

The crisis of Stalinism and the theory of state capitalism

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In 1917 Russian capitalism was forcibly overthrown and history bore witness to the first state and society in which the working class was the ruling class. Yet the revolution that gave birth to this state was a fragile flower. Its Bolshevik leaders understood that it could not survive in the harsh climate of external hostility and isolation. In time armed aggression by the imperialist nations would, they believed, deliver a fatal counter-revolutionary blow unless workers' revolutions in the advanced European countries came to the assistance of the world's first workers' state.

But the counter-revolution came from within, not from outside. The pressure of isolation on the backward economy first of all produced a bureaucracy within the workers' state, giving it by 1921 what Lenin called 'severe bureaucratic deformations'. After 1924 Stalin led the bureaucracy's political counter-revolution which vanquished the revolutionary vanguard.

Once that counter-revolution was complete¹ the Stalinist bureaucracy set about extending and solidifying the social basis of its existence. It began the forced march to industrialisation and collectivisation, transforming the Soviet economy into one of the most dynamic economies of the inter-war years, though at great cost to the workers and peasants.

Leon Trotsky was one of the architects of the Russian Revolution of 1917. But ten years later he was expelled from the party, sent first into internal exile followed soon by expulsion abroad. Trotsky undertook a systematic study of the material basis of Stalin's political counter-revolution. By 1936 he had fashioned the essentials of his theory of the bureaucratic degeneration of the USSR.²

The reality of Soviet society was, like all reality, contradictory. But its contradictions were much sharper than those of capitalism, feudalism and all other class societies. In Trotsky's words the USSR was 'a regime of permanent crisis'. This was due to the contradiction between the property relations needed for the transition to socialism and the rule of a bureaucracy whose material interests blocked that transition.

For Trotsky bureaucratic rule in the workers' state could only be seen as temporary, as an interregnum. The Stalinist bureaucracy was not a legitimate component of the living organism but a parasite within it. Either the living organism would reject the parasite, or be killed by it:

'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.'³

On the basis of this analysis Trotsky predicted that during the Second World War: 'With the whole planet thrown out of equilibrium Stalin will not succeed in saving the unsteady equilibrium of totalitarian

bureaucracy?.4

Events disproved this perspective. The USSR, in a bloc with Allied imperialism, proved capable of defeating the Axis powers. It proved strong enough to enforce a division of the world onto its victorious imperialist allies.⁵ Not only did Stalinism survive, in Eastern Europe and China it was able overthrow capitalism in the years 1947-53 and set about building replicas of the Soviet degenerated workers' state.⁶

This process disoriented Trotsky's followers. Most of them refused to anticipate anything other than the collapse of both Stalinism and imperialism, in the immediate post war years. But as the truth dawned, the reality of the survival and expansion of Stalinism forced some of them to substantially revise Trotsky's theory.

In 1948 Tony Cliff, the founder and leader of the British tendency now called the Socialist Workers Party (SWP) developed his theory of state capitalism. It was founded on what seemed like an incontrovertible and devastating fact: the permanence of these regimes, or at least their unexpected longevity.⁷

In Cliff's theory the bureaucracy was seen no longer as simply a caste, a parasite foreign to the living organism, but as a lawful and integral social force within Soviet society. It was a class in its own right. It was a collectivist class, owning its property in common. It was functional to the social relations existing in the USSR, China and Eastern Europe

But only forty years later the Stalinist 'ruling class' committed suicide. In East Europe and the USSR it launched economic reform processes which disorganised bureaucratic planning and unleashed a variety of centrifugal political forces. To buy time and credit for its own reform process the Soviet bureaucracy signalled the end of military support for its replica regimes in Eastern Europe. Faced with a spectacular autumn of mass mobilisations in 1989 these regimes collapsed.

In death Stalinism has confirmed, fairly accurately, Trotsky's alternate prognosis, even if its survival and expansion after the war do raise important questions about Trotsky's perspectives.⁸

Yet far from prompting a reassessment of the new class and state capitalist theories, the events in Eastern Europe have thrown the supporters of these theories into a jubilant mood. The message being hammered home by the SWP is simple and direct: Tony Cliff's theory has been vindicated by the collapse of state capitalism. The aim of this article is to examine this claim.

Part one examines Tony Cliff's theory as presented in the 1940s and 50s, and looks at the departure from Marxism it embodies. Part two examines how that theory stands up as an explanation of the current crisis of Stalinism and looks at the revisions from Cliff's original theory which today's SWP leaders are being forced to make.

1. Cliff's theory of state capitalism

Cliff's analysis first appeared as a duplicated internal bulletin circulated within the Revolutionary Communist Party of which he was a member in 1948. In 1955 it was published as *Stalinist Russia: A Marxist Analysis*.⁹ It was a response both to the expansion and stabilisation of Stalinism after the war, and to the Fourth International's capitulation to Stalinism. As Chris Harman explains:

'Standing by the letter of an old analysis of reality could lead to abandoning the revolutionary spirit which originally motivated that analysis. The only way to avoid the danger was to carry through a fundamental re-analysis of Russian society 'rooted in the teachings of the great Marxist teachers'.'¹⁰

But Cliff's new analysis was not rooted in the 'teachings of the great Marxists'. It was a fundamental attack on them: first of all on Trotsky and then on the basic concepts of Marxist political economy.

Quoting Lenin and Trotsky as his authority, Cliff maintains that the state capitalist counter-revolution was inevitable, given Russia's backwardness and its isolation. Likewise the state capitalist form of restoration was also inevitable given the weakness of the indigenous Russian bourgeoisie and the inability of world imperialism to recapture the USSR.

At the heart of the argument is the claim that Soviet society was capitalist because capital accumulation takes place. The forced march to industrialisation and collectivised agriculture represented the 'primitive accumulation' of capital, compressing into a few years what occurred over centuries in England. The accumulation can be designated as capitalist because it manifestly subordinates consumption to production, living labour to dead labour, whereas socialism does the opposite.

Yet, according to Cliff, despite capital accumulation taking place, the capitalist law of value does not operate within the USSR. Abstracting the USSR from the world economy 'one is bound to conclude that the source of the law of value, as the motor and regulator of production, is not to be found in it'.¹¹

Rather, viewed within the context of the world economy, the Soviet economy is subject to the law of value, through the effect of competition with capitalist countries. It is the need to compete with the imperialist economies of the west which drives the bureaucracy to accumulate capital, to subordinate consumption to production. For Cliff the USSR is like a giant capitalist company within which commodity exchange, and therefore the law of value, are negated only to operate externally via competition. However, in Cliff's model this competition is not primarily economic, nor need it be economic at all. The USSR competes with the west through the arms race, through military competition and 'up to now' (i.e. 1948, 1955) only secondarily through the USSR's tiny amount of foreign trade with the west.

For Cliff the negation of the law of value within the USSR is just as much a feature of the contradictions of world imperialism as other partial negations, such as those produced by monopoly and by state intervention and ownership outside the USSR. Because the form of competition is primarily military, Cliff argues, accumulation takes the form of the striving after use values (arms) not exchange values, as is normal for capitalism: 'The law of value expresses itself in its opposite, viz a striving after use values.'¹²

Naturally enough for Cliff the bureaucracy is a class, not a caste. It is a class because it 'owns' the state, which in turn collectively owns the means of production; moreover it controls those means of production. The Stalinist bureaucracy, Cliff argued, is the 'extreme and pure personification of capital'.¹³

Because of its peculiar features bureaucratic state capitalism can stave off crises of over-production, or under-consumption for a long time. It can adopt what Cliff calls the 'Tugan Baranovsky solution'¹⁴ to the disproportionality between production and consumption: self-sustaining equilibrium between production of capital goods (machines, plant) and production of goods for consumption. But it can only do this as long as it remains backward compared with the west:

'[Once] the production of machinery succeeds in bringing the economy up to the rest of the world, will this state capitalist system be faced with overproduction? There can be only one reply to this question, the reply given by Bukharin, viz that the economy will be practically stagnant.'¹⁵

Finally, and very importantly for subsequent defenders of his theory, Cliff asserts that bureaucratic state capitalism is the most advanced form of capitalism, its highest form, and the logical development of, and successor to, monopoly capitalism. Bureaucratic state capitalism, Cliff writes, is a synthesis of 'the highest

stage which capitalism can ever reach, and which probably no other country will ever reach? with a very low level of development. This synthesis explains why the USSR's productive forces have developed at high speed, ?the very opposite of what capitalism in decay and stagnation experiences?. The fusion of economics and politics in the USSR is ?characteristic of capitalism at its highest stage?.¹⁶

Accumulation of capital?

Cliff's theory is based on two assertions which Ernest Mandel correctly called ?the reification of economic categories?.¹⁷ They are that accumulation which subordinates living labour to dead labour is capitalist accumulation, and that the law of value drives the bureaucracy to accumulate through military competition.

Both of these involve what Marx called ?reification? because they obscure and disembody the very meaning of the words ?capital? and ?value? as Marxist categories. Marxist economics, Engels wrote, ?is not concerned with things, but with relations between people and in the last instance between classes?. But these relations ?are always bound to things and appear as things?.¹⁸

Cliff sees in the accumulation of things (armaments) the accumulation of capital. He sees in military competition a form of economic competition through which the capitalist law of value dictates the priorities of accumulation to the bureaucracy. But he can prove neither without gutting these terms of all specific meaning with regard to specific social relations. Cliff writes:

?Under capitalism the consumption of the masses is subordinated to accumulation.? ¹⁹

And again:

?What is specific to capitalism is accumulation for accumulation's sake, with the object of standing up to competition.? ²⁰

Of course, it is true that this is what delineates capitalism from all previous modes of production. Accumulation, Marx wrote, was ?Moses and the prophets? for the capitalists. And in particular during the rise of capitalism the consumption of both the masses and the capitalists themselves was ruthlessly subordinated to the accumulation of the means of production.²¹

But capital is a social relation. It is not just a thing or things. It is not just machinery or money. It takes the form of such things, but is essentially a ?relation between people?. It is not an accidental relation between people but a historically specific relation which grew out of the period of petty commodity production at the end of the feudal epoch.

Under feudalism, for example, land was neither a commodity nor capital. After the bourgeoisie had succeeded in destroying feudal social relations land became both a commodity and capital. But it was still the same land.

In the transition to socialism it is highly likely that some workers will be using the same tools and machines, working in the very same factories that were once the capital of the bosses. But they will no longer be capital. Because the system of social relations?relations between people and classes which made them capital?will have gone.

So to prove that a Russian steel works or car factory is capital Cliff and his followers have to prove that these things embody the same specific ?relation between people? as they would if they were situated in Sheffield or Birmingham.

Under capitalism all commodities embody both use value and exchange value. By use value, Marxists

mean the specific physical qualities which make a commodity useful and desirable to the person who buys them. Exchange value, on the other hand, is not a physical but a social property. It reflects the amount of socially necessary labour time used to make that commodity. Thus when Marxists speak about the value of a commodity we speak about something imparted individually but only measurable socially.

In practice capitalism measures commodities' value socially 'after the event?', through the market. The law of value, operating behind the backs of capitalist and workers alike, determines through the market and competition which commodities embody too much, too little or just the average amount of socially necessary labour time. It ensures that the weakest capitalists go to the wall and the strong survive.

Capital takes the form of many commodities. It starts as money, enters production in the form of raw materials, machines, factories and labour power, emerges in the form of a finished product and re-assumes the form of money if and when that commodity can be sold. But the magnitude of money at the end of the process is greater than at the start because in the process of production more value has been added to the raw materials than they themselves possessed because of the unique quality of labour power; namely, that it creates more value than is required for its own reproduction.²²

In the USSR the means of production are certainly accumulated, the workers' labour creates a surplus and, after creaming off part of that surplus for its personal consumption, the bureaucracy re-inserts the bulk of it into the production process in the form of new means of production.

Why is this new means of production not capital

In the first place it is not a commodity. It is not bought and sold on a market but allocated through a plan to specific branches of production.²³ Secondly, Soviet means of production are not capital because they are not created in a society where the law of value predominates. It is not 'after the event?', through a market, that their social value is measured, but through a plan. The social surplus is not allocated to various sectors of production by a blind law but by conscious decision.

In fact, there is no real need to prove this to anyone who has really understood Cliff. He admits himself that Soviet goods are not commodities, and even asserts that the law of value does not exist at all within the Soviet Union.

Cliff's argument is at a different level and is basically reducible to the syllogism: under capitalism consumption is subordinated to accumulation, under Stalinism consumption is subordinated to accumulation, therefore Stalinism carries out capitalist accumulation.

To prove the syllogism Cliff has to prove that what causes accumulation in the USSR to subordinate consumption is competition, is the law of value, but working from outside the USSR itself. Taken on its own, as it exists within the borders of the USSR, the accumulated surplus is not capital. Understood within the framework of international competition it becomes capital. The whole of his argument rests on this. Yet it is the least developed, least proven, and least provable in Marxist terms, of the arguments contained in Cliff's seminal work.

The first thing we are forced to note is that for Marx it was impermissible in principle to seek to derive the existence of the law of value as a decisive regulating mechanism in any society by means of an examination of the realm of competition:

'Competition executes the inner laws of capital; makes them into compulsory laws toward the individual capital but it does not invent them. It realises them. To try to explain them simply as the results of competition therefore means to concede that one does not understand them.'²⁴

Cliff's attempt to define the USSR as capitalist through the existence of competition with the west shows the truth of Marx's observation.

Cliff admits that commercial competition hardly existed between Stalinist states and the west in the 1940s and 50s. So Cliff is forced to designate military competition as the means by which the law of value asserts itself on the Soviet economy. Military competition forces the bureaucracy to accumulate machinery, drive to improve productivity and so on.

The facts are beyond dispute. The Five Year Plans did constitute a turn to forced industrialisation, consumption was subordinated to production, and they did produce a formidable economic and military machine.

What is in dispute is that this form of competition has anything to do with the form of competition which embodies a specific relation between people called capitalism.

Military competition is not unique to capitalist society. All previous forms of society have experienced it. And to say that the organisation of production to protect what was a workers' state from such competition constitutes its transformation into a capitalist state poses enormous problems for Marxist practice as well as theory. What workers' state in the future faced with capitalist encirclement, with the threat of invasion by hostile powers, would not arm itself to the teeth, if necessary at the expense of producing washing machines and compact discs?

Under capitalism the law of value, the existence of competition between capitalist states as well as individual firms drives them to accumulate value. Military competition does not automatically lead to this. In fact, it often leads to its opposite in capitalist countries. They may be fighting each other to extend their sphere of exploitation, their theatre for accumulating future value, but in war they subordinate profit-making to producing use values—the weapons to win the war itself.

But Cliff concedes that Russia's military competition with the west forced it to produce useful weapons and not to accumulate large sums of value. In the end, therefore, the whole argument hinges on the following assertion:

Because international competition takes mainly a military form the law of value expresses itself in its opposite, viz. a striving after use values. 25

Cliff gives the example of a capitalist society in war subordinating the production of butter to the production of guns, introducing technical innovations which in peacetime are prevented by the profit making needs of cartels.

Is this an example of the law of value expressing itself through its opposite? Only if we consider why the capitalist state goes to war, namely to expand its sphere of extraction of surplus value, to expand its sphere of capital accumulation. The actual, temporary and partial negation of the law of value involved is carried out so as to strengthen the overall operation of the law of value. So for example when the British government enforced the centralised allocation of machine tools between individual capitalist firms during the Second World War (a partial negation of the law of value) it did so to make sure that overall British capitalism would win the war and that the capitalists' scope to make profits would be expanded.

But considered from the standpoint of the Soviet economy this is not the case. Inside the USSR, Cliff accepts, the law of value does not operate. So when the Soviet bureaucracy defends itself it is defending an economy where the law of value is suppressed, whatever label we attach to that society. It is neither in war nor peace partially subordinating the law of value in order to defend and extend it overall. It is

producing use values to defend the production of use values.

Between two capitalist states military competition is not a 'form' of the operation of the law of value. It is its partial and temporary negation. Between the Stalinist USSR and western imperialism it is still less a form of the operation of the law of value.

Rendering Cliff more profound

Pete Binns once tried 'elaborating' Cliff's explanation of the role of military competition in his article 'The Theory of State Capitalism'.²⁶ Whereas Cliff tried to show that the law of value expressed itself through the striving after military use values Binns went one further:

'When two piles of use values are measured up against one another, they cease to be merely use values. They begin to behave like exchange values: their value no longer depends upon their intrinsic qualities, but upon their relationship to production throughout the world system.'²⁷

This obliterates all that is specific in the Marxist categories of use value and exchange value. Yet year in year out SWP members confront Trotskyists with the assertion that 'military use values behave like exchange values'.

In the first place the military produce which war 'measures up' are not 'merely use values'. On the western imperialists' side they are commodities, embodying use value and exchange value.

The second sentence can only mean that to behave like exchange values the efficiency of military use values becomes a measure of the economic activity which produces them. But to argue that war, as with the capitalist market, 'measures' the efficiency of competing economies, does not solve the problem. All wars have measured the strength and efficiency of competing economies. That does not mean that all wars have been examples of capitalist competition.

Furthermore military conflict is not an accurate or a truly social measure in the way that economic competition is. Compared to the operation of the law of value through exchange military competition is an extremely primitive measure of economic efficiency.

The argument that military use values 'begin to behave like exchange values' is true only to the extent that children measuring each other in hand spans in the classroom are 'beginning to behave' like nuclear physicists.²⁸

Capital is a social relation and to prove it exists the state capitalist theorists must prove that the relation exists. They admit they cannot prove it exists within the USSR. Nevertheless, they argue, the whole of the USSR is subject to that social relation by virtue of military competition. Yet they cannot prove that military competition in any way embodies that social relation either. They assert it but cannot prove it without entering a world where 'use values begin to behave like exchange values' and the striving after value 'expresses itself as the striving after use value'.

Pete Binns' article contains a further valiant attempt to defend Cliff on this score which is as revealing as it is wrong. Binns writes:

'We encounter some difficulties when we attempt to define [capitalism]. These arise because capitalism is a real process, continually in motion, not a fixed thing.'²⁹

This is of course true, and no Marxist would deny that capitalism has gone through various stages. Therefore, any definition of capitalism has to focus on what is fundamental. For Marx what was

fundamental to capitalism was the generalised operation of the law of value. Even though after Marx's death transformations took place which created partial negations of the law of value (limited companies, monopolies, state intervention, state ownership) these were within an economy where ultimately the law of value predominates.

Even Cliff ultimately rests on this definition: the USSR is a total negation of the law of value internally, but governed by it (and therefore capitalist) because it exists in a world where the law of value still predominates.

But Binns is concerned to emphasise the impossibility of defining capitalism through the law of value. Instead he emphasises the 'subordination of living labour to dead labour' as the thing common to all capitalism, including 'state capitalism', and therefore its defining feature.

He calls to his aid an authoritative voice, that of Marx himself writing in the Grundrisse:

'That is why Marx warns us: 'If then, the specific form of capital is abstracted away, and only the content is emphasised . . . Capital is conceived as a thing, not as a relation . . . [but] capital is not a simple relation but a process, in whose various moments it is always capital.' Because it is a process, and one which contains contradictions, it is always changing itself as it develops. We need to understand its dynamic?the underlying principle according to which it changes and develops. Capitalism remains capitalism throughout its various changes because its central dynamic, its internal motor, remains unchanged, and it is to this that we now turn.

'Accumulation, the key to capitalism's development . . .? 30

Poor Marx. He was writing in his notebook about the inadequacy of various attempts to define capital, not capitalism. He writes:

'Capital is not a simple relation but a process, in whose various moments it is always capital. This process therefore to be developed.'³¹

Here he is referring not to the successive historical stages of capitalist development, as Binns suggests, but to the accumulation process, the process by which capital enters production and emerges bearing surplus value.

He says it is 'not a simple relation but a process' in order to show the danger of tautological definitions of capital. In this case he is objecting to the definition 'capital is exchange value which produces a profit' as tautological because 'profit is a specific relation of capital to itself'.³² It is not a simple relation, but a complex, dialectical relation, a process.

Nowhere does Marx imply that capital, capitalism, capitalist accumulation etc are 'processes' rather than 'social relations'. In fact in the very same section of the Grundrisse he provides us with the arguments against Binns and Cliff's all embracing, historically unspecific identification of all accumulation which subordinates living labour to dead labour as 'capitalist'.

He is polemicising against economists like Adam Smith who said that 'capital is accumulated labour which serves as the means for new labour (production)'. Marx points out that this definition abstracts from the specific form in which that labour is accumulated (capitalist social relations). If only the content is emphasised, dead labour serving living labour, 'nothing is easier than to demonstrate that capital is a necessary condition for all human production'.³³

?The catch is,? he continues, ?that if all capital is objectified labour which serves as means for new production, it is not the case that all objectified labour which serves as means for new production is capital?.³⁴

This is true even when we complete the picture of the relationship between living and dead labour under capitalism. All capital is objectified labour which subordinates living labour. But not all objectified labour subordinating living labour is capital.

Labour power as a commodity

Over the last ten years the proponents of Cliff?s theory have evidently felt themselves to be on shaky theoretical ground. Partly as a result (unacknowledged) of polemical attack, subsequent generations of SWP theorists have sought to shore up Cliff?s theory by adducing other arguments, other proofs.³⁵

Most popularisations of Cliff?s theory add another reason why accumulation in the USSR is ?capitalist?; namely, that there exists ?the separation of the workers from the means of production?.

In *The Revenge of History* Alex Callinicos explains:

?Marx ascribed two main defining features to the capitalist mode of production?the separation of labour power from the means of production and its transformation into a commodity which the worker must sell in order to live, and the accumulation of surplus-value, its reinvestment in further production forced on individual capitals by their competitive struggle with one another. Both these features took shape in the USSR under the First Five Year Plan.? ³⁶

What does Cliff say? He too identifies as prerequisites of capitalist accumulation the separation of the worker from the means of production and capitalist competition.³⁷ But concerning ?the separation of labour power from the means of production? leading to ?its transformation into a commodity? in the USSR Cliff says the opposite to Callinicos.

Cliff is emphatic that labour power in the USSR is not a commodity in the Marxist sense, because it is not free in both the senses discussed by Marx, but only one. Workers must be free of the means of production so that they are deprived of the ability to employ themselves. This aspect, Cliff agrees, exists in the USSR. But secondly, workers have to be free to repeatedly change their employment and be free to renew their contract with the employer over wages and conditions of employment. On this Cliff insists that in the USSR workers? wages are ?directly fixed by the state?, and secondly, that the workers are not truly ?free? to sell their labour power.³⁸

This might seem like a minor point to the uninitiated. Yet the leaders of the SWP have been conducting a public debate about labour power in the USSR for over a decade, without conclusion. To SWP members this debate is presented as something of an academic, secondary argument which does not detract from the essential teachings of Cliff on state capitalism.

But it is far more serious than that, as Duncan Hallas, another leader of the SWP, pointed out:

?If labour power is not a commodity in the USSR then there is no proletariat. Moreover, if labour power is not a commodity, then there can be no wage labour/capital relationship and therefore no capital either. Therefore there can be no capitalism in any shape or form.? ³⁹

The stakes are very high indeed then. The argument revolves around whether or not labour power in the USSR can be described as ?free? in the Marxist sense.

Pete Binns and Mike Haynes provide evidence to back up Cliff's original assertion that labour power in the USSR is not free to sell itself, not free to change its employer. Callinicos on the other hand argues that:

When we look at the reality of Soviet society there is no doubt that labour power is a commodity there. Enterprises compete for workers, offering all sorts of illegal bonuses to persuade people to work for them. Workers have a considerable degree of choice they are not compelled to work in a particular factory. 40

Both approaches are equally one-sided. They emphasise certain aspects of the situation in order to prove or disprove the commodity nature of labour power.

Unlike Cliff, Trotskyists do not see the law of value expunged completely from the Soviet economy. The fact is that workers' labour power is bought and sold for money wages. This itself is evidence of the continuing commodity form of labour power. But the real content of the exchange between labour power and money is different. The market price of labour power is not determined by supply and demand, the threat of unemployment, certainly not in the 'classic' Stalinist economies under discussion in this debate.

Wage labour continues in the USSR, a result of the USSR's origin in capitalist society. But like all categories that are inherited from capitalism (prices, money etc) they are emptied of their capitalist content.

Wherever planning predominates over the law of value the private, commodity, value bearing aspect of these economic categories that still exists does not allow them to behave in the way they would under an economy where the law of value predominates.

Neither side in the debate on labour power ever gets to the heart of the question. But that does not mean studying the debate is not fruitful. In it, we can clearly see Cliff's theory beginning to unravel, coming apart at the seams under the pressure of the modern crisis of the Stalinist economies.

Capitalism, Callinicos explains, is not just a system characterised by accumulation for accumulation's sake, but by constant technical innovation. The specific way in which workers are separated from the means of production is what allows capitalism constantly to improve the productivity of labour.

It is not enough to say that it involves the separation of the direct producers from the means of production in one sense this is true of any class society. The distinction . . . is that the extraction of surplus labour through the wage form depends primarily on economic compulsion rather than physical coercion. 41

Callinicos promises to show how it is through the wage form that surplus labour is extracted from the direct producers in the USSR and other state capitalist countries. 42

Binns and Haynes had argued that eighteenth century Russian serfs and nineteenth century black American slaves had produced surplus value, outside of a specifically wage form of exploitation. In reply Callinicos argues:

[Binns and Haynes'] shift in their definition of 'valorisation' from production to circulation leads them effectively to argue that mere inclusion in a competitive world economy suffices to characterise a social formation as capitalist. 43

He should have added that Cliff's whole argument rests on the assertion that the inclusion of the USSR in today's competitive world economy suffices to characterise it as capitalist.

Summing up the debate on the slave plantations Callinicos writes:

?By assimilating capitalist social relations to mere membership of a competitive world system [Binns and Haynes] dissolve all that is specific to Marx?s concept of mode of production.? 44

But so does Cliff. Without acknowledging it Callinicos completely undermines Cliff?s characterisation of the USSR as capitalist because it competes with the west.

In a comment which reveals the centrality of the labour power debate for those who agree with Callinicos and Hallas, Callinicos writes:

?Nevertheless someone might agree with all my arguments up to this point and yet still accept [Binns and Haynes] claim that wage labour does not exist in the USSR, concluding that Russia is not capitalist. This is an unpalatable conclusion and so I shall try to show that wage labour does exist in the USSR.? 45

But if Callinicos? arguments are all that separates him and fellow believers from the abyss of heresy, they are hanging by a very thin thread indeed. He cites Binns and Haynes, Cliff and even Marx to the effect that only if the worker?s labour is sold periodically, to potentially more than one capitalist employer, is it fully a commodity, fully ?free?.

The points he makes in reply do not clinch the argument. He cites wartime Britain under Ernest Bevin, where the movement of labour was strictly controlled. This ?did not mean that between 1940 and 1945 Britain ceased to be a capitalist country?.⁴⁶ Of course not, because it was only a partial negation of the free movement of labour in the context of a series of partial negations of the law of value necessary to win the war (to protect and extend the capitalists? ability to accumulate surplus value).

It is a question of when quantity turns into quality. Soviet workers can change jobs and this right allows a form of ?competition between enterprises? to take place, which Callinicos gives evidence for. But as against this restricted right labour power is not free in other senses. First, there is no independence of the worker or the unions as the collective worker in the process of negotiation with the employer over wages. In reality the unions are an instrument of the employers (the state) which mobilises labour to accept the pre-determined allocation of money set aside from national income for the wages? fund. Secondly, there is a systemic labour shortage in societies like the USSR and Eastern Europe, which means there is no reserve army of labour to regulate supply and demand for labour.

In effect labour is attached to the enterprise and excess hoards are kept attached in order to meet unexpected demands for output from the ministries. All of this undermines even the formal aspects of labour power in the USSR.

But there is more to the question than this. For labour power to exist as a commodity in its real sense then wage labour would have to exchange against capital. As Marx showed wage labour is but a form of capital, a moment of its own existence. The two sides of the relation are dependent upon one another. One cannot abstract out from one without destroying the essential content of both.

Callinicos realises that he has to prove not just that a surplus is extracted from the Soviet workers but that the specific form of exploitation in the USSR takes place through the wage form.⁴⁷

Thus he promises to show that ?it is through the wage form that surplus labour is extracted from the direct producers in the USSR?.⁴⁸ But he cannot do this and does not do it. Instead he ends by saying that ?the specific form in which the laws of motion of the [capitalist mode of production] become operative? have yet to be analysed in the USSR. ?That analysis remains largely to be carried out?, he says.

More than ten years on, and with the actual laws of motion of western capitalism beginning to invade and

destroy 'state capitalism', it still remains to be carried out. Yet Callinicos' whole case for maintaining the state capitalist analysis rests on it!

The two sides of the labour power debate might like to pose as medieval theologians disputing over the interpretation of the Bible without challenging its basic truths. But in reality each side of the argument challenges and undermines the basic truths of the other side. Their interpretations of state capitalist theory are, logically, mutually exclusive.

The bureaucracy as a 'ruling class'?

Cliff argues that the bureaucracy in Stalinist countries is a ruling class, and that it is a capitalist class.⁴⁹ Trotsky, having debated this question out a decade and more before Cliff thought to ask it, insisted that the main question was:

'Does the bureaucracy represent a temporary growth on a social organism or has this growth already become transformed into a historically indispensable organ?' 50

Cliff believes the bureaucracy to be indispensable as is clear from his discussion of the role of managers, technicians and supervisors under capitalism and under socialism. Under capitalism, what Cliff describes as the 'new middle class', 'constitute part of the productive forces, and as such is a necessary element of production'. Whereas 'socialism will do away entirely with this hierarchical position in the process of production above that of the proletariat'.⁵¹

The essential role of technicians, managers and supervisors in the production process is not at issue. Whether we should call them 'new middle class' is the subject of a debate. Undoubtedly the highest level of management is part of the bourgeoisie under modern capitalism, able to accumulate at least share capital out of its enormous salaries. Undoubtedly some technicians and supervisors play the role of a petit bourgeoisie in that they are agents of capital within the workforce.

But the modern proletariat contains many 'mental labourers', it contains hundreds of thousands of what would have passed for 'technicians' in 1948, and, as a result of a developed division of labour, even contains many workers who supervise the work of others without this detracting from their essentially proletarian class character. The hierarchy modern capitalism creates within the working class is increasingly complex.⁵²

This would have little to do with the question in hand but for the fact that Cliff clearly regards the bureaucracy primarily as arising from these technicians, supervisors and managers, i.e. from a stratum which existed under capitalism and which moreover can be called a class under capitalism 'the 'new middle class'.

In a healthy workers' state the transition to socialism will involve the progressive dismantling of this hierarchy and the monopoly of the technicians over the 'mental means of production' through workers' control, writes Cliff. But in an isolated and backward workers' state? Cliff quotes Engels:

'If . . . war brings us to power prematurely, the technicians will be our chief enemies; they will deceive and betray us wherever they can and we shall have to use terror against them, but shall get cheated all the same.' 53

The model which Cliff develops is of a class within capitalism, the 'new middle class', seizing hold of the property forms created by a revolution, transforming them into bureaucratic state capitalism in the process of becoming a ruling class in its own right.

Compare this to Trotsky's analysis of the bureaucracy. Trotsky sees the bureaucracy not as a class or stratum rooted in the necessities of the modern industrial process but in the distribution process: specifically in the survival of bourgeois right in distribution during the transition period.

All Marxists had agreed, after Marx's exposition of the problem in his Critique of the Gotha Programme, that the first stage of post-capitalist society, socialism, would see the continuation of bourgeois norms of distribution, even though the bourgeoisie's grip on the means of production would be ended.⁵⁴

That state would for a time defend social property in the means of production but defend bourgeois norms in distribution. This "bourgeois state without the bourgeoisie" was at one and the same time a workers' state, a state in transition to socialism. "Such a contradictory characterisation may horrify the dogmatists and scholastics; we can only offer them our condolences" writes Trotsky.⁵⁵

Trotsky explains how the isolation and backwardness of Russia called into being the specifically Soviet bureaucracy. Of course, the managers and technicians (industrial and military) played an important role in this, but it is not the one Cliff ascribes to them:

"The power of the democratic Soviets proved cramping, even unendurable, when the task of the day was to accommodate those privileged groups whose existence was necessary for defense, for industry, for technique and science. In this decidedly not "socialistic" operation, taking from ten and giving to one, there crystallised out and developed a powerful caste of specialists in distribution."⁵⁶

Not the skilled intermediate strata, but those who discriminate in their favour in the sphere of distribution; that is the origin of the bureaucracy for Trotsky, in the continuation of bourgeois right in the sphere of distribution.

And precisely because of this Trotsky was able to argue that the rule of the bureaucracy, its socially privileged position, its ability to appropriate some of the economic surplus, was not essential to the relations of production which the bureaucracy defended and extended. Although the bureaucracy was compelled to develop the means of production to a certain level in order to maintain its privileges it was dysfunctional to their rational development. Trotsky wrote:

"Since of all the strata of Soviet society the bureaucracy has best solved its own social problem, and is fully content with the existing situation, it has ceased to offer any subjective guarantee of the socialist direction of its policy."⁵⁷

On the basis of this analysis Trotsky predicted that the bureaucracy would fragment, with the vast majority embracing capitalism at the moment of truth. History is now vindicating his analysis.

However Cliff has insurance policy against this argument, in the form of a quote from Engels: a social group can be a class even if it is not directly involved in production. Cliff explains how Engels described the merchants:

". . . a class that did not take part in production, but occupied itself merely with the exchange of products . . . a class of parasites, genuine social ichneumons, that skim the cream of production at home and abroad as a reward for very insignificant services."⁵⁸

Marxism does not assert that classes are only classes if they take part in the production process, but if they are necessary for the relations of production. The merchant and the money lender were not only essential to the developing capitalist economy, they personified what Marx calls "antediluvian forms" of capital, that is to say, its underdeveloped form. As capitalism progressed the "parasitic" character of these

elements within the capitalist class was subsumed so that today's usurer (the merchant banker) and today's merchant capitalist (the high street retailer) are essential component parts of the system of production.

Contrast this to the situation of the bureaucrat. A social surplus is extracted. But that surplus is allocated to the different spheres, mainly industrial and military production, by a bureaucratic plan.

The allocation of resources requires administration and the failings of the planning system are directly associated with the fact that the people who produce and consume are excluded from the planning process. The bureaucracy clogs up the system induces the structural faults with planning which, if they were removed, would release the plan from its cramping restraints.

But the situation is even worse than this. The bureaucracy syphons off a considerable portion of the surplus product for itself. Remove the privileges of the bureaucracy, remove it from power, and the essential mechanism of allocating life's goods would not change. The relations of production would not change. Remove the capitalist (state, corporate or private) from capitalist social relations however, and they cannot work.

The law of value cannot determine the production process unless there is a capitalist to 'personify capital'. State ownership of the means of production does not have to be 'personified' in the form of the greedy bureaucrat. It can get along without him or her, and infinitely more efficiently at that.

Cliff acknowledges that in most social systems the existence of classes is reflected in law. The rule of the bureaucracy as a class is manifestly not reflected in Soviet law. On the contrary, and Cliff accepts this, the ruling stratum denies its existence as a distinct entity.

His explanation is that whilst the content of the law is the indirect reflection of the relations of production, its form 'is but the assimilation and completion of the law inherited from the past. There is always a time lag between changes in the relations of production and changes in law'.⁵⁹

We are left with the inexplicable fact that the time lag has never closed in the whole period of the bureaucracy's rule. Of course, laws are changing now in Eastern Europe, and changing fast in the direction of capitalism. In the former GDR they are taking precisely the form of the legal recognition of the sanctity of private property in the means of production, to hire and exploit labour, etc. This would be a brilliant confirmation of Cliff's position, the time lag 'closed', except for the fact that it is accompanied by the destruction of bureaucratic rule, not its consolidation.

In similar vein if, to use Lenin's words, the bureaucrats are defined as a class because of 'the place they occupy in a definite historically established system of social production' one would have to show that state capitalism is 'definitely historically established'. But it was only the fortieth anniversary of state capitalism's 'definite establishment' in the GDR which heralded its downfall!

Cliff's theory of the bureaucracy as a class does not correspond to the circumstances of its origin. It does not correspond to any of the definitions of class, even the one from Lenin which state capitalism hid behind for so long. And, as we shall see, it does not correspond to the events taking place in Eastern Europe and the USSR today.

The 'inevitable' triumph of state capitalism

Cliff's analysis of the bureaucracy as a class is intrinsically linked with his view that the state capitalist counter-revolution was 'inevitable'. For Cliff the creation of the bureaucracy and its seizure of power are

two parts of the same objective process, a process determined by the isolation of the revolution and the backwardness of the Russian economy. Cliff proves that the economic tasks confronting the Russian revolution were, in the first instance, bourgeois tasks: industrialisation, agrarian revolution etc. From this he concludes that, as long as it remained within the confines of former Tsarist Russia, the the revolution could only usher in capitalism.

He points out that the world economy was ripe for socialism, but Tsarist Russia wasn't. Its bourgeoisie was too weak to carry out the bourgeois tasks and this propelled the workers to power. This is undoubtedly the correct way to pose the relationship between the Russian revolution and the international revolution.

But a further question follows. What isolated the Russian revolution; the objective strength of capitalism or the weakness of the workers? leadership? The revolutionary tradition, within which Cliff wants to remain, answers: the latter.

As early as 1923 the growing bureaucratism disorientated the Comintern and led to the last revolutionary opportunity of the immediate post-war period in Germany being squandered. In 1926 the opportunism of the CPSU contributed to the defeat of the British general strike. In 1927 the misleadership of the Comintern was largely responsible for the defeat of the Chinese revolution. And in the early 1930s the bureaucratized Comintern oversaw the most enormous defeat, Germany. This led to the crushing of the working class and the atomisation of the mass of communist workers.

If we look at the role bureaucratism played in the isolation of the Russian Revolution, the isolation which itself reinforced bureaucratism, we can draw one of two conclusions. We can say that this vicious circle was impossible to break through conscious human action (which is the same as saying the world is not ripe for socialism). Or we can draw the same conclusion that Trotsky did, namely that to accept the inevitability of bureaucratic rule in Russia, whilst waiting for a German revolution to come to the workers' aid, would be self-defeating. The workers had to struggle against bureaucratic rule in Russia as part of the struggle against an international political misleadership that would repeatedly reinforce the isolation of the revolution through overseeing the defeat of revolutions outside the USSR.

Cliff and his followers might protest that this is exactly what they would have done. But where did Trotsky envisage the struggle against bureaucratism taking place? Not just in the party, in the withered Soviets, in the sphere of political rights in general, but primarily and essentially in the economy.

Raising the productivity of labour was for Trotsky the key to undermining the social basis of the bureaucracy, which was rooted in the prevailing situation of 'generalised want'. And the key to raising productivity? The accumulation of the means of production, the rapid development of industry in the USSR.

That is why it is no accident and certainly not a mistake that the Left Opposition made industrialisation as well as internationalising the revolution the touchstone of its programme.⁶⁰ Trotsky's industrialisation programme did not involve the bureaucratic coercion of the workers and peasants, nor was it based on autarkic isolation from the world economy. It also differed from the First Five Year Plan in that it demanded a faster rate of industrial growth.

What Trotsky and the Left Opposition were clear about was that this industrialisation process would in its first phase have to 'subordinate consumption to accumulation'—something Cliff and the SWP say the working class in power would 'never do'.

By 1927 it had also become the only possible material basis for challenging the rule of the bureaucracy. But if Trotsky had followed Cliff, he would not have bothered trying to save the revolution?abroad as well

as at home?through fighting for industrialisation.

Trotsky was only too aware of the fact that industrialisation failed to eradicate the bureaucracy. However, this was not because of too much industrialisation but, in a sense, because of too little. Stalin had failed to raise material life adequately. The economy was not adequate to guarantee even the necessities to all, but it was developed enough to give privileges to a minority. Alongside this economic fact stood the political defeat which the bureaucracy had inflicted on the masses. It proceeded to industrialise the economy only after it had crushed workers' democracy and the working class vanguard.

What are the lessons of Trotsky's struggle? The only lesson consistent with Cliff's interpretation is that Trotsky's struggle should not have taken place, or that if it did it could only be a fruitless gesture.

If it is inevitable that a backward and isolated workers' state succumbs to state capitalism what advice are we to give to workers unfortunate enough to be propelled into power in a place like Bolivia?

Internationalise the revolution? Yes, but then what if it is delayed? Subordinate production to consumption in order to remain within the Cliffite norms of a workers' state? But there is nothing to eat! Build heavy industry and modernise agriculture? But then 'state capitalism' will arise according to Cliff and his followers, not just possibly but 'inevitably'.

It can be seen from the above that the theory of state capitalism contains no guide to action for a workers' revolution in a backward country unless that revolution is accompanied by one in an advanced country.

State capitalism; the 'highest stage'?

The general framework in which Cliff treats state capitalism's place in the history of capitalism is that created by Lenin in Imperialism, the Highest Stage of Capitalism. Lenin describes imperialism as a transitional epoch not simply because it presents the working class repeatedly with the opportunity to take state power and start the transition to socialism. Imperialism actually begins to create transitional forms of property, partial negations of the law of value: joint stock companies, monopolies, state intervention etc.

Since Cliff has decided that bureaucratic rule is not an aberration in the transition to socialism but a feature of imperialist capitalism he has to insert bureaucratic state capitalism into this framework as a lawful historical development.

State capitalism, Cliff writes, is an extreme form of this partial negation of capitalism, 'the extreme theoretical limit which capitalism can reach. It is the negation of capitalism on the basis of capitalism itself'.⁶¹

The concept of a pure state capitalism is not alien to Marxism. It has been used as a theoretical abstraction to understand the possibilities inherent in capitalism. There is nothing wrong with such abstractions, provided the theoretical possibility is shown as a result of the inner contradictions of capitalism itself. The tendency towards monopoly, towards fewer and fewer capitals, arises out of competition. The tendency towards state intervention to partially negate the law of value arises out of the repeated crises which occur as the result of the tendency of the rate of profit to fall. The tendency towards state ownership and attempts at planned production arises out of the moribund nature of capitalism in its imperialist epoch.

So theoretically state capitalism can be envisaged as the end point of immanent tendencies, tendencies which make capitalism moribund, tendencies which give it the potential to result in barbarism as well as socialism.

But for Cliff state capitalism is not just a logical concept but also historically the highest form of capitalism. It is not just the theoretical, logical outcome of monopoly capitalism, but the historical outcome. This is clear from everything Cliff says about state capitalism as a living organism:

?State capitalism brings [the concentration of the means of production] to the highest stage possible under the capitalist system, state capitalism brings the working class to its greatest possible concentration . . .

?The productive forces which develop in the capitalist system so outgrow it that the capitalist class is compelled to use socialist measures, and manipulate them in its own interests . . .

?The productive forces are too strong for capitalism and ?socialist? elements therefore enter into the economy (Engels called this invading socialist society). But they are subordinated to the interests of the preservation of capitalism . . .

?State capitalism and a workers? state are two stages in the transition period from capitalism to socialism.? 62

This synthesis of the ?highest stage which capitalism can ever reach and which probably no other country will ever reach? with low level of development:

? . . . explains the speed of the development of productive forces in Russia, a speed far outstripping what youthful capitalism experienced, and the very opposite of what capitalism in decay and stagnation experiences.? 63

Cliff sees Russian, bureaucratic state capitalism as something which came into being in a concentrated form only because of its origin in a workers? revolution. But he clearly situates this development in the context of a world trend. State capitalism in Russia, for Cliff, is only an extreme form of a general tendency of capitalist development.⁶⁴ Moreover, that general tendency is not some by-way of history, but the result of the heightened contradiction between means of production and social relations. This contradiction is what first of all creates monopoly capitalism and then pushes it ?gradually, organically? ⁶⁵ in the direction of state capitalism.

It is easy to show that this idea does not come as an optional extra for the followers of the state capitalist analysis. In Abbie Bakan?s *The Great Lie* we find:

?An understanding of state capitalism explains not only the so-called socialist countries, but also how capitalism exists as a world order. The main features which mark these countries can also be seen in other underdeveloped nations, whether or not they claim to be socialist. India, Egypt and Brazil bear the same characteristics as Russia, China or Cuba . . .? 66

Binns and Haynes go further and insist that:

?Even in those countries where the tendency was less strongly marked to begin with, most are moving rapidly in the same direction . . . This tendency has also been present in all countries in the industrialised west in the 1970s.? 67

They speak of a world economy ?increasingly dominated by partial or complete state capitals? and so on.

Nikolai Bukharin was the source of this model. The SWP imitate Bukharin?s mistakes as well as his theoretical insights and in so doing part company with what Lenin and Trotsky wrote about state capitalism as a historical reality.

In both *Imperialism and World Economy* and *Economics of the Transformation Period* Bukharin failed to distinguish between state capitalism and a form of state monopoly capitalism. Writing about the war economies of the First World War Bukharin claimed:

‘The economically developed states have already advanced far towards a situation where they can be looked upon as a big trust-like organisation or, as we have termed them, state capitalist trusts.’ 68

Later he elaborated his conception of modern imperialist economies as true state capitalisms:

‘State capitalism is a completely specific and purely historical category . . . For it constitutes at the same time a species, the ‘most perfect’ species, of capitalism.’ 69

On the fusion of the state with the economy, Bukharin is clear that this is a historical tendency within imperialism:

‘There arises a new model of state power, the classical model of the imperialist state, which relies on the state capitalist relations of production. Here ‘economics’ is organisationally fused with ‘politics’. The economic power of the bourgeoisie unites itself directly with its political power; the state ceases to be a simple protection of the process of exploitation and becomes a direct capitalist collective exploiter, openly opposed to the proletariat.’ 70

This view of the historical reality of state capitalism is not confirmed by an analysis of the western imperialism Bukharin meant it to describe. But as a result of it Bukharin left ‘state capitalist’ theorists with a dual impediment.

first, its inability to distinguish between state capitalism and what Trotsky called ‘state-ism’. Trotsky describes how in the lead up to the Second World War state intervention and even ownership grew massively. This he labels ‘state-ism’ after the French *étatisme*. He continues:

‘There are undoubtedly points of contact between state capitalism and state-ism but taken as systems they are opposite rather than identical. State capitalism means the substitution of state property for private property, and for that very reason remains partial in character. State-ism, no matter where—in Italy, Mussolini, in Germany, Hitler, in America Roosevelt, or in France, Leon Blum—means state intervention on the basis of private property and with the goal of preserving it.’ 71

Bukharin, Cliff, Harman and Callinicos all share a willingness to use state capitalism when they mean state-ism, or state monopoly capitalism.

The second element bequeathed by Bukharin is a one-sided view of the tendency towards nation-state competition supplanting competition between multinational firms. For Bukharin the world of free competition capitalism behind national borders is destroyed only to be recreated on a global scale, with the world taking the place of the capitalist nation and national ‘state capitalist trusts’ taking the place of individual companies.

But like Bukharin’s view of the state capitalist trust itself, it lacks concreteness. The laws of motion of the modern world economy were never reducible to such an abstraction, even during the period of the 1930s when state-ism and autarky were the norm. Still less does such a description fit the post-Second World War period.

As the 1980s has ushered in the retreat of state-ism in the west and the collapse of Stalinist economies in the east sharp questions are asked of the theory of state capitalism and its previous dogmatic assertions

about its place in the world economic system. Was state capitalism progressive or regressive, an overall tendency or a specific phenomenon of the Eastern Bloc? Did it mirror the level of development of productive forces or did it contradict them? All of these questions come rushing up from reality, from the concrete world, to disorientate state capitalist theory.

Cliff carefully avoided saying that state capitalism is either more progressive or more regressive than monopoly capitalism. But all the facts Cliff cites show that the USSR was, even if defined as a state capitalism, or a bureaucratic collectivism, indubitably progressive as compared to private monopoly capitalism. It was progressive as compared to the stagnant economies of the western imperialists in the 1930s.⁷²

If state capitalism managed to industrialise an underdeveloped economy where monopoly capitalism had failed; if, moreover, it was able to repeat the process in China, in Cuba etc, then it must be judged more progressive, or at least a quantitative advance

Cliff's model of state capitalist crisis

Harman, Callinicos and co have not stopped declaring 'Cliff predicted all this in 1948' since the Berlin Wall came down. The problem is he predicted it in a different way. Cliff's theory explains state capitalist crises as arising from the inner contradictions of the system itself. Cliff gives us an account of both the absence of crisis and the potential for crisis based on Bukharin and Tugan Baranovsky's models of state capitalism.

Bukharin, claims Cliff, was the only Marxist economist ever to consider the problem of the crisis of over production within a state capitalist economy. He cites Bukharin's treatment of the possibility of crisis in *Imperialism and the Accumulation of Capital*.

Bukharin concluded that state capitalism could offset crises of 'underconsumption' and disproportionality between sectors of economy' by means of 'what is from the standpoint of capital a rational plan.'⁷⁴ From this Bukharin concludes that there could not be a 'crisis of general overproduction'.

Nevertheless, Bukharin's model of state capitalism at this stage is not problem free. Following Marx he suggests that any regime of state capitalism would be a regime of decline. Because it would produce only for the consumption of the state capitalists, 'not a specially rapid development of production' would occur. As Cliff points out, this is an understatement: 'there will be virtual stagnation'.⁷⁵

To back up his argument he quotes Marx, who also examined the possibility of the concentration of capital leading to a very few or even one capitalist. Marx writes:

'... as soon as the formation of capital were to fall into the hands of a few established great capitals, which are compensated by the mass of profits for the loss through a fall in the rate of profits, the vital fire of production would be extinguished.'⁷⁶

However, this was not the last word Bukharin had to say on the subject of state capitalism. Bukharin suffered from an absence of dialectical thinking when it came to state capitalism. He saw the historical tendency as being towards a single state trust and even claimed that this had been achieved. As a result he developed a view of state capitalism which banished crisis internally only to reproduce it at an international level.⁷⁷ He argued that all the chaotic and crisis ridden elements of modern capitalism were to be found in economic and military competition between national state capitalisms.

Lenin rejected this idea of a unilinear tendency towards state capitalism in favour of an approach which saw the dialectical unity between statisation and the development of international monopolies reaching out

from within one nation to dominate spheres of production in others. Lenin rejected the view that state capitalism eliminated crisis internally. And he opposed Bukharin when the latter concluded that the existence of state capitalism everywhere meant that the system had entered irreversible decline. This was because Lenin, unlike Cliff and before him Bukharin, could distinguish a logical possibility from a historical tendency.

However, Cliff does not rest content with Bukharin's model of a no-crisis, stagnant state capitalist economy. He had to find reasons why the USSR did not approximate to the kind of stagnant economy Bukharin describes.

So he turns to the Russian economist Tugan Baranovsky who explains how, in theory, a state capitalist economy could avoid both crisis and stagnation by perpetually increasing Department I of the economy (investment or capital goods) in a planned proportion so as to ensure that all surplus value could be productively invested, and so prevent the growth of Department II (consumer goods).

Cliff does his customary conjuring trick with this model, turning it from a theoretical possibility into an explanation of the USSR: the USSR did expand Department I at the expense of Department II and could continue doing so as long as it remained a backward country:

“The Tugan Baranovsky ‘solution’ is therefore possible under state capitalism, if it is backward compared with world capitalism, if means of production are scarce and if therefore the paramount need of the economy is the production of machinery and so on. But when the production of machinery succeeds in bringing the economy up to the level of the rest of the world, will this state capitalist system be faced with overproduction? There can be only one reply to this question, the reply given by Bukharin, viz that the economy will be practically stagnant.” 78

State capitalism as a theoretical possibility is, within itself, a complete negation of capitalism arising from all the barbaric tendencies within capitalism, all its moribund tendencies. Within Bukharin's model of state capitalism the workers are transformed into a slave class and production stagnates.

Instead of overproduction state capitalism tends to stagnation, because in Bukharin's (as in Marx's) model pure state capitalism eliminates the expanded reproduction of capital, the accumulation for accumulation's sake, and replaces it with simple accumulation, accumulation for the consumption of the capitalists. 79

Cliff may have predicted the stagnation of the USSR once it ceased being ‘backward’. But this theory of Stalinist crisis has nothing in common with the actual explanation produced by the SWP today.

2. Callinicos, Harman and the collapse of Stalinism

“The moment of death can also be the moment of truth for a social system. When the system is at the point of disintegration its fundamental features are thrown into sharp relief” writes Alex Callinicos. 80 But the moment of death of the Stalinist system is also proving to be the moment of truth for Cliff's theory of state capitalism.

The growing crisis of the Stalinist economies after the mid-1970s prompted a mass of new work by Cliff's followers, with Chris Harman as the main contributor. The collapse of the East European regimes gave this an added impetus.

However, behind the descriptions of crisis, proofs of crisis and eventually the post mortems on East European Stalinism there lies a theory which calls itself ‘state capitalism’ but is increasingly at odds with

Cliff's theory. It is impossible to explain the collapse of Stalinism without undermining the foundations of Cliff's theory, either consciously or unconsciously.

Harman's account of the growing crisis of Stalinism and its demise centres around the following ideas.⁸¹ First, he shows that the Stalinist economies did grow, and not just in the 1930s. In Eastern Europe and the USSR etc, they were able to sustain overall growth rates similar to that of western imperialism for the two decades after the war.⁸² But behind this lay a long term decline in growth rates, which begins in the late 1950s.⁸³

Within this overall decline in rates of growth (though in a period of absolute growth of the economy), Harman argues that there occurred cyclical fluctuations which look 'remarkably similar' to the business cycles of modern capitalism. Harman sometimes refers to these as 'crises'.

As a result of the slowing down of growth rates and of continued cyclical fluctuations the Stalinists turned to two, linked, remedies: market reforms and the opening up of their economies to the west in the form of joint ventures and debt. In turn this allowed the Stalinist economies, up to now largely immune from direct pressure from the west, to become linked into the western cycle of boom and slump.

As crisis hit the world economy in the 1970s their loans saddled them with massive interest repayments, whilst neither raw materials nor manufactured goods could compete and earn hard currency to pay off the loans. The loans became a barrier to accumulation, exacerbating low growth. In the USSR, which as a large economy could ride out some of the problems caused by autarky, it was Gorbachev's market reforms (carried out under the pressure of declining growth rates) which led to the crisis, disorganising the economy.

In Harman's view all this happened in the context of state capitalism being overtaken as a form of capitalist organisation by 'multinational capitalism'. Multinational capitalism is Harman's shorthand for a combination of state ownership/intervention with the new world division of labour which developed in the wake of the 1970s crisis. This made national state capitalism outmoded from the point of view of efficiency. The new techniques of production demanded international companies and an international economy and thus sounded the death knell of autarkic economies.

This left the bureaucracy in a 'frying pan or fire' situation. The more it opened up its economy to the west, the more its lack of competitiveness was revealed. The more it sealed off the economy from the west, the more stagnant it became.⁸⁴

In 1989, summoning up the masses to support it, the bureaucracy carried out the equivalent of capitalist political revolution, a revolution within capitalism, to bring itself into line with the new multinational capitalism and allow the old state capitalism to be discarded. Because the masses failed to transform this into a social revolution the state capitalist ruling class has kept power, even though its party has been banished from office.

Apart from this last point and his analysis of cyclical crises within the long term decline, we can agree on much of the factual account Harman provides. However, the point is to prove or disprove Harman's assertion that only state capitalist theory can allow us to understand these developments. Certainly a version of state capitalist theory gives some logical sequence to these events. But it is not a coherent version, let alone Cliff's original version, as we shall show.

A supporter of Harman might object that all theories have to be reworked and improved in the light of experience. While this is true, in the process of reworking they have to remain coherent, remain consistent

with the original theoretical framework. Additionally, it helps when reworking a theory to acknowledge the deficiencies in a previous formulation which are being improved today. Harman never acknowledges this, and repeatedly asserts that it is Cliff's theory which is being used to explain what is happening.

The immediate questions which arise from Harman's account are these: is it the internal dynamic of low growth rates (stagnation) or the external dynamic of being superseded by multinational capitalism which is the prime cause of Stalinism's crisis?

If it is the latter, why has state capitalism—which Cliff treats as both logically and historically the highest form of imperialist capitalism—been superseded by an unexpected, even higher form? If it is the former does Harman use or develop Cliff's theory to explain the actual crisis?

The Marxist theory of economic crisis under capitalism is integrally connected to the most basic categories of capitalism: the commodity, use-value and exchange value, labour power and so on. Capitalist crises are nothing more than a concrete combination of the contradictions embedded in these social relations. In short, one has to derive an explanation of capitalist crisis out of their development.

It should be clear by now that the 'classic' exposition of state capitalist theory contained in *State Capitalism in Russia* rejects the existence of these social relations within the USSR. We can see now the double importance of Hallas and Callinicos' attempts to improve on Cliff by adding the theory of labour power as a commodity in the USSR. Without it not only is the USSR 'not capitalist' (Hallas), but there can be no theory of crisis based on Marx.

Unless we can show that labour produces surplus value, that the social surplus takes the form of surplus value, that the collective capitalist makes a profit, then there is no chance of showing that a particular crisis is a crisis of profitability, the over-accumulation of surplus value, the fall in the rate of profit.

But Harman effortlessly solves this problem by ignoring it. He continually uses terms like profit and surplus value as if Cliff had never admitted that within the USSR these relations do not exist. He accuses rival theories of rejecting the idea that there is a struggle between capital and wage labour in the USSR without pausing to mention that Cliff regards these as being negated in their full capitalist sense from within the borders of the USSR!⁸⁵

However it is easy to see why it plays no part in Harman's various accounts of the development of crisis in the USSR. Based as it is on Bukharin, its whole premise is the non-existence, or at best atrophy, of the inner laws of capitalism within a state capitalist country. Its very premise is that most of the normal features of capitalist crisis do not exist and that under state capitalism expanded accumulation is replaced by stagnation.

The whole of Harman's contribution on the internal tendencies to crisis and stagnation within Stalinist countries, however, rests on the assertion that capitalism's laws, crisis and all, do operate within these countries. Harman attempts to show how the USSR and other Stalinist states are undergoing 'normal' capitalist crises. The problem, however, is that stressing what the USSR shares with capitalism in the west does not explain the unique collapse of a system in Eastern Europe which is supposed to be just one part of a world system governed by its general laws.

We can see this clearly in the case of the theory of the permanent arms economy (PAE), an innovation that, in the 1960s and 1970s came to be 'like state capitalism itself' synonymous with the SWP tendency.⁸⁶ This theory was interconnected with Cliff's work in that both posited that Lenin's analysis of imperialism was insufficient, conceptually, to understand the changes in the nature and structure of world

capitalism after the Second World War.

Mike Kidron attempted to explain the cause of the 'long boom' (1951-68) through the PAE. He argued that the fundamental mechanism of capitalist crisis—the tendential fall in the rate of profit—was retarded in its operation because arms production was a form of unproductive labour which did not enter into the determination of the organic composition of capital. This was important since the rise in the organic composition of capital is causally related to the fall in the rate of profit.

In short, arms expenditure represented a form of 'leak' from the circuit of capital. The greater the leak the slower the rise in the organic composition of capital and therein lies the explanation of the long period free of generalised crisis.⁸⁷

Although it sounds plausible the PAE is fundamentally flawed. At the most abstract level of political economy it has been shown by many Marxists that the notion of Department 3 production (luxury goods and arms) not entering into the calculations of the organic composition of capital is plain wrong, and that arms expenditure has no special status in explaining the long boom, nor is it necessary to have one in order to defend Lenin's theory of imperialism.⁸⁸

But the PAE was erected to explain the boom. How did it cope with the new period of crisis? Harman argued that there are different levels of arms expenditure. The big 'imperialists' (USA and USSR) which spend the most on arms grow slower than Germany and Japan who are prevented from doing so:

'This is of course what has happened over the past two decades [i.e. from 1973] with the USA growing more slowly than Japan or West Germany (and now with the USSR tending to grow more slowly than the USA). This can be put another way: those with most 'leaks' offsetting the tendency of organic competition [sic: should read composition] to rise, grow more slowly than those with fewer leaks. The world wide organic composition of capital will rise under such circumstances, until increases in the rate of exploitation can no longer prevent a fall in the rate of profit.'⁸⁹

So this offsetting tendency could only have an effect for so long and eventually the lawfulness of the tendency of the rate of profit to fall would reassert itself. Hence, the reappearance of generalised crises after 1973.

Writing in 1983 on the prospects for world capitalism ('east and west?'), Harman discounts the possibility of a new phase of arms spending having any effect, discounts the possibility of 'a large scale revival of investment' and predicts that 'the present phase of crisis is likely to go on and on' until either socialism or barbarism takes the place of capitalism.

This general development is explained by the dubious assertion that 'the world-wide organic composition of capital' has risen, because of uneven levels of military production. Dubious if only because nowhere does Harman offer the proof that property in the USSR is value and that it embodies the social relation value. To prove that stagnation in the USSR is a result of the 'world-wide rise in the organic composition of capital' Harman must first prove the USSR is capitalist, and we are back to square one.⁹⁰

finally, even if the PAE had theoretical consistency in Marxist terms it would still only explain the general problems besetting the world economy, not the specific causes and timing of the collapse of the Stalinist economies.

That is why in his recent work Harman attempts to develop a specific account of the crisis of the Stalinist economies which takes into account both internal factors (the crisis of low growth) and external factors (the challenge of multinational capitalism).

In 'The Storm Breaks' Harman writes:

'To analyse a society as capitalist . . . is to see that the ruling class, forced to accumulate at all costs, cannot avoid undercutting the basis of its own rule. This was certainly true of the Eastern ruling classes. They could not avoid what were for them, a number of negative consequences of accumulation.' 91

He goes on to list four such consequences: the creation of a working class, 'the obsolescence of old forms of exploitation' (the bureaucracy's inability to develop the economy intensively through improving technique), 'the rising organic composition of capital' and the contradiction between the level of the productive forces and the national state economy, which leaves state capitalism lagging behind 'multinational capitalism' 'now 'the vanguard of the system'. Focusing on the internally generated aspects of the crisis Harman asserts:

'State capitalism faces the classic problem of any capitalism' as accumulation causes total investment to rise faster than the labour force the average return on investment tends to decline.' 92

He shows figures to prove that the overall growth of output per rouble of investment was in gradual decline from the early 1950s. Yet the decline of the average return on investment is not something that happens in this long term way in a dynamic capitalist economy. In an economy driven by the need to accumulate values this tendency drives the capitalists to revolutionise production methods.

To prove that this decline had anything to do with the tendency of the rate of profit to fall Harman would have to prove that the roubles invested are capital, that the workers' labour creates surplus value, that the surplus diminishes because the ratio of living labour to dead labour (machines etc) diminishes, in short that the internal workings of the Soviet economy obey the law of value.

But we have already seen that it is a fundamental tenet of Cliff's theory that they do not. If we accepted that value, surplus value, profit, wage labour etc existed in the USSR we would be left asking: why does the Soviet ruling class not adopt the solution of improving productivity, of intensively developing techniques? Why is it not compelled to do this; why is it, as Harman says, not capable of doing this?

If we do not accept that these social relations exist in the USSR and form the 'fine structure' of state capitalism, then there can be no explanation of the crisis based on the Marxist theory of capitalist crisis.93

Harman fails to explain the specific reasons for Stalinism's former prodigious growth and current death agony from an examination of its internal contradictions. He is forced to rest his case on the external pressures on state capitalism.

Multinational capitalism versus state capitalism

Both Harman and Callinicos' accounts of the demise of Stalinism turn upon the idea of Stalinist state capitalism being swept aside as an outmoded system by a new form of capitalism.

'The very thing which made state capitalism seem a way out of the problems facing countries at one stage in the development of world system' the continual growth of the forces of production 'makes state capitalism seem an impediment to economic efficiency at a later stage. The further development of the forces of production over four or five decades began to clash with any such way of organising production?' writes Harman: 94

'Multinational capitalism began to supplant state capitalism as the vanguard of the system . . . World capitalism has outgrown the stage of state capitalism.' 95

Callinicos writes in similar vein:

?More fundamental still to explaining the crisis of Stalinism has been the transformation of the world economy over the past generation. Particularly since the end of the long boom of the 1960s and 1970s the most important trend has been towards the globalisation of capital . . . The increasing salience of the multinational corporation as a form of productive organisation was matched by the development of enormous international flows of financial investment, as the banking and securities industries also broke national barriers . . . The obsolescence of the bureaucratic state capitalist model erected in the USSR in the 1930s and transplanted to Eastern Europe after the war became increasingly evident.? 96

And:

?What Chris Harman calls ?the shift from national capitalism to multinational capitalism? at a global level thus created powerful external forces threatening the USSR with stagnation, even collapse, unless its closed economy were somehow broken open.? 97

Under the pressure of these developments, Harman argues, the state capitalist ruling class decided to ?swap state capitalism for multinational competition?.98

There is no doubt that the phenomenon they are describing really exists. Under the impetus of the first recession of the mid-1970s a phase of restructuring began which led to a redivision of labour within the world economy, the internationalisation of banking and stock exchanges, and made the economies of scale available to large multinational companies decisive in competition.

There is also no doubt that the tightly enclosed Stalinist economies were not capable of participating in this development. They did not take advantage of uneven and low wage levels within the semi-colonies. Their only experience of international banking was as debtors, and their nationally based industries could not compete with the economies of scale of the multinationals.

It is the interpretation of these facts that causes several problems. First of all there is the question of periodisation. Harman dates ?multinational capitalism? from the mid-1970s. If this was the general trend, the superseding of state capitalism by multinational capitalism, how come nobody in the SWP noticed? As late as 1986 we find Abbie Bakan and Pete Binns educating the SWP in the basic truth of the state capitalist theory: everything is developing towards state capitalism.

In addition, is it really true that the tendency which predominated right up to the outbreak of the 1973 crisis was ?state capitalism?. Is it true that until the mid-1970s, ?Competition had hardly existed in a whole number of major industries for thirty or forty years?? 99

Even a cursory glance at the economic history of the post war years reveals it to be untrue. Harman and Callinicos, if they maintain this periodisation, are conflating two developments in the world economy: the new international division of labour and the de-statification of capitalist economies.

To a large extent the latter took place gradually throughout the post-war period. Even using Bukharin and Cliff?s own definitions of the terms it would be better to describe, for example, the transition from wartime to peacetime economies after 1945 as a retreat from state capitalism to state monopoly capitalism. The whole drive to liberalise world trade, both through GATT and through regional initiatives like the EC and EFTA, was not undertaken with the purpose of allowing ?unitary state capitalist trusts? to compete with one another, but to allow international competition and internationalisation of capital formation. The fact is that competition did exist in virtually every branch of privately owned monopoly industry after the war. Capitals were not fused with the state and they didn?t simply swallow each other up.

This brings us to the second, more important problem with the Harman/Callinicos argument. It is based on an utterly abstract use of the term state capitalism. For example Harman explains the general, not just specifically Stalinist, rise of state capitalism:

?The development of capitalism itself in the twentieth century led, as we have seen, to the state intervening to reduce internal competition to a minimum. But as Lenin and Bukharin pointed out, far from ending competition between capitals, it shifted it to a higher level, to competition on an international scale.?100

But of course this was not Lenin and Bukharin?s view. It was Bukharin?s alone. And it was hopelessly one sided, which is why Lenin criticised it.

Look in contrast at Harman?s definition of multinational capitalism:

?What exists is a combination of state capitalism and multinational capitalism. I call it ?multinational capitalism? for short but its components develop from national state capitalist bases and never completely break from them.?101

But if Harman were to be similarly honest about the reality in the period before 1973 he should describe it too as ?a combination of state capitalism and multinational capitalism?, developing perhaps from the stage of national monopoly capitalism.

However, the whole of Cliff?s theory is based on the idea that Bukharin?s logical possibility of the pure state capitalism had become historical reality. And the whole understanding of the place of state capitalism in history rested on that mistake. The difference between Soviet Russia and Wilsonite Britain was one of degree. Everything was tending towards greater and greater statification. Competition, as in Bukharin?s imaginary world, was tending to be squeezed out of national economies only to take place at an international level. This tendency was developed to an absolute degree in the USSR but could be observed in the US car industry, the national telecom industries etc.102

It is the one sidedness of the state capitalist theory which is forcing Harman and Callinicos to make equally one sided and dangerous assertions about the kind of change that is going on in the world economy. If it were simply a matter of recording the fact that capitalism is metamorphosing, extending itself globally, redividing labour, then Harman would not be saying anything new. But he is saying much more than this.

In Cliff?s model state capitalism represented a whole stage of capitalist development, the highest and most ideal form of capitalism logically was coming about historically as capitalism ?aged?. If you adhere to such a one sided view of reality you can only conclude that, in its old age, capitalism has thrown away its crutches and leapt out of its crippling national constraints. This is the import of Harman?s pronouncement that ?World capitalism has outgrown the stage of state capitalism?.

Because the Cliff tradition saw state capitalism as a distinct stage of capitalist development synonymous with imperialism after the First World War it can only see the collapse of Eastern Europe and the globalisation of capital formation, banking, production etc, as the overthrow of this stage. And what causes it? The development of the productive forces.

This sounds like an impeccably Marxist reason. But if it is true then one of two conclusions can be drawn; either Lenin and Trotsky were wrong about imperialism or Cliff was wrong about state capitalism. This is because the whole ?place in history? allocated to state capitalism by Cliff is contingent on it being the product of imperialism?s contradictions. State capitalism, for Cliff, is just the most extreme of the partial negations of the law of value thrown up by imperialism. It is the most extreme example of the way in which

capitalist social relations, in mortal conflict with the productive forces, begin to be undermined from within.

It is an 'invasion of socialism'. It is the 'highest form ever reached and which probably no other country will ever reach'. For Cliff state capitalism corresponded with the level of the productive forces as long as they remained under capitalism. That is, it was the only form capitalist social relations were able to take, because the system was so rotten-ripe for destruction. That is why state capitalism resembles a workers' state so much:

'Seeing that state capitalism is the extreme theoretical limit which capitalism can reach, it is necessarily the furthest away from traditional capitalism. It is the negation of capitalism on the basis of capitalism itself. Similarly seeing that a workers' state is the lowest stage of the new socialist society, it must necessarily have many features in common with state capitalism . . . State capitalism is a transition stage to socialism, this side of the socialist revolution, while a workers' state is a transition stage to socialism the other side of the socialist revolution.' 103

The question anybody vaguely familiar with Marxism would be entitled to ask now is: where does the replacement of state capitalism by 'multinational capitalism' leave Cliff's theory?

If the productive forces, clashing against capitalist social relations, produced state capitalism then how has that contradiction been resolved. If state capitalism was a 'transitional stage', and we don't object to labelling partial negations of capitalism as features of transition, what is 'multinational capitalism'? Is it a regression? Surely not, because it has beaten the Stalinist economies hands down.

But if it is a progression then surely it represents an escape from the contradictions which were driving 'capitalism?', from Italy to Kampuchea towards ever greater degrees of state ownership, ever greater degrees of partial negation of the law of value? 104

To characterise the transition in Eastern Europe as 'moving sideways' does not avoid this problem. The bureaucracy may be trying to 'move sideways'. But the very fact that of the two 'forms of capitalism' in competition with each other 'state capitalism' has collapsed into stagnation, its 'ruling class' giving up any allegiance to the 'state capitalist' property forms, should tell us something about the relative economic efficiency of the two systems. The weak and outmoded system is going to the wall.

But this begs a further question. What allowed the Egyptian ruling class, the Chilean ruling class, the Italian ruling class et al to make a relatively smooth transition from 'state' to 'multinational capitalism' under the impact of crisis, when the Stalinists could not? What was special about Comecon, for example, that prevented it developing as a sphere for multinational operations by the Stalinist bureaucracy. Why did the East European countries hang onto their inefficient, short production run car industries when state capitalism in the west was transforming such industries through an international division of labour.

Simply to say it was their origin as Stalinists, committed to socialism in one country, does not solve the problem for state capitalism. It suggests that ideology was able to offset the real material interests of a 'ruling class'. Trotskyists, on the other hand, have no problems in explaining the fact that the Stalinists hung on to state property for so long and then abandoned it. For us their material interests, their privileges were intimately connected to state property and planning; but we were always certain that the Stalinists would not and could not defend, still less develop these property relations.

For us the Stalinist economies were always doomed in the historic short term, in a different way from the sense in which capitalism is doomed as a living organism. The fact that the historic short term lasted sixty years (forty in Eastern Europe) instead of five certainly needs explaining, but it does not detract from

Despite the fact that they always rejected 'new class' theories of the USSR the SWP is now being forced to face the classic dilemma of the new class theorists. Shachtman formulated his theory when the USSR seemed to be outstripping capitalism. Consequently he saw it as progressive. Then the capitalist boom occurred and he changed his judgement: the USSR was regressive and barbaric. But then he had to reformulate his explanation as to why it came about in the first place.

If Harman and Callinicos followed the logic of their own arguments they would have to reformulate Cliff's theory of the emergence of state capitalism in order to square it with the 'place in history' they have allotted it. But that would undermine the very foundations of their political tendency. It would utterly confound statements such as, 'in an epoch of aging, militarised and statised capitals, the Russian segment of the world system fits in merely as one of its more extreme examples'.¹⁰⁶

It would confound the idea that the workers' revolution in isolated and backward Russia could only have been a 'moment in the creation of state capitalism'. It would suggest that the experience of the Stalinist states, lasting in the GDR for only forty years, was something temporary, something which lacked permanence, something which was an aberration, something which never had time to develop a 'fine structure', i.e. a fully functioning living organism. In other words, something which had all the features of what Trotsky labelled a 'degenerated workers' state'.

Cliff's theory of Stalinist stagnation has not been utilised to analyse Stalinism's crisis. It has been usurped by theories which purport to explain the inner workings of state capitalism as if the law of value operated within it, whereas for Cliff the law never operated within Stalinism.

The labour power debate within the SWP, for so long a peripheral and academic question, turns out to be of fundamental importance for understanding the crisis. For Binns and Haynes the rate of profit falls because labour power is not a commodity, for Harman and Callinicos because it is a commodity. For Binns and Haynes Stalinism and the crisis of Stalinism are nothing but extreme forms of capitalism and the crisis of capitalism. For Harman and Callinicos state capitalism is a form of capitalism which has been outmoded by developments in western capitalism, and its crisis is different because it is terminal.

But they are not willing to resolve the contradictions lodged within their analysis, and so it remains inconsistent and explains nothing. As a theory state capitalism has not been borne out by events but undermined by them, and in the process it is fragmenting along its historic fault lines. For an explanation which really accounts for the dramatic developments of the late 1980s and early 1990s we must turn to Trotsky.

Trotsky's theory of Stalinism and Stalinist crisis

Harman accuses Trotskyists of accepting that the USSR is a superior form of society to the west and therefore differing with the Stalinists only 'over their evaluation of the political superstructure'.¹⁰⁷ But Trotsky clearly differed with the Stalinists over much more than the 'political superstructure' of the USSR. He argued that the political superstructure (bureaucratic rule) interacted with the economic base (planning, state monopoly of foreign trade, state ownership) in such way as to affect them profoundly: they could not develop towards socialism and they were constantly undermined in the direction of capitalism.

Trotsky's analysis allows us to understand both the causes of the expansion of the Soviet economy, and the eventual causes of its terminal crisis.

Stalinist command planning, Trotsky argued, was sufficient to complete the task of building heavy industry.

But it did this inefficiently because it chose to do it autarkically. The programme of the Left Opposition demanded industrialisation through integration with the world market, weighing the risks of this to be less than those involved in autarky and continued underdevelopment.

But once heavy industry is established the 'political superstructure' begins to strangle the development of the economic base:

'It is possible to build gigantic factories according to a ready made western pattern by bureaucratic command although to be sure at triple the normal cost. But the farther you go, the more the economy runs into the problem of quality, which slips through the hands of the bureaucracy like a shadow. The Soviet products are as though branded with the gray pattern 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.'¹⁰⁸

This is the relationship between 'base and superstructure' in Trotsky's analysis and it has nothing in common with Stalinism.

Its strength, in the light of the experience of Stalinist crisis, is formidable. It answers the question 'why now?' not by the over-abstract and one-sided division of the twentieth century into epochs of 'state' and 'multinational' capitalism, but by identifying the inherent limits of a bureaucratic command economy.

A bureaucratic economy is capable of extensive development (heavy industry) but contains no compulsion to develop such industry intensively when demand rises. A bureaucratic economy is not capable of creating goods of quality. And here we are not just talking about 'consumer' goods. It is not even capable of producing quality goods for Department I, the kind which allow for intensive development of the forces of production. Of course, in the sphere of consumer goods its achievements are abysmal. The economic compulsion which drives both capitalists and workers to embody quality in the commodities they produce does not exist generally in the Stalinist economy.¹⁰⁹

For Trotsky therefore, the absence of workers' democracy is the key to understanding the crisis of Soviet industrialisation. Once the economy hits the problem of quality, of intensive development, of diversification, it is headed for stagnation. This is what allows Trotskyists to situate the cause of the USSR's economic crisis internally, not simply as the product of external factors. It is the incompatibility of bureaucratic rule with the further development of the productive forces, and consequently the continued existence of the state-ised property relations, which predicates the inevitability of crisis. That is why Trotsky wrote:

'The further unhindered development of bureaucratism must lead inevitably to the cessation of economic and cultural growth, to a terrible social crisis, and to the downward plunge of the entire society.'¹¹⁰

Nevertheless, external factors can be decisive in accelerating or postponing the development of stagnation in the Stalinist economy. There is no doubt that the arms race imperialism imposed on the USSR accelerated the tendency to stagnation within the economy as a whole by forcing the bureaucracy to devote ever greater resources to producing 'quality' within the military sector. Likewise there is no doubt that the attempts by various East European bureaucracies to gain a foothold in the capitalist market allowed the law of value to gain a firmer foothold in their economies.

Once the IMF had its barb into the Polish economy it could vastly reduce the scope for manoeuvre of the bureaucracy, forcing it to face its historic destiny sooner than most of the national bureaucracies of the East European states.

This is Trotsky's view of Stalinism's place in history. It has the virtue of explaining the move from

development to stagnation as a result of the level of economic tasks facing the bureaucracy. It predicts the Stalinist economic crisis as one of stagnation. It is not confused as to the place of Stalinist societies in history: they are temporary. Trotsky did not see the need to defend the term 'caste' as a watertight definition of the Soviet bureaucracy but as a term adequate to signify its temporary and unstable character.

Economically these states are not an advance per se, on capitalism, i.e. at level of the means of production, speed of accumulation and productivity of labour relative to capitalism. Only in the sphere of the productive relations are they an advance on capitalism, and only then because they provide the working class with a means to an end, a 'handle to socialism' as Engels called it, something which the working class, having conquered, should not give up, but rather improve upon.

On the basis of this analysis Trotsky outlined the contradictory relationship of the bureaucracy to the state property relations and the world bourgeoisie. Trotsky examined the choices the bureaucracy would have to make. He argued that the 'revolutionary elements within the bureaucracy' were only a 'small minority'.

Of the pro-bourgeois elements which in the late 1930s took the form of the pro-fascist elements represented by a figure like Butenko Trotsky wrote:

... growing uninterruptedly [they] express with ever greater consistency the interests of world imperialism. These candidates for the role of compradors consider, not without reason, that the new ruling layer can ensure their positions of privilege only through the rejection of nationalisation, collectivisation, and monopoly of foreign trade in the name of the assimilation of 'western civilisation', i.e. capitalism. 111

For Trotsky, despite the fact that the bureaucracy rested on the foundations laid by the healthy workers' state and had extended them in the five year plans, the bureaucracy had no historic allegiance to the state property relations. Under circumstances of crisis it would attempt to simply walk away from those property relations.

It is not, then, Trotsky's theory but his perspective which was wrong. Stalinism survived longer than Trotsky anticipated, but not simply because of the inner economic strength it developed. Though imperialism proved strong enough to generate a boom after the war, it did not prove strong enough to be able to turn immediately to the task of dismantling the USSR.

In fact, to preserve social order in the period immediately after the war it had to rely on Stalinism. The Stalinists preserved and upheld what was left of capitalism until the beginning of the Cold War in 1947. The Stalinists' utopian project was for the Red Army to oversee the creation of politically friendly bourgeois democracies. Imperialism could do nothing about this at the time.

It is vital that revolutionaries do not draw a straight line between theory and perspectives. Virtually every revolutionary understands this, but it does not stop revolutionaries from making mistakes. Marx predicted the beginning of the socialist revolution in 1848, Engels the impossibility of a new economic upturn in 1886. Lenin did not see the 1905 revolution coming, nor the February revolution of 1917. 112

The task after the Second World War was to understand the difference between perspectives and theory, to separate the two, to understand how tendencies identified theoretically can be offset for a period by developments in the real world. Here the many tendencies identified by the many levels of Marxist theory have to compete with each other and establish an equilibrium. In reality 'people make history', not just the objective contradiction of the social relations and productive forces.

The SWP and the fate of the nomenklatura

If the bureaucracy is a ruling class and state capitalism is its mode of production, why has it committed suicide? Why has it, in a manner not characteristic of previous ruling classes, simply decided to walk away from its own forms of property? That is the question which arises logically from the SWP's assertions about the Stalinist elite.

Their simple answer is that it has not done so. The state capitalist ruling class remains in power, they say, and is simply transforming itself into a private owning class.

In 1988, on the eve of the events in Eastern Europe Chris Harman could spell out the dire circumstances confronting the bureaucracy; the frying pan of stagnation or the fire of world competition. Despite this he saw no road out of the situation for the bureaucrats:

‘The rulers of Eastern Europe can hardly be expected to abandon state centralisation under these circumstances. It may be grossly inefficient to try to organise production which is international in scale within the confines of small national states, but there is no alternative for nationally based ruling classes operating within the present world system.’ 113

Whatever the SWP's claims that ‘Cliff predicted all this in 1948’ it is clear that Harman could not predict it even in 1988. Not that this in itself would condemn the SWP. But as the crisis has unfolded they have only deepened their errors of prediction and analysis concerning the behaviour of the bureaucracy.

The general framework Harman and Callinicos use to situate the East European struggles is that of the bourgeois political revolution. The bourgeoisie had to keep ‘repeating its own revolution’ as Marx said, in the political sphere. Without challenging the capitalist basis of the economy fractions of the capitalist class fought each other to create the most favourable conditions for the system to flourish.

The picture they draw is of relatively few changes taking place in the structure of society except for the ousting of the Stalinist party and a process of opening up the economy to ‘multinational capitalism’. The former bureaucracy is at the centre of things, not overthrown.

Harman, for example describes the events of 1989-90 as:

‘. . . the revolt of a ruling class against its old ruling party. This made the mass of people feel they had won everything, and very easily. But the central power of the ruling class was untouched.’ 114

As proof of this Harman cites the fact that:

‘In Eastern Europe over the last six months we have seen the cumulative collapse of the old ruling parties. But the enterprise heads, the ministry officials, the generals, even most of the police chiefs, remain in place, untouched by the changes, discussing which of the new parties to back and dominate, trying to ensure that they get new governments to push their new models of capital accumulation.’ 115

Alex Callinicos develops this argument in *The Revenge of History*. He describes the Stalinist economists' secret growing support for capitalism. He shows how the managers would have something to gain under re-introduced capitalism by hitching themselves up with the powerhouse companies of the world market. In addition to all this there is the continuity at the level of the state machine:

‘One noteworthy feature of the revolutions of 1989 was how little they affected the repressive state apparatus. Indeed the military in certain cases helped promote change. In Poland General Jaruzelski, the architect of the 1981 coup and the Interior Minister and chief administrator of martial law, General Kiszczak, played a crucial role in the negotiating of the round-table agreement with Solidarnosc and the formation of

the Mazowiecki government, (under which they continued to hold office).?116

Published in early 1991 but based on events up to the summer of 1990 Callinicos? book took a bold gamble with history and it failed. General Kiszczak was dumped, the army and Interior Ministry purged along with much of the state apparatus.117

But our dispute is not about personalities, over this or that member of the nomenklatura who may or may not be able to make the move to bourgeois property owner. It is much more basic. Trotskyists predict that the process of social counter-revolution (or for the SWP, bourgeois political revolution) will not leave the state apparatus untouched. On the contrary, the whole system of nomenklatura is destroyed; that is, the fusion of the state and economy through the medium of the Stalinist party and the system of drawing privileges through these mechanisms for the bureaucracy. This is ripped up and the state is restructured in line with a more ?normal? division of labour between parts of the state apparatus. This is not a quantitative change but one that represents the process of turning a caste?s domination of the state into one that serves the interests of a ruling capitalist class.

All this, however, does not stop the SWP pointing to what at first sight is a flaw in Trotskyism?s analysis. They point to the relative peacefulness of the overthrow of the Stalinists and replacement by pro-capitalist governments. They point out that Trotsky once wrote:

?He who asserts that the Soviet government has been gradually changed from proletarian to bourgeois is only, so to speak, rolling backwards the film of history.? 118

If this really is a social counter-revolution, and it is taking place peacefully, so the argument goes, then we Trotskyists are damned as reformists in the words of the ?prophet? himself.

If Callinicos and Harman paused to think, let alone to re-examine Cliff?s own understanding of the social counter-revolution they would not make such accusations.

Cliff himself asserts that the 1927-29 ?capitalist counter-revolution? was peaceful. He does so on the dubious basis that since the USSR was a workers? state, it did not have a state machine that needed smashing in 1927. Nevertheless it is clear that any charges of ?reformism? levelled against Trotskyists today would also have to be levelled at Cliff?s original analysis of the 1920s.

Latter day SWP accounts however focus on the blood-curdling aspects of the Stalinist counter-revolution, the ?rivers of blood? which separate Trotskyism from Stalinism and the ?organised violence crucial to initiating changes in the first place? which ?above all through collectivisation acquired an increasingly salient role.?119

Cliff however did not rest content with a single quotation from Trotsky. He pointed out, as we have done,120 that Trotsky later developed a view that a peaceful restoration of capitalism was possible after the bureaucracy?s reforms of the Constitution in 1936:

?In reality the new constitution . . . opens up for the bureaucracy ?legal? roads for the economic counter-revolution i.e. the restoration of capitalism by means of a cold stroke.? 120

This is the cold stroke that is being carried out today. It is not without difficulties for the bureaucracy and their allies in the west, and as we have seen in Poland it does not leave the state apparatus untouched. It remains a ?stroke? against bureaucratic social power and against the property relations of a workers? state, but it is carried out through parliament with only the momentary participation of the masses.

Conclusion

We have shown the theoretical inadequacies of Cliff's analysis of the USSR. We have traced the disparities between the original theory and its modern defenders and improvers in the SWP. We have shown how, to explain reality they have to invalidate Cliff's view of state capitalism's place in history, undermine his one sided, Bukharinite view which mistook the historical phenomenon of étatism for the theoretical postulate of a pure state capitalism.

We have shown how the theories of crisis Harman and Callinicos advance do not explain reality, how they gut Marxist terms of their specific meaning. We have seen in addition that Cliff, who 'predicted this in 1948' did so with a completely different theory of crisis.

The evidence assembled by Callinicos and Harman to show the thoroughgoing continuity between the pre- and post-1989 regimes is being blown away as the real impact of the changes ushered in by 1989 is felt.

We have dealt here not with the SWP's weak points, its two minute 'sound bite' arguments against Trotskyism which its members hide behind in what passes for public debate. We have dealt with the strong points of the argument; the claim that the SWP has a theory which predicted and explains the events in Eastern Europe.

It is this claim which is shown to be false.

None of this means that we can rest content and hide ourselves behind the Holy Grails of Trotsky's Revolution Betrayed and In Defence of Marxism. If this has been the option pursued by many self-proclaimed Trotskyists when faced with the death agony of Stalinism then Workers Power and the LRCI cannot be accused of it.

When we broke from our Cliffite position on the Stalinist states in the late 1970s the variety of Trotskyisms on offer was not very palatable. It ranged from the Stalinophilia of the Spartacists, through the Stalinophile 'processism' of Mandel and Grant, to the differential Stalinophobia of Gerry Healy.

We were obliged to construct our own analysis of the causes and character of the post-war overturns of capitalism in Eastern Europe. We recognised that it was necessary to go beyond a rudimentary understanding of the inner workings of the Soviet economy. But we recognised that a full explanation of the survival of Stalinism would have to be grounded in an understanding of the causes and consequences of the post-war boom.

As Harman's and Callinicos' modern writings on state and 'multinational capitalism' show the two questions are intimately linked, and errors in the analysis of either imperialism or Stalinism will inevitably reflect back onto the analysis of the other.

Today the theory we rejected is coming apart at the seams, it is becoming logically incoherent, it is basing itself on facts that perish almost as fast as they are recorded.

History is taking its revenge, but not only on the Stalinists. It is taking its revenge on the theory of state capitalism. Our task is to convince the thousands of subjectively revolutionary militants in the SWP that this theory belongs with the Stalinist system it purported to explain but cannot explain: in the dustbin of history.

NOTES

The part of this article dealing with Bukharin's theory of state capitalism is indebted to work done by Quentin Rudland during Workers Power's discussion of degenerated workers' state theory in 1980, in

particular to the discussion document, 'Capitalism, state capitalism, bureaucratic collectivism?', mimeograph, 1980.

NB: all references to IS are to the second series of the journal. For clarity all references to the first series are abbreviated ISJ.

- 1 See Workers Power and the Irish Workers Group, *The Degenerated Revolution*, Chpt 2 (London 1983)
- 2 L Trotsky, *The Revolution Betrayed* (London 1973) Not of course without several shifts and corrections in his analysis along the way. See Workers Power and the Irish Workers Group, *op cit*, Chpt 2
- 3 L Trotsky, *The Transitional Program for Socialist Revolution* (New York 1977) p142
- 4 L Trotsky, *Writings 1939-40* (New York 1974) p164
- 5 Stalinism also proved capable of crushing the post-war revolutionary upsurge or of delivering it, disarmed, into the hands of the allies.
- 6 See Workers Power and the Irish Workers Group, *op cit*, Chpt 3 for the details of this overthrow and the differences between the process in different countries.
- 7 Even those who wanted to 'defend' Trotsky's analysis did so only by distorting it. Instead of a temporary and unstable phenomenon the Pablo leadership of the Fourth International saw in Stalinism an inevitable and long-lived distortion within the transition to socialism. The Fourth International drew the conclusion that it could expect only 'deformed' revolutions, carried out by 'roughly adequate' agencies of revolution—the Stalinist parties and Stalinist dominated liberation movements.
- 8 If the 'Trotskyism' of 1948 accepted the inevitability of 'centuries' of Stalinism, then genuine Trotskyism today can speak of the inevitability of Stalinism's downfall within one or two decades at the very maximum.
- 9 Recently re-published as *State Capitalism in Russia (SCIR)*, London 1974. All references are to this edition. A copy of the original internal bulletin can be found in the Haston Archives at the University of Hull.
- 10 C Harman, 'From Trotsky to State Capitalism?', *International Socialism (IS)* 47, p149
- 11 SCIR, *op cit*, p208
- 12 *Ibid*, p210
- 13 *Ibid*, p168. A caste, on the other hand, is a 'juridical-political group' which can contain members of different classes and classes may contain different castes.
- 14 Tugan Baranovsky was a non-Marxist Russian economist who constructed a theoretical model of a crisis free state capitalism, see below.
- 15 SCIR, p229
- 16 SCIR, p177
- 17 E Mandel, 'A theory which has not withstood the test of facts?', *IS*49 p49. Reification means the reduction of social relationships into relations between things. Capital, for example, is not only money, machinery, goods etc, but a social relationship involving ownership and exploitation.
- 18 Quoted in Rosdolsky, *The Making of Marx's Capital* (London 1977) p443
- 19 SCIR, p34
- 20 SCIR, p168
- 21 But it is important to understand accumulation as production for profit and not simply as 'production for production's sake' which the state capitalists are wont to say. The experience of the USSR indicates that the managers of enterprises have no more interest in the latter than the former. See E Mandel, 'Title?', *Socialist Register* 1991 (London 1991)
- 22 See K Marx, *Capital*, vol 1 (Harmondsworth 1972) pp270-76
- 23 Of course, there are giant monopolies in the west which bring new means of production into being from within themselves, without recourse to the market. However, these firms do trade within a capitalist market and the overwhelming majority of their means of production are produced as commodities.

24 Ibid, p752

25 SCIR, p210

26 International Socialism, reprinted in the SWP's Education for Socialists (EFS), March 1986

27 ISJ 74, p24

28 Not surprisingly, when 'a shortened version' of Binns' article appeared as the basis for SWP educations on state capitalism this gem of Marxist theory was left out.

29 EFS 1, p8

30 EFS 1, p9

31 K Marx, Grundrisse, (Harmondsworth 1973) p258

32 Ibid

33 Ibid, p258

34 Ibid

35 Having rested content with Cliff's theory for forty years they were also stung into having to 'improve' it by Binns and Mike Haynes' attempt to rubbish 'new class' theories. In the process Binns and Haynes inadvertently showed how close Cliff's theory itself comes to being a 'new class' theory without 'improvement'. IS2:7, Winter 1980

36 Callinicos 1991, op cit, p38

37 SCIR, p 130

38 'In essence, the laws prevailing in the relations between . . . the labourers and the employer state would be no different if Russia were one big factory managed directly from one centre, and if all the labourers received the goods they consumed directly, in kind.' SCIR, p209

39 IS 2:9, p129

40 IS 2:12, p15

41 IS 2:12, p99

42 Ibid, p97

43 Ibid, p105

44 Ibid

45 Ibid, p110

One is reminded of the story of Kant and his servant in the eighteenth century. Kant proved through 'pure reason' that the world could exist without God, but then realised that his poor superstitious servant could not go on without one. So he set about showing how 'practical reason' guaranteed the existence of God. Here the place of Kant's long suffering servant is taken by the long suffering SWP member. To follow logic to its conclusions might lead us to say the USSR is not capitalist, undermining everything we believe in. So let us find ways to prove it is capitalist, by showing that wage labour exists!

46 Ibid, p111

47 Ibid, p113. He criticises Binns and Haynes for only seeing 'the 'production of surpluses' as opposed to any specific form of exploitation'.

48 Ibid, p97

49 The bureaucracy 'fulfils the tasks of the capitalist class, and by doing so transforms itself into a class'. SCIR, p170. We take it for granted that a syllogism is not a proof: the bureaucracy carried out the tasks of industrialisation and destruction of peasant agriculture; these tasks are essentially capitalist; therefore, the bureaucracy is capitalist.

50 Ibid, p7

51 SCIR, p125

52 For an examination of this issue for Britain see G Binette and K Hassell, 'The British Working Class Today?', Permanent Revolution 7

53 F Engels, Anti Dühring, quoted in SCIR, p128

54 Lenin summed up the consequences of this for law and the state: 'Under communism not only will bourgeois law survive for a certain time but also even a bourgeois state without the bourgeoisie.' V I Lenin, 'State and Revolution?', Selected Works (one vol) (Moscow 1977) p332

55 L Trotsky, 1973, op cit, p55

56 Ibid, p59

57 Ibid, p251

58 F Engels, Origin of the Family, Private Property and the State quoted in SCIR, p 167

59 SCIR, p173

60 The platform of the opposition, published in September 1927, summed up their economic programme in Lenin's words: 'A large scale machine industry capable of reorganising agriculture is the only possible material basis for socialism.' L Trotsky, Challenge of the Left Opposition, vol 2 (New York 1975) p330

61 SCIR, p158

62 SCIR, p162

63 Ibid, p177

64 'Russia is different from the norm' the concept of state capitalism evolving gradually from monopoly capitalism.' SCIR, p162

65 Ibid

66 SWP, The Great Lie (London 1982). In 1980 Binns and Haynes berated the whole SWP for failing to stress enough the all pervasiveness of state capitalism: 'In particular we ourselves have failed to insist on the central issue' namely that state capitalism is not an analysis of Eastern Europe but an analysis of capitalism in general of which these societies are a part.' IS 2:7, p19

67 Ibid, p35

68 N Bukharin, Imperialism and World Economy (London 1987) p118

69 N Bukharin, Economics of the Transformation Period (London 1974) p115-16. Commenting on this passage Lenin wrote: 'Perhaps a definition of state capitalism would be in order. A capitalism without stocks and trusts (and perhaps without monopolies). The author gives neither a concrete nor an economic judgement.' Ibid p217

70 Ibid, p37

71 L Trotsky 1973, op cit, p246

72 Compare the economic performance of the USSR and Nazi Germany in their 'slave labour' phases: Nazi Germany went into a terrible economic descent as productivity of unfree labour plummeted; the USSR produced tremendous growth. This alone suggests we are dealing with different social relations of production despite their apparent similarities.

73 Particularly in a country where intellectual traditions are dominated by 'believing ones eyes' (empiricism).

74 SCIR, p224

75 Ibid

76 K Marx, Capital, vol 3, quoted in SCIR, p224. For a detailed examination of this problem see K Hassell, 'Revolutionary theory and imperialism?', Permanent Revolution 8 (London 1989)

77 'Capitalist 'national economy' has moved from an irrational system to a rational organisation, from a subjectless economy to an economically active subject'. N Bukharin 1974, op cit

78 SCIR, p229

79 It can be demonstrated theoretically that a regime of global state capitalism (i.e. one single world trust) necessarily stagnates because only a system of simple reproduction is possible. Expanded reproduction is impossible when competition is abolished and realisation of surplus value between Departments I and II are prevented by single ownership. Such a society would effectively be based on slave labour since there is no competition for labour power and could theoretically be designated a form of 'bureaucratic collectivism'

in which simple reproduction takes place to satisfy the needs of the ruling class. Needless to say, neither this scenario of state capitalism nor bureaucratic collectivism corresponds to the reality of the USSR and East Europe.

80 Callinicos 1991, op cit

81 Much of Harman's recent work has been cast in the form of a polemic with new class theorists, from Bence and Kis, to Bahro to the RCP's Frank Furedi and his mentor Hillel Tickten. Many of the new class theorists rejected the possibility of crisis and revolution in the east. Now it has happened. Many characterised the Stalinist economies as regressive per se, always wasteful and always stagnant. Harman scores heavily against them when he points out that such theories are useless for answering the question: why did the crisis happen now and not before?

82 In fact US estimates of USSR GNP suggest that for the period 1928-78 average annual growth was around 4.5%, higher than any other major imperialist country except Japan. East Europe fared less well from 1945-81 when compared to countries at a similar level of development before the war. See W Brus and K Laski, *From Marx to the Market* (Oxford 1989) p28

83 'The slowdown of growth over the last quarter century has been remarkable in its scale and relentlessness.' Ibid p31. But in East Europe the borrowing binge in the 1971-75 plan partly offset this.

84 'By 1981 the choice between maintaining the closed economy and opening up to the rest of the world was indeed a choice between the frying pan and the fire.' *Class Struggles in Eastern Europe* (London 1988) p 332

85 Alex Callinicos understands the importance of insisting that wage labour exists in the USSR but, as we have seen, has frankly admitted that a scientific analysis of the laws of motion of the extraction of surplus value in the USSR has not been attempted by their school. Hence no theory of capitalist crisis can be developed out of it. For this reason Callinicos, in his own view of the crises of the Stalinist economies, stresses much more the external causes (debt, opening up to the west) of their crisis.

86 For the original exposition see M Kidron, 'Imperialism: the Highest Stage But One?', ISJ 61. Under the impact of polemical attack and real life its author abandoned this theory and the leadership of the SWP rescued it from Kidron's criticism only by relegating it to the level of series of 'insights'. See M Kidron 'Two insights don't make a theory?', ISJ 100 and C Harman, 'Better a correct insight than a wrong theory?', ISJ 100

87 In extremely embryonic form Cliff spells out the permanent arms economy theory, or at least the basic idea behind it: that production of unproductive goods for consumption by the 'capitalists' can offset crisis. However it is instructive to note where Cliff places this in relation to the Tugan and the Bukharin solutions. 'The part played by war preparations and war in Russian state capitalism is such that it has not yet had to face the Bukharin solution [i.e. stagnation].

Insofar as the economy is directed to the production not of means of destruction but of means of production . . . it follows the Tugan Baranovsky solution.' SCIR, p232

In other words, the war economy is a relatively autonomous mediating factor between two tendencies: stagnation and endless expansion. It is not war production that keeps state capitalism free from crisis for Cliff but its ability to go on producing for Department I.

Its ability to go on producing for Department I is predicated on the USSR economy remaining backward. In so far as wars push the economy backward (and in 1948 they had done so massively) the Bukharin solution is staved off. Insofar as war preparation stimulates the need to expand Department I it also staves off stagnation.

But nowhere in Cliff's analysis does the arms economy assume the role of prime motivator of Stalinist crisis free expansion. More importantly the transition from growth to stagnation is caused by the exhaustion of demand for producer goods, not by a crisis of overproduction.

88 See E Mandel 'A theory which has not withstood the test of facts?', op cit

89 C Harman, Explaining the Crisis (London 1984) p49

90 In addition it is strange that the countries with the higher rates of growth due to the lower levels of arms expenditure are also the countries that should therefore be experiencing a faster rise in the organic composition of capital and a faster fall in the rate of profit (abstracting from other countervailing tendencies). But he gives no evidence that this is the case and indeed, empirically, it can be shown that these countries (Germany and Japan) have less precipitous falls in their rate of profit than the countries with big arms budgets

91 IS46, March 1990, p41

92 Ibid, p44.

93 In this account the permanent arms economy theory seems to have been junked as an explanatory tool. What ever happened to it temporarily ?countervailing? the fall in the rate of profit during the boom years in the USSR? The fall growth of output per rouble begins, for Harman, in the 1950s and continues unabated. There is no mention here of why the Soviet economy grew so phenomenally and then declined.

94 IS46, op cit, p44

95 Ibid, p45

96 A Callinicos, 1991, op cit, p44

97 Ibid, p46

98 IS46, op cit, p66

99 Ibid, p47

100 IS46, p34

101 Ibid p46

102 It is the fact that this theory has so manifestly failed to explain developments in the modern world economy that allowed Ernest Mandel to say that events have ?inflicted one cruel blow after another on these dogmatic assertions?. E Mandel, op cit, IS49, p44

103 SCIR, p158

104 No one in the SWP would dream of thinking this. It is the theoretical underpinning of everything loathsome about the ?post-industrial? left in Britain, from Kinnockism to Marxism Today to the RCP. Nevertheless it would be the logical conclusion of saying that ?multinational capitalism? was progressive vis-à-vis state capitalism.

105 For the LRCI?s analysis of the unexpected longevity of Stalinist states, and their demise see ?The Death Agony of Stalinism.? LRCI, Trotskyist International 4

106 Binns and Haynes, IS7, p37

107 He can only mean the degenerate Trotskyists of the Mandel tradition. Successive SWP critics are correct to point out Mandel?s one sided view of the Soviet economy. In an implicit reference to Trotsky?s understanding of the sources of stagnation Mandel wrote:

?This progress is not to be explained primarily by the enormous backwardness it had to overcome, in comparison with the industry of the most advanced capitalist countries. It has continued after this backwardness has already been, by and large, overcome. This progress is proceeding apace . . .?.IS46 28

In this and countless other statements about the unproblematic growth of the Soviet economy Mandel is guilty of what Harman falsely accuses all Trotskyists of: failing to see how bureaucratic rule acts as a fetter on the potential of the property relations, and failing to see how that undermines the post-capitalist property relations and opens the way to restoration.

Mandel certainly sees ?contradictions? in the USSR, but they are all too often presented as the general contradictions of the transition period. So Mandel is able to write of the Soviet economy;

?Such a contradictory combination points to an economic system which had already gone beyond capitalism, a system which is passing through a period of transition between capitalism and socialism, during which, as Lenin already showed, the economy inevitably combines features of the past with features

of the future?. IS46 p28

Mandel commits a mirror image of Cliff's error. Whereas Cliff saw Stalinism as a lawful development in imperialism, Mandel's sees it as a lawful development within the transition period. Its inevitability is the end point of both arguments, and as we already know, Mandel has at times explicitly codified such an idea in programme.

Genuine Trotskyism in contrast sees the transition to socialism as the work of the revolutionary subject, the working class, and lying through a struggle between two mechanisms of economic regulation, the plan and the law of value. This is what allows us to reject Mandel's view that, essentially the bureaucracy threatens efficiency but not the planned property relations themselves.

From Mandel's view of the bureaucracy as essentially only a retardant force on the process of transition to socialism flows his and the USFI's attitude to ruling Stalinist parties. In his time Mandel has declared Tito, Mao and Castro to be 'blunt instruments' for the creation of 'deformed revolutions', and therefore no longer Stalinist. The USFI reduced the programme of political revolution against the bureaucracy to a reform programme.

108 Trotsky 1973, op cit, p276

109 Where it is absolutely vital, for example in certain parts of the arms industry it has to be artificially encouraged with both the carrot and the stick.

110 L Trotsky, in *The Class Nature of the Soviet State* (London 1962) p13

111 L Trotsky, 1977, op cit, p145

112 Likewise the fact that in *Explaining the crisis* Harman excludes the possibility of a 'revival of investment' after 1983 does not mean his whole book is invalidated by events.

113 C Harman, *Class Struggles in Eastern Europe* (London 1988) p338

114 IS46 p67

115 Callinicos, 1991, op cit, p57

116 For details see 'Poland: Capitalism Before Free Elections??' in this issue

117 Trotsky quoted in Callinicos, 1991, op cit, p53

118 Ibid, p33

119 *Workers Power* 132, July 1990, p9

120 Trotsky quoted in SCIR, p84

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