) has created an entirely new relation between city and country. Our state is far too firmly at the helm to enable the increase of the capitalist and semi-capitalist tendencies in agriculture to grow over our heads within any appreciable time. A gain of time in this connection means everything.

In so far as there is a struggle between capitalist and socialist tendencies in our economy (and the very essence of the Nep constitutes both a collaboration and an opposition between these tendencies), it may be said that the outcome of the struggle depends on the speed of evolution of each of these tendencies. In other words: if the state industry develops more slowly than agriculture, if the latter should proceed to secrete with increasing velocity the two extreme poles above mentioned (capitalist farmers 'above', proletarians 'below'), this process would, of course, lead to a restoration of capitalism. But just let our enemies try to prove the inevitability of this outlook. Even though they approach this task far more intelligently than poor Kautsky (or MacDonald), they will burn their fingers. On the other hand, is such a possibility entirely precluded? Theoretically, it is not. If the dominant party should be guilty of one mistake after another, in politics as well as in economics, if it should thus retard the growth of industry, which is now developing so promisingly, if it should relinquish its control over the political and economic processes in the village, of course, the cause of socialism would be lost in our country. But we are not at all obliged to make any such suppositions in our prognosis.

How power is lost, how the achievements of the proletariat may be surrendered, how one may work for capitalism — all this has been brilliantly demonstrated to the international proletariat by Kautsky and his friends, after 9 November 1918 (German Revolution). Nothing needs to be added to this instruction.

Our tasks, our goals, our methods, are different. We want to show how power, once achieved, may be retained and consolidated, and how the form of the proletarian state may be filled with the economic content of socialism. We have every reason to count on our industry's overtaking and neutralizing the process of differentiation in the village, and thus creating the technical conditions and economic prerequisites for the gradual collectivization of agriculture.

In my present book, I have not at my disposal statistical data for the differentiation in the village, owing to the fact that no figures have been collected which would render possible a general estimate of this process. This absence must be explained not so much by the defects of our social statistics as by the peculiarities of the social process itself, which embraces the 'molecular' alterations of twenty-two million peasant establishments. The State Planning Commission (*Gosplan*), on whose calculations the present work is based, has entered into

a profound study of the economic differentiation of our peasantry, and the conclusions which the Commission has thus attained will be published at the proper time; they will be of great importance for national decisions in the field of taxes, of rural credits, of co-operatives, etc. But these data will in no wise affect the fundamental outlines of the view expressed in this book.

It is clear that this general view is closely allied with the destinies of the West and of the East, both economically and politically. Every step made in advance by the world proletariat, every success attained by the suppressed colonial peoples, will consolidate our position materially and morally, and bring the hour of general victory so much the nearer.

L. Trotsky.

November 1925.

The language of figures

The State Planning Commission (*Gosplan*) has published a General Table giving the economic 'control' figures for the year 1925-6.¹ The above sentence may have a very dry and even bureaucratic sound; but these dry statistical figures and the almost equally dry and reserved explanations of the figures are the accompaniment to the mighty historical music of the progress of socialism. Here are no mere conjectures, no assumptions, no mere empty hopes, no theoretical reasonings — we have here the powerful language of figures which cannot fail to convince even the New York Stock Exchange. We must dwell for a moment on the most important, most fundamental of these figures, for they deserve attention.

In the first place, the mere circumstance of the publication of this General Table is — economically speaking — a cause of rejoicing for us. The day of its publication (20 August 1925) is a red letter day in the Soviet calendar. Agriculture and industry, domestic and foreign commerce, money in circulation and prices of commodities, credit operations and state budget, have found in this table an expression of their development and their mutual relations. We have before us a clear, simple and readable *comparative presentation* of all the fundamental data for 1913, for 1924-5, and the prospective figures for 1925-6. The explanatory text also supplies figures in all cases requiring such for the other years of the Soviet economy, so that we now possess a *complete picture* of the stage of our reconstruction and a bird's-eye view of the work for the next economic year. The mere possibility of such a comparative statement is a very important accomplishment.

Socialism means accounting. Under the Nep system, the forms of accounting are of course different from those which we attempted to apply in the period of military communism (1917-21), and from those which will find their full expression under completely developed socialism. Yet, socialism means accounting, and at present, in the new stage of the Nep period, socialism probably requires more accounting than it will require in its completed form; for then our reckoning will have only a purely economic content, while now it involves also the most intricate political problems. In the General Table of the control figures, the socialist state for the first time gives an account

of all the phases of its economy in their mutual relations and in their evolution. This is a tremendous achievement. The mere possibility of such a step is a splendid testimonial not only to the material achievements of our economy, but also to the success of the idea which embraces this economy and dictates its guiding lines. This table may be regarded as a kind of *testimonium maturitatis*,² and the reader must not forget that such certificates are not issued at the time when maturity has been attained, but at the moment of transition from secondary to higher education. And the tasks which are imposed upon us by the General Table of the State Planning Commission are precisely tasks of a higher order; this is the question which we shall now proceed to analyze.

A glance at the Table at once raises the first question: to what extent is the Table accurate? There is a broad field for reservations, modifications and even scepticism. Everyone knows that our statistics and our forms of accounting are not infrequently defective, not because they are poorer than the other phases of our economic and cultural activities, but because such statistics reflect all, or at least many of, the phases of our backwardness. But this reflection by no means justifies a general vote of mistrust, accompanied by the hope that perhaps we may — after the lapse of a year and a half or two years — be able to ascertain the erroneousness of such and such figures and then to play the sage after the fact! It is extremely probable that there are a number of errors. But such sagacity after the fact is the cheapest sort of wisdom. For the present moment the figures of the State Planning Commission represent the highest possible approximation to truth. There are three reasons for this condition. In the first place, because they are based on the most complete material available, and therefore on material that has not been gathered at random but has been worked up day by day by the various sections of the State Planning Commission; in the second place, because this material has been prepared by the most capable and best qualified economists, statisticians and technologists; and, in the third place, because this task has been carried out by an institution that is free from any Government interference and is at any moment permitted to convince the economic authorities by means of direct confrontation.³ To this we must add that the State Planning Commission has no business secrets or any other kind of economic secrets. Any process of production and any commercial calculation may be checked up, either directly or through the Workers' and Peasants' Inspectorate (the Commissariat of State Control). All balance sheets as well as all official calculations are available to the Commission even in the rough draft. To be sure, certain figures may still be disputed. Objections may be raised to certain indications by the various authorities, in one direction or another. The official corrections, whether accepted or not, may be of great importance for certain practical undertakings; for instance, for the volume of exports and imports, for the size of the items in the budget, for this economic need or that, and the like. But these corrections will not involve any change in the fundamental data. Better, more mature,

¹ See Appendix, Table One.

² This is the name of the certificate formerly received by the graduate at a Russian *gymnasium*, which entitled him to enter a university. (Translator)

³ 'The accounting reports of the operative economic organs are worse than incomplete; they are biased,' observes the commentary of the State Planning Commission. This severe judgment is worthy of note. The operative economic organs must be trained, with the co-operation of the State Planning Commission and the press, to deliver objective business reports, in perfect accord with the facts.

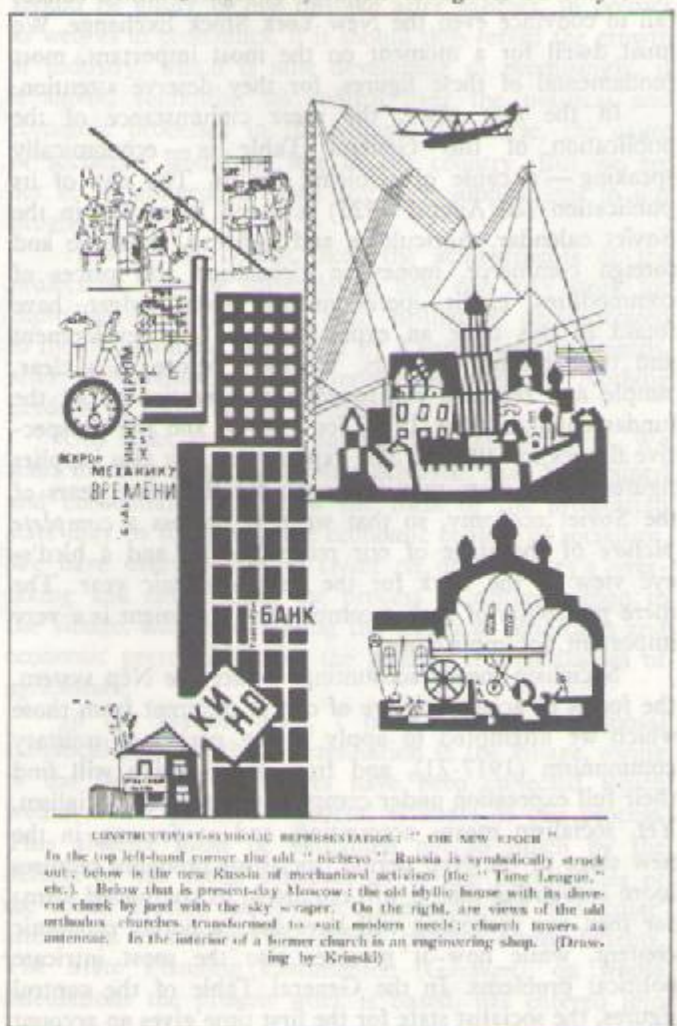
more carefully checked figures than those afforded by the Table published by the State Planning Commission cannot be found at the present time. One thing, furthermore, is certain. An inaccurate 'control' figure — as our entire economic experience hitherto has shown — is of incomparably greater value than working at random. In the former case, corrections and additions may be made on the basis of experience; in the latter, we are merely 'muddling along'.

The Table covers the period up to 1 October 1926. This means that after a lapse of about twenty months, when we shall have received the annual economic reports for 1925-6, we shall be enabled to compare our actual condition of tomorrow with our statistical assumptions of today. But however great may be the difference, this mere comparison will alone be an indispensable school of planned economy.

Since we are speaking of a greater or less degree of accuracy in prediction, we must attain clarity as to the nature of the prediction in this case. The statisticians of the Harvard Economic Service, when they attempt to determine the trend and velocity of certain branches of economy in their country, are proceeding — to a certain extent — after the fashion of the astronomer; *i.e.* they attempt to grasp the dynamics of processes that are entirely independent of their volition. The difference is merely in the fact that these statisticians by no means work with the accurate methods that are at the disposal of the astronomer. The Russian statisticians, however, are in an entirely different position; they work as members of institutions which have charge of the economic life. The preliminary plan in our case is not merely a product of passive prediction, but also a lever for active economic forethought. In this case, each figure is not only a photographic copy but also a guiding line. The table of control figures was elaborated by a state organ which controls — to an enormous extent — the dominant economic positions. For instance, when the Table says that our exports in the year 1925-6 must advance to 1,200,000,000 rubles from the export figures of 462,000,000 rubles in 1924-5, *i.e.* by one hundred and sixty per cent, this is not a mere forecast, but a task to be realized! On the basis of what *is* we are told what *shall be*. When the Table informs us that the investment of capital in industry (*i.e.* the outlay for the renewal and extension of fundamental capital) must amount to 900,000,000 rubles, we have again not a passive arithmetical presentation, but a statistically motivated practical problem of the first importance. Such is the character of the Table from beginning to end. It represents a dialectic conjoining of theoretical prediction and practical volition, *i.e.* a union of the calculated objective conditions and tendencies with the subjectively imposed tasks of the operative Workers' and Peasants' State. Herein lies the difference in principle between the General Review Table of the State Planning Commission and all other statistical summaries, calculations and approximations, in any capitalist state. As we shall have occasion to see later, we are dealing here with the immense superiority of our, *i.e.* socialist, methods, over those of capitalist states. The view afforded by the General Table of the State Planning Commission does not furnish, however, any estimate of the economic methods of socialism in general, but only of their application under certain conditions, *i.e.* in a specific stage of the so-called New Economic Policy. The elemental economic processes above all may be grasped objectively and statistically. On the one hand, the economic processes conducted by the State go 'into the market' at a certain stage and are united by means of the methods of the market with the

elemental, so to speak, uncontrollable economic processes, particularly by means of the economic methods created by the 'atomized' individual peasant economy that prevails in our country. Planned economy at present consists in great measure precisely in uniting those economic processes that are under control and guidance with those that are as yet subject to the operation of their own market laws. In other words, in our economy, socialist tendencies (of various degrees of evolution) are united and intertwined with capitalist tendencies, the latter also of varying degrees of maturity and immaturity. The control figures reflect the combination of one set of processes with the other set and thus disclose the components of the forces of evolution. Herein lies the fundamental importance for socialism of the perspective plan.

We have always been fully aware of the fact — and have never concealed it — that the economic processes going on in our country have involved these contradictions, since they constitute a struggle between two mutually exclusive systems — socialism and capitalism. On the contrary, it was precisely at the moment of transition to the Nep period that Lenin formulated the historical question in three words, as follows: 'Who beats whom?'. The Menshevik theoreticians, including in the first place Otto Bauer, condescendingly welcomed Nep as a sober capitulation of the premature, violent, in short, 'Bolshevik' methods of the socialist economy to a tried and trusty capitalism. The fears on the one hand and the hopes on the other have been subjected to a very serious examination, the result of which has been precipitated, as it were, in the control figures of our economic budget. These figures are important also for that fact that it now becomes impossible to continue operating with common-places concerning the socialist and capitalist elements of our economy (concerning the plan 'as such' and uncontrollable factors 'as such'). Even though it be only in a



rough and provisional form, we are nevertheless aware of our condition. We have succeeded in setting up a quantitative estimate of the mutual relation between socialism and capitalism in our economy, for today and for tomorrow. We have thus attained valuable data required in answering the historical question 'Who beats whom?'

The nep and the peasantry

All of the above serves merely to indicate the methodological significance of the General Table of the State Planning Commission, *i.e.* we have pointed out the enormous importance of the fact that we have at last achieved the possibility of estimating all the fundamental processes of our economy in their interconnections and in their development, and have thereby obtained a point of departure for an incomparably more conscious and more perspicacious prediction in our planning (and this not only in the field of economy). But far more important for us is of course the direct *material* content of the General Table, *i.e.* the actual figures by means of which the Table characterizes our social evolution.

In order to answer properly the question whether we are tending toward socialism or toward capitalism, we must first of all formulate this question properly. It may be divided logically into three sections. 1. Are the production forces developing in our country? 2. What are the social forms in which this development is proceeding? 3. What is the speed of this development?

The first question is the simplest and also the most important. Neither capitalism nor socialism is conceivable without an evolution of the productive forces. Military communism, the outgrowth of a cast-iron historical necessity, had soon run its course, after it had brought the evolution of the productive forces to a standstill. The most elementary and the most ineluctable significance of the Nep was the evolution of the productive forces as the basis of all social movement in general. The Nep was held by the bourgeoisie and the Mensheviks as the necessary (but, of course, 'insufficient') step for unchaining the productive forces. The Menshevik theoreticians approved of the Nep as the dawn of a capitalist restoration in Russia. They added: either Nep will overthrow the Bolshevik dictatorship (the 'desirable' outcome) or the Bolshevik dictatorship will ultimately overthrow Nep (a 'deplorable' event). The *Smyena Vekh* group⁴ owed its origin at first to the belief that the Nep would facilitate the evolution of the productive forces in a capitalist form — and now the General Table of the State Planning Commission affords us the fundamental data not only for answering the question as to the general productive forces, but also the question as to the nature of the social form in which this evolution is taking place.

Of course, we very well know that the social form of our economic evolution is of dual nature, since it is based on the collaboration and the struggle between capitalist and socialist methods, forms and ends. Such are the conditions into which our evolution has been placed by the New Economic Policy. Furthermore, the fundamental content of the New Economic Policy is involved in these conditions. Such a general notion of the contra-

dictory nature of our development is no longer sufficient for us. We now seek and demand extremely precise criteria for our economic contradictions, *i.e.* we require not only dynamic coefficients of general evolution, but also comparative coefficients for the specific weight of this tendency or that. Too many things depend on the answer to this question; in fact, everything in our domestic and foreign policy depends on it.

In order to answer the question in its most important phase, we shall say: 'It is impossible to obtain a clear and fully dependable conception of the prospects and the possible dangers of our peasant policy without having answered the question as to the balance of power between the capitalist and socialist tendencies, the question as to the direction in which the relation of their specific weight is altering with the growth of the productive forces.' As a matter of fact, if it should turn out that — as the productive forces evolve — the capitalist tendencies increase or expand at the expense of the socialist tendencies, this expansion of the volume of commodity capitalist relations in the village might be of cataclysmic importance and might shunt the course of evolution definitely onto the track of capitalism. And *vice versa*, if the specific weight of the state economy (*i.e.*, in our case, the socialist economy) should increase in the total economic status of the country, the more or less extensive 'liberation' of the commodity capitalist process in the village is then already moving within the limits of a definite alignment of forces, and the question as to how, when, to what extent? will decide itself in a purely objective way. In other words, if the productive forces which are in the hands of the socialist State, and which secure to that State the possession of all the commanding positions, are not only rapidly growing in an absolute way, but also are growing more rapidly than the private capitalist productive forces in city and country; if this has been confirmed by the experience of the hardest period of reconstruction; then it is clear that by expanding to a certain extent the commodity capitalist tendencies growing out of the primitive roots of the peasantry, we are by no means incurring the danger of becoming exposed to any economic crisis, to a sudden shifting from quantity to quality, *i.e.* to sudden transitions to capitalism.

In the third place, we must answer also this question: What is the *speed* of our evolution when viewed from the standpoint of world economy? At first glance it might appear that this question — in spite of its importance — is nevertheless of a subsidiary nature; that while, to be sure, it is desirable to advance to socialism 'as quickly as possible', the velocity of this advance is not extremely important since the forward movement is guaranteed simply by the victorious evolution of socialist tendencies under the Nep conditions. But this reflection would be incorrect. Such a conclusion would be justified (and then only in part) if we were dealing with a closed, self-sufficient economy. But this is not the case. Owing precisely to our successes we have gone into the world market, *i.e.* we have entered the system of the universal division of labour. And at the same time, we have remained encircled by capitalists. Under these conditions, the velocity of our economic evolution will determine the strength of our resistance to the economic pressure of world capitalism

⁴ *Smyena Vekh*: these two Russian words literally mean a 'transposition of landmarks'. It is the name given to a bourgeois group — consisting for the most part of intellectuals and scientists — who declared their readiness in 1921 to work honestly for the 'reconstruction of Russia' under the Soviet Government. The members of this group who were thus seeking to 'readapt' themselves were permitted to return to Russia.

and to the military-political pressure of world imperialism. These factors may not be left out of the account for the present.

If we now approach the General Table and the commentary of the State Planning Commission with our three 'control' questions, we shall easily be convinced that the first two questions — 1. the evolution of the productive forces; and 2. the social forms of this evolution — are not only answered clearly and distinctly by the Table, but also favourably. And as for the third question — the question of the speed of the process — we have only begun, in the course of our economic evolution, to witness its unfolding on a world-wide scale. But here too we shall find that the favourable answers to the first two questions also provide the necessary preliminaries for the solution of the third question. The latter becomes the highest criterion, the hardest touchstone of our economic evolution in the period that is now beginning.

The growth of the productive forces

The speedy restoration of our productive forces is now generally known and is excellently illustrated by the figures given in the General Table. If we calculate production in pre-war prices, the agricultural production of the year 1923-5 (in which falls the *poor* harvest of 1924) amounted to seventy-one per cent of the production of the good crop year 1913. The coming fiscal year, that of 1925-6, which includes among its assets our present good crop, promises — according to the latest available data — to exceed the agricultural production of 1913 and almost to attain that of the year 1911. While in the last few years the total yield of grain has never reached 3,000,000,000 poods,⁵ the crops this year are estimated at about 4,100,000,000 poods.⁶

This year (1924-5) our industry has attained seventy-one per cent, as measured by the value of its products, of the production of the same 'normal' year of 1913. In the next year it will attain not less than ninety-five per cent of the production of 1913, *i.e.* it will practically have completed its process of reconstruction. If we recall that in 1920 our production had gone down to one-fifth or one-sixth of the normal capacity of our industries, we shall be in a position fully to appreciate the speed of this process of reconstruction. The production of our large-scale industries has more than tripled since 1921. Our exports, which in that year were under 500,000,000 rubles, promise to exceed considerably 1,000,000,000 rubles in the coming year. The same development is shown by our imports. The State budget promises to increase from 2,500,000,000 rubles to more than 3,500,000,000 rubles. These are the fundamental control figures. The quality of our products is of course quite imperfect as yet, but has improved considerably when compared with the first and second years of the Nep. We thus obtain, as our answer to the question as to how our productive forces are developing, the extremely convincing demonstrative result: *the 'freeing' of the market has given the productive forces an immense impetus.*

But the very fact that the impulse came from the market — which is a factor of the capitalist economic order — afforded a malicious pleasure to the bourgeois

theoreticians and politicians. It seemed as if the nationalization of industry (1917-19) and the methods of economic planning were compromised beyond repair by the mere transition to the Nep and by the undoubted economic successes of the latter. And therefore only the answer to the second question put by us — namely, the question as to the social forms of economy — can justify a socialist estimate of our evolution. The productive forces are growing also, for instance, in Canada, which is fructified by the capital of the United States. They are growing also in India in spite of the bonds of colonial slavery. In fact, there is a growth of the productive forces since 1924 — in the form of a reconstruction process — even in Dawesized Germany. But in all these cases we are dealing with a capitalist evolution. Precisely in Germany, the nationalization and socialization plans which flourished so luxuriantly in 1919-20, at least in the massive tomes of the professorial socialists and Kautskyans, have now been cast aside as 'old junk' and, under the hard American supervision, the principle of private capitalist initiative is entering — though some of its teeth have fallen out and others have been knocked out — into its 'second youth'.

Now what is the case with us? What is the *social form* in which the evolution of the productive forces is taking place in our country? Are we proceeding to capitalism or to socialism?

The presupposition of the socialist economy is the nationalization of the means of production. How has this presupposition stood the test of the Nep? Has the market form of the distribution of commodities led to a weakening or a strengthening of this nationalization? The General Table of the State Planning Commission furnishes excellent material for judging the mutual effects of the struggle between the capitalist and socialist tendencies of our economy. We have altogether reliable 'control' figures, covering the fundamental capital, the production, the commercial capital, in short, all the most important economic processes of the country.

The most vulnerable figures are perhaps those indicating the *distribution* of fundamental capital; yet this vulnerability applies rather to the absolute figures than to their mutual relation, and we are now concerned, of course, chiefly with the latter. According to the statements of the State Planning Commission, 'the most conservative calculations' at the beginning of the current economic year showed capital to the extent of at least 11,700,000,000 gold rubles belonging to the State; 500,000,000 gold rubles to co-operatives; and 7,500,000,000 gold rubles to private — chiefly peasant — establishments. In other words, of the means of production, more than sixty-two per cent of the total has been socialized, and this includes the technically best perfected sections. About thirty-eight per cent remains not socialized.

As for agriculture, we find here investigated not so much the results of the nationalization of the soil as those of the liquidation of feudal land holding. The results of this investigation are solid and instructive. The liquidation of feudal — as well as of almost all large — holdings of land (where they exceeded the proportions of the peasant economy) led to an almost complete liquidation of the large-scale agricultural establishments, including also the model estates. This was one — to be sure not the decisive one — of the causes of the temporary decline in agricul-

⁵ One pood=36.11 pounds approx. (*International*)

⁶ This is the estimate of 28 August 1925; of course, changes in either direction may be expected.

ture. But we have already seen that the crops of this year will attain the figures of the agricultural production of the pre-war period, and this without large-scale land holdings and without capitalist 'model' farms. And add to this the fact that the evolution of agriculture, freed from the great landed proprietors, has only begun! We therefore see that the 'liquidation' of the feudal landholding class, together with all its strongholds, is proving itself to be economically sound. This is our first — and by no means an insignificant — conclusion.

As for the *nationalization* of the soil, this principle, owing to the extreme smallness of the divided peasant lands, has not yet been capable of separate investigation. The 'populist' halo which inevitably was associated with the socialization of the soil in the first period has just as inevitably disintegrated and dropped off. Simultaneously, however, the significance of nationalization, as a measure of essentially socialistic character when applied under the rule of the working class, has been made sufficiently clear to prove its immense importance in the further evolution of agriculture. Thanks to the nationalization of the soil we have provided the State with unlimited possibilities in the domain of land distribution. No walls erected by individual or collective private property can present any obstacle to us in our task of adapting the forms of utilizing the soil to the demands of the production process. At this moment the agricultural means of production have hardly been socialized four per cent. The remaining ninety-six per cent are still the private property of the peasants. But we must bear in mind that the agricultural means of production, the peasant holdings as well as the State holdings, constitute only a little over one-third of the total means of production of the Soviet Union. It would be a work of supererogation to attempt to prove that the significance of the nationalization of the soil can only become completely evident as the final result of a high stage of development in agricultural technique and of the resulting collectivization of agriculture, *i.e.* after a lapse of a number of years. But it is precisely in this direction that we are going.

The soundness of socialized industry

We Marxists were well aware, even before the Revolution, that the socialist transformation of economy must necessarily begin with industry and with mechanical transportation, and, later, involve also the village. Therefore a study — fortified by figures — of the activity of the nationalized industry is the fundamental question of the socialist evolution of our transition economy.

In the field of industry, socialization of the means of production is of the order of eighty-nine per cent; together with railroad transportation, ninety-seven per cent; in heavy industry alone, ninety-nine per cent. These figures indicate that the proprietary status which resulted from nationalization has not subsequently suffered any change to the detriment of the State. The mere fact is of the very greatest importance. We are interested, however, chiefly in another matter. What percentage of the annual production falls to the socialized means of production?, *i.e.* how productively is the State applying the means of production appropriated by it? The General Table of

the State Planning Commission affords the following information on this point. The nationalized and co-operative industries in 1923-4 furnished 76.3 per cent of gross production; this year they have furnished 79.3 per cent; the forecast figures of the State Planning Commission for next year (1925-6) show that they will furnish 79.7 per cent. As far as private industry is concerned, its share of production in 1923-4 was 23.7 per cent; in 1924-5, 20.7 per cent; and for the next year (1925-6) its share will be 20.3 per cent. However cautiously the preliminary figures for next year may have been arrived at, a comparison of the dynamics of nationalized and private production within the total sum of commodities in the country has an immense significance. We find that in the past year as well as in this year, *i.e.* in the years of emphatic economic progress, the share of nationalized industry has increased by about three per cent, while the share of private industry has decreased by the same figure. This percentage is the measure of the *gain* made by the preponderance of socialism over capitalism in this short period. The percentage may appear small, but — as we shall see immediately — its symptomatic importance is really very great.

What danger could there have been in the transition to the New Economic Policy and during the first years of that policy? The danger was that the State — by reason of the complete exhaustion of the country — might have turned out to be incapable of lifting with its shoulders the great industrial enterprises in a sufficiently short time. In view of the then quite insufficient activity of the large-scale enterprises (they were working at about ten or twenty per cent of capacity) the middle, smaller, and even home-working establishments might, by virtue of their adaptability, their 'elasticity', attain a considerable preponderance. The so-called 'wastefulness' of the first period, representing a socialist tribute to capitalism in return for starting the operation of the factories and works confiscated from capitalism, threatened to hand over a great share of the national wealth to all sorts of traders, middlemen and profiteers. The first enterprises to breathe new life from the Nep atmosphere were the home-working industries and small workshops. The combination of private commercial capital with petty private industry — including home industry — might have led to a fairly rapid process of original capitalist accumulation, in the old beaten tracks. Under these circumstances, we were menaced with such a loss of speed as might tear the reins of economic leadership from the hands of the Workers' State with elemental force. This does not necessarily mean that *every* passing or even lasting enhancement of the specific gravity of private industry within the framework of the general turnover involves unconditionally catastrophic or even grave consequences. Here also, quality depends on quantity. If the final figures should show that the 'specific weight', the share of capitalist production in the last two or three years had increased by one or two or three per cent, this would not be equivalent to a menacing situation. Nationalized production would still constitute fully three-quarters of the total quantity, and to make up for this lost speed would not be an unsolvable task when we consider how much of their capacity has been reached by the large-scale enterprises. If it had turned out that the share of private capitalist production had increased five or ten per cent, the fact might be somewhat more serious, but even this result of the first period — the period of reconstruction — would by no means signify that nationalization was economically unfavourable. The inference could only be that the most significant section of the nationalized industry had not yet developed its necessary evolutionary

dynamic. Far more importance must be assigned to the fact that — as a result of the first period of the Nep, which is concerned only with reconstruction and which is most difficult and dangerous for the State — nationalized industry not only lost *none* of its territories to capitalist industry, but, on the contrary, forced the latter back to the extent of an additional three per cent. This is the immense symptomatic significance of this little figure!

Our inference becomes still clearer when we proceed to investigate not only the data concerning production, but also those concerning the trade turnover. In the first half of 1923, the private capital concerned in domestic trade constituted about fifty per cent of the total, in the second half of 1923 about thirty-four per cent, while in 1924-5, it amounts to about twenty-six per cent. In other words, the specific weight of the private capital involved in domestic commerce has dropped more than fifty per cent (from one-half to one-quarter). This condition was not attained by merely 'choking trade', for in the same period the turnover of State and co-operative trade increased more than one hundred per cent. We are, therefore, witnessing a reduction of the social rôle not only of private industry, but also of private commerce. And this, in both cases, while the productive forces and the trade turnover are both increasing! As we have seen, the General Table also provides for a further decrease — to be sure a small one — of the specific weight of private industry and of private trade. We may await with composure the realization of this supposition. The victory of the nationalized industry over private industry should not be interpreted unconditionally as an unbroken ascending line. There may be periods in which the State, depending upon its economically protected forces, and desirous of accelerating the speed of development, will consciously permit a provisional increase of the 'specific weight' of private enterprises: in agriculture, in the form of 'strong', i.e. farmer capitalist establishments; in industry, and again in agriculture, in the form of concessions. If we consider the extremely 'atomized' dwarf-like character of the greater part of our industry, it would be naïve to suppose that any increase of the specific weight of private production beyond the present 20.7 per cent would necessarily be equivalent to a menace to a socialist reconstruction. In fact, it would be erroneous to attempt to set any rigid limits in this field. The question will be determined not by a formal barrier, but by the general dynamics of evolution, and the study of these dynamics shows that in the most difficult period, when the large-scale enterprises showed rather their negative than their positive qualities, the State was able to resist the first attack of private capital. In the time of the most rapid progress, in the last two years, the relation of the economic forces brought about by the revolutionary *coup d'état* has been systematically shifted in favour of the State! Now that the chief positions have been far more securely occupied — if only by reason of the fact that the large-scale enterprises are approaching one hundred per cent production — there is no reason to fear any surprises as far as the internal factors of our economy are concerned.

In the matter of the co-ordination of the economic activities of city and country, the General Table provides fundamental — and therefore very convincing — data. As will be seen from the table, the peasantry throws less than one third of its gross production on the market and this mass of commodities constitutes more than one third of the total goods turnover.

The ratio between the agricultural and industrial commodities total fluctuates within very narrow limits about the figure 37:63.

This means that if we measure commodities not by the piece, the pound and the yard, but in rubles, we shall find that somewhat more than one third of the commodities handled on the market are agricultural, and somewhat less than two thirds urban, i.e. industrial commodities. This may be explained by the fact that the village satisfies its own requirements to an enormous extent without resorting to the market, while the city throws almost its entire production into the market. The much-divided consuming peasant economy is excluded from the market to the extent of more than two thirds of its total economic turnover, and only the remaining third has a direct influence on the economy of the country. Industry, on the other hand, in accordance with its nature, participates in the total turnover of the nation with all its production; for the 'internal' turnover within industry, within the trusts and syndicates themselves, which reduces the commodity content of production by 11 per cent, not only does not reduce the influence of industry on the total economic process (due to the simplification of the turnover), but, on the contrary, strengthens this influence.

Though the mass of agricultural products which are consumed in kind does not influence the market, this should not be taken to mean that it does not influence the economy. In the given economic situation, this mass represents the necessary natural 'hinterland' of that one third of peasant production that goes on the market. This one third is the value in exchange for which the village requires an equivalent value from the city. From this fact the enormous importance of village production in general (and of its one third that goes to market in particular), for the entire economy, becomes quite apparent. Realizing our crops and, particularly, carrying out export operations, is one of the most important factors in our annual economic balance sheet. The mechanism of co-operation between city and country will become more and more complicated. We have long been unable to say that we are dealing merely with the case of exchanging so many pounds of peasant grain for so many yards of calico. Our economy has entered the world arena, and has thus added new links to the chain uniting city and country. The peasants' grain is exchanged for foreign gold; the gold, in turn, is transformed into machinery, agricultural implements, and replacement plant for city and country. Textile machinery obtained with the gold realized on exports of grain maintains the equipment of the textile industry and thus lowers the prices of textiles passing into the village. This process of circulation becomes quite complicated, but its basis remains a certain mutual economic relation between city and country.

But it must not be forgotten for a moment that this mutual relation is a dynamic relation and that the *dominant principle* in these complicated dynamics is

Co-ordination of city and country

I do not maintain here — nor in the other cases that may arise — that all the figures of the table are new; but they have been checked, supplemented and systematized; they now embrace our entire economy. It is to this that they owe their extreme importance.

industry. In other words, if agricultural production and, more particularly, the commodity portion of this production sets certain definite limits for the evolution of industry, these limits are not altogether rigid and immovable. The development of industry cannot be limited only by the amount by which the harvest has increased, for the mutual interdependence is here far more complicated. Industry, to be sure, rests on the village, particularly as far as finished goods are concerned, but the growth of the village is paralleled by the development of a larger and larger market within industry itself.

Now that agriculture and industry are approaching the culmination of the process of reconstruction, industry is assuming the character of the stimulating element to an incomparably higher degree than hitherto. The problem of a socialist influence on the village by the city—not only through cheap commodities but also through more and more perfected implements for agricultural production, which forces the introduction of a collective exploitation of land—this problem now faces our industry in all its concreteness and immensity.

The socialist reconstruction of agriculture will of course be achieved not only by the co-operatives as a mere form of organization, but also by means of co-operatives that are based on the mechanization of agriculture, on its electrification, on its general industrialization. This means that the technical and socialist progress of agriculture cannot be separated from an increasing predominance of industry in the total economy of the nation. And this, in turn, involves in our subsequent economic development, an at first slow—but later faster and faster—overtaking of the dynamic coefficient of agriculture by the dynamic coefficient of industry, until this opposition shall have entirely disappeared.

Accomplishments of socialism in industry

The production of all our industries in 1924-5 exceeded the production of the preceding year by 48 per cent. Next year an increase of 33 per cent may be expected as compared with this year (ignoring the lowering of prices). But the various categories of our industrial enterprises are by no means developing uniformly.

The large-scale enterprises in the current year showed an increase in production of 64 per cent. The second group, which we may provisionally designate as the medium enterprises, showed an increase of 55 per cent. The petty enterprises increased their production by only 30 per cent. In consequence, we have reached a position in which the advantages of the large-scale enterprises as compared with the petty and medium enterprises are already quite evident. But we cannot yet assert that we have already fully and completely realized the possibilities involved in a socialist economy. As far as we are concerned with the predominance of the large-scale enterprises in production, over the medium and petty enterprises, we are at present enjoying only those advantages which inhere in large-scale enterprises even under capitalism. As for the standardization of products on a national scale, the normalization of the processes of production, the specialization of establishments, the transformation of entire industrial plants into mighty consolidated 'works' of an organization embracing

the entire Soviet Union, the planned material association of the production processes of heavy industry and of the finishing industries—these fundamental tasks of production under socialism are only beginning to receive our attention. Boundless prospects here open before us, affording possibilities that we shall far exceed our former proportions. But this is a matter of the future and will receive attention in due time.

Up to now, the advantages afforded by a national conduct of the economy have not been utilized in the field of production itself, i.e. the field of the organization and co-ordination of the material processes of production, but in that of the distribution of production; the providing of substances, raw materials, utensils, etc. to individual branches of industry, or, to use the language of the market, the investment of operating capital and, partly, of original capital. Freed from the fetters of private property, the State—by means of the pump of the State budget, by means of the State Bank, by means of the Industrial Bank, etc.—could at any moment pump cash resources to the point where they were most needed for the preservation or the rebuilding or development of the economic process. This advantage of a socialist economic method has played a rôle of true redemption in the last few years. In spite of not infrequent crude mistakes and errors in the distribution of resources, we have nevertheless handled them far more economically and practically than would have been possible in an elemental capitalist process of reconstruction of the productive forces. It is only by reason of this circumstance that we have been able to attain our present stage in so short a time without resorting to foreign loans.

But this does not exhaust the question. The economics and, consequently, the social feasibility of socialism are apparent also in the fact that socialism has liberated the process of reconstruction of the economy from all the superfluous outlay in favour of the parasitic classes. It remains a fact that we are approaching the production level of 1913, although the country is considerably poorer than before the war. This means that we are able to attain the same production results by means of smaller social overhead expenses. We no longer spend money on the monarchy, the nobility, the bourgeoisie, excessively privileged intellectual strata, or, finally, for the insane frictions within the capitalist machinery itself. Having approached the task socialistically, it was made possible for us to mobilize directly for purposes of production a far greater section of our as yet limited material resources, and thus to prepare for a more rapid rise of the material standard of living of the population in its next stage.

We are dealing therefore—on our nationalized soil—with a scattered peasant economy whose commodity production amounts to somewhat more than one third of

Deposits and current accounts amounted in 1924-5 to not more than eleven per cent, on the average, of the deposits in 1913. By the end of next year, it is expected that this item will rise to about thirty-six per cent of the 1913 level. This is one of the striking indications of the meagreness of our savings. But the very fact that although we have attained a deposit figure amounting to only about eleven per cent of the pre-war figure, our economy has nevertheless been raised to about seventy-five per cent of the pre-war level, is the most striking proof of the fact that the Workers' and Peasants' State applies its social resources in a way that is incomparably more economical, systematic and practical than is the case in a bourgeois system.

The comparative slowness of the development of transportation efficiency, as compared with that of agriculture and industry, may be in part explained by the fact that in the pre-war period the 'specific weight' of imports and exports was considerably higher than now. This is a further indication pointing to our having attained the pre-war level of industry in spite of our far more modest resources and social overhead expenses than obtained in 1913.

the values handled on the market. Of the capital employed in agriculture, barely four per cent represents socialized capital.

We have an industry whose fundamental capital is socialized to the extent of 89 per cent, and this socialized industry furnishes more than 79 per cent of the gross raw production of industry. The 11 per cent of non-socialized means of production consequently yields more than 20 per cent of the gross production.* The share held by the State production is increasing.

Railway transportation has been socialized 100 per cent. The use of transportation is increasing constantly. In 1921-2 it was about 25 per cent of the pre-war efficiency; in 1922-3, 37 per cent; in 1923-4, 44 per cent; and in the year 1924-5 it will exceed 50 per cent of the pre-war figure. For next year, we expect to attain 75 per cent of our freight transportation in the pre-war period.

In the domain of trade, the socialized — *i.e.* state and co-operative — resources of production constituted 70 per cent of the total capital involved in the turnover, and this percentage is constantly increasing. Foreign trade has been entirely socialized; the state monopoly of foreign trade remains an immutable principle of our economic policy. The whole turnover of foreign trade will rise to 2,200,000,000 gold rubles next year. The share of private capital in this turnover — even adding contraband goods, which addition is perfectly justifiable — can hardly be more than 5 per cent of the total.

The banks — in fact, the entire credit system — have been socialized almost 100 per cent. And this tremendously-increasing apparatus is now discharging, with more and more elasticity and efficiency, its task, which is that of mobilizing cash resources for feeding the process of production.

The state budget is rising to 3,700,000,000 gold rubles, now amounting to 13 per cent of the national gross income (29,000,000,000 rubles) or 24 per cent of its total commodities (15,200,000,000 rubles).

The budget is becoming a powerful internal lever for the nation's economic and cultural advance. Such are the figures in the General Table.

These figures are of world historic importance. For the first time, the activity of socialists — now more than a century old — which began with the Utopias and later developed into a scientific theory, has been put to a powerful economic 'test', a test which is already entering its ninth year. All that has been written on socialism and capitalism, freedom and tyranny, dictatorship and democracy, has been subjected to the acid test of the November Revolution and has acquired a new, incomparably more concrete form. The figures of the State Planning Commission make up the first — though as yet imperfect — balance sheet of the first chapter of the great experiment of transforming bourgeois society into socialist society. And this balance sheet is entirely favourable to socialism.

War after war had reduced Soviet Russia to a state of devastation and exhaustion such as had hardly ever been reached by any other country. All those capitalist countries that had suffered most in the war rehabilitated themselves chiefly with the aid of foreign capital. Only the land of the Soviets, once the most backward of all, and the most devastated and exhausted by wars and revolutionary convulsions, was able to rise out of absolute poverty through its own power alone, with the active hostile intervention of the entire capitalist world. It is only owing to the complete abolition of feudal land-holding and of bourgeois property, only owing to the nationalization of all the fundamental resources of production, to the State socialist methods and

the mobilization and allotment distribution of the necessary resources, that the Soviet Union has risen out of the dust and is now forcing its way into the system of world economy as a factor of increasing importance. The General Table of the State Planning Commission is connected by means of unbroken threads running all the way back to the *Communist Manifesto* of Marx and Engels, which appeared in 1847, and reaching all the way out into the socialist future of mankind. The spirit of Lenin hovers over these dry columns of figures.

Russia and the capitalist world

We shall have accomplished a huge task — not only quantitatively, but also qualitatively — when we attain the pre-war level, given the present historical conditions. The preceding chapters have been devoted to this question. But only the realization of this accomplishment will bring us to the starting-point from which our real economic race with world capital begins.

The final lines of the commentary by the State Planning Commission formulated the total task as follows: 'To retain the conquered positions and to advance, at every point where such is permitted by the economic situation, consistently year by year, toward socialism — *though it be only step by step*.' Taken too literally, these lines might give rise to false conclusions. The words 'though it be only step by step', each year, in the advance toward socialism, might be interpreted as implying that the rate of speed is more or less a matter of indifference; if only the diagonal of the parallelogram of forces tends toward socialism, we must ultimately attain the goal. Such an inference would be entirely wrong, and the State Planning Commission never intended to say any such thing. For, as a matter of fact, the rate of speed is precisely the decisive element! It is only the higher speed of State industry and State trade, as compared with private capital, that enabled them to secure a 'socialistic' *diagonal* of the parallelogram of forces for the period we have covered. But far more important is the relation of the speed of our total development to the speed of the world economy. This question is not touched upon directly in the memorandum of the State Planning Commission. We therefore consider it all the more important to discuss the matter very fully, since this new criterion will serve to the same extent for determining our successes and failures in the next effort, as the criterion of the 'pre-war level' has served to measure the successes of our reconstruction period.

It is quite evident that as we adapt ourselves to the world market, not only our prospects but also our dangers will increase. The basis, as of so many other conditions, is here again the dispersed form of our peasant economy, our technical backwardness, and the present immense production superiority of world capitalism as compared with us.

* This disparity between the instruments of production and production itself may be explained chiefly by the varying organic composition of capital: it is natural for the instalment plant to be extremely small as compared with the living human force which is expended without due record. At the other extreme, we must also consider the fact that the efficiency of our greatest establishments, for instance, our huge metallurgical establishments, is still very far from one hundred per cent of capacity.

This plain statement of the case by no means contradicts the fact that the socialist mode of production—in its methods, tendencies and possibilities—is incomparably stronger than the capitalist mode of production. The lion is stronger than the lion's cub. The young lion's best chances of survival are in his adolescence, in the strengthening of his teeth and claws, which is merely a matter of time.

What constitutes the most powerful point of superiority of aged capitalism as compared with youthful socialism, at least for the present? Not the values available, the vaults full of gold, nor the total mass of accumulated and appropriated wealth. The accumulated resources of the past are not without their importance, but they are not the decisive factor. A living society cannot live for long on its old stock; it must cover its needs with the products of living labour. In spite of its wealth, ancient Rome could not resist the advancing 'barbarians' when the latter became the bearers of a labour productivity that was higher than that of the decaying slave economy. The bourgeois society of France, awakened by the Great Revolution, simply took away the riches that had been accumulated by the Italian city-republics since the Middle Ages. If America's labour productivity should drop below the European level, America would find but little assistance in the \$4,500,000,000 in gold that she has stored in her bank vaults. The fundamental economic superiority of bourgeois states consists in the fact that capitalism, *for the present, still produces cheaper and better goods than socialism.* In other words, the productivity of labour in the countries that are still living in accordance with the law of inertia of the old capitalist civilization is *for the present* still considerably higher than in that country which is beginning to apply socialist methods under conditions of inherited barbarism.

We are acquainted with the fundamental law of history: the victory *ultimately* falls to *that system which provides human society with the higher economic plane.*

The historical dispute will be decided—and of course *not at once*—by the comparative coefficients of labour productivity.

The whole question at present is this: in what direction, and at what speed, will the mutual relation between our economy and that of the capitalist world alter in the next few years?

Our economy may be compared with the capitalist economies in various directions and in various ways. The capitalist economy itself is of course quite varied. Our comparison may be a static comparison, *i.e.* it may use as a point of departure the economic condition at the present moment; or, it may be a dynamic comparison, *i.e.* it may be based on a comparison of the speeds of evolution. We may compare the national income of the capitalist countries with our national income. Or, we may compare the coefficients of the expansion of production. All such comparisons and contrasts have their point—some more, others less—so long as their relation and their mutual dependence are borne in mind. We shall take the liberty to give a number of examples below in order to illustrate our thought more fully.

In the United States of America, the capitalist process has reached a culminating point. The present material superiority of capitalism over socialism may be excellently formulated by studying this superiority at the point at which it is most marked.

The Council of American Industrial Committees recently published a table from which we take a few figures. The population of the United States amounts to about 6 per cent of the total population of the earth and

produces 21 per cent of the cereals, 32 per cent of other food plants, 52 per cent of the cotton, 53 per cent of the forestry products, 62 per cent of the pig iron, 60 per cent of the steel, 57 per cent of the paper, 60 per cent of the copper, 46 per cent of the lead, and 72 per cent of the petroleum of the entire world. The United States owns one third of the world's wealth. It possesses 38 per cent of the world's water power, 59 per cent of its telegraph and telephone lines, 40 per cent of the railroad mileage, and 90 per cent of the automobiles.

The strength of current produced by the public power stations of the Soviet Union will rise to 775,000 kilowatts next year. In the United States, the amount of current produced last year was already 15,000,000 kilowatts. As for the power stations of the factories, our census of the year 1920 shows their total current strength to be almost 1,000,000 kilowatts. In the United States, about 10,500,000 kilowatts were recorded in the same period.

A general expression of the productivity of labour is found in the national income, the calculation of which is, as is well known, a matter of great difficulty. According to the data of our Central Statistical Department, the national income of the Soviet Union in 1923-4 was about 100 rubles per capita; that of the United States, on the other hand, about 550 rubles per capita. Foreign statisticians, however, give the figure of the national income of the United States not as 550, but as 1,000 rubles per head. This shows that the average productivity of labour, conditioned by the available machinery, organization, working routine, etc., may be as high as ten times, and surely not less than six times, as great as in our country.

These figures, important though they may be, by no means make it certain that we shall be defeated in this historical struggle; not only because the capitalist world does not consist of America alone; not only because

ВОЗЬМЕМ.
АБУРАНА РЕВОЛЮЦИИ - С ССР
ВЛОЖИМ:
И СДЕЛАЕМ: РАБОТУ ВЫВЕРЕННУЮ КАК ХРОНОМЕТР

LET US TAKE THE STORM OF THE REVOLUTION IN SOVIET RUSSIA, USE IT TO THE PUNISH OF AMERICAN LIFE, AND DO OUR WORK LIKE A CHRONOMETER!
 (Gusev's appeal for Americanization)

immense *political* forces are concerned in the historical struggle, which have been created by the entire preceding economic development; but particularly for the reason that the further course of the economic evolution of North America itself is a huge unknown quantity. The productive forces of the United States are by no means fully employed and the lowering of the percentage of employment signifies simultaneously a lowering of the productive forces. The United States is by no means adequately supplied with sales markets. The problem of sales is becoming daily a more and more disturbing one. It is not at all impossible that in the near future the comparison coefficient of the productivity of labour may tend to adjust itself by reason of two causes: by our figure going up, and by the American figure going down. This, of course, applies far more emphatically to Europe, whose production level is already far below that of the United States.

One thing is evident: the superiority of the capitalist technique and economy is as yet a mighty one; a steep ascent confronts us; the tasks and difficulties are truly colossal. A path of safety can be found only with the aid of the measuring-sticks of world economy.

The comparison coefficients of world economy

The dynamic equilibrium of the Soviet economy should by no means be considered as the equilibrium of a closed and self-sufficient unit. On the contrary, as time goes on, our internal economic equilibrium will be maintained more and more by the accomplishments of our imports and exports. This circumstance deserves to be traced to its logical conclusion, with every inference drawn. The more we are drawn into the system of the international division of labour, the more openly and directly are such elements of our domestic economy as the price and quality of our goods made to depend on the corresponding elements in the world market.

Our industry has hitherto been developed by keeping an eye on its pre-war level. In order to compare or determine the values of production, we are making use of the catalogue prices of 1913. But our first rehabilitation period, in which such comparisons — rather imperfect ones, we may add — were in place, is approaching its conclusion, and the whole question of a criterion for our economic development is being shifted to another plane. From now on, we shall need to know at every moment to what extent our production lags behind that of the European or the world market in quantity, quality, and price. The end of our reconstruction period will permit us finally to cast aside our 1913 catalogues and to lay in a supply of catalogues of German, English, American and other firms. We shall have to concentrate our attention on new index figures which — both in quality and in price — will present a comparison between our production and that of the world market. Only these new yardsticks, these comparison coefficients no longer taken from our own country alone, but now having universal application, will be justified in the future as a measure of the various stages of the process expressed in Lenin's formula: 'Who beats whom?'

Among the opposing conditions in world economy and world politics, decisive importance must be assigned to the *speed* of our advance, *i.e.* the speed of the quantitative

and qualitative growth of our labour performance.

At present, our backwardness and poverty are undoubted facts; we do not dispute them, on the contrary, we constantly emphasize them. Systematic parallels with world economy may only serve as a statistical expression of this fact. Is there not a danger that precisely in the immediate future, which will not see a sufficient advance on our part, the world market may crush us by reason of its tremendous material superiority? If we put the question thus, no infallible answer — and certainly not a statistical answer — can be given, just as it is impossible to give such an answer to the question of whether the farmer-capitalist tendencies (the *kulak* tendencies) do not involve a danger of absorbing the medium peasants, of crippling the influence of the proletariat on the village, and of providing *political* obstacles to a socialist construction. Nor can we answer categorically the question whether capitalism — if its present extremely relative stabilisation process should continue — will not succeed in mobilizing considerable armed forces against us and thus retard our economic advance by means of a new war.

Such questions cannot be answered by means of passive prognosis. We are dealing here with a *struggle*, in which the factor of creation, of manoeuvring, of energy, etc., plays an important, sometimes even a decisive, rôle. The investigation of these questions is not the task of the present work, in which we are aiming to determine *the internal tendencies of economic evolution*, and to exclude other factors as far as possible.

At any rate, we must make the following reply to the question as to whether the world market will not succeed in crushing us by reason of its economic superiority alone. We do not stand defenceless before the world market; our economy is protected by specific state institutions, which are applying a versatile system of socialist protectionism. But how great is its effectiveness? The history of capitalist evolution may furnish an answer to this question. For long periods Germany and the United States were far behind England from the industrial standpoint; their backwardness may have appeared insurmountable. But the utilization of natural and historical circumstances later permitted these backward countries, with the support of a protective tariff, not only to catch up with their more successful rival, but far to out-distance her. National boundaries, the national authority, the tariff system, all these were powerful factors in the history of capitalist evolution, and they are far more effective in the case of a socialist country. A profoundly planned, persistent and yet flexible system of socialist protectionism is the more important for us, the more extensive and the more complicated our connection with the capitalist market may become.

But it is self-evident that protectionism, the highest expression of which is the monopoly of foreign trade, is by no means omnipotent. It may force back the flood of the capitalist mass of commodities and regulate it in accordance with the influence of our domestic production and consumption. In this way, protectionism may secure the necessary reprieves for socialist industry in elevating its level of production. Our process of construction would be impossible without the foreign trade monopoly. On the other hand, however, our real production successes alone permit us to retain our socialist protectionism; and in the future also, the foreign trade monopoly may, to be sure, protect our domestic industry against blows from without, but it cannot, of course, serve as a substitute for the development of industry itself. This development must from now on be measured by the coefficients of the world market.

Our present comparison with the pre-war level is

made entirely from the point of view of quantity and price. We are considering the product not from the standpoint of its composition, but from that of its nomenclature, which is, of course, wrong. The comparative production coefficients must also include *quality*; otherwise they may become merely a source, or instrument, of self-delusion. We have had some experience in this matter in connection with prices that went down while quality also declined in certain cases. When the quality of one and the same commodity is the same both in our country and abroad, the comparison coefficient will vary with the cost of production. Cost being the same in both domains, the coefficient will vary according to quality. Costs being different, and quality also different, a combined estimate based on both criteria becomes necessary. The determination of cost is a portion of the arithmetic of production. But the quality of the product can for the most part be determined only with the aid of a number of criteria. A classical example is the electric light bulb; the quality of the bulb is measured according to the length of its life, the quantity of energy consumed per candle-power, the uniformity of its distribution of light, etc. The fixing of certain technical norms and standards of perfection, including also the 'qualitative' standards, immensely facilitates the derivation of comparison coefficients. The relation between our standards and the standards of the world market will be a fixed quantity for each specific period. We need only to know whether our product is up to the accepted standard. As for comparisons of values, this question will be very simple of solution when the qualitative relation has been fixed. The combined coefficient is obtained by a simple process of multiplication. For example, if a certain commodity is twice as poor as the foreign commodity and one and a half times as dear, the comparison coefficient is *one third*.

If it be objected that we do not know how high foreign production costs are, this objection may be correct, to be sure, but it is of subordinate importance from a practical standpoint. It is sufficient to know the price — it is indicated in the catalogues. The difference between cost and price is the profit. A lowering of our costs will permit us to meet the prices on the world market independently of the foreign costs of manufacture. We shall then have achieved, at least in outline, a basis for the next period. This period will be followed — perhaps not so soon — by the third period, which will face the task of defeating capitalist production on the world market by means of the products of the socialist economy.

The objection is sometimes made that the number of commodities is altogether too great, and that the derivation of the comparison coefficient is a task 'transcending human energy'. Two different answers may be made to this objection. In the first place, all the available commodities are subject to arithmetical calculation, are recorded in books and catalogues, and the great variety of commodities seems to involve no element transcending human power. In the second place, the student may for the time being content himself with a discussion of the most important articles of mass consumption, the so-called key commodities in each branch of production, and assume that the other commodities occupy an intermediate position in the system of comparative evaluations.

A further objection calls attention to the difficulties involved in the measurement or even in the mere definition of quality. In fact, what *is* the quality of calico? Its durability, its cotton content per square yard, the fastness of its colour, or its attractiveness to the eye? There is no doubt that the determination of quality is very difficult in most commodities; but the task is none the less not insoluble. It must not, however, be approached from the standpoint

of fictitious or absolute criteria. In the case of calico intended for the peasant market or the workers' market, the durability of the material will stand first, the permanence of the colour second. In evaluating these two factors — and this is quite possible if strictly objective methods be pursued — we may obtain a fundamental definition of quality numerically expressed. It is far easier to obtain a precise, *i.e.* numerical, comparison coefficient of our plough, our threshing machine, our tractor, as compared with the same machines of American manufacture. This question will play the same part in the agriculture of the next few years as the renewal of the fundamental capital did in industry. In the purchase of a horse or a cow, the peasant himself determines all the necessary 'coefficients', and with astonishing precision, too. But he is almost helpless when about to purchase a machine; if he has been duped in the purchase of a poor power transmission, he will infect his neighbour with his timidity to purchase more machinery. We must succeed in getting the peasant to know what machine he is buying. The Soviet threshing machines must become a current commodity on which the comparison coefficient may be based. The peasant will know precisely what he is buying, and the State will know precisely what is the relation between our production and the production of the United States of America."

The idea of comparison coefficients, which at first blush may appear an abstraction, a product of the specialist's study, is in reality deeply rooted in life and literally cries out from all the economic relations and oozes from all the pores of daily life. Even our present comparison coefficients, based on the pre-war standard, were not a result merely of a theoretical understanding of the matter, but also of the needs of daily life. The average consumer, who has no access to statistical tables and price curves, makes use of his consumer's memory, his own memory as well as his family's. The statistical table tells us of a certain percentage of the pre-war level, calculated almost exclusively from the point of view of quantity, but the consumer's memory adds: 'In peace time (*i.e.* before the imperialist war) boots cost so many rubles and could be worn so many months.' Whenever he bought boots, the consumer always worked out a comparison coefficient for himself. And the same operation has always been performed by every purchaser: whether it was the Leather Trust buying machinery from the Voronezh or Kiev Machine Works, or the peasant woman buying three yards of calico at the weekly village market. The only difference has been that the Trust made its comparisons on the basis of catalogues and office records, while the peasant woman worked from her memory. And we must admit that in these two cases, the comparison coefficients of the peasant woman, based as they were on actual experience, were far more real than the coefficients of the Trust, which were compiled hastily and almost always without any regard to quality, being sometimes even biased. However this may be, the statistical economic analysis and the daily work of the consumer's memory have been in agreement in that both sought a point of departure in the conditions of the pre-war economy.

This peculiar national limitation, which seeks for

Our adducing a number of objections above should not be interpreted as equivalent to a statement on our part that the idea of comparison coefficients is encountering the resistance of interested parties. On the contrary, the specialists active in production, in the state commerce, in the co-operative system, and in the technical scientific institutes, are very sympathetic to this idea, arising, as it does, out of our own economic evolution. The necessary preliminary investigations have been begun, both in the 'special conference for quality of production' and in the technical-scientific institutes.

comparisons with the national past, is approaching its end. Our connection with the world market is already sufficiently voluminous to oblige us at every step to compare our wares with those of foreign origin. And as the old comparisons weaken and disappear (for the memory of pre-war products is becoming weaker, particularly in the younger generation), the new comparisons become more and more illuminating, being based not on memory, but on the living facts of today. Our economic specialists bring us from abroad the offers of specific firms, holding specific goods, many kinds of catalogues, and also their own consumers' experience. The questions which we had ceased asking in past years are now heard more and more, namely: What does this thing cost abroad? How does its quality differ abroad from the quality here? Assignments to foreign travel will become more frequent; we must acquaint the managers of our trusts, our factory directors, our best technical students, our foremen, mechanics, specialists, in one way or another, with foreign industry, of course not all of them at once, but in a certain reasonable rotation. The purpose of such foreign travel is to enable the shock troops of our production leaders to judge any unfavourable comparison coefficient from every possible angle, and to alter such a coefficient in a favourable manner with the greatest certainty. It would be an evidence of bureaucratic narrow-mindedness to imagine that our orientation toward Western countries should include only the heads of our economy. On the contrary, this orientation to the West is of a profoundly general character and is 'trickling downward' in many ways.

Contraband plays a fairly considerable rôle in this connection, a rôle that should not be underestimated. Contraband, while not a laudable section of our economic life, is nevertheless an important section, and besides, it is still based absolutely on the comparison coefficients of the world market, for the contraband trader only imports such foreign products as are considerably better and cheaper than our own. By the way, for just this reason, the struggle for quality in production is the best mode of combating contraband trade, which at the present time is draining dozens and dozens of millions of rubles in actual money from the country. Contraband is active particularly in small articles that enter into every phase of our daily life.¹¹

There is another field in which a comparison with foreign countries has really never ceased to be made; namely, that of agricultural implements and machinery. The peasant was acquainted with the Austrian scythe and always compared it with our own. He knew the American McCormick, the Canadian Harris, the Austrian Heydt, etc. Now all these comparisons, as our industry advances toward a higher level, again become quite serious and another even more important comparison arises: the comparison between the American Fordson and our tractor. When a peasant who has bought a threshing machine operated by horse-power sees a defective cast-iron rod go to pieces before his very eyes after two or three hours of work, his comment on this incident is couched in terms that exceed all our literary talents.

As for the worker, we find him not so much interested in comparison coefficients in the case of the products produced by himself, as in the case of those serving him as tools or as articles of consumption. He is very well acquainted with the quality of the American and Russian lathes, tools, tempering processes, instruments of precision, etc. It is hardly necessary to point out that the skilled worker is very sensitive to these differences and that one of the tasks of education in production in our country consists precisely in enhancing this delicacy of feeling toward the instruments of production.

What has been said should be sufficient to prove that the comparison coefficients of world production are not a mere figment of our imagination, but a matter of extreme practical importance, reflecting, as they do, the new tasks of our economic evolution.

Such a system of comparison coefficients furnishes us also with a cross-section of our present-day economy in the light of the level attained by world economy. The properly weighted average coefficient for our total production will indicate the degree of our backwardness in production in a precise numerical figure. Measured at periodic intervals, the commodities figures and the above-mentioned weighted average coefficient together will afford us a picture of what we have attained and will indicate for us the speed of our progress in individual branches of industry, as well as in industry as a whole.

A man driving a wagon estimates the distance he has covered by his eye and by his hearing; but the automobile has its automatic speedometer for this purpose. Our industry will, in the future, not be permitted to proceed in its onward course without the use of its international measurements of velocity, and the data obtained by these measurements will give us a point of departure not only in our most important economic measures, but also in many of our political decisions.

If it be true that the victory of any order of society depends on the superiority of the productivity of labour inherent in it — and no Marxist will dispute this statement — we need a correct quantitative and qualitative mode of measuring the production of the Soviet economy both for our current market operations as well as for the judgment of the given stage in our world-historic course.

Material limits and possibilities of the rate of economic development

In the years 1922-4, the general industrial advance in our country was due chiefly to the advance in light industry. In the current economic year (1924-5), the primacy is beginning to pass to the industrial branches producing instruments of production. But the latter also will for the present continue to be restored on the basis of the old basic capital. In the impending fiscal year, in which the fixed investment capital taken over from the bourgeoisie will be exploited 100 per cent, we shall already begin to undertake a renewal of our basic capital. Altogether, the State Planning Commission is providing for 880,000,000 rubles to be expended in capital expenditures for industry (including electrification); 236,000,000 rubles for transportation; 375,000,000 rubles for the construction of dwellings and other edifices; 300,000,000 rubles for agriculture. Altogether almost 1,800,000,000 rubles, of which more than 900,000,000 rubles represent new investments, *i.e.* those provided by new accumulations in all of the economy. This plan, as yet only outlined and by no means officially checked up, constitutes a tremendous step forward in the distribution of the material resources of the country; hitherto we have been working with an available basic capital, occasionally supplemented and renewed by us. From now on, we shall have to create our basic capital *de novo*. Herein

¹¹ The study of contraband commodities is extremely important both from the specialized production standpoint as well as from the general economic standpoint.

lies the fundamental difference between the coming economic period and that which we are leaving behind.

From the point of view of an individual administrator, let us say, the head of a trust, it might appear that the speed of evolution depends on the credits he can receive from the bank. 'Give me so and so many millions, and I shall put up a new roof, put in new engine-lathes, will increase production tenfold, will bring down manufacturing costs one half, and attain a European quality production': we often have occasion to hear these words. But the fact remains that financing is never and nowhere a primary factor. The speed of economic evolution is determined by the material conditions of the production process itself. The already cited explanatory remarks by the State Planning Commission are appropriate as a reminder of this fact. 'The sole universal limitation upon the possible speed of the economic evolution', we read here, 'the limitation determining in turn all the individual limiting factors, is the *volume of the total accumulation of the national economy in its material form, i.e.* the aggregate of all newly created commodities exceeding the demands of mere reproduction, and thus constituting the material basis for extended reproduction, for reconstruction.'

Banknotes, shares of stock, bonds, bills of exchange, and other securities have as such no significance in determining the volume and speed of economic evolution; they are mere auxiliary devices to aid in the recording and distribution of material values. Of course, from a private capitalist — or any private economic — point of view, these certificates have an independent significance: they guarantee to their holders a certain sum of material values. But from the national economic standpoint, which, under our conditions, practically coincides with the national interest, the paper securities as such can do nothing to the aggregate of material products serving for the expansion of production. We must therefore proceed from this real basis of the expansion of production as our point of departure. The application of many resources by way of the budget, by way of the banks, by way of the reconstruction loan, by way of the industry fund, etc., is merely a method of distributing certain material commodities among the various branches of our economy.

In the pre-war years, our industry grew, on an average, six or seven per cent per year. This coefficient may be considered as rather high, but it is quite insignificant when compared with the coefficient of today, with industry increasing 40 to 50 per cent annually. But it would be a crude mistake to put these two coefficients of increase in direct juxtaposition without further ado. Before the war, the expansion of industry was effected chiefly by the construction of new factories. At present, this expansion is being accomplished to a far greater extent by the exploitation of old factories, already available, and by the utilization of the old plant. Thence this entirely extraordinary speed of expansion. It is consequently quite natural that the coefficient of expansion will of necessity decrease when the reconstruction period comes to an end. This circumstance is of extraordinary importance, for it determines in great measure our position within the capitalist world. The struggle for our socialist 'place in the sun' will necessarily be, in one way or another, a struggle to attain as high a coefficient of production expansion as possible. But the basis and also the limit — the limiting value — of this expansion remains the available mass of material values.

If all this be true, if the process of reconstruction succeed in re-establishing fundamentally the old relations between agriculture and industry in our country, between domestic and foreign market (exports of grain and raw materials, imports of machinery and manufactured

articles), would this not be equivalent to a restoration of the pre-war coefficient of economic expansion, and to our declining, from our present pinnacle of a 40 to 50 per cent expansion annually, to the 6 per cent pre-war expansion, after a period of a year or two? Of course, it is impossible to give a precise answer to this question at this moment. Yet we may declare with certainty: given the existence of a socialist state, a nationalized industry, and a progressively consolidated regulation of the fundamental economic processes (including exports and imports), it will be possible for us to retain, even after attaining our pre-war condition, a coefficient of expansion that far exceeds our own pre-war coefficient as well as the average capitalist comparison figures.

What are our points of superiority? We have already suggested what they are:

1. In our country there are no — or practically no — parasitic classes. Accumulation before the war amounted not to six per cent but to at least twice as much. But only half of the accumulated resources was applied in production. The other half was squandered and dissipated in parasitic practices. Therefore the elimination of the monarchy alone, with its bureaucracy, of the nobility and bourgeoisie, will assure us — assuming the realization of the other necessary conditions — an increase of the coefficient of expansion from 6 per cent to 12 per cent, or at least to 9 or 10 per cent.

2. The elimination of the barriers of private property affords our economic state the opportunity to control the necessary resources for any necessary branch of economy at any moment. The unproductive expenses of economic parallelism, of competition, and other overlapping activities, etc., have been much decreased and will be decreased still more in the future. It is only owing to these circumstances that it was possible for us to advance so far in the last few years without foreign assistance. In our further course, the planned distribution of resources and powers will afford us the possibility of attaining a higher production result — as compared with capitalist society — to a far greater measure than has hitherto been the case, and making use of only the same volume of resources.

3. The introduction of the economic planning principle into the technique of production (standardisation, specialization of enterprises, combination of enterprises in a single production organization) promises us for the near future a considerable and, furthermore, a continually growing production coefficient.

4. Capitalist society lives and develops in a periodic cycle of prosperity and crisis, a cycle which has assumed, during the post-war period, the form of sporadic convulsions. To be sure, our economy also has naturally not been free from crises. We may even go so far as to say that the increase in our relations with the world market involves, as we shall see in the sequel, a possible source of crises in our own economy. But there is no doubt that the increase in the habit of planned economic production and regulation will in our country blunt the peaks of the crisis curves in evolution and thus secure a considerable surplus accumulation.

These are our four points of advantage, our strong points, as they have been developed in the past few years. Their significance will not decrease but rather increase after the conclusion of the reconstruction period. Considered altogether, these four advantages, if rightly utilized, will enable us in the next few years to increase the coefficient of our industrial expansion not only to twice the figure of 6 per cent attained in the pre-war period, but to thrice that figure, and perhaps to even more.

But this does not exhaust the question. The advan-

tages that have just been enumerated on the part of the socialist economy will not only give evidence of their influence in the domestic economy processes, but will be immensely enhanced by the possibilities afforded by the world market. We have considered the latter hitherto chiefly from the standpoint of the economic dangers lurking within it. But the capitalist world market holds not only dangers for us; it also presents great prospects. It enables us to secure more and more access to the accomplishments of scientific technique, to its most complicated productions. While the world market, when it adds a socialist system of economy to its other units, conjures up certain dangers for this socialist system, it also affords the socialist state powerful antidotes for these dangers, provided that state properly regulates its economic intercourse. If we utilize the world market in the right way for ourselves, we shall be able considerably to accelerate in favour of socialism the process of an alteration in the comparison coefficients.

There is no doubt that we shall advance in our course by cautiously and conscientiously sounding every fathom of our channel, for this channel is being navigated for the first time by our socialist bark. But all our soundings hitherto give promise that the channel will become broader and deeper as we advance.

The socialist evolution and the resources of the world market

From the standpoint of the national economy as opposed to that of private economy, paper values can in themselves not encourage an advance in production, as little as a man's shadow can increase his stature. But in the world economic field the matter is quite different. American banknotes cannot in themselves create a single tractor, but a sufficient number of such banknotes, held by the Soviet State, will enable us to import tractors from the United States. In the system of the capitalist world economy, the Soviet State is a — gigantic — private owner: it exports its goods, imports foreign goods, requires credits, purchases foreign technical devices; finally, it attracts foreign capital in the form of mixed companies and concessions.

Our 'reconstruction' process has also again restored to us our rights on the world market. We should not forget for a moment the intricate system of interrelations existing before the war between the economy of capitalist Russia and that of world capital. It should be sufficient to point out that almost two-thirds of the instalment plant of the factories and works was imported from abroad, and this condition remains practically unchanged. This means that it will hardly be of advantage to us, economically, to produce more than perhaps two fifths or at most one half of our machinery in our own country in the next few years. If we attempt to readapt our ways and means at a bound to the production of new machines, we should either disturb the necessary proportions between the various branches of economy and between the fundamental and regulating capital within the same branch of economy, or — if we should retain these proportions — we should much retard the speed of economic expansion. A retardation of this speed is, however, far more dangerous to us than the importation of foreign machines or of any necessary

foreign commodities in general.

We are borrowing foreign techniques, foreign production recipes. More and more of our engineers have gone to Europe and America and those among them who have eyes to see have been bringing back everything that is calculated to accelerate our economic progress. We are more and more acquiring, by direct purchase, foreign technical resources, by connecting our trusts with prominent foreign firms who undertake the obligation to develop the production of specific products in our country within a certain time.

The decisive importance of foreign trade for our agriculture is very evident. The industrialization and consequently the collectivization of agriculture will advance parallel with the growth of our exports. In exchange for the products of agriculture we shall obtain agricultural machinery or machinery to be used in the production of agricultural machinery.

But it is not only machinery we need. Every foreign product that can fill a gap in our economic system, whether it be a raw material, an intermediate product, or an article of consumption, may under certain circumstances accelerate the speed of our reconstruction process and thus facilitate this process. Of course, the importation of articles of luxury, of articles of consumption of the parasitic type, can only retard our development. On the other hand, importing certain articles of consumption at the right time may — where such articles serve to restore the necessary equilibrium in the market and to fill the gaps in the workers' or peasants' budget — only accelerate our general economic progress. In foreign trade, as conducted by the State, which elastically supplements the work of the national industry and of domestic commerce, we possess a mighty tool for the acceleration of our economic defence. The fructifying influence of this foreign trade will of course be the greater, the more extensive the credit possibilities acquired by it in the world market.

What is the significance of foreign credits in our economic dynamics? Capitalism furnishes us with an advance on an accumulation that does not yet exist, that we have still to create — in one or two or five years. The basis of our progress is thus advanced beyond the framework of the material resources accumulated by us hitherto. If with the aid of a European technical 'recipe' we are enabled to accelerate our production process, we shall be enabled to do this the more with the aid of an American or European machine obtained by us on credit. The dialectics of historical evolution involve capitalism's assuming for a certain time the rôle of a creditor of socialism. Did not capitalism itself draw nourishment from the breasts of the feudal economy? The debts of history *must be paid*.

The concessions must also be considered in this connection. Concessions include: the furnishing to us of foreign machinery and foreign production methods and the financing of our economy out of the *accumulation of world capital*. In certain branches of industry the concessions may and must acquire a larger significance. It is superfluous to say that our concessions policy must be subject to the same limitations as private capital in general: the State retains the commanding positions in its hands and is vigilantly on guard against any assignment of a decisive predominance in the national industry to the 'concessionaires'. But within these limits, the concessions policy has still a broad field in which to operate.

In this connection also we must consider the 'crown' of the whole system, the possible national loans. Such a loan is the purest form of an advance on our future socialist accumulation. The gold granted as a loan enables us, being the 'commodity of all commodities', to purchase abroad

finished products, raw materials, machines, patents, and to attract to our country from Europe and America the best mechanics and technicians. From all the above it is apparent that it is necessary for us now, more than ever, to adapt ourselves in all economic questions correctly, i.e. systematically and scientifically. What machinery is to be imported, for what enterprises, and when? What other commodities and in what order? In what proportions is the fund of valuta to be distributed among the various branches of industry? What specialists must be recruited? For what economic branches shall we attract concessions



A CONSTRUCTIVIST SYMBOLIC DRAWING OF THE RUSSIAN VILLAGE BETWEEN THE OLD AND THE NEW AGE.

1. Mechanized agriculture and the up-to-date village.
2. "Komsomol" (anti-religious propaganda) and the raising of devils.
3. Old village room.

(Drawing by Krinski)

capital? To what extent, for what periods? Obviously these questions cannot be answered from day to day, by muddling along, by considering each incident as a new case. The brains of our economists are at this moment persistently and not unsuccessfully being directed to the problem of finding systematic methods for the solution of these and many other questions indissolubly connected with them, particularly in the matter of exports. The question is to maintain the dynamic proportion between the basic branches of industry and the entire economy by inserting in this proportion at the proper time such elements of the world economy as may aid in accelerating the dynamics of the process as a whole.

In the solution of the various practical questions arising from this situation, as well as in the elaboration of comprehensive plans for the future — plans covering one year, five years, or even longer terms — the use of comparison coefficients will constitute an invaluable and indispensable aid. In important branches of industry, in which the comparative coefficient furnishes particularly unfavourable data, the necessity will thus become apparent of

looking abroad for aid: for the acquisition either of finished products, of patents and formulas, of new machinery, of specialists or concessions. Our foreign commercial policy and our concessions policy can have a truly stimulating and systematic effect only if they are based on a generously conceived system of comparison coefficients in industry.

The same methods will in the future become a basis in deciding as to the *renewal* of the fundamental capital and the expansion of production. In what branches of production must machinery be renewed chiefly? What new establishments must be erected? It hardly requires to be stated that our needs and the announcements of our needs exceed all possibilities of filling them. What way must therefore be taken in deciding these questions?

Before everything else, we must attain clarity on that portion of our accumulation that can be devoted to the renewal of the machinery in the existing enterprises and to the creation of new enterprises. The most urgent and acute needs can be covered out of our own accumulation. If access to other sources should turn out to be closed, the domestic accumulation will simply have to determine the compass of the expansion of production.

But, side by side with this, it is absolutely necessary to determine the priority of the desiderata from the point of view of the economic process as a whole. The comparison coefficients will here indicate directly those fields in our economy that require investments of capital in the first place.

Such, in its crude outline, is the nature of the transition to a planned solution of the questions connected with the renewal and expansion of fundamental capital in industry, from which quite a number of complicating factors have been intentionally omitted.

The socializations of the production process

A state that has in its hands a nationalized industry, a monopoly of foreign trade, and a monopoly in the receiving of foreign capital for one field of economy or another, by this fact alone already controls a rich arsenal of resources, by combining which it can accelerate the speed of its economic evolution. But all these devices, though they arise from the nature of the socialist state, do not as yet impinge directly on the field of the production process itself. In other words, had we been able to retain all the works and factories to the present day in the condition in which they were working in 1913, their nationalization would afford us, even if they should have remained in that condition, immense advantages, by pursuing a planned and economic distribution of resources.

The economic advances of the reconstruction period have been attained, to a very great extent, thanks to the socialistic methods of the division of production, i.e. thanks to the planned or semi-planned methods of securing the necessary means for the various branches of the national economy. The possibilities afforded by our relations with the world market are also considered by us chiefly from the point of view of sources of production and not yet from the point of view of the domestic organization of industry.

But we must not forget for a moment that the fundamental advantages of socialism lie precisely in the field of

production itself. These advantages, hitherto utilized by us in our Soviet economy to but a slight degree, present the most generous prospects for accelerating the speed of the economic evolution. The first objective, in this connection, must be a true nationalization of scientific-technical knowledge, and of all inventive activity in production; the second, a centralized planned solution to the energy requirements of industry as a whole, and of each branch of the economy in particular; the third, the standardization or normalization of all other products; and, finally, a consistent specialization of the factories themselves.

The intellectual labour of science and technique is no longer subject in our country to the confining barriers of private property. Every organizational or technical achievement of any specific enterprise, every perfection in chemical or other formulas, at once becomes the common property of all the factories and works concerned. The scientific-technical institutes in our country have an opportunity to test their conjectures and hypotheses in any national factory; *vice versa*, any of these establishments may, with the aid of the institutes, make use of all the accumulated experience in the entire industry at any moment. Scientific-technical ingenuity has in principle been socialized in our country. But we have by no means entirely liberated ourselves, in this field, from the partly ideological, partly material, conservative barriers acquired by us a heritage together with the nationalized property taken from the capitalists. We are engaged in the process of learning how to apply on a larger scale the possibilities arising from the nationalization of scientific-technical ingenuity and invention. In this way, innumerable advantages will be obtained in the next few years; in the aggregate, these advantages will lead to the one result that is invaluable for us: the acceleration of the speed of our development.

Another source of the greatest economic saving, and consequently of enhanced labour productivity, may be found in a proper power system. The need for motive power is felt in every branch of industry, in all the enterprises, in fact, in all the material activity of man, which means that motive power may be considered as a more or less common factor in all the branches of industry. It is obvious what a tremendous saving would be attained if we could 'depersonalize' the power sources, *i.e.* separate them from the individual enterprises with which only private property connected them, and not considerations of technical or economic expediency. Planned electrification is only a portion of the total programme of the rationalization of heat and power. Unless this programme is carried out, the nationalization of the instruments of production is deprived of its most important fruits. Private property, abolished in our country as a legal institution, is the organizational form of the enterprises themselves, which are technically constituted isolated microcosms of their own. Our present task is that of permitting the principle of nationalization to permeate the production process and its material-technical conditions. It is important truly to nationalize the power resources. This applies not only to the already existing power stations, but to a far greater extent to those still to be created. The Dnieper Valley Power Station (conceived as a combination of a huge power station and a great number of consumers in the field of industry and transportation) has been constructed in its very technical plan on the principle of socialism. The future belongs to similar enterprises conceived with the same ends in view.

A further lever of industrial progress is the standardization of products. Such standardization is applicable not only to matches, bricks and textiles, but also to the most

intricate machines. We must put a stop to the arbitrary demands of the purchaser, which are an expression not of his needs, but of his helplessness. Each purchaser is forced today to improvise and grope around instead of having access to the finished samples best representing his needs, the result of scientific investigation. Standardization must reduce the number of types of a product to a minimum, by adapting them only to the peculiarities of the specific fields of economy or to the specific character of the needs in a certain branch of production.

Standardization means socialization applied to the technical side of production. We have seen the technique of the leading capitalist countries bursting the integument of private property in this field and entering upon a path which in its very essence is a denial of the principle of competition, of 'free labour', and of everything connected with it.

The United States has made tremendous progress in lowering production costs by standardizing types and qualities and by working out scientific-technical norms of production. The Bureau of Standards (Division of Simplified Practice), together with the interested producers and consumers, has carried out its investigations in fields involving many dozens of large and small objects. The result has been: 500 types of file instead of 2,300; 70 types of wire cable instead of 650; 3 types of brick instead of 119; 76 types of plough instead of 312; 29 types of sewing machine instead of almost 800; and 45 types of penknife instead of 300.

Standardization receives the new-born babe with open arms: the simplification of the baby carriage means a saving of 1,700 tons of iron and 35 tons of lead. Standardization deserts not the patient on his bed of pain: where there were 40 types of hospital bed, there is now 1. Even the undertaker's art has been normalized; copper, bronze, wool and silk have been eliminated from the production of coffins. The savings on the dead, who are thus also subjected to standardization, amount annually to thousands of tons of metal and coal, hundreds of thousands of feet of timber and thousands of yards of textiles.

In spite of the conditions of capitalism, technology has led to standardization; socialism is crying aloud for standardization and offers far greater possibilities for it. As yet we have hardly approached this task. Now the advance in our production has created the necessary material presuppositions for standardization. All the processes of the renewal of fundamental capital must tend in the direction of standardization. The number of types of our products must be reduced to much fewer than the number of the American types.

Standardization permits not only a higher specialization in the enterprises, but even presupposes such higher specialization. We are passing away from factories in which *anything* is produced in some way or other to factories in which *something* is produced in absolute perfection.

But to our shame it must be admitted that even now, in the ninth year of our socialist economy, we quite frequently hear from the mouths of managers, even of engineers, complaints that specialization in production destroys the 'spirit', clips the wings of creation, makes labour in the enterprise monotonous, 'boring' and the like.

This whining and out-and-out reactionary view reminds one emphatically of the old Tolstoyan-Populistic lucubrations on the advantages of home industry as opposed to factory industry. The task of transforming all of industry into a closed, automatically operating mechanism is the most imposing problem that any community can

face. It opens up an unlimited field of labour to technical, organizing and economic creative power. But this task may only be solved by pursuing an ever bolder and more persistent specialization of industry, an automatization of production, and an ever more complete combination of the specialized production giants into a single producing chain.

The present achievements of the foreign laboratories, the capacity of the foreign power stations, the spread of the American activities in standardization, and the advances of the American enterprises in specialization, are far superior in these respects to our present mere beginnings. But the conditions presented by our national and property relations are far more favourable to this goal than the conditions in any of the capitalist countries and this advantage will become more and more victoriously evident as we march on. The problem ultimately amounts always to an estimate of all possibilities and a utilization of all resources. The results will not fail to materialize, and then will be the time to record them.

Crises and other dangers of the world market

When our relations with the world market were still insignificant, the fluctuating conditions of capitalism did not operate to influence us through the channels of commodity exchange so much as through politics, in some cases exacerbating our relations with the capitalist world, in other cases adjusting them. Under these conditions, we have become accustomed to consider our economy as almost entirely independent of the economic processes at work in the capitalist world. Even after the re-establishment of our market, and therefore of market fluctuations, sales crises, etc., we continued to judge these phenomena quite independently of the capitalist dynamics in Europe or America. In this we were right in so far as our reconstruction process was going on within the frame of an almost isolated economy. But with the rapid increase of exports and imports this situation is changing completely. We are becoming a portion — to be sure an extremely peculiar portion, but a portion nevertheless — of the world market, and this means that all its general factors, whenever they change in one direction or another, must also have an effect on our economy. The present phase in economy is expressed most clearly in the manner in which the market buys and sells. We appear in the same world market as a buyer and as a seller. This fact alone subjects us economically to a certain extent to the effect of ebb and flow in the trade and industry of the world market.

The significance of this condition will be made clear if we make use of a comparison to characterize the new elements it involves. Every great economic upheaval has obliged public opinion in our country to occupy itself intensively with the question of whether and to what extent crises are inevitable with us, etc. In these questions, owing to the nature of our economic situation, we usually did not transcend the framework of a practically isolated economy. We contrasted the planned economic principle, whose economic basis is the nationalized industry, and the elemental principle of the market, whose economic basis is the village. The combination of a definite plan with a force of nature is the more difficult for us, as the economic

elemental force depends on a force of nature. The following prospect necessarily was presented: the advance of the principle of an economic plan will continue in the same measure as the advance of industry, as the advance of its influence on agriculture, as the advance of industrialization, and of the evolution of the co-operatives in the provinces, etc. This process — however we may estimate its speed — was conceived as a process evolving in accordance with a definite plan. But here also the path follows a zig-zag line and we have come to a new *turn*. This is most apparent in grain exports.

We are here concerned not only with the crops, but also with the realization of these crops, not only on our own market, but also on the European market. Grain exports to Europe depend on Europe's purchasing power; the purchasing power of the industrial countries, in their turn (of course it is industrial countries which import grain), depends on the economic situation. When there is a crisis in trade and industry, Europe will import much less grain from us, and far less timber, flax, tobacco, naphtha, etc., than in industrial boom periods. The decline in exports will necessarily be followed by a decline in imports. If we cannot export a sufficient quantity of industrial raw material, we shall also not be able to import the necessary machines, cotton, etc. If, as a consequence of the incomplete realization of our export stocks, the purchasing power of the peasants should turn out to be lower than we have foreseen, this might lead to a crisis in reproduction; in the opposite case — where we suffer a commodities famine — we should be deprived, in case our exports should be reduced, of the possibility of remedying this lack by importing finished products, the necessary machines and raw materials (for instance, cotton, already mentioned). In other words, the commercial and industrial crisis in Europe, and still worse, a universal crisis of this kind, may produce a wave of crises in each country. On the other hand, in the case of a considerable boom in European trade and industry, the demand for timber and flax, being raw materials necessary to industry, will necessarily increase; also, the demand for grain, of which Europe's population can consume much larger quantities when its economic conditions are favourable. In this manner, a boom in trade and industry in Europe will give the necessary stimulus to our advance in trade, industry and agriculture, by facilitating our turnover of export products. Our former independence of the fluctuations of the world market is disappearing. All the fundamental processes of our economy are not only beginning to become connected with the corresponding processes dominant in capitalist evolution, but are also beginning to become subject to a certain extent to the operation of the laws dominant in capitalist evolution, including changes in economic conditions. There arises a situation in which we, as an economic state, are interested within certain limits in an improvement in the conditions in capitalist countries, and in which we, on the other hand, may be made to suffer some disadvantage as a result of a worsening of these conditions.

This circumstance, somewhat surprising at first glance, is merely a more emphatic expression of the contradiction involved in the very nature of the so-called *Nep*, and already mentioned by us in connection with the narrower limits of the isolated national economy. Our present order is based not only on the struggle of socialism against capitalism, but — within certain limits — on a co-operation between socialism and capitalism. In the interest of developing our productive forces we not only permit trading of a private capitalist type, but even encourage such trading — also within certain limits! — and 'plant' it in the form of concessions, leases of factories and works. We have a

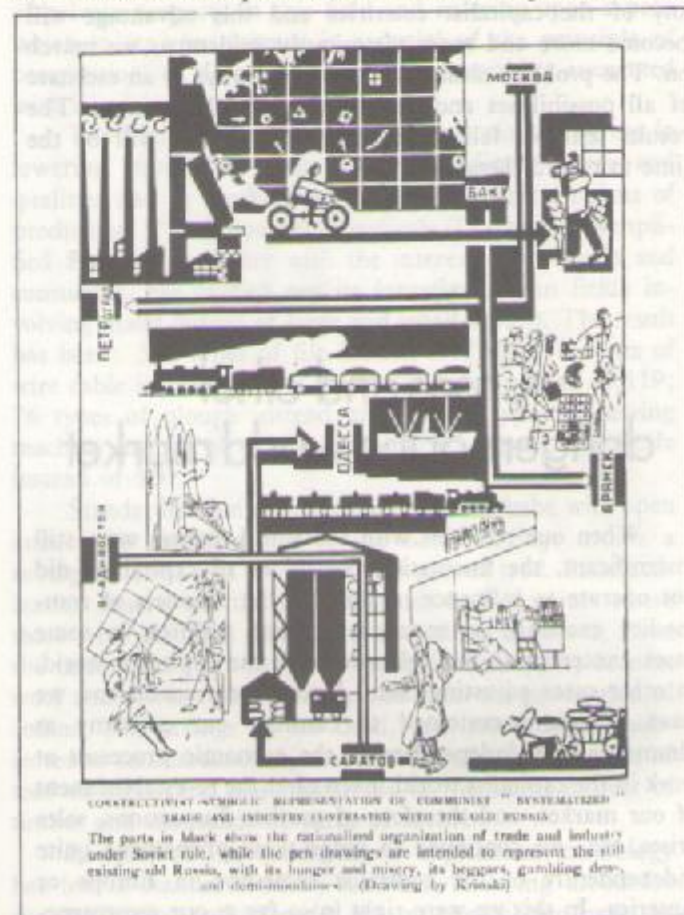
very great interest in the development of our peasant economy, although it at present presents an almost exclusively private commodity character, and although its growth affords advantages not only to the socialist but also to the capitalist tendencies of evolution. The danger involved in this living together and in this co-operation between two systems of economy — that of capitalism and that of socialism (the latter applying the methods of the former) — is in the possibility that the capitalist forces may grow over our heads.

But this danger was already present within the limits of the 'isolated' economy,¹² though on a smaller scale. The significance of the control figures of the State Planning Commission consists precisely in the fact that these figures, as we have shown in our first chapters, prove beyond dispute the predominance of the socialist tendencies over the capitalist tendencies, on the basis of the general progress of the productive forces. If it were our intention (or rather, our possibility) to remain to the end a state economically isolated, we might consider this question as solved in principle. Danger would then threaten us only in the political field, or in the event of a military penetration of our isolation, from without. But now that we have entered the field of the universal division of labour — economically speaking — and have thus become subject to the operation of the laws controlling the world market, the co-operation and the struggle between the capitalist and socialist tendencies in the economy acquire far greater proportions, which condition involves greater possibilities and greater hardships.

There exists therefore a profound and very natural analogy between the questions that faced us within the system of the domestic economic conditions, when the Nep policy was first introduced, and those now arising from the fact of our closer relation with the world market system. But the analogy is not a perfect one. The co-operation and struggle between capitalist and socialist tendencies within the Soviet territory proceed under the watchful eye of the proletarian state. While the state authority may not be omnipotent in economic questions, the economic power of the state is none the less tremendous when it is consciously supporting the progressive tendency of historical evolution. While it grants the existence of capitalist tendencies, the Workers' State can hold them in check to a certain extent by favouring and encouraging the socialist tendencies. The instruments that may be used in this connection are: the national budget system and measures of a general administrative character; the system of national, domestic and of foreign commerce; the encouraging of the consumers' co-operative movement by the state; a concessions policy strictly adapted to the needs of the national authority. In short: a versatile system of socialist protectionism. These measures presuppose a dictatorship of the proletariat and the sphere of their activities is limited by this reason to the territory of the dictatorship. In the countries with which we are entering into wider and wider commercial relations, the precisely opposite system prevails: a capitalist protectionism in the widest sense of the word. Herein lies the difference. On Soviet territory the socialist economy is fighting the capitalist economy; but it has the Workers' State on its side! On the territory of the world market, socialism must face capitalism, the latter protected by the imperialist state. Here not only economy fights economy, but politics fight politics. The monopoly of foreign trade and the concessions policy are powerful tools of the economic policy of the Workers' State. If, in consequence, the laws and methods of the socialist state may not be forced on the world market, the relation of the socialist economy to the world market nevertheless depends to a

great extent on the will of the Workers' State. Consequently, as we have already indicated, a rightly applied system of foreign trade will be of exceptional importance and the function of the concessions policy of the Workers' State will increase in importance in this connection.

Of course it will be impossible to exhaust this subject here. Our task now is merely to formulate the question, which may be divided into two sections. *First*, by what methods and to what extent will the planning and guidance of the Workers' State be capable of protecting our economy against the influence of the fluctuations of the capitalist market? *Second*, to what extent and by what methods may the Workers' State protect the future development of the



socialist tendencies of our economy against the capitalist pitfalls on the world market?

These two questions were faced also within the limits of the 'isolated' economy. But they attain a new and increased importance in the larger field of the world market. In both fields, the element of plan in the economy is now attaining an incomparably greater significance than in the preceding period. The market would unquestionably subject us to its rule, if we were fighting the market alone, for the world market is stronger than we. It would weaken us by its acute economic fluctuations, and, once having weakened us, it would coerce us with the quantitative and qualitative predominance of its mass of commodities.

We know that an ordinary capitalist trust is at pains to protect itself against the influence of acute fluctuations in supply and demand. Even a trust that is practically a monopoly does not aim to fill the market completely with its products at any given moment. In a period of emphatic prosperity, the trusts quite frequently tolerate the existence of non-trustified enterprises, permitting the latter to cover the surplus demand, and thus freeing themselves from risky investments of new capital. These non-trustified enterprises then fall a victim to an ensuing crisis, after

¹² We need hardly to point out that our economy never was perfectly isolated, and that we are merely contrasting pure economic types for greater simplicity.

which they are frequently bought up for a song by the big trusts. The next boom is now faced by the trust with larger productive forces. When the demand again exceeds its own production, the trust again resorts to the same game. In other words, the capitalist trusts aim to cover only an absolutely assured demand, and to expand only with the assured expansion of the demand, assigning, as far as possible, all risk associated with fluctuations of economic conditions to weaker and temporary organizations which play, as it were, the rôle of a reserve army in production. Of course, this outline has not been followed in every case and in all places, but it is nevertheless a typical process and may therefore serve as an illustration of our thought. The socialist industry is a 'trust of all trusts'. This gigantic producing body can afford even far less than a specific capitalist trust to undertake to follow all the curves of the market demand. The trustified state industry must attempt to cover a demand that is assured on the basis of the entire preceding evolution, making use, as far as possible, of the private capitalist reserve army in order to cover the momentary surplus demand, which may be followed by a new constriction of the market. The function of such a reserve army is discharged by our domestic private industry, including the concessions industries, and by the world market's aggregate of commodities. This was what we had in mind above when we spoke of the significance of the domestic trade system and the concessions policy as a regulator.

The state imports such production instruments, such kinds of raw materials, such articles of consumption, as are absolutely necessary for the maintenance, improvement, and planned expansion of the production process. Simplifying the extremely complicated mutual relations into a crude outline, the matter assumes the following aspect. In boom periods in foreign trade, and in world industry, our exports will increase by an additional amount, but the purchasing power of the population will also increase. It is therefore quite clear that, should our industry at once expend all its valuta stocks in order to import machines and raw materials for the expansion of the branches of industry concerned, the next world crisis, which would involve a reduction of our economic resources, would condemn those branches of industry that had ventured too far out, and simultaneously — to a certain extent — all our industry, to a crisis. Of course, such phenomena are inevitable to a certain extent. The peasant economy on the one hand, and the world market on the other hand — these are the two sources of crisis-creating fluctuations. But the art of economic policy will consist in covering any powerful increase of domestic demand only in its assured portion out of the state production; and on the other hand, in covering the momentary excess demand by means of imports of finished products at the appropriate time, and by involving private capital. Under such circumstances, a momentary depression in world conditions cannot have a very great effect on our national industry.

Since the peasant economy constitutes an extremely important — in some cases, even a decisive — factor in this entire work of regulation, we learn from this fact alone how great is the significance attached to such forms of organization as the co-operatives and an elastic state commercial apparatus, if the isolated petty peasant economy should continue. These organizations will make it possible to calculate and predict in advance the fluctuations in the supply and demand of commodities in the village.

But does not the process of our 'growing into' the world market involve still greater dangers? Are we not threatened with the severing of numerous threads of life in case of war or blockade? It must not be forgotten that the

capitalist world is our mortal enemy, etc., etc. This thought harasses the brains of many. You will find among those in charge of production quite a number of unconscious or semi-conscious adherents of an 'isolated' economy. We also must devote a few words to this question. Of course, both the loans and the concessions, as well as the greater dependence of our exports and imports, involve certain dangers. It follows that we may not go to excess in any of these directions. But there is also an opposite and by no means smaller danger. It consists in delaying our economic progress, in retarding the speed of its advance; this danger is not less than that involved in an active utilization of all the possibilities of world relations. But we have no choice in the selection of our rate of speed, living and growing, as we do, under the pressure of world economy!

The argument as to the dangers of war or blockade after we had 'grown into' the world market might perhaps seem somewhat far-fetched and abstract. For, in strengthening us economically, the international exchange in all its forms also strengthens us for the eventuality of a blockade or a war. There is no doubt that our enemies may still desire to put us to this test. But the more varied become, on the one hand, our international economic relations, the more difficult will our possible enemies find it to disrupt these relations. And in the second place, if this thing should nevertheless come to pass, we shall give a far better account of ourselves than would be possible in the case of an isolated and therefore retarded development. We may learn a little in this connection from the historical experience of bourgeois countries. Germany had developed a tremendous industry by the end of the nineteenth and the beginning of the twentieth century and became an extremely active force in world economy by reason of this industry. Its foreign trade turnovers and its relations to foreign — including overseas — markets were developed to huge proportions within a short period. The war put an abrupt end to this condition. By reason of its geographical situation, Germany was forced into an almost complete economic isolation from the first day of the war. And yet, the entire world was then made to understand the extraordinary vitality and endurance of this highly industrialized country. The preceding struggle for sales markets had developed in Germany an unusual elasticity of its production apparatus, which it then proceeded — during the war — to utilize, in the now constricted national field, to the last penny.

The universal division of labour is not a circumstance that we can afford to ignore. We can only accelerate our own development in all fields by expediently utilizing the means arising from all the conditions of the world division of labour.

Conclusion

In all my presentation thus far I have adhered to the basis of the economic process and its logical evolution, so to say. In this manner I have consciously kept out of the field almost all other factors such as not only influence economic development but may possibly impart an entirely opposite direction to it. Such a one-sided economic adjustment is perfectly justified and necessary, from a methodological standpoint, in a bird's-eye view of an

extremely complicated process, extending over a great number of years. The practical solutions of the moment must in each case be found, as far as possible, by considering *all* the factors in their juxtaposition at the moment. But, in taking a general view of economic evolution over a long period, the 'superstructural' factors must be eliminated, *i.e.*, particularly, the factor of politics. A war, for example, might exercise a decisive influence on the evolution in one direction, while a victorious European revolution would tend to affect it in the opposite direction. And this is true not only of events coming from without. Our internal economic processes produce a complicated political reflex action, which in turn may develop into a factor of very great importance. The economic inarticulation of the village, which, as we have already shown, by no means involves any direct *economic* dangers, *i.e.* dangers of a rapid increase of the capitalist tendencies at the expense of the socialist tendencies, may nevertheless under certain circumstances produce *political* tendencies having an unfavourable influence on the socialist evolution.

The political conditions — domestic as well as international — constitute a complicated concatenation of problems; each of these requires to be considered alone — of course, in close connection with the economic situation. Such an analysis was not essential to the tasks of this book. The making of an outline of the fundamental tendencies of the evolution of the economic basis, of course, does not mean to furnish a perfect explanation of all the alterations in the political superstructure, which has its own internal logic as well as its own tasks and difficulties. A general economic orientation will not take the place of a political orientation, but will merely facilitate the latter.

We have, therefore, in the course of our analysis, entirely neglected the question of the possible duration of the capitalist order, and of the alterations the latter will encounter, and the direction of its evolution. A number of variants are possible in this field, and while it is not our intention to discuss them in these concluding lines, we shall nevertheless indicate their outline. Perhaps we may have occasion in some later book to touch upon this problem again.

The question of the victory of socialism will attain its most simple evolution if the proletarian revolution should develop in Europe during the next few years. This 'variant' is by no means the most improbable. But, from the point of view of socialist prognosis, this situation would constitute no difficulty for us. It is obvious that a union of the economy of the Soviet Union with the economy of a Soviet Europe would victoriously solve the question of the comparative coefficients of socialist and capitalist production, however great might be the resistance offered by America. And it may be doubted whether this resistance would be of long duration.

The question becomes extremely complicated if we provisionally assume that the capitalist world which envelops us is still to endure for a number of decades. But such a presupposition would be perfectly without meaning *per se* unless we should render it more concrete by means of a number of other presuppositions. What is to become, given this variant, of the European proletariat, and of course also of the American proletariat? What will be the productive forces of capital? If the decades conditionally assumed by us should be decades of stormy ebb and flow, of a cruel civil war, of economic stagnation or even decay, *i.e.* a long drawn-out period of travail preceding the birth of socialism, it is obvious that our economy would attain a predominant strength in this transition period, if only by reason of the incomparably greater constancy of our economic foundations.

But if we assume that in the course of the next few decades a new dynamic equilibrium will take shape on the world market, let us say of the type of expanded reproduction as presented by the period developing from 1871 to 1914, the question will assume an entirely different form. The presupposition of such an 'equilibrium' as here assumed would be equivalent to a new unfolding of the productive forces; for the relative 'love of peace' on the part of the bourgeoisie and the proletariat, and the opportunistic readjustment of the Socialist Parties and the trade unions, in the period preceding the World War were possible enough by reason of an immense boom in industry. It is perfectly clear that the improbable will become real if the impossible becomes possible. If world capitalism, and more specifically European capital, should find a new dynamic equilibrium (not for its unstable government combinations, but) for its productive forces; if capitalist production in the next few years or decades should experience a new great renaissance; this would put us, the Socialist State, in the peculiar position of being obliged — though already engaged in changing from our slow freight train to the faster passenger train — to catch up with a first-class express. Putting the matter more simply, this would mean that we were mistaken in our fundamental historical judgments. It would mean that capitalism has not yet exhausted its historic 'mission', and that the imperialistic phase now unfolding before us does not constitute a phase of capitalist disintegration, of its death struggle, but rather the necessary condition to a new period of efflorescence.

It is clear that under the conditions of a new capitalist rebirth in Europe and in the whole world, possibly enduring for many years, socialism in a backward country would find itself eye to eye with colossal dangers. What would be the nature of these dangers? They might be the dangers involved in a new war, a war which the European proletariat, 'pacified' anew by the prosperity conditions, would again be unable to prevent, and in which our enemy would have a colossal technical advantage over us. Or, in the form of a deluge of capitalist goods produced far better and cheaper than our own goods, that might smash our Foreign Trade Monopoly and together with it other bases of our socialist economy. This is at bottom a question of minor importance. But it is absolutely clear to all Marxists that socialism in a backward country would be hard put to it, if capitalism should again be given an opportunity not only to vegetate but to develop the productive forces of the most advanced countries for a long period of years.

But the reasons adduced in favour of this second variant are by no means serious reasons, and it would therefore be idiotic to develop a perspective extremely favourable to the capitalist world and then break our heads over the methods of counteracting this fictitious condition. The European economic system and the world economic system at present represent such a complication of contradictions, contradictions which, far from favouring the course of its evolution, undermine this process at every step, that history will offer us in the next few years a sufficient opportunity for the achievement of an accelerated speed, provided only that we utilize all the resources of our own economic system and of the world economic system. Needless to say, it is our object to do this. Parallel with this, the European evolution will also, in the meantime, shift the 'coefficient' of *political* power in the direction of the revolutionary proletariat, though it be with delays and minor deviations. In general, it must be assumed that the historical balance sheet will turn out more than favourable to us.

Appendix

Table I.
CONTROL FIGURES OF THE NATIONAL ECONOMY, 1925-26.

General Table of the Control Figures for the National Economy of the Union of Socialist Soviet Republics for 1925-26.

	In pre-war prices			Present prices in Commodity rubles		Present prices in Chervonets rubles		In pre-war prices		Present prices in Commodity rubles		In pre-war prices		Present prices in Commodity rubles		Present prices in Chervonets rubles	
	1913	1924-25	1925-26	1924-25	1925-26	1924-25	1925-26	1924-25	1925-26	1924-25	1925-26	1924-25	1925-26	1924-25	1925-26	1924-25	1925-26
	In millions of rubles								As a percentage of 1913				As a percentage of the preceding year				
I.—Production																	
<i>A—Agriculture</i>																	
Farming (and stock raising)	11,782	8,106	10,236	7,620	9,720	13,273	16,019	69	67	65	82	102	126	121	128	121	117
Forestry, fisheries, game	1,044	1,044	1,200	980	1,140	1,767	1,876	100	115	94	109	101	113	121	116	120	106
Total for agriculture...	12,826	9,150	11,436	8,600	10,860	15,040	17,897	71	89	67	95	102	123	121	126	121	116
<i>B—Industry</i>																	
Nationalized large-scale industry	5,621	3,950	5,280	4,190	5,549	7,520	9,180	70	94	75	99	154	134	120	132	166	122
Small industry	1,390	1,050	1,370	1,110	1,440	2,000	2,370	76	99	80	104	130	130	108	130	114	119
Total for industry	7,011	5,000	6,650	5,300	6,989	9,520	11,520	71	95	76	100	148	133	124	132	131	121
Total of production	19,837	14,150	18,086	13,900	17,849	25,010	29,417	71	91	70	90	114	128	122	128	124	118
II.—Total Marketable Commodities																	
<i>A—Agriculture</i> (Including commodities exchanged within agricultural domain)																	
Farming (and stock raising)	3,988	2,537	3,139	2,385	2,982	4,295	4,295	64	79	60	75		124		125		114
Forestry, fisheries, game	510	520	500	300	475	542	783	63	98	39	93		156		158		144
Total for agriculture	4,498	2,857	3,639	2,685	3,457	4,837	5,078	64	81	60	77		127		129		118
<i>B—Industry</i>																	
Large-scale industry	5,261	3,400	4,140	3,600	4,350	6,480	7,170	60	74	64	77	153	122	128	121	135	111
Small industry	1,390	1,050	1,370	1,110	1,440	2,000	2,370	76	99	80	104	130	129	108	130	114	119
Total for industry	7,011	4,450	5,510	4,710	5,790	8,480	9,540	63	79	67	83	147	124	122	123	130	115
Total domestic commodities	11,509	7,307	9,149	7,395	9,247	13,317	15,236	63	79	64	80		125		125		114
Total domestic commodities, including imports																	
Agriculture	4,795	3,002	3,828			5,092	6,171	63	80				128				121
Industry	7,721	4,644	5,319			8,225	10,015	60	76				126				114
Total commodities	21,516	7,646	9,667			13,913	16,186	61	77				126				110
III.—Foreign Trade (Over the European frontier)																	
<i>Exports</i>																	
Agriculture	927	204	559			354	950	22	60				274				268
Industry	378	66	121			108	150	17	32				183				139
Total exports	1,305	270	680			462	1,100	21	52				252				238
<i>Imports</i>																	
Agriculture	297	145	189			255	475	49	64				130				186
Industry	710	194	329			341	475	27	46				170				139
Total imports	1,007	339	518			596	950	34	51				153				159
IV.—Stocks of Money																	
At the beginning of the year	2,041	379	693	379	693	623	1,157	19	34	19	34		183		183		186
At the end of the year	2,076	693	1,261	693	1,261	1,157	1,973	33	61	33	61		182		182		171
Average for the year	2,058	496	950	496	950	890	1,565	24	46	24	46		192		192		176
V.—Wholesale Price Index of the State Planning Commission																	
<i>Prices of Agricultural Products</i>																	
At the beginning of the year	1,000			0.83	0.93	1,359	1,504			83	93		140	112	155	112	
At the end of the year	1,000			0.93	0.93	1,576	1,460			93	93		111	100	112	93	
Average for the year	1,000			0.94	0.95	1,693	1,565			94	95		119	101	126	92	
<i>Prices of Industrial Products</i>																	
At the beginning of the year	1,000			1.21	1.08	1,984	1,778			121	108		113	89	79	90	
At the end of the year	1,000			1.07	1.07	1,809	1,678			107	107		90	100	91	93	
Average for the year	1,000			1.06	1.05	1,905	1,733			106	105		83	99	88	91	

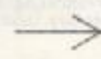


Table 1

CONTROL FIGURES OF THE NATIONAL ECONOMY, 1925-26.

	In pre-war prices			Present prices in Commodity rubles		Present prices in Chervonets rubles		In pre-war prices		Present prices in Commodity rubles		In pre-war prices		Present prices in Commodity rubles		Present prices in Chervonets rubles	
	1913	1924-25	1925-26	1924-25	1925-26	1924-25	1925-26	1924-25	1925-26	1924-25	1925-26	1924-25	1925-26	1924-25	1925-26	1924-25	1925-26
	In millions of rubles								As a percentage of 1913				As a percentage of the preceding year				
General Commodity Price Index																	
At the beginning of the year.....	1,000			1.00	1.00	1,642	1,646			100	100			100	100	110	100
At the end of the year.....	1,000			1.00	1.00	1,689	1,565			100	100			100	100	101	93
Average for the year.....	1,000			1.00	1.00	1,796	1,647			100	100			100	100	106	92
For domestic commodities, total.....	1,000			1.00	1.00	1,822	1,665			100	110			100			91
For commodities, including imports, total.....	1,000					1,820	1,674			100	100						92
VI.—Deposit and Current Accounts																	
At the beginning of the year.....	3,844	337	640	337	640	554	1,067	9	17	9	17			190			193
At the end of the year.....	4,214	640	1,534	640	1,534	1,067	2,400	15	36	15	36			240			225
Average for the year.....	3,956	452	1,052	452	1,050	811	1,733	11	27	11	27			233			214
VII.—Loan and Discount Operations, including Long-term Credits																	
At the beginning of the year.....	4,400	572	1,139	572	1,139	940	1,900	13	26	13	26			199			202
At the end of the year.....	4,800	1,139	2,428	1,139	2,425	1,900	3,800	24	51	24	51			213			200
Average for the year.....	4,500	791	1,730	791	1,730	1,420	2,850	18	38	18	38			219			201
VIII.—Budget*																	
	2,919	1,392	2,064	1,392	2,064	2,500	3,400	48	71	48	71			148			136

* Not including the following: Transfers to local budgets; cost of newly-coined money; the amount of the peasant loan bonds that were turned into the national treasury in payment of taxes.

Table II.
MONTHLY WAGES OF WORKERS IN LARGE SCALE INDUSTRY

Branches of Industry	(Nominal) wages in rubles (In Chervonets gold rubles beginning with 1923-24)				The same figures in percentages of preceding year	
	1913	1923-24	1924-25		1924-25	1925-26
			The first half of year	The second half of year		
1. Mining.....	33.0	32.8	36.8	38.7	45.1*	112.2
Including:						
Coal.....	34.4	32.5	36.1	38.0	43.1	111.1
Petroleum.....	30.5	33.9	40.8	45.2	45.1	120.4
2. Metallurgy.....	35.4	39.4	48.7	51.5	57.7	123.6
3. Textiles.....	17.0	32.1	36.4	37.8	40.8	113.4
Including:						
Cotton.....	17.3	33.0	37.4	38.8	41.8	113.3
4. Chemical Industries.....	20.0	35.9	41.1	41.1	43.1	114.5
Including:						
Matches †.....	14.3	25.5	28.8	28.8	31.8	112.9
Rubber †.....	30.0	55.2	68.0	68.0	71.0	123.2
5. Foodstuffs.....	16.0	46.9	55.1	55.1	58.1	117.5
6. Woodworking Industries.....	22.0	45.6	44.1	44.1	47.1	96.7
7. Paper.....	18.0	36.6	39.9	39.9	42.9	109.0
8. Graphic Arts.....	32.0	66.7	69.2	69.2	72.2	123.7
9. Leather.....	25.0	48.3	54.0	54.0	57.0	111.8
10. Needle Industries.....		41.0	54.0	54.0	57.0	131.7
Average.....	25.0	35.2	41.5	43.5	48.0‡	117.9
Real wages.....	25.0	16.8	20.7	21.0	25.0§	103.2
As a percentage of 1913.....	100	67.2	82.8	84.0	100	.....

* The average wage is being increased in 1925-26 owing to the addition of ore-mining establishments to this group.

† Pre-war figures for the match and rubber industries were calculated on the basis of the movement of the industries within the last years and on the assumption that at the end of the projected period wages would attain the pre-war level.

‡ Wages for labour in 1925-26 include a three-ruble allowance for rent.

§ In calculating real wages, the rent allowance is not included (being a supplementary item for a fixed and definite purpose).

Table III.
CAPITAL FUNDS OF THE UNION OF SOCIALIST SOVIET REPUBLICS* AS OF OCTOBER 1, 1924

(In millions of Chervonets rubles.)

Class of Funds	State	Cooperative	Total	Private	Grand Total
1. Agriculture:					
(a) Livestock, etc.....	45	5	36	4,891	4,941
(b) Implements and other working inventory.....	13	2	17	1,371	1,386
Total.....	58	7	65	6,462	6,527
2. Transportation.....	6,050		6,050		6,050
3. Large scale industry.....	4,572	87	4,659	33	4,000
4. Small industry.....	14	86	100	544	644
5. Public buildings, works, etc.....	338		338		338
6. Dwellings.....	6,422	153	6,575	13,017	19,592
7. Trade and commerce.....	669	384	1,053	419	1,472
Total of 1-7.....	18,123	717	18,840	20,475	39,315
Percentages.....	46.1	1.8	47.9	52.1	100
Total (1-7) without dwellings.....	11,701	564	12,265	7,458	19,723
Percentages.....	59.3	2.9	62.2	37.8	100
1. The Country:					
Means of agricultural production.....	58	7	65	6,462	6,422
Small industry.....				430	430
Public buildings, works, etc.....				38	38
Dwellings.....	258	28	286	9,720	10,000
Trade and commerce.....	66	142	208	209	417
Total.....	420	177	501	16,821	17,418
Not including dwellings.....	162	149	317	7,101	7,412
2. The City:					
Large scale industry.....	4,572	87	4,659	33	4,692
Small industry.....	14	86	101	114	214
Transportation.....	6,050		6,050		6,050
Dwellings.....	6,164	125	6,289	3,297	9,586
Public buildings, works, etc.....	300		300		300
Trade and commerce.....	603	242	845	210	1,055
Total.....	17,703	540	18,243	3,684	21,897
Not including dwellings.....	11,539	415	11,954	357	12,311

* Prepared from the (incomplete) calculations of the Central Statistical Department, with corrections and additions by the State Planning Commission.

Table IV.

CONCENTRATION OF WORKERS IN LARGE SCALE INDUSTRY IN THE UNION OF
SOCIALIST SOVIET REPUBLICS AND IN THE UNITED STATES

Size of establishment according to number of workers	Union of Socialist Soviet Republics (Factories, mills, mines and smelters)						U.S.A. Manufactures (Establishments of more than 21 workers)					
	Number of establishments			Number of workers			Number of establishments			Number of workers		
	1901	1911	1925	1901	1911	1925	1909	1919	1923	1909	1919	1923
Absolute figures:												
1. Up to 50 workers ...	14,354	11,754	3,723	287,264	269,626	92,300	23,544	25,379	25,253	764,408	829,301	818,403
2. From 51 to 500 workers	5,667	5,553	2,971	802,772	848,169	450,200	21,985	26,072	26,195	3,047,394	3,720,982	3,790,090
3. Over 500 workers ...	874	995	681	1,179,893	1,424,040	1,212,700	1,763	2,770	2,756	1,850,747	3,603,223	3,335,994
Total	20,895	18,302	7,375	2,269,929	2,541,835	1,764,200	47,292	54,221	54,204	5,662,549	8,153,506	7,944,487
The Same in Percentages:												
1. Up to 50 workers ...	68.7	64.2	50.5	12.7	10.6	5.2	49.8	46.8	46.6	13.5	10.1	10.3
2. From 51 to 500 workers	27.1	30.3	40.3	35.3	33.4	26.0	46.5	48.1	48.3	53.8	46.5	47.7
3. Over 500 workers ...	4.2	5.5	9.2	52.0	56.0	68.8	3.7	5.1	5.1	32.7	44.3	42.0
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Average number of workers per single establishment .....	.....	.....	.....	108.7	139	239	.....	.....	.....	120	151	147

BIBLIOGRAPHICAL NOTE

Trotsky's *Whither Russia?* was written in 1925 while the author was chairman of three of the commissions of the Council of the National Economy: the Concessions Committee, the Board of Electrotechnical Development and the Industrial-Technological Commission. Published in English as a pamphlet in 1926, it has never previously been reprinted.

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