‘State Capitalism’

A Marxist critique of a false theory

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The collapse of “really existing socialism” in the USSR and Eastern Europe a decade ago came as a shock to all tendencies in the workers’ movement and the political representatives of the capitalist class worldwide. No-one predicted such an outcome beforehand — no-one alive, that is. Why was this so?

To answer this question, it would be useful to review the differing views on the character of the USSR.

Stalin and his heirs claimed that the USSR had achieved socialism in the 1930s and was a classless society. The regime claimed, “We have not yet, of course, complete communism, but we have already achieved socialism — that is, the lowest stage of communism”.¹

For Marx, Engels and Lenin, socialism, or the lowest stage of communism, would be built on the basis of the technological achievements of capitalism. From that base, it would rapidly develop the means of production to raise the level of productivity of labour beyond that in the most advanced capitalist countries. But the revolution had occurred in the most backward European capitalist country, Russia, and did not succeed in spreading to the advanced European countries. Isolated in a hostile capitalist world, the USSR, in spite of the major strides forward it made, was never able to reach anywhere near the level of labour productivity of the advanced capitalist countries. Its products were inferior and could not compete on the world market. Under constant military threat, it was forced to devote a huge proportion of its production to its military. Throughout its existence, it was a regime of relative scarcity and therefore of

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inequality.

Scarcity and inequality led to the creation of an economically privileged bureaucracy. Shortly before the October Revolution of 1917, Lenin wrote *The State and Revolution*. Drawing upon Marx and Engels, Lenin wrote, in answer to opportunist socialists who rejected the Marxist idea of the withering away of the state as the transition to communism was made:

The proletariat needs a state — this is repeated by all the opportunists. But they “forget” to add that, in the first place, according to Marx, the proletariat needs only a state which is withering away, i.e. a state so constituted that it begins to wither away immediately and cannot but wither away.²

This norm of socialism certainly was never met in the USSR — the state mushroomed into a monstrosity, and showed not the slightest tendency to die away.

Lenin further explained that the proletariat would have to shatter the old bureaucratic machine of the capitalist state, and create its own apparatus out of employees and workers. He said the proletariat would take measures against their turning into bureaucrats — measures “specified in detail by Marx and Engels: (1) not only election, but also recall at any time; (2) pay not to exceed that of a workman; (3) immediate introduction of control and supervision by all, so that all may become ‘bureaucrats’ for a time and that therefore, nobody may be able to become a bureaucrat”.³ Soviet reality went in exactly the opposite direction of these norms of socialism as envisioned by Marx, Engels and Lenin.

That the bureaucracy rose above society is now well known, as are the crimes of Stalin and his heirs. Framing, imprisoning and murdering hundreds of thousands of communists and millions of workers and peasants is not the mark of a socialism on the road toward building communism — that is, a society in which the state has withered away and which operates, said Marx, on the principle of “from each according to his abilities and to each according to his needs”.

What does the collapse of the USSR tell us about whether it was a socialist society? First, the bureaucracy itself — what some call the *nomenklatura* — now believes that capitalism is superior to what it used to call “socialism”. Its members are desperately seeking to become capitalists as individuals. Second, the ignominious nature of the collapse, the *collapse from within* without a shot being fired, is the clearest demonstration that the USSR had not achieved socialism, a system qualitatively superior to capitalism.

If the USSR had actually achieved the stage of socialism, it could not and would not have collapsed before capitalism.

An important conclusion is that the *collapse of the USSR was not the collapse of socialism*. 
We can dismiss the various ideas of pro-capitalist opponents of the USSR, who, like the Stalinists, also claimed that it was socialist. They also said that the crimes of Stalinism proved that socialism was an evil enemy of humanity. Now, they further claim that the collapse proves that socialism doesn’t work and that capitalism represents the pinnacle of human development. Social-democracy basically was in the capitalist camp, and has come to the same conclusion that socialism is impossible.

That leaves the ideas developed by a minority in the workers movement, those groups that originated in the Left Opposition in the USSR and in the Communist International, led by Leon Trotsky. These groups were expelled in the late 1920s. In this milieu there developed, especially after the Stalin-Hitler pact in 1940, three opposing theories of the USSR that led to sharply counterposed political positions.

One view was that the USSR was a form of state capitalism. In recent decades, probably the most important group holding this position internationally was the British Socialist Workers Party and its allied grouplets in other countries, led by Tony Cliff.

Another theory was that Stalin’s USSR was a new form of class society unforeseen by Marx and his followers, which its proponents called “bureaucratic collectivism”. In this view, the bureaucracy was a new ruling class, which exploited the labouring people, the wage workers and the peasants, in a new way. Those who held this viewpoint were strongest in the United States and, from the 1940s, were represented by the organisation led by Max Shachtman, which took various names before it dissolved into the Socialist Party–Social Democratic Federation in the 1950s and rapidly moved to the right. Many who held this view came to the conclusion that capitalism had to be supported as the lesser evil to bureaucratic collectivism — this underlay the support Shachtman and his supporters gave to Washington in the Vietnam War. A left split from Shachtman, led by Hal Draper, was perhaps the most important tribune for the theory of “bureaucratic collectivism” from the 1960s through the present. Today it is represented by one section of the US socialist organisation Solidarity.

The third theory was Leon Trotsky’s; the other two theories were developed in opposition to Trotsky’s theory. This view held that the USSR from Stalin’s time on was a highly contradictory society. On the one hand, it preserved in a distorted form the main social conquests of the 1917 Russian Revolution, including the nationalised and planned economy, the state control of foreign trade, and a currency independent of the capitalist currency market. On the other, the bureaucracy in the government, the Communist Party and the management of industry had taken all political rights from the workers and peasants. The USSR was a “bureaucratically degenerated workers’ state”. That is, the Soviet Union remained a dictatorship of the proletariat — a regime between capitalism and socialism.
What proponents of these three theories had in common — at least those who remained partisans of the Russian Revolution — was that Stalinism represented a counter-revolution to 1917. The Stalinist terror against the best communists and advanced workers, and against the whole working class and peasantry, in which millions lost their lives, had the function of politically atomising the toiling classes and consolidating the totalitarian rule of an economically privileged bureaucracy. In the process, the Communist (Bolshevik) Party was smashed and replaced with a bureaucratic apparatus. The soviets were similarly transformed. All three tendencies called for a revolutionary struggle to overthrow the rule of the bureaucracy and re-establish proletarian democracy to keep the bureaucracy in check and once again embark on the road to socialism.

The sharpest conflicts between these tendencies occurred around the question of defending the USSR against imperialism. The second world war posed the issue in an acute manner when German imperialism invaded the Soviet Union. The followers of Trotsky came out unequivocally for the defence of the USSR. Proponents of the other two theories took a “plague on both your houses” position. They believed that there was nothing left to defend in the USSR. Similar differences were expressed following the second world war in relation to Korea, Eastern Europe, China, Vietnam and Cuba, and also in relation to the Cold War itself.

Cuba is in a separate category in my opinion. The proponents of both the state capitalism and bureaucratic collectivism viewpoints generally believe that Cuba is one or the other, and believe that the Cuban regime should be overthrown. I do not think that Cuba is Stalinist. I think Cuba is a workers state with bureaucratic deformations (as Lenin said of the USSR when he was its central leader), and that its leadership around Castro is revolutionary socialist and should be supported.

Another difference was that those who held either of the first two theories thought that the USSR was imperialist.

One of Trotsky’s main criticisms of the Stalinists was their abandonment of the perspective of world revolution, in favour of seeking an agreement with imperialism that would leave the Soviet Union alone in return for Kremlin support for capitalism elsewhere through its control over the communist parties. In the 1930s Stalin’s line against socialist revolution led to defeat in the Spanish Civil War and in the French general strike. While socialist revolution was not on the agenda in the United States as it was in Spain and France, Stalin’s line for the US after 1935 was to help corral the new labour radicalisation into the Democratic Party. Basically the same policy was followed after the war right up to the collapse.

In the aftermath of the second world war, with the development of Stalinist regimes
in Eastern Europe and in China, North Korea and Vietnam, proponents of the state capitalist and bureaucratic collectivist theories dropped Trotsky’s criticism of the Stalinists’ essentially conservative line on world revolution, and began to see the USSR as the centre of the expansion of bureaucratic collectivism or state capitalism into a new evil empire.

Those who supported Trotsky’s views defended these extensions of the revolution, even in their distorted form. The overturns in Eastern Europe were seen as a defensive move by Stalin to set up a buffer between the European imperialist countries and the USSR, in response to the launching of the Cold War by the West. The “cold” war at any point could have turned into an invasion of the USSR, and this outcome was prevented only by the “balance of terror” once the USSR developed atomic weapons and built its armed forces into a formidable counter to NATO.

The overturns in China and Vietnam were seen differently by those who held this viewpoint. These occurred through real mass revolutions, at the head of which were parties trained in the Stalinist tradition, but which decided to lead the mass revolutionary struggle to power in opposition to Stalinist conceptions. The mass uprisings played a key role in these decisions, and resulted in regimes that had different dynamics than those in Eastern Europe.

All these differences were thoroughly documented and debated in the decades before the collapse of the Soviet bloc. The purpose of this article is not to rehash those debates, but to take a fresh look at these three theories in the light of the collapse. Those interested in learning about those debates can consult the literature.

A striking feature of the attempt to restore capitalism (or go back to “ordinary” capitalism for those who hold the state capitalist view) in the republics of the former USSR and Eastern Europe is the way in which privatisation of the nationalised industries has occurred. Key to this has been the scarcity of capital, noted by virtually all commentators.

In an important article, “The Necessity of Gangster Capitalism: Primitive Accumulation in Russia and China”, Monthly Review, February 2000, authors Holmstrom and Smith point out, “The nomenklatura collectively monopolised control of the means of production [in the USSR] but they did not own them privately. The [new capitalist] class had to be created.” Referring to Jeffery Sachs, one of the Harvard economists who advised the Russians to embark on wholesale and rapid privatisation after the collapse, they write:

Sachs’s protocols for the transition contain no discussions of robber barons or gangster capitalists. Fetishising an abstract ahistoric model, Sachs imagined that once prices were freed, once private enterprise was legally permitted, “capitalists” would somehow
appear, stride forth, and take command of the economy. But where were those capitalists to come from? In 1990, no one in Eastern Europe or Russia had significant monetary wealth or private property in the means of production. There was no bourgeoisie — not even a pre-revolutionary bourgeoisie to give the economy back to. As the joke went in Poland, "What were they to do — give the Lenin shipyards back to the Lenin family?"

So no one had the means to buy the factories, the mines, the forests, or to hire labour.

Further, Holmstrom and Smith point out, capitalists … had to be created. Individuals had to take possession, privatise property, factories, mines, wells, and forests. But since no one had the money to buy these state properties from the government, there was no feasible way this could be done legally, legitimately, or morally … This class had to be hothoused, virtually overnight. And it was. In the end, a combination of elements of underground mafiosa, the nomenklatura, especially the top management of certain industries, and segments of the intelligentsia — these people were essentially drafted to privatise the economy criminally.

In other words, there weren’t enough owners of sufficient capital to be able to buy up the formerly nationalised industries. What does this mean for the theory that these countries were state capitalist? If the words “state capitalist” mean anything, it is that in the USSR capital accumulation should have been taking place as in every other form of capitalism. Since this capital accumulation had been going on for decades, presumably, quite a mass of capital should have been generated, and it should have been in the hands of real people. Since in the theory of state capitalism the bureaucracy collectively exploited the working people on a capitalist basis, at least a section of the bureaucracy should have amassed enough capital to buy up the nationalised industries. But it turns out that that was not true. The bureaucrats clearly were not capitalists of any variety, because they didn’t accumulate capital on the scale that would have happened if the society functioned on the basis of capitalist accumulation. They are scrambling to become capitalists in the new situation — to become something they were not before. And they are trying to do it without sufficient capital beforehand, hence the theft. The theory of state capitalism collapses in the face of this reality.

The theory that the USSR was bureaucratic collectivism held that the bureaucracy had become a ruling class of a new type. It exploited the workers and peasants, but in a new way, not seen before. It wasn’t capitalist and the society didn’t function on the basis of capitalist accumulation.

According to proponents of the bureaucratic collectivist theory, Marx and his followers were wrong in thinking that the choice before humanity was capitalism (which would degenerate into barbarism if it were not overthrown) or socialism. The
history of the Soviet Union and similar societies, they felt, showed that a third outcome was possible, and that this new society had some very unappealing features, such as a bureaucratic totalitarian dictatorship.

How does this theory stack up against the historical reality of the collapse of the USSR?

This theory suffers from the same problem that the theory of state capitalism does, for even though it held that the bureaucracy did not exploit the working people on a capitalist basis, it did exploit them. Why then isn’t there the “bureaucratic collectivist” wealth on a scale large enough to be turned into capital to privatise the economy?

The main feature of the collapse of the USSR has been the turn of the ruling bureaucracy toward capitalist restoration. That is, they are trying to abolish the system they grew up under (the first Soviet bureaucrats are all dead), the very system under which these bureaucrats garnered their privileges. Isn’t this one of the more curious developments in history?

If the bureaucracy were a ruling class of a new type, which arose on the basis of the overthrow of capitalism, its obvious desire to transform itself into a new capitalist class would be very odd indeed.

Even if we assume that the bureaucratic collectivist theory was correct for the USSR, the collapse of this system, and the desire of its ruling class of a new type to become a capitalist ruling class, demonstrates that this system was not historically viable, and its ruling class itself has come to this conclusion. The ruling class of a new type no longer wants to exist!

The time from the rise to power of Stalinism in the USSR to its fall was some six decades or so. That is not long from a historical perspective. So the “third way”, even if it existed for a brief time, was never a viable new form of society. Historically speaking, the collapse of the USSR proves that there is no basic third alternative to capitalism or socialism.

Marx was right.

Holmstrom and Smith argue that Russia has had to go through a stage of primitive accumulation of capital, similar to that at the rise of capitalism, in order to restore that system. They also point to the necessity for the other class that must come into existence for capitalism to function, the propertyless proletarians. In the USSR, they write:

Russian workers certainly did not own the means of production, but they did, and many still do, in a real sense “own” their jobs. They had long-established rights to housing, state-provided medical care, childcare and numerous subsidies from the state.
These social property rights are being destroyed in the process of transition to a “normal” market economy. Divested, “freed” from control, possession, or ownership of means of production, the majority of people of the former Soviet Union are forced to come to the market with, in Marx’s words, “nothing to sell but their skins”.

In other words, labour power has become, or is becoming, once again a mere commodity in the newly created market. The results of the transition, Holmstrom and Smith point out, have been “an unmitigated disaster. In the first year of the reform, industrial output collapsed by 26%”. This was far worse than the few percentage points drop in the last years of the USSR.

Between 1992 and 1995, Russia’s GDP fell 42% and industrial production fell 46 percent — far worse than the contraction of the US economy during the Great Depression … Since 1989, the Russian economy has halved in size, and continues to drop. Real incomes have plummeted 40 percent since 1991; 80 percent of Russians have no savings. The Russian government, bankrupted by the collapse of economic activity, stopped paying the salaries of millions of employees and dependents. Unemployment soared, particularly among women. By the mid to late nineties, more than 44 million of Russia’s 148 million people were living in poverty (defined as living on less than 32 dollars a month); three-quarters of the population live on less than 100 dollars per month.6

They go on to list the drop in life expectancy, the rise in suicides and alcoholism, increased abandonment of children and similar social indicators.

Clearly, the transition to capitalism has been a human catastrophe from the point of view of the workers. How do the supporters of the state capitalism and bureaucratic collectivism theories explain this? Was state capitalism or bureaucratic collectivism superior in some aspects to capitalism? What were those aspects? Weren’t things like job security, pensions, free health care, subsidised housing and free education, based upon the nationalised and planned economy and other social conquests of the revolution which weren’t eliminated until the headlong drive toward capitalist restoration — the very things those who held to Trotsky’s theory thought were worth defending?

Let’s turn now to Trotsky. In 1938 he summed up the prospects for the USSR: The Soviet Revolution emerged from the October revolution as a workers’ state. State ownership of the means of production, a necessary prerequisite to socialist development, opened up the possibility of rapid growth of the productive forces. But the apparatus of the workers’ state underwent a complete degeneration at the same time: it was transformed from a weapon of the working class into a weapon of bureaucratic violence against the working class and more and more a weapon for the sabotage of the country’s
economy. The bureaucratisation of a backward and isolated workers’ state and the transformation of the bureaucracy into an all-powerful privileged caste constitute the most convincing refutation — not only theoretically but this time practically — of the theory of socialism in one country.

The USSR thus embodies terrific contradictions. But it still remains a degenerated workers’ state. Such is the social diagnosis. The political prognosis has an alternative character: either the bureaucracy, becoming ever more the organ of the world bourgeoisie in the workers’ state, will overthrow the new forms of property and plunge the country back into capitalism; or the working class will crush the bureaucracy and open the way to socialism.

Isn’t the first alternative exactly what is happening? Sections of the bureaucracy began to be attracted to the West. The more privileged layers of intellectuals — scientists, engineers, artists and so forth — looked with longing at their counterparts in the advanced capitalist countries, who had more freedom and better lives than they did. The same was true among managers in the state enterprises. The official state ideology that the USSR was a classless society, without a privileged bureaucracy, was so at variance with the bureaucratic reality that the privileged themselves became cynical. They no longer believed in socialism, even as a far-off goal. We need only reflect that Yeltsin was a member of the Political Bureau of the Communist Party of the Soviet Union to see what an anti-communist outfit it really was.

But most of these things had been true for some time, decades in fact. What happened to finally lead the bureaucracy to take the plunge toward the restoration of capitalism? I think that to answer this question it would be useful to look at some of the shortcomings among those who supported the theory of the bureaucratically degenerated workers’ state.

The horrors of the Nazi invasion in the second world war were countered by a great mobilisation of the Soviet people. Through immense sacrifice (some 20 million dead) they stopped and then smashed the German war machine. Following the war, another great mobilisation of the Soviet people occurred in the rebuilding of the country. The inherent power of the planned economy in furthering both these achievements was clear and understood by the Soviet masses.

In the postwar period, the isolation of the USSR was partially broken. The revolution was extended into the countries occupied by Soviet troops in Eastern Europe, although in a very bureaucratic and controlled way, in reaction to the West’s unleashing of the Cold War. The Chinese Revolution was a massive breakthrough. The upsurge in the colonial world as a whole brought new nations into at least friendship with the USSR and its bloc. While there were no breakthroughs of the revolution in the imperialist
West, which would ultimately be decisive in the collapse, it appeared to many that history was on the side of the USSR.

The leadership of the US Socialist Workers Party and of the United Secretariat of the Fourth International came to the conclusion that the alternatives proposed by Trotsky in 1938 had been bypassed. I was a part of those leaderships and thought so too. While this view was not explicitly written down, our documents just dropped the alternative possibility of capitalist restoration. We thought that the working class had grown strong enough, and socialist consciousness was deep enough, that the bureaucracy couldn’t possibly overthrow the nationalised and planned economy. The achievements of the planned economy were impressive. In spite of its backwardness, the Soviet Union had been able to develop a powerful military that held imperialism in check. The USSR had the atom bomb. Science in the Soviet bloc took big strides forward, as did basic education and the arts. China and North Korea had fought Washington to a stalemate in the Korean War. We thought that the working class had grown strong enough, and socialist consciousness was deep enough, that the bureaucracy couldn’t possibly overthrow the nationalised and planned economy.

We of course knew that the planned economy was warped by the fact that it was the bureaucracy that did the planning, and could not reach its full potential without the input of the workers, which was impossible without workers’ democracy. But we failed to give sufficient weight to something that Trotsky had pointed out: that bureaucratic planning could have successes, even some big successes, as long as it was copying techniques of mass production developed in the West. “It is possible to build gigantic factories according to a ready-made Western pattern by bureaucratic command — although, to be sure, at triple the normal cost”, he wrote in 1936.

But the farther you go, the more the economy runs into the problem of quality, which slips out of the hands of a bureaucracy like a shadow. The Soviet products are as though branded with the gray label of indifference. Under a nationalised economy, quality demands a democracy of producers and consumers, freedom of criticism and initiative — conditions incompatible with a totalitarian regime of fear, lies and flattery … Soviet democracy is not the demand of an abstract policy, still less an abstract moral. It has become a life-and-death need of the country. 8

The result of the lack of socialist democracy was that by the 1970s, the Soviet economy stagnated, and then actually contracted a bit, for the first time since the second world war. More far-sighted people in the bureaucracy began to see that more openness and transparency in society and in economic planning were necessary. Among the masses, especially in Eastern Europe but also in the USSR, there were movements toward more democracy. The successes in the USSR and in Eastern Europe in the field
of education and industrialisation meant that working people and the middle layers were far above the cultural level of the masses of the USSR when Stalin consolidated the power of the bureaucracy in the late 1920s. This process culminated in Gorbachev’s campaign for glasnost and perestroika.

Gorbachev’s proposals went in the direction of introducing gradually aspects of bourgeois democracy, not workers’ democracy. That is, his proposals didn’t go in the direction of empowering the workers and peasants to democratically run their enterprises, or to reviving the soviets as real workers and peasants committees to democratically run the government and the economic plan.

Undoubtedly, Gorbachev’s campaign was welcomed not only by the more far-seeing sections of the bureaucracy, but by the Soviet masses as well, who wanted to break out of the stifling bureaucratic straitjacket and achieve more democratic rights and democratic functioning of the government. These aspirations were progressive and had to be supported.

Under Gorbachev, central control over economic administration was dismantled, but it was not replaced by popular control from below. The result was that the centre became powerless. It turned out that the relaxation of the bureaucracy’s totalitarian control over political debate, information and activity led to calling into question the power and privileges of the bureaucracy itself. The Gorbachev reforms failed. The only way to preserve the bureaucracy’s privileged access to consumer goods and services, in the face of the disintegrating “command” system, was to “go legit” and link those privileges to private property.

Another centrifugal force was national oppression in the Soviet Union. One of the features of the Stalinist counter-revolution was the reversal of the Bolshevik position supporting national self-determination for the oppressed nationalities under tsarism. Lenin’s last fight against Stalin revolved around this question. Stalin reintroduced Great Russian chauvinism and national oppression. As the totalitarian grip was relaxed under Gorbachev, the USSR’s long oppressed national minorities began to demand their rights, which led to the plans to hold a referendum on the continued existence of the Soviet Union itself. These plans led to the abortive coup attempt against Gorbachev, the mass resistance to it, the collapse of the USSR and Yeltsin’s initial popularity, which he utilised to begin the transformation to capitalism.

How could the bureaucracy embark on this road without unleashing a civil war? When Trotsky outlined the two possible political outcomes for the USSR in 1938, he thought that either course would entail a violent struggle. In 1938 this was undoubtedly true. Among the workers were still the generation of 1917. The great majority of the population believed in socialism, even though they chafed under the yoke of the
Stalinist dictatorship.

It is clear now that the consciousness of the Soviet working class in 1989 was not as it was in 1938 in spite of the Stalinist terror. After 40 more years of stultifying bureaucratic rule, socialist consciousness had ebbed, especially in the context of the economic difficulties the Soviet Union was facing. Moreover, there was no political party that stood for the rebirth of the Soviet Union on the basis of Leninism, unlike in 1938, when there were still tens of thousands of Bolshevik-Leninists alive, even if they were in prison. The living link of cadre going back to the revolution had been lost. The workers were politically leaderless.

Thus the counter-revolution, begun back in the 1920s when the bureaucracy usurped power, reached its culmination in the bureaucracy’s project to restore capitalism, and this happened without a civil war.

But the process has not been without resistance by the workers. There have been regional and local strikes and demonstrations, some that have resisted police violence. There are indications that worker resistance is becoming more organised, but it has yet to take on a nationwide character.

I have left out the parallel and intertwined developments that were occurring at the same time in the countries of Eastern Europe. For a more complete picture, they should be included. But here I want to note only certain aspects of the history of Eastern Europe after the second world war.

With the exception of Yugoslavia, the social transformations in these countries were carried out under conditions of occupation by the Soviet army. To be sure, workers were mobilised to support the overthrow of capitalism, but in a tightly controlled way. Stalin so feared that things might get out of hand (as later happened with regard to China) that he arrested and shot his loyal followers who were at the heads of the local Communist parties. So in addition to the imposition upon these countries of Stalinist regimes along with the social transformation, these regimes were very weak, and depended on Soviet troops, who were seen as foreign occupiers. This was one of the reasons there were real attempts to break out of the Stalinist straitjacket in Eastern Europe and not in the Soviet Union in the postwar years.

The first of these was the 1953 worker uprising in East Germany. It was suppressed by Soviet troops, but forced some economic concessions from the Kremlin. In Poland in 1956 and in 1970, there were powerful mass movements for socialist democracy that the bureaucracy was able to coopt over time with the threat of Soviet troops in the background.

The Hungarian Revolution of 1956 succeeded in toppling the bureaucratic regime. The army went over to the side of the workers, and the secret police was smashed. A
government led by the liberal Communist Imre Nagy came into power, which included old time socialists. This was only a decade after the end of the second world war. Hungarians remembered vividly the Nazi occupation and that particularly horrible form of capitalist rule. The new government pledged to preserve the social gains of the workers’ state, but to introduce democracy. Soviets (councils) of workers, soldiers and peasants appeared. If this development had been allowed to continue and a democratic workers’ state had been established, this would have had a profound impact on the rest of Eastern Europe and the Soviet Union itself. The Kremlin felt mortally threatened, and moved to crush the uprising with tanks.

Similarly, when the “Prague spring” erupted in Czechoslovakia in 1968, under the slogan of “Socialism with a human face!” the USSR again invaded.

I think the last effort to democratise one of the workers’ states on a socialist basis in Eastern Europe was the upsurge of the Solidarity trade union in Poland. Solidarity’s 1980 program, adopted after long debates in the workplaces, would have led to a working-class and egalitarian government on the basis of retention of the nationalised and planned economy. The imposition of martial law to suppress Solidarity, with the threat of a Soviet invasion in the background, seems to have been the last straw to break the back of hope for socialist renewal in Eastern Europe. Solidarity itself split and disintegrated, and what later emerged as “Solidarity” had lost the spirit and content of the 1980 program.

When the mass movements for democracy erupted in Eastern Europe at the end of the 1980s, pro-capitalist elements were able to take the leadership. While these mass movements for democracy were progressive and had to be supported by Marxists, they were unable to move toward socialist democracy.

In both the former Soviet Union and Eastern Europe, nationalism and racism have flared, including into wars. At bottom, the failure of these bureaucratised workers states to solve the many national questions throughout the region, and their perpetuation of national oppression, is at fault. To this we must add the Stalinist turn away from internationalism, with a resultant increase in xenophobia and outright racism. Black socialists from the US who travelled to Eastern Europe in the 1980s reported they felt the racism. The turn to capitalism, with its attendant negative impact on the welfare of the workers, rising unemployment and so forth, is creating new fertile ground for racism, and it has exploded far beyond what it was before the collapse.

We have also seen sharp blows dealt to women since the turn toward capitalism. The Stalin counter-revolution also reversed Bolshevik policy in this field. While the Bolsheviks weren’t able to realise their program of the gradual socialisation of domestic
labour due to the poverty and devastation of the country, the Stalinists once again placed the burden of such labour on the backs of women in fact and in theory, in their program. But still there were gains in health care, care of the aged, education and employment for women in these bureaucratised workers’ states. The turn towards capitalism has caused unemployment among women to soar, prostitution to become rampant and sexist ideology to flourish.

The transition to capitalism in Eastern Europe has not been as catastrophic as in Russia, but it too has been marked by great losses for the working class. Workers in both the republics of the former USSR and Eastern Europe remember the social conquests they used to take for granted. They will resist more and more what the transition to capitalism is bringing and will bring down upon them. It is through these struggles that socialist consciousness can once again emerge, and new revolutionary socialist parties built. The workers of the former USSR and Eastern Europe know they do not want to go back to Stalinism. They are learning and will learn that capitalism is not the answer.
Tony Cliff based his theory, that the USSR and countries with analogous socio-economic structures are “state-capitalist” on a set of hypotheses which are taken as axiomatic. We shall outline six of them:

1. Soviet society and the societies of Western Europe, of the United States and of Japan are all qualitatively the same since they are all capitalist.
2. In the USSR a new ruling class exists which is not based on private property, but which can nevertheless be characterised as capitalist.
3. The Soviet economy is fundamentally ruled by the law of value, “operating via the world market”, even though internal competition has been eliminated.
4. Just like Western and Japanese capitalists, the Russian ruling class is basically, driven by the need to accumulate: “production for the sake of production”.
5. Crises of overproduction are absent because “organised capitalism” allows them to be avoided in the USSR.¹
6. Furthermore, general crises of overproduction do not exist in the imperialist countries either, in view of the tendency towards “organised capitalism” and the importance of the armaments sector in their economies.

Events over the last 15 years have inflicted one cruel blow after the other on these dogmatic assertions.² The generalised recessions of the world capitalist economy in 1974-75 and 1980-82 were truly classic crises of overproduction, the mitigating effects of inflation notwithstanding. In scale they exceeded, rather than being below, the average capitalist crisis of overproduction of the last century and a half. What then

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¹ This article first appeared in issue 49 (1990) of International Socialism, the quarterly journal of the state-capitalist British Socialist Workers Party. Ernest Mandel (1923-95) was a prominent post-war leader of the Fourth International and a world-renowned Marxist economist.
remains of the myth of “organised capitalism” and Hilferding’s Generalkartell? Nothing similar has taken place in the USSR. If there is a crisis in that country it is one of underproduction of use values (of scarcity) and not one of overproduction of exchange values (of commodities). To claim that the first is only a variant of the second is a gross fallacy. An empty shop is not “a variant” of a shop stuffed full of unsellable goods.

A process of restoration of capitalism is under way in several East European countries. In at least one country, the GDR, that process is, almost complete. Literally no one in these countries, or in the world, denies the evidence. This presents the followers of the theory of state capitalism with an insoluble problem: how is it possible under capitalism to restore capitalism?

They try to get out of this difficulty by claiming that “private capitalism” is different from “state capitalism”. But that only pushes the problem one stage further back: either the difference between “state” and “private” capitalism is a qualitative one in which case, why use the same concept to cover both? Or the difference is purely quantitative. In which case, the whole initial problem re-emerges more strongly. Can one seriously argue that there was only a quantitative difference between the GDR and the Federal Republic? Does the Federal Republic’s anschluss change nothing basic in the GDR’s actual socio-economic system? Are the societies of North and South Korea qualitatively the same?

To reduce the nature of capitalism simply to the wish to accumulate (“production for the sake of production”) is to dismiss much of Volumes 1 and 3 of Capital and the whole of Volume 2. Capitalist production is generalised commodity production. Every commodity contains within itself a contradiction between use value and exchange value, as well as a contradiction between commodity and money. An “organised capitalism” that overcame these contradictions would no longer be capitalism, at least not in the sense analysed and defined by Marx.

Capital exists and can only exist with money capital as its starting point. Capital is value looking to increase in value, to surplus value. Of necessity it must eventually recover its initial money form, despite the fact that while engaged in the production process it no longer has that form. Without money there can be no capital accumulation.

These are not esoteric abstractions. We are at the heart of the matter. It is of no use for a capitalist just to make the workers he exploits produce the maximum of surplus value. He cannot transform a car pound or warehouses full of colour televisions into additional machines or steel, or into wages for extra workers, or into private jets for his own consumption. He cannot accumulate capital simply by producing surplus value. He must realise that surplus value through the sale of the commodities that
have been produced in order to accumulate capital. As Marx says, the process of (expanded) reproduction, that is to say, the process of accumulation, is the unity of both the process of production and the process of realisation of surplus value. These two never coincide automatically. Without the process of realisation no accumulation is possible. What makes periodic crises of overproduction inevitable is the inevitable contradiction between the two poles of this unity. Moreover, the same contradiction activates a series of mechanisms typical of the capitalist economy. These were carefully analysed by Marx and can be called ‘the laws of motion’ of the capitalist economy.

To know whether a society is basically capitalist or not we have therefore to ask the question (and back it up factually): are the laws of capitalist motion in evidence?

Just to point to the extraction of surplus labour from the direct producers is insufficient. At night all cats are grey. For thousands of years since primitive communism surplus labour has always been extracted from the direct producers, and this will continue until we reach the future classless socialist society. But that does not make all these societies capitalist. Marx says that in the last analysis the nature of each society (except classless society) is determined by the specific form in which surplus labour is extracted (Marx-Engels Works, Vol. 27, p. 799). And under capitalism that takes the specific form of the transformation of labour power into a commodity, of its sale to capitalists for money, of capitalists buying the means of production for money, of the appropriation by these same capitalists of the products of wage labour, and of the sale of these commodities in order to make roughly the average profit. Without all these specific mechanisms, capitalism does not exist for Marx, at least not as a dominant mode of production.

Our interpretation of the present day capitalist economy and of present day Soviet economy allows the inner coherence of Marxist theory to be preserved. Cliff’s theory destroys any type of coherence unless essential elements of Marxist theory are jettisoned. So whatever advantage it claims in explaining the USSR is lost when it comes to explaining present day capitalism.

The idea of the bureaucracy as a ruling class really has to be taken with a smile after what has happened in Hungary, Poland and the GDR (to quote only those examples). Has any ruling class in history ever been seen to literally tiptoe away from the stage of society, as a significant section of the nomenklatura in those countries is now doing?

According to chapter one of Volume 1 of Capital, a commodity is only a commodity because it is the product of private acts of labour performed independently one from the other. To present the Soviet economy in terms of a capitalist economy therefore implies that industrial labour there consists of “private acts of labour performed independently one from the other”; an absurd description if ever there was one.
To say that an act of labour is private means that no capitalist (firm) knows whether the labour costs expended (both living and dead) will be recognised as socially necessary costs, that is to say, whether they will be paid for by society. It is only after the sale of the commodities that the capitalist learns whether he has gained or lost. If the labour expended has been socially necessary, he obtains an average profit. If social labour has been wasted, he gets less than the average profit or goes bankrupt.

At the first sign of sale at a loss or of below average profits, he attempts to change the way in which production is organised. He will try to improve the technology, to use better machines, to save on raw materials and energy, to extract more surplus labour from his workforce, to spread his investments, to get access to cheaper credit, and so on.

The organisation of labour depends in the first place on the private decisions of the factory owner, which is then corrected by competition, by the market. He has to submit to these corrections or face extinction. Under capitalism there is only one overall measure of performance — realised profit. The more productivity is raised, and the lower the costs of production, the greater the likelihood that his profit will outstrip that of his competitors. But there is nothing automatic about this. It is the post-sale profits that determine everything. The capitalist economy is an economy based on profit, and profit can only be realised and measured in the form of money.

This is where the famous “law of value” enters into play. It determines the social nature of labour through commodities exchanging at equivalent values and so operates under capitalism as the tendency to create an average rate of profit. Capitals move out of enterprises and sectors of below average profit into those of above average profit. Thus, as Harman himself emphasises, the essential function of the law of value under capitalism is to ensure that productive resources are allocated through objective mechanisms, these being imposed on enterprises and capitalists, as well as on workers, behind their backs and independently of their will and decisions.

However, the law of value only rules any economy in so far as it is one of generalised commodity production, that is, one in which labour is basically private labour. In pre-capitalist societies this is not the case. Here the law of value is not determinant, even if it has already begun to influence economic decisions. A French peasant of the 11th century, a Russian peasant of the 18th century, or a Peruvian peasant of the first half of the 20th century, does not alter his decisions to sow or reap in line with the price of wheat rising or falling, for the simple reason that 95% of his production is not for the market. In these societies the bulk of productive resources are directly allocated to different sectors by those who control the means of production. Direct, a priori allocation is the opposite of a posteriori allocation brought about through the law of
value. This difference between two methods of resource allocation marks the opposition between planning and the market.

In the USSR the essential investments are not decided via the law of value. They are decided by the bureaucracy, mostly at state level. It is a planned economy (that implies no value judgement: an economy can be planned in an irrational, even senseless manner) as far as direct allocation of resources is concerned. For 70 years, “loss”-making enterprises requiring large subsidies have received a preferential allocation of productive resources. These have been systematically diverted from “more profitable” enterprises or sectors. Such phenomena are unthinkable under capitalism and the rule of the law of value. But if the law of value does not rule “directly” in the USSR, does it do so “indirectly” through the intermediary of the world market?

Dogmatically, as if it were a revealed truth, Cliff and Harman claim this to be the case. They cannot prove it. Any rule of the law of value “through the intermediary of the world market” has to operate via trade, like anything to do with capitalism. Enterprises that fail to compete with imported goods are doomed to go under. At least two-thirds, if not more, of Soviet enterprises do not compete with imperialist enterprises. If they were subject to the law of value operating “through the intermediary of the world market”, they would be forced to close (like Mexican steelworks or British coal mines). There is therefore no “rule of the law of value” in the USSR “through the intermediary of the world market”.

**A hybrid economy**

However, even though the functioning of the Soviet economy is not dominated by the law of value, it cannot abstract itself from its influence. While it is not a capitalist economy, that is, an economy based on generalised commodity production, neither is it a socialist economy geared to the direct satisfaction of human need, an economy in which labour possesses an immediately social character. It is a post capitalist economy with elements of the market. Partial survival of commodity production is combined with the partial rule of the direct allocation of productive resources.

This combination is hybrid and contradictory. It implies that the fate of the USSR as a transitional society between capitalism and socialism, “frozen” at its present stage by the bureaucratic dictatorship, has not yet been settled historically. A social counter-revolution can pull the USSR back towards capitalism. A victorious anti-bureaucratic political revolution can push it in the direction of socialism (no more than that: socialism in one country is impossible no matter how pure, democratic, revolutionary or internationalist a government based on workers’ power may be).

Comrades from the Socialist Workers Party in Britain (SWP) find this notion of
hybrid combination, the perpetuation of which lacks all certainty, this “transition between two progressive modes of production” (to quote Marx’s celebrated formula), difficult to accept and understand. They are quite wrong. We are talking here of a phenomenon that has occurred in practically every epoch when a given mode of production has entered its historical period of decline and decay.

To give just one example — between the decline of the feudal mode of production and the triumph of capitalism a transitional epoch intervened in which petty commodity production dominated, stretching over several centuries. Petty commodity production has its own characteristics which are neither those of feudalism (serfdom) nor of capitalism (wage labour). The predominant form of labour is the free labour of small proprietors or semi-proprietors, owning their own means of production.

We are not talking here of a new mode of production able to perpetuate itself automatically. Petty commodity production is capable of regression towards feudalism, which is what happened in a large area of central and eastern Europe from the 16th century onwards, the period of the “second serfdom”. It is also capable of moving towards capitalism, that is towards the predominance of wage labour, which is what happened in the Netherlands and in England from the 17th and 18th centuries onwards. But in both cases the small independent producers disappeared only little by little.

The same rule can be applied more or less to the period of transition between capitalism and socialism. Either what remains of commodity production will finally eliminate most of the direct appropriation and allocation of the social surplus product — in which case, capitalism will be restored. Or society will throw off the deadweight of the bureaucracy and ensure that the direct appropriation and allocation of major resources for the satisfaction of needs as democratically decided by the masses will predominate — in which case, the unavoidable survival of some market mechanisms will no longer be able to put a brake on genuine progress towards socialism. But in both cases, what is specific about today’s hybrid Soviet situation will have largely disappeared.

Once again, it is not a question of some abstract theoretical schema. Our understanding of the principal causes of the specific economic crisis characteristic of the USSR is rooted in reality. Current mystification notwithstanding, what the Soviet economy suffers from is at one and the same time too little central planning (democratic planning, let it be understood, not bureaucratic planning) and too little of the market (in all those areas where as a result of the inadequate objective socialisation of labour direct allocation of resources does not operate and the market is required to break up monopolies).4

The despotic nature of planning from the First Five Year Plan onwards meant that
it was marked by colossal disproportions, the cumulative effect of which in the end undermined even the very targets set by the bureaucracy. The market or pseudo-market mechanisms used have always lacked a proper foundation largely because there is no unified pricing system and no stable currency. The double pricing system is an accurate reflection of the hybrid dualism of the Soviet economy.5

Comrade Cliff’s analysis makes much of the importance of the world market for the Soviet economy. But the world market is not some disembodied Holy Ghost hovering above the clouds in order to create the world, as the Bible boldly tells us. One of the essential contributions that Marx and Marxism have brought to the social sciences is the categorical rejection of any kind of reification of economic categories. One of the essential gains of historical materialism is to discover behind these categories relations between social groups (social classes and major class fractions). The connections between them and the way they struggle for their interests strips bare the secret of economic categories, including that of the world market.

In this respect, the theory put forward by Trotsky and the Fourth International, that the fate of the USSR and so of its economy has not yet been definitely settled, is based on a precise understanding of international class struggle in the 20th century. Cliff’s theory largely empties the interconnection between international class struggle and what has happened in the USSR of its significance.

Trotsky predicted in 1905-06 that the imperialist chain would first break in Russia because its proletariat was subjectively stronger than the proletariat in Germany and other countries. Objectively, however, the conditions for an advance towards socialism were infinitely worse in Russia than in any of the major industrialised countries in the world. Therefore either the victorious Russian revolution would join up with a victorious revolution in some of these countries, in which case the proletariat would retain political power. Or it would not, in which case the Russian proletariat would lose political power.

But what would be the precise form of the counter-revolution in Russia? Again, that did not depend first and foremost on the forces present in that country alone, but on the relationship of social and political forces at a world level. The imperialist bourgeoisie was strong enough to prevent (or, what amounts to the same thing, the leadership of the proletariat was too weak to ensure) the victory of the revolution in Germany, Austria, Italy, Britain, France and Spain. It was not, however, in a position to crush the world working-class movement. Overall, it was only strong enough to crush the workers’ movement in Germany and Spain with the victory of fascism, but even that was only temporary.

Furthermore, the Russian bourgeoisie had been too weakened, and the
international bourgeoisie was too divided, to make a success of restoring capitalism by
civil war, foreign intervention or the direct pressure of the world market. In part, this
effort was neutralised by the intervention and pressure of the world proletariat. What followed as a result was a relative world equilibrium of class forces. These conditions meant that a political counter-revolution (Thermidor) took place in Russia, but not a social one. The proletariat lost political power but it was not an old or new capitalist class which benefited but, to use Marx’s formula, functionaries who rose from the ranks of the working class itself.

In the long term, this relative equilibrium of class forces cannot last. Either the international working class will make decisive moves forward to socialist revolution in key countries of the world, in which case any restoration of capitalism will become impossible in the USSR. Or the world proletariat will experience crushing defeats, not necessarily in the precise form of the Nazi victory in Germany but with similar consequences, namely the elimination for a long period of its capacity for resistance and collective and organised action. If that happens the restoration of capitalism in the USSR is inevitable. Given this perspective, the role of the Soviet working class itself, its capacity to react, to resist and move onto the counter-offensive, will become more and more important.

Chris Harman criticises us by quoting an extract from an article written in 1956, in which we stated that the Soviet economy grows in a regular rhythm and that this shows its superiority to the capitalist economy. Extracting a single quotation on a topic which an author has written about for more than 40 years is not a serious way to debate. We could quite easily refer to 10 or so passages in which we predicted that the rate of growth in the Soviet economy would fall. One quotation will do:

The disproportion between the development of light industry and that of heavy industry,
which underlies the bureaucratic form of management, has become a deep-going
weakness in the economic system. Its repercussions on the development of heavy
industry itself … are becoming bigger and bigger. So have we changed our mind on this matter? Is there a contradiction in our analysis? Not at all. The quotation and the method used by Harman can be turned against him. If one examines the real growth curve of the Soviet economy from 1928 onwards (excepting the years of Nazi aggression against the USSR 1941-44), it will be seen: (a) that growth really was regular and uninterrupted; (b) that unlike the capitalist economy the USSR has experienced no recession, no crisis of overproduction leading to an absolute fall in production, for more than 60 years; (c) that the rate of growth began to fall 20 years ago; (d) that this fall may become “zero growth”, but that there is no “law” making this inevitable. It so happens, then, that we did predict this fall in the rate
of growth and our analysis of the Soviet economy (and of Soviet society) accounts perfectly for both aspects of the tendency.

Cliff’s explanation, on the other hand, starts from a confusion in analysis and terminology and relies on false statistical data. Under capitalism, the lash of competition and of class struggle leads capitalists to increase the organic composition of capital. In the first instance they replace living by dead labour, i.e., by machines, in order to sell more cheaply on the market. In the second they can raise the rate of surplus value by subjecting workers to the pressure of unemployment. The rise in the organic composition of capital, and the resultant tendency of the rate of profit to fall, are the consequence and not the cause of this behaviour. The cause lies in the nature of the system itself: production for the sake of profit. This takes us back again to money-capital, which is the starting point for the reproduction cycle of capital and its end point.

In other words, without competition between capitalist firms, none of this dynamic would exist, or would only exist on an extremely limited scale. Marx was explicit on the subject. He writes in Volume 3 of Capital that without competition “the fire that keeps production alive” (and a fortiori accumulation) would be extinguished. Let us add that Marx believed that capitalism can only exist in the form of “many capitals”; which in turn inevitably implies competition. Marx was also quite unambiguous about the point that competition involves exchange, that competition is only possible through exchange. So where is the “exchange” between Soviet arms and imperialist goods?

The use of the term “military competition” as equivalent to competition for the realisation of profit arises from a characteristic semantic confusion. In reality, for “military competition” to be capitalist competition, it must operate via the world market. That would mean the USSR being forced to buy arms or the machines necessary for the production of arms from abroad, which would mean that Soviet factories producing these arms or machines would have to close if they worked at too high a cost price. This has clearly not been the case in the USSR for 70 years. Quite the contrary. No arms factory or factory making machines for arms has closed, irrespective of whether costs were known to be higher than those in the USA, Germany or Japan.

All this proves once again that the Soviet economy is not governed by the law of value. And so one cannot speak of “competition” with capitalist countries in the economic Marxist sense of the word when dealing with the arms race.

Do the figures quoted by Harman agree with reality? Not at all. What they reflect is the systematic attempt to camouflage the reality of the Soviet economy which the bureaucracy has carried out since the Stalin era. This has misled both apologists like Maurice Dobb and critics like Bordiga and Cliff. The aim of this mystification is to
disguise the essentially parasitic and wasteful role of bureaucratic management.

The theoretical error which allows this statistical falsification is the reduction of the Soviet economy to a system having two instead of three sectors (Department III includes unproductive consumption and “accumulation”, while Department I consists of means of production and Department II of the means of consumption consumed by the producers, that is to say productive consumption). With a two-sector scheme, productive and unproductive consumption, investment which leads to expanded reproduction and investment which serves no economic purpose in reproduction are carelessly added together and jumbled up.

Here is an example, deliberately chosen from outside armaments production. When a steel mill produces bars of steel which accumulate in warehouses (or, better still, in the open air) and remain there, one cannot speak of “accumulation” in any economic sense of the word. Using the term “capital accumulation” in this connection would make any real capitalist laugh. It is clearly waste production from a social point of view. It is also waste production from the point of view of those who control the economy.

Sheer wastage of products and resources occupies an enormous space in the Soviet economy. Calculation of its size is not easy, but the most critical economists have put forward the figure of between 30 and 40% of available productive resources (including human resources: a third of all paid hours of work result in no real production). Here we have the “secret” of the command economy, of pseudo- or semi-planning in the USSR: it is Department III which is over-expanded, not Department I.

Let us take one concrete example among many. The USSR is the biggest producer of chemical fertiliser in the world. It produces nearly as much as the USA and Western Europe put together. Does this imply over-expansion of Department I (chemical fertiliser, being a raw material, is part of Department I)? Not at all. More than half this production is lost “in transit”. It never reaches the user and so is never incorporated into any force of production or reproduction. A product of labour whose use value is not realised has no exchange value. So asserts Marx for commodity production. To extend this analysis to any society not governed by the law of value, to say it is simply a sheer waste of social resources, is to echo the spirit of his thought still more strongly. Such wastage has nothing to do with any supposed “allocation of productive resources by the law of value” or with any drive to “accumulate capital”.

Back will come the retort, but what about armaments production under capitalism? Isn’t that also waste production of productive resources? Wouldn’t capitalism which incorporates the arms race as a more or less permanent feature be a capitalism which
develops the forces of destruction rather than the forces of production? Our answer to this objection is at several levels.

From the point of view of the individual capitalist firm involved in arms production this is not waste. Such commodities find buyers in so far as these buyers (the state or arms dealers) wish to realise their use value. So they possess an exchange value which creates real profit. Otherwise they wouldn’t be produced under capitalism anyway.

Isn’t what the firm producing arms finds “useful” irrational, even inhuman, from the social point of view? Undoubtedly. But this is absolutely characteristic of capitalism. The contradiction between the partial rationality and the global irrationality of economic activity is developed to the extreme. The same point can be made about drugs, cigarettes, polluting automobiles, chemical fertilisers, nuclear power stations, and so on.

Is arms production “unproductive” from the point of view of the capitalist economy as a whole? That is, doesn’t it fail to increase the mass of surplus value, of profit source and of capital, which is the only definition of “productive” from the point of view of capital as a whole? Not necessarily. When a mass of productive resources lies idle the effect of expanding Department III can be to mobilise these resources and so increase the total mass of surplus value and of profits. That is clearly what happened in the United States from 1940 onwards. It would be absurd to deny that capitalism, and indeed bourgeois American society, was more prosperous in 1944 (not to say in 1950) than in 1933.

Does that mean that capitalism has been transformed into a “waste economy”? Only partially. Besides there is nothing new about this. Marx already stated in the Grundrisse and in Capital that capitalism can only develop the production of material wealth by simultaneously undermining the two sources of all wealth: human productive force and nature.

During the rise of capitalism the “positive” effects of growth outweighed the destructive ones. In its period of decline, from 1914 at least, the opposite has been the case. Yet growth since 1949 (in the USA since 1940) has not been any the less real. The extra amount of foodstuff, textiles, medicines, housing and domestic appliances produced in the last 40 years is genuine and colossal. To label this as “forces of destruction” is absurd, non-materialist and non-Marxist.

Should one conclude from this that it is a matter of indifference, economically speaking, whether society produces means of destruction or means of production? Such a conclusion is not justified either. The iron laws of reproduction continue to operate in a commodity production system of whatever type (including the partial commodity production system of the USSR, as in any country in a period of transition
between capitalism and socialism).

One cannot produce wheat with tear gas, dresses with tanks, or television sets with rockets. The dimensions of Department III are bound to have repercussions on the dimensions of Departments I and II. The utilisation of any productive resource for the manufacture of armaments entails its removal from production of the means of production and of consumption. Production in Department III therefore cannot be developed beyond a certain point without in the end reducing production in the other two departments, thereby strangling expanded reproduction and so the accumulation of capital.

What is true of capitalist society is also true of pre-capitalist society. And in as much as armaments production persists (or other forms of wastage appear on a grand scale) it applies to post-capitalist society as well.

For thousands of years in pre-capitalist societies, wars led to famine and to an absolute decline in production which was temporary or long lasting depending on the period and the circumstances. In the USSR the over-expansion in Department III of armaments production and unproductive expenses in general (above all administrative expenses, i.e. the cost of the bureaucracy) puts a brake on the overall development of material production.

In the end it even chokes off growth, including growth in the arms sector. This is for two reasons: it takes away vital resources for the development of Departments I and II; and it increases the producers’ dissatisfaction with their given level of consumption (even if this rises in a modest way), such that their lack of concern about overall production results becomes ever greater. Under capitalism, this lack of concern is partly neutralised by fear of redundancy and unemployment, something which has played no role in the USSR for more than half a century. Instead, therefore, alongside each producer had to be placed a supervisor, a foreman, a cop. Hence the enormously swollen size of the “petty” bureaucracy, amounting to about 20 million people, it can be reckoned, since Trotsky’s time. Hence also the colossal and permanent growth of unproductive expense: Department III is biting its own tail like the legendary serpent.

This mechanism cannot be “reformed”, as Gorbachev has discovered to his cost. The serpent can only be slain by the spread of strictly public, popular working-class control, and by the spread of genuine working-class management in a multi-party socialist democracy.

A schematic system of thought which only operates in black and red and which is the prisoner of outrageously simplistic abstractions is incapable of handling the categories of “transition”, of “combined and uneven development” and of “contradictory reality”. In other words, such thought is undialectical. This unfortunately is the way in
which Tony Cliff and Chris Harman think, at least when dealing with general problems.

Moreover there is something irrational, even positively irresponsible, in the SWP comrades’ vituperative attacks on accelerated industrialisation in the USSR from 1927 onwards. This is clear to the naked eye for every worker, peasant and Marxist from Third World countries, and for every true internationalist.

Each one of us is against “over-investment”, against “gigantism”, against Stalinist and post-Stalinist “super-industrialisation”, most of which represent a total loss of expenditure in material resources. But we are not against accelerated industrialisation as such in these countries or in Russia, which was the first to opt for it, after the October revolution.

To turn one’s back on this industrialisation would mean not just rejecting the whole short- and medium-term trend in economic policy elaborated by Lenin, Trotsky and the Left Opposition after 1923. Above all it would mean condemning those countries to flounder in barbarism while they wait for the victory of the world revolution. But when would that come about? After five years? After 10 years? After 20 years? After 30 years? Who knows? Must we in the meantime fold our arms and tolerate the intolerable?

When we speak of intolerable barbarism we are not speaking loosely. Underdevelopment kills 16 million children in the Third World each year. How many children would die each year if development took place in these countries on the basis of a democratically run socialised economy? The Generalplan Ost of Nazi-led German imperialism envisaged the extermination of 100 million people in central and Eastern Europe. Was it wrong not to have laid down conditions for successful resistance against this projected monstrous crime, notably by developing a powerful industry in the Urals and beyond? By rejecting a sense of proportion (the difference between necessary accelerated industrialisation and disproportionate, wasteful and destructive super-industrialisation), which breaks with dialectical thinking, the SWP comrades put themselves in an impossible situation with respect to their own objectives.

Let us suppose that one day they succeed in leading the British working class to a seizure of power. What type of society would emerge from this victorious revolution? A socialist society? Have the SWP comrades been suddenly converted to the reactionary utopia of socialism in one country? A state capitalist society because of “the pressure of competition from the world market”? Workers’ power would scarcely be in a position to counter this pressure in Great Britain alone. Would their efforts then have been in vain? A socialist society by virtue of the fact that the British revolution “would immediately spread to the rest of the world”? But if that does not happen, or at least not for some time, wouldn’t Britain then be a transitional society between capitalism
and socialism which all advanced workers and communists/socialists would unite in an effort to protect from the dangers of bureaucratisation, even if they couldn’t eliminate them entirely? What is the point of rejecting today the very concept which one would be forced to apply tomorrow? And wouldn’t the funds for accumulation, productive as well as unproductive, have to be sufficient to meet (at least partially) the requirements to invest in order to satisfy the needs of the masses and to defend them against imperialism?

Wouldn’t reducing this whole complex problematic simply to the question of the “pressure of the world market” result in paralysis, even suicide, for the SWP and for any victorious British revolution? In the imperfect world in which we live it is impossible to find one’s bearings or to act in a revolutionary manner without resorting to such categories as “transition”, “transitional program”, “transitional demands” and “transitional society”. The all-or-nothing approach acts as a blindfold. It also inhibits revolutionary action, no matter how limited in effect.

The specific character of the Soviet bureaucracy

According to Cliff and Harman, the Soviet bureaucracy is characterised by the tendency to excess production of the means of production, the tendency to “production for the sake of production”. The idea which they object to (and attribute to us) is the claim that the economic development of the USSR is dominated by the production of consumption goods (luxury goods) for the bureaucracy. We have never defended such an extreme thesis. In no society (including slave or feudal society) does what motivates the ruling class or group — the desire to increase its own consumption — explain or exhaust the dynamic of the economy as a whole.

In order to preserve and extend its privileges, the Soviet bureaucracy, just like any ruling class or group in history, has to develop the economy up to a certain point. Without car factories 3 million middle and top bureaucrats cannot acquire cars. Without enough steel, electricity or iron ore, the car industry cannot be developed satisfactorily.

True, one could try and import these goods. But that would mean having to export in order to obtain resources, which would mean submitting to the law of value and to the world market. In that situation an underdeveloped country remains basically an underdeveloped country, unable either to industrialise beyond a certain limit or buy a sufficient number of cars.

In order to avoid just this kind of constraint (to escape the constraints of the world market), the Soviet bureaucracy unleashed a process of “super-industrialisation” in the USSR. Without this, it could not have defended, consolidated or extended its powers and privileges as spectacularly as it did after 1928.
This is the framework necessary to understand the socio-political struggles that have taken place in the USSR over the last 60 years. The struggle has been three-way, not two-way (“between capital and labour”). When the profound crises of 1928-33, 1941-44 and 1945-48 shook Soviet society and the power of the bureaucracy, on every occasion the bureaucracy struck simultaneously at both the bourgeoisie and the working class. It did the same in Eastern Europe. It did not simply “over-exploit the working class”, it also expropriated the bourgeoisie. Historically it has played an autonomous role.

The real theoretical debate turns on the extent of this relative autonomy and how long it can last. For believers in the theory of “bureaucratic collectivism”, this autonomy is identical with that of a ruling class in history. For Trotsky, as for us, it is much more limited, both in time and scope. But that does not make it any the less genuine, much more genuine than the majority of Marxists thought possible before 1927. To persist in ignoring this today is to deprive oneself of an explanation of what has actually happened in the USSR since then.

The fourth great crisis in the history of the bureaucratised USSR is now unfolding. It remains to be seen whether the three-way struggle continues (we think it will), or whether, as many commentators and tendencies believe, the nomenklatura will go over into the camp of the international bourgeoisie lock, stock and barrel and become its resident junior partner (very junior: look at the GDR!).

Be that as it may, ends and means have to be clearly distinguished in this complex social struggle: what the fundamental driving force is, what means are used to fulfil the ends chosen, and what the objective results are of the interaction between ends and means. And here we are forced to return to the conclusion — a conclusion moreover which corresponds to Marx’s definition — that only under the lash of competition has the bourgeoisie a permanent and lasting stake in the continuous expansion of production. Without this constant pressure, no pre-capitalist ruling class showed any such tendency (nor, we would add, does, the bureaucratic caste in the USSR).

As long as the shortage of consumption goods kept them thirsty for more, the bureaucrats were fanatical about accumulation, about “production for the sake of production” and about “technological progress” (as sections of the middle bureaucracy, in their greed for an American yuppie lifestyle, still are today). But as soon as the nomenklatura as a whole had reached a satisfactory level of consumption (“when socialism had been achieved for its benefit”) this thirst began to disappear. “Productivist fanaticism” dwindled. A stage of what the Hungarian Stalinist ex-prime minister, Hegedus, correctly called “generalised irresponsibility”, set in.

This also explains why Soviet managers, unlike their capitalist counterparts, nearly
always and almost automatically give in to wage demands in the workplace: no pressure of competition forces them to “extract the maximum surplus value” from the workers. The only pressure they are under is to “avoid problems” when it comes to fulfilling the plan.

It is in order to bring about a thorough change in their attitude that Gorbachev and his ilk have been trying to introduce all the technocratic changes of perestroika. However, as the most consistent supporters of perestroika and of out and out “economic liberalisation”, both East and West, have clearly understood, radical “structural reform” cannot be fulfilled without a massive return to private property.

Without competition and the drive to private accumulation which it sets in motion the behaviour of the bureaucrats in the East will in essence never be like that of capitalist bosses. At best they will act like gangsters trying to legalise theft and extortion (“trying to go legit”). And if they embark on all out privatisation, which would mean making tens of millions of people unemployed in the USSR, they will have to break the resistance of the working class.

This proves that a genuine “three-way struggle” is still taking place in the USSR. It proves that, despite everything, workers still have at least two “gains” from the October revolution to defend: more than half a century of uninterrupted full employment (which has never existed in capitalist society and never will exist); and the abolition of private property in large-scale production, without which this full employment cannot be achieved.

By dogmatically and unrealistically defining the bureaucracy, as a “capitalist class” the SWP comrades are unable to grasp what is specific about the Soviet bureaucracy. The bureaucracy differs from the bourgeois class, indeed from all ruling classes in history, by virtue of the fact that the income of those classes (its portion of the social product) is variable, while that of the bureaucrats is fixed. The annual profits of the bourgeoisie depend on the annual fluctuations in profit and production. The annual feudal rent depended on annual fluctuations in the harvests. The annual income of the bureaucrat depends on his (or her) position in the hierarchy. If that position does not change, the income does not change either, except marginally.

Hence the conservatism, inertia and “irresponsibility” of the bureaucracy in stark contrast to the behaviour of the capitalist entrepreneur. The latter behaves differently not because he is “more aggressive” or “more rational”, “better” or “worse” than the bureaucrat, or more of an “individualist”. He does so because capitalist competition means that the struggle over the distribution of the mass of surplus value and profit is never eliminated, which means his share of it can never be guaranteed. If he slips up on the path of “technological progress” or of “labour organisation” the inevitable
consequence will be a fall in his share, if not bankruptcy.

Nothing of what glasnost has come to reveal about the reality of the Soviet economy has had any light shed on it by the myths of “state capitalism”, myths which are only the reverse side of the Stalinist coin about the “achievements of socialist industrialisation”. All can be explained in the light of the analysis made by Trotsky and the Fourth International of Soviet society and the Soviet economy, and of the analysis underpinning it of the specific nature of the Soviet bureaucracy.

Harman claims that nowhere in history has a section of the producing class been involved in the “maximum extraction of surplus labour” from the producers themselves. Without doubt, the Soviet bureaucracy is an unprecedented phenomenon historically. But the October revolution and the creation of the isolated Russian workers’ state were also new phenomena lacking historical precedent (the Paris Commune lasted only a few months). People with a scientific and undogmatic outlook should not be surprised if a new historical development throws up new and unexpected by-products.

Let us turn to the question of “maximum extraction of surplus labour”. The proportion of working class consumption in the USSR is much bigger than in Brazil, to take just one example of a country engaged in accelerated industrialisation (not that of working-class and middle-class consumption put together: the middle classes consume 10 times more than workers and account for 20% of the population).

Let us call to mind a simple analogy (which is not to say it is identical, just analogous). For any socialist or trade unionist in 1848 or 1890 the idea of socialist party leaders or reactionary trade union leaders acting so as to objectively increase the “extraction of surplus labour from the producers” would have appeared literally unthinkable. Yet that is what social democratic leaders have done since 1914, and a good number of trade union leaders since even before that date. Should one therefore refuse to call social-democratic parties workers’ parties? Have they become bourgeois parties, identical with the Conservatives and the Liberals? Is it possible to engage in class politics in Europe or Japan without having to defend these parties against the bourgeoisie’s attempts to weaken or even periodically crush them?

Must the mass trade unions under the leadership of reformist traitors be considered as yellow bosses’ unions? The ultra-left have long defended this absurd idea, which the SWP comrades reject as far as Great Britain is concerned. But why, if it is conceivable to defend the SPD against fascism, despite its being led by the Noskes, the assassins of Karl Liebknecht and Rosa Luxemburg, is it “inconceivable” to defend the USSR against imperialism?

Chris Harman claims that two arguments we successively put forward about the bureaucracy are mutually incompatible. The first is that the bureaucracy is not a ruling
class, the second is that it controls and distributes the bulk of the social surplus in the USSR. But this incompatibility yet again reflects a formalist, schematic and simplistically dogmatic manner of thinking.

There have been many cases in history where powerful social layers controlled and distributed the bulk of the surplus despite not being the ruling class. For to be a ruling class involves appropriating the surplus, which is not necessarily the same as controlling or distributing it. The mandarins at the height of the Chinese Empire and the imperial bureaucracy in the late Roman Empire were by and large in control of the centralisation and distribution of the social surplus. But for all that they were not the ruling classes in these two societies, because they did not appropriate the major share of the surplus. At the end of the Third Reich, the Nazi military bureaucracy certainly controlled the distribution of what was produced socially. But it was in no sense the ruling class, since the bulk of the social surplus continued to be appropriated by the capitalist class. The events which followed showed who was master and who, despite the appearance of omnipotence, only carried out orders.

Future events will similarly demonstrate that the Soviet bureaucracy will only be able to become a ruling class by appropriating to itself the social surplus and the means of production, that is to say by turning into “old fashioned” capitalists who own a good chunk of the large-scale means of production.

**A fear that has proved groundless**

When he decided to break with the interpretation of Soviet society formulated by Trotsky and defended by the Fourth International. Tony Cliff predicted that those who continued to call the USSR a bureaucratically degenerated workers’ state would be led to capitulate to Stalinism, in particular to side with the bureaucracy against workers in revolt. (Incidentally, let us recall that as early as Stalin’s death, if not from 1948 onwards, we predicted such revolts.)

Subsequent events have proved this prediction to be groundless. Neither the Fourth International, nor any of its sections, nor any of its leading representatives, has even once lined up “on the side of the bureaucracy, against the masses in revolt”. We all gave 100% support to the workers’ uprising in the GDR in 1953, to the 1956 Hungarian revolution, to the Polish workers’ struggles in the same year, to the Prague Spring’s resistance in 1968-69 to the Soviet invasion, to the rise of Solidarnosc in 1980-81 and to its subsequent struggle against Jaruzelski’s military coup in Poland, and to the uprisings in China and Eastern Europe in 1989.

Chris Harman recognises this, moreover. In embarrassment he falls back on the assertion that we nevertheless might have expressed a “preference” for the Gomulka-
style method of reform in 1956 to that of the Hungarian revolution. This is slander. Harman will not be able to find a single quotation to back up his accusation. We have been supporters of a political revolution — a revolution involving large scale, independent mass action and self-organisation — ever since we began to take part in debates on the “nature of the USSR” (i.e. since 1945-46), and remain so. We have never budged an inch from this position. But the reality of the political mass struggles in the USSR, Eastern Europe and like societies cannot be reduced to struggles between the masses and the bureaucracy.

In the USSR, Eastern Europe, China, Cuba and Nicaragua, the struggles of the last 50 years have also taken place between, on the one hand, these states and the masses in these countries and, on the other, the imperialist powers. The theory of state capitalism has been no kind of guide in these conflicts, to say the least. Its internal logic would necessarily lead one to view most of these conflicts as inter-imperialist and take an abstentionist, “third camp” position (which is what Cliff adopted in the Korean War and which at least some of his followers were tempted to do in the Bay of Pigs conflict). It is true that during the Vietnamese War he took a more correct position, but one in flagrant contradiction to the logic of the theory of “state capitalism”.

In these conflicts the popular masses of those countries, starting with the workers, did not remain neutral. They lined up against imperialism, despite their hatred of Stalin and his heirs. In practice they applied Trotsky’s line of military defence of the USSR (and the other bureaucratised workers’ states) against imperialism. They did so in the USSR, in Yugoslavia, in China, in Vietnam, in Cuba and in Nicaragua. In these confrontations, which involved tens of millions of workers, the attitude adopted by the few followers of the theory of “state capitalism” was at best confused and contradictory, at worst plainly counter-revolutionary. If Soviet workers had had the misfortune to follow these false guides, none of us would be alive today and no independent workers’ organisation would exist in Europe, if not in other continents. The triumph of Nazi barbarism would have destroyed them.

The vicious circle of sectarianism
The tendency led by Tony Cliff (from which the SWP came) has seen its main task ever since its birth as spreading the theory of “state capitalism”. This is the characteristic mark of a sect as defined by Marx: in order to justify its existence it constructs a shibboleth out of a particular doctrine and subordinates its activity to the defence of that shibboleth.

This sectarian deviation has its own logic from which it is almost impossible to escape. In Britain itself the SWP comrades have been partially protected from the
worst sins of sectarianism because of their real roots in the working class and because of the size of their organisation: any type of irresponsible behaviour is impossible when acting under the critical gaze of thousands. But even in Britain the sectarian frame of mind has damaged and continues to damage the SWP, particularly in its approach to those mass movements which it considers “non-proletarian” and carelessly dubs “petty-bourgeois”. This derives from the same inability to grasp the notion of combined development which arises as a transitional phenomenon, particularly in the sphere of class consciousness. It is the same “all or nothing” attitude which lies at the heart of the theory of “state capitalism”.

Sectarianism has especially damaged the SWP’s international work in another way. The theory of state capitalism means that it is powerless to grasp the full progressive dynamic of the mass anti-imperialist movements in the Third World. According to that theory, these movements can only lead in the end to the creation of new state capitalist states. Their dynamic is a purely “nationalistic” one. The entire strategy of permanent revolution — total support for the anti-imperialist struggle while fighting for the political class independence of the proletariat; a struggle for proletarian hegemony inside the movement; striving to ensure that in solving its national-democratic tasks the revolution grows over into making a start on solving its socialist-proletarian ones — is in fact rejected or minimalised by the leadership of the SWP.

In other imperialist countries besides Britain the followers of the SWP mostly content themselves with forming grouplets to propagate the theory of state capitalism, which are incapable, if only because of their tiny size, of intervening in genuine class struggle. Sectarian interests take precedence over class interests. The same applies in the states of Eastern Europe, which are in complete social and political turmoil. In the Communist Manifesto Marx and Engels provided the classic definition of what communists have to do:

They have no interests separate and apart from those of the proletariat as a whole.

They do not set up any special principles [in the 1888 English edition Engels preferred to insert “sectarian principles”] of their own, by which to shape and mould the proletarian movement.

The communists are distinguished from the other working-class parties by this only: (1) In the national struggles of the proletarians of the different countries, they point out and bring to the front the common interests of the entire proletariat, independently of all nationality. (2) In the various stages of development which the struggle of the working class against the bourgeoisie has to pass through, they always and everywhere represent the interests of the movement as a whole.

The communists, therefore, are on the one hand, practically, the most advanced
and resolute section of the working-class parties of every country, that section which pushes forward all others; on the other hand, theoretically, they have over the great mass of the proletariat the advantage of clearly understanding the line of march, the conditions, and the ultimate general results of the proletarian movement.

The SWP is no different from the Fourth International when it comes to “understanding the line of march, the conditions, and the ultimate general results of the proletarian movement” in Eastern Europe and the USSR: the proletariat organises itself to conquer power through multi-party, democratically elected soviets, with the perspective of constructing a classless society internationally.

But the followers of the SWP do not draw the obvious conclusion that a separate organisation of state caps is unjustified in these Eastern European countries. They do not see that the task of any revolutionary there is to help advanced workers and intellectuals battle on two fronts, against the bureaucracy and against restorationist forces. Instead of defending the interests of the proletariat as a whole, which above all demands the (re)creation of class independence (no easy matter), the followers of the SWP concentrate on stirring up an artificial distinction from every other revolutionary current — a distinction exclusively based on acceptance of the dogma of “state capitalism”, their sectarian shibboleth.

That can only reinforce the image of revolutionary Marxists as scholastic dogmatists, as hopeless “splitters”, which first Stalinists and then neo-Stalinists and neo-social-democrats have systematically spread in these countries in order to discredit revolutionary Marxists (and increasingly, these days Marxism itself). This image is counterproductive. It weakens the real possibilities that Marxists have in these countries, not to found sects, but to become the major pole of attraction for the militant left inside the workers’ movement as it reconstructs itself.

Fortunately the negative effect of this will remain limited, both because of the theoretical, political and organisational strength which the Fourth International has already gained (its influence is real there in a way that the SWP’s is not), and because of the understanding and experience that the best indigenous forces springing up in those countries have progressively accumulated that the role played there by the SWP clearly illustrates the negative repercussions of sectarianism.

This sectarianism has made the SWP incapable of making any progress towards the construction of an international organisation. Sects can only link up with mini-sects which they closely control. Organisationally, their sectarianism prevents them linking up with substantial, autonomous revolutionary bodies in an important number of countries. Politically, this is because they fail to understand the real process of mass struggle in most countries in the world. The SWP is essentially, then, a national-
communist organisation, which is forced to fob its members off by trying to create grouplets in a few countries.

After 40 years experience our record in this respect cannot be faulted. The Fourth International exists for real as the one and only world organisation. It is, of course, still small, too small, and is far from being the mass revolutionary international for which it is working and of which it will constitute just one element. However, it is much stronger than in 1938 or than in 1948, both in numbers, in rootedness in the workplace and unions, and in geographical terms. It exists in 50 countries or so. Some of its sections and sympathising organisations play a genuine part in the workers’ movement and the mass movement in their respective countries, which is recognised by all. It acts and will continue to act in a non sectarian fashion, on the basis laid down above in the Communist Manifesto.

It can do so because it represents the one current in the international workers’ movement which takes on the unconditional and uncompromising defence of the interests of the workers and the oppressed in the three sectors of the world revolution — the imperialist countries, the countries under bureaucratic dictatorship and the so-called Third World countries — without anywhere subordinating this defence to any supposed “priorities”. This is what allows the building at one and the same time of national revolutionary organisations and of an international revolutionary organisation. In this respect, an understanding, based on the theory of permanent revolution, on the Trotskyist analysis of Stalinism, on The Transitional Program and on the “dialectic of the three sectors of the world revolution”, of what has happened, and is happening in the USSR, in the Third World and in the organised workers’ movement in the imperialist countries, has proved both operational and effective.
The comrades in the SWP who hold that Cuba is a state-capitalist country believe the Soviet Union is state-capitalist also. These comrades start from the political conclusion that there is nothing left of the October revolution to defend against imperialism today. From the standpoint of the world working class and its tasks, they see no qualitative difference between the Soviet Union and the United States. They believe the Soviet section of the Fourth International should be for the defeat of the Soviet Union in a war with imperialism. This is the political difference they have with Trotskyism.

It is a fundamental difference, with many political ramifications.

A corollary of this political stance is a basic disagreement with the position of the Trotskyist movement on the characteristics of a workers state. These comrades hold that a workers state exists if, and only if, the working class directly exercises political rule through democratic proletarian forms. If the working class does not exercise direct rule through its own democratic forms, it is not a workers state. They do not agree that the class character of a state is determined by the property relations it defends.

To back up this view they quote extensively from Marx and Lenin’s predictions about what the proletarian dictatorship would look like, and what they urged the workers to fight for. They correctly point out that proletarian democracy is necessary to achieve the transition to socialism. Then they show that the Soviet Union deviates
from that norm of a workers state — that the Stalinist bureaucracy has usurped political power, that the proletariat is disenfranchised and oppressed.

They argue that the Soviet Union ceased being a workers state around 1939, not because of any change in the relations of production or in property relations — which remained the same — but because of changes in the party and government. The purges of the old Bolsheviks, they say, severed the last living links to the October revolution. In other words, the class character of the state is determined not by the property relations that the state defends but by whether the political forms correspond to the programmatic norms laid out by Marx, Lenin, and Trotsky and defended by our movement.

We think these comrades use incorrect criteria for defining a workers state. Their error flows from the wrong political position of abandoning the fight to defend the economic conquests of the Bolshevik revolution before the decisive battle on that front has been fought.

But the position these comrades hold on the Soviet Union does not directly prove anything about the class character of Cuba. You can hold that the Soviet Union is state capitalist, but it doesn’t automatically follow that Cuba is state capitalist. The Cuban revolution has its own dynamic — its own course of development that is quite different from the course of events in the Soviet Union. So we have to look at Cuba, not at the Soviet Union, to decide the class nature of the Cuban state and our political stance toward it. It’s one thing to say that the Soviet Union, which had a proletarian revolution in 1917, degenerated to the point where the workers state was overturned. That’s wrong. That’s not a small mistake — it’s a very big mistake — but it’s not a new one.

It’s quite another thing to say that there was never a workers state in Cuba, that there was never a social revolution in Cuba. Because if you can’t recognise the socialist revolution in Cuba, it’s doubtful that you could recognise one anywhere. And a leadership that can’t recognise a revolution, can’t lead one.

Healy’s sectarian line

The original proponent in our movement of the point of view that Cuba remained capitalist was Gerry Healy, then a leader of the British section of the [Fourth] International, who refused to recognise the socialist nature of the revolution. He didn’t think it was state capitalist — just capitalist. In his view, not much had changed in Cuba. He stood outside of and in opposition to the revolutionary process, and therefore avoided the necessity of throwing himself into the struggle to defend it against imperialist threats and attacks and to advance that revolution.

In the case of Healy, this sectarian stance toward the Cuban revolution went hand
in hand with sectarian opposition to the process of reunification of the divided Fourth International. Agreement on Cuba was a key part of the political convergence that was taking place in the early 1960s, and gave a big impetus to the process of reunification. Healy’s main interest was in using the Cuban revolution — which he didn’t give a damn about — as a factional issue to block reunification.

The National Committee of Healy’s Socialist Labour League wrote: “Does the dictatorship of the proletariat exist in Cuba? We reply categorically NO! The absence of a party squarely based on the workers and poor peasants makes it impossible to set up and maintain such a dictatorship. But what is even more significant is the absence of what the SWP euphemistically terms ‘the institutions of proletarian democracy’ or what we prefer to call soviets or organs of workers’ power.”

According to Healy, and the comrades in the SWP who agreed with him, Cuba remained capitalist. Why? Because the Cuban revolution was not under the leadership of a recognised section or duly chartered sympathising group of the Fourth International: “Cuba can and will be defined as a workers’ state only when a revolutionary party based on the program of the Fourth International has successfully overthrown the capitalist state …” That was the Healyite position.

The comrades who today believe that Cuba is state-capitalist don’t share Healy’s political position. But they make a similar error by refusing to recognise the importance of property relations in defining the class character of a state.

**Contradictions of ‘state capitalism’**

The political problem with the state-capitalist view of Cuba is elementary. If all the gains and conquests of the Cuban revolution are possible under *capitalism*, then two things follow. First, we must say that this opens up the perspective of a whole new era of progress for humanity under capitalism, at least in the semi-colonial world; and second, we must defend that kind of capitalism as a better kind of capitalism than that which existed under Batista or the capitalism that exists in the other Latin American countries today.

In other words, all of Marxism goes out the window.

Let’s look at the tasks of the bourgeois democratic revolution in the colonial world, which we know can only be carried out, in the imperialist epoch, under the leadership of the proletariat.

We can start with the land reform. There was a sweeping, radical land reform in Cuba. Unlike Stalin’s bureaucratic and brutal forced collectivisation, it had the overwhelming support of the peasants, rural poor, and agricultural workers. The result of this key advance was the consolidation of the political alliance between the
Cuban workers and the Cuban peasants, an alliance that remains solid today.

Do we politically support this land reform? Should we have advocated it at the time? If not, how would our program have differed from the one actually carried out?

What about national independence? Cuba was a colony of the United States in everything but name. American capital owned great parts of Cuba’s wealth. Batista was a Wall Street puppet. Havana was a cesspool of American gamblers, racketeers, drug dealers, and pimps.

That has been totally changed. Not a single piece of imperialist-owned property, machinery, land, or anything exists in Cuba today with the exception of Guantanamo Bay base held by American imperialism through military force. The degradation and exploitation by American imperialism has ended. Cuba is the only country in all of Latin America that is truly independent from US imperialism. Are we for this or against it? Was kicking out the imperialists a good thing? Could it have been done better or more thoroughly by a workers state than a “state-capitalist state”?

The Cubans carried out this task pretty well. And not because the Yankees willingly let go. Wall street fought hard. US imperialism mobilised its economic and political power against Cuba. When that failed, it organised an invasion. And the invasion was beaten back! At the Bay of Pigs.

Then in 1962, the imperialists began preparing for a second, more determined invasion. The Cubans knew it was coming. To head this off, Castro got nuclear arms from the Soviet Union and used them to call Kennedy’s hand. This was a bold move, but the alternative was to allow an invasion to take place and go down fighting against vastly superior military forces. And it worked; the invasion plans were shelved, and the United States has had to keep them on the shelf ever since.

Castro’s decision to obtain nuclear weapons thus prevented the Yankee military occupation of Cuba, a step that would have bathed Cuba in blood and rolled back the first socialist revolution in the Americas. Had the imperialists succeeded, it would have significantly shifted the world relationship of class forces against the workers and peasants. And the negative consequences for the world revolution would have been felt everywhere — in Vietnam, in Africa, and throughout Latin America.

Were we for Cuba and against the Yankee aggression? Obviously we have no differences on this. We were for Cuba. But how could we explain that capitalist Cuba stood off US imperialism?

Moreover, the Cuban revolution has continued to defy Uncle Sam internationally. For 20 years it has refused to bow down to the demands of Yankee imperialism. And it has done more. In Angola — not in Latin America, but in Africa — Cuban troops played a decisive role in the defeat of the invading South African imperialist army.
How could you explain capitalist Cuba sending troops to Africa to stand up to imperialism?

In another area of bourgeois-democratic tasks, along with land reform and national independence, we should add that the revolution made gigantic strides in ending the oppression of Blacks in Cuba, a key aspect of the national question. The job is not finished, but the Cubans have made greater progress on this front than any other country in the world.

The Cuban revolution put an end to Batista’s torture chambers, his firing squads, his secret police. It turned his barracks into schools.

The political problems of the state-capitalist position don’t stop with the tasks of the bourgeois-democratic revolution, because the Cuban revolution didn’t stop with the bourgeois-democratic tasks. It has gone on to eliminate unemployment — eliminate the industrial reserve army, one of the preconditions for capitalism. It has advanced the standing of women in society; qualitatively raised the standards of education, of health care, of housing, of culture. Every measure of the standard of living and the quality of life of the Cuban masses has been qualitatively improved.

This is absolutely indisputable. Obviously we are in favour of these gains and defend them.

But where does that leave us?

If we say that Cuba is capitalist, then we have to say that something new has appeared in the world. A new kind of progressive capitalist class has developed. A variety of capitalism has emerged that is superior, at least from the standpoint of the Cuban workers and peasants, and African workers and peasants, to any capitalism they have ever known.

Are we for it or against it? The Cuban people are for it, no doubt about that. They know there is something qualitatively better about Cuban society today than pre-1959.

But if Cuban capitalism can carry through a radical land reform, can achieve national independence from American imperialism, can advance the level of human dignity — if Cuban capitalism can do all that, then what happens to the theory of the permanent revolution?

The laws of the class struggle in the imperialist epoch preclude the possibility that the national bourgeoisie can solve the unfinished tasks of the bourgeois-democratic revolution. Only a workers and peasants alliance against imperialism, led by the proletariat, going over to measures that are socialist in principle and carried out against the national bourgeoisie, can solve the postponed democratic tasks.

But if Cuba is capitalist shouldn’t we tell the people of Latin America, Africa, and
Asia, who are striving to follow the Cuban example, that the Fourth International says: “Struggle for socialism, but if you can’t get that, at least struggle for state capitalism, because it too can solve most of the fundamental problems that you face”? Wouldn’t we have to say that?

We would have to abandon Marxism, abandon a scientific analysis of class society and say that capitalism in our time can promise a better life, that capitalism can enter upon a new era of human development and economic and social progress, including in the super-exploited, dependent countries.
Notes

Theories of the USSR in light of its collapse
3 ibid., p. 486.
5 ibid., p. 9.
6 ibid., pp. 5-6.

A theory which has not withstood the test of facts
1 Bordiga, who advanced a different variant from Cliff’s about “state capitalism” in the USSR, predicted that a general crisis of overproduction was going to occur in that country. He even announced the precise year in which it would break out. The year came and has long since gone. The general crisis of overproduction in the USSR is still awaited.
2 The SWP comrades did not at all predict the overproduction crises of 1974-75 and 1980-82. We did so almost to the year in which they broke out.
3 It is another matter to know what period of time is needed for the process to have some chance of completion.
4 See the perfectly clear statement by Trotsky in “The Soviet Economy in Danger” (1932).
5 It would be better to add, the triple or quadruple pricing system, for account must be taken of black market prices and of the “prices” (comparative advantages) of the “grey market” (exchange of services).
6 In addition the growing importance of the mass liberation movements in the colonial and semi-colonial countries from 1925-28 onwards should be included.


8 Aganbegyan claims that there was one year of absolute decline in production under Brezhnev. This is contradicted by every other source.

9 Complete and permanent monopolies are impossible under capitalism. The very divergence between their rates of profit and those in other branches inevitably attracts capital towards the sector that has been monopolised.

10 The Lambertists believe this.

11 We devoted one entire chapter in *Late Capitalism* to developing this idea.

12 This is the “rational kernel” of Keynesian and neo-Keynesian theories, which in every other respect are wrong.
The collapse of the Soviet Union and the restoration of capitalism there and in the countries of Eastern Europe may seem to have rendered the theory of ‘state capitalism’ irrelevant. But this false theory continues to mislead its proponents. They remain deeply hostile to the Cuban revolution and its leadership.

This pamphlet presents some key materials refuting this anti-Marxist theory. Barry Sheppard looks at what has happened in Russia since the demise of the old USSR and shows that it cannot be explained as simply a transition from ‘state capitalism’ to normal capitalism. Ernest Mandel subjects the theory of ‘state capitalism’ to a withering critique. An appendix looks at how the theory of ‘state capitalism’ fails to make any sense in regard to revolutionary Cuba.