

The fate of the Stalinist states

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The destruction of the USSR enormously strengthened imperialism's position on a world scale. But now Washington and the European powers are worried that further de-stabilisation or disintegration within the Confederation of Independent States (CIS) could present them with serious problems, especially if, in the ensuing chaos, nuclear weapons were to get into the hands of unreliable semi-colonial countries, let alone Islamic fundamentalists and terrorists. The USA and the EU are certainly not promoting the further disintegration of the Russian Federation or other CIS states like Georgia. Yugoslavia has presented them with a frightening model of what the consequences of this might be. Western leaders speak of the harmful effects of nationalism, and even of the need to violate the national sovereignty of small states with the excuse that they are defending human rights. In reality, this violation takes place to stabilise imperialist interests. Yugoslavia, Cambodia, Haiti and Somalia are clearly very important tests for this doctrine of limited sovereignty. The Caucasus and Central Asia could soon be added to the list.

There is an enormous disparity between the consequences of the collapse of the USSR and the willingness of the White House or Wall Street to mobilise enough resources to shore up, and speed up, the restoration process. For all the declarations of support to Yeltsin which the United States has made, the relative economic unimportance of Russia to it is revealed by the tiny amount of aid, credits and other forms of assistance that have actually been released. Since January 1992 when Yeltsin's 'Big Bang' programme began, Russia has been given less grant aid by all states than Egypt receives from the USA alone in a single year.

The shock therapy for capitalist restoration, had it been fully implemented, would have led to the collapse of thousands of huge state enterprises. Tens of millions would have been thrown onto the streets and food supplies and social welfare would have collapsed. In fact, this programme was stalled within six months of the first shock. The 'therapy' was limited to the unleashing of ferocious inflation (2,500% in 1992) which reduced pensioners to beggary. Further structural changes were blocked by the simple fact that the restorationist government under Yeltsin and Gaidar did not possess undivided control over the armed forces or the key remaining institutions of the state economy.

The state banking system continued to issue limitless credit to the enterprises to cover their huge debts to one another. Explicit subsidies, amounting to 20% of GDP, were extended to enterprises in 1992. In addition to this the Central Bank granted more in off-budget credits that amounted to a further 20% of GDP. The Central Bank ran the printing presses even faster to cover this, fuelling the near-hyperinflation. By this method market relations were restricted to the sphere of distribution, often not transcending the level of barter or mere speculation. Meanwhile the large-scale means of production in industry and agriculture proved impenetrable and resisted being transformed into capital. Industrial managers continued to raise wages, to provide food by special enterprise/state farm deals and to avoid mass lay-offs and factory closures. These facts together with the absence of any credible alternative from the Parliament explain the absence of any spontaneous revolt by the working class against Yeltsin.

Nor has the privatisation programme been able to break this gridlock. Gaidar adopted the idea of a Czech-style voucher sell off of state property. The voucher scheme, launched in August 1992, did indeed result in the transformation of many enterprises into joint stock companies. By the end of 1992, 46,815 state enterprises had been privatised in this way. However, of these, only some 600 were classified as large enterprises. After a temporary halt, Chernomyrdin accelerated the programme with a target of privatising a further 500 large enterprises within three months and 5,000 by the end of 1993.

Completion of this programme in mid-1994 will, theoretically, transfer 70% of Russia's industrial capacity out of the state sector as joint stock companies. However, most of these privatisations were by the 'closed subscription' method in which between 51 and 71 % of shares go to the employees of the enterprise. This reinforces the long tradition of collaboration between managers and workforce against the central authorities and will prove a serious obstacle to further rationalisation plans. But the imposition of major restructuring in industry remains the most urgent priority if the economy is to be subordinated to the laws of capitalism.

The Russian economy is shot through with profound contradictions due to the uneven process of restoration and the difficulties experienced in the formation of a new bourgeoisie. On one side, there is the state run industrial sector, mainly oriented to military production which is totally dependant on government subsidies or credits. It is also responsible for the infrastructure and the employment of the mass of the population. Set alongside this is the private economy, mainly in retail and service sectors, which is often unofficial and illegal. Despite the growth of important elements of a new bourgeoisie, this class remains in large part restricted to the sphere of merchant capital, that is, the domain of the circulation of capital. This 'class in formation' is still largely parasitic on the remains of the property relations of the degenerated workers' states.

The destruction of Gosplan, Gosbank, the State Supply Commission and the industrial ministries marked an important step in the destruction of the economy of the degenerate workers' state. But the dominant sector of the state-owned economy continues to function, temporarily, on a non-commercial and non-capitalist basis. However, it is no longer actively organised by the institutions of bureaucratic planning. The dismantling of planning, linked with the difficulties in forming a new bourgeoisie (and thus the formation of a bourgeois state) is manifest in the spectacular collapse of production.

The old bureaucracy, minus the CPSU bureaucrats, remain a ruling caste within production. But whilst many have enriched themselves and purchased shares in their enterprises, or transformed them into dollars and invested their capital abroad, they have not yet established decisive ownership over state industry. The managers of the state industries remain under pressure from their work collectives, and are obliged to pursue the immediate objective of continuing production and employment. This acted, and still acts, as an enormous block to the shock therapy breaking up the moribund mass of the old planned economy. No automatic economic process or 'hidden hand' will break it up by itself. Capital has to have a dependable state and repressive apparatus. Then it must turn it against the defenders of bureaucratic privilege and break up the resistance of the proletariat and, indeed, of some sectional interests of capital.

The remaining economic roadblocks to restoration could not be overcome without the resolution of the political dual power situation. This is why the neo-liberals pressed Yeltsin towards a decisive confrontation with the forces obstructing these policies within the parliament. Yeltsin destroyed the power of the Congress of People's Deputies and the Supreme Soviet in October 1993 and extended his power to the provinces. This was a necessary, albeit not a sufficient, condition for the restoration of capitalism. In its wake Yeltsin introduced further measures to make land a commodity. But Yeltsin could not introduce the full range of necessary measures overnight; not before he had created a secure semi-bonapartist

constitutional framework and consolidated the army behind him. He has proved unable to create a political movement in the country which backs his reforms and which could gain a majority in the two houses of parliament—the State Duma and the Federal Council.

A further limitation of his freedom of movement is that the Army High Command, who grudgingly backed him in his showdown with parliament, are far from enthusiastic about the shock strategy. There are good reasons for their reticence. There is little evidence that imperialism will come up with the tens of billions of US dollars that are absolutely essential to prevent social disorder and the total collapse of 40%-60% of industry. The still powerful ?industrialists? and generals do not want to see the complete prostration of Russia before the US, German and Japanese multinationals that this scenario entails. There are some serious indications that a more pronounced state capitalist strategy might emerge, one tolerated, if not advocated, by imperialism in order to achieve social stability for the restorationist regime.

Certainly, the differences concerning the pace and the type of restoration strategy are yet to be resolved within the Kremlin. Yeltsin's government itself contains representatives of the cautious state capitalist strategy, not least premier Chernomyrdin. The army's enhanced power will now give added weight to these. But whichever route to capitalism the government takes, the historic, if disfigured, conquests of the proletarian revolution made during the twentieth century, are still being undermined or destroyed under the banner of democracy and with the promise of providing the necessities for a decent life. Already in Russia the hollowness of this promise has begun to be revealed. A military and police Bonapartism or a highly militarised ?democracy? will be needed to see through the ?nal savage assault on nationalised property.

In 1989/90 a series of mass popular upheavals in Central and Eastern Europe brought to power a succession of openly bourgeois, or bourgeois-workers? parties, committed to dismantling the planned economies and the restoration of capitalism. By the summer of 1990 capitalism had been restored in the former German Democratic Republic. By the end of 1993 this had not occurred elsewhere. But even in the rest of Central and Eastern Europe their established economic ties with USSR and each other were considerably weakened and they began to open themselves up to trade and investment from the capitalist countries.

This disruption and competition caused a sharp collapse of industrial production during 1990 and 1991. Hungary suffered a fall of 21% in 1991; Poland and Czechoslovakia experienced reductions of more than 24% and 32% in the same year. The condition of Romania, Albania and Bulgaria was even worse. Not since the slump of 1929-32 in the west had there been such a dramatic fall in output in a region of the world's economy. In Central Europe the collapse in industrial production was partly compensated by a growth in private sector services and agriculture.

Some stabilisation of this decline took place in 1992 in Poland and elsewhere in 1993. Hungary, Poland and the Czech republic registered positive GDP growth in 1993. Industrial collapse has bottomed out as the most unprofitable have gone bust. Some tariffs have been re-imposed to protect other industries and in response to social protest. Trade with the EU grew rapidly (e.g. 19% in 1992), Germany being responsible for over half of these three countries' exports and imports. Given the restricted and impoverished nature of the internal market in these countries, expanded trade with the EU is crucial to their short term economic prospects. The European recession, and especially Germany's, presents a real barrier to the completion of Central Europe's restoration process.

Expanded trade and investment assists macro-economic stabilisation (inflation, unemployment and foreign exchange reserve levels). Outside of this expansion each of the governments are delayed in implementing the necessary structural changes in the banking sector. The elimination of bad loans to the industrial associations is crucial if the banks are to operate as the provider of commercial credit and money which

can circulate as capital. In Hungary and Poland much of the juridical framework for bankruptcy and banking reform exists. Yet, at least up to the end of 1993, banks throughout the region used much of their available funds to cover non-performing loans to the enterprises, restricting the process of capital accumulation in the private sector. In the coming period the weakness of the embryonic bourgeoisie, the lingering effects of the world recession and the absence of solid financial guarantees from the IMF and the World Bank will continue to delay restructuring and slow down restoration. But only a resurgence of workers' struggles will be able to stop or reverse this tendency.

The political landscape is still dominated by a fragmentation of political parties. All the movements and parties that emerged out of the collapse of Stalinist power in 1989/91 have either collapsed or split. As a result they have lost political influence. The committed pro-IMF parties in Central Europe (e.g. Democratic Union in Poland, Young Democrats and the Liberals in Hungary) lack strong popular support for their programmes. This reflects the fragile character of petit bourgeois and bourgeois classes in these countries and contributes to political instability. It also helps explain the protracted character of the restoration process as strong government majorities for decisive measures are difficult to secure. Bonapartist tendencies have strengthened in all these countries but the absence of a strong challenge to the governments from the working class has ensured that parliamentary rule and measures have been dominant in the first few years of the transition. Reformed Stalinist parties (now social-democratic, pro-capitalist parties) have strengthened their position as they have successfully presented themselves as the caring opposition, promising to protect the workers from the worst excesses of the restoration process.

Ex-Stalinist parties are once again in office in Poland and in Hungary. True-to-the-faith Stalinism has declined everywhere, although it remains strongest in the Czech and Slovak republics as well as Russia itself.

Unlike the countries of Eastern Europe, Cuba has not seen any mass movement for democracy or for a change in the regime. The restoration of capitalism is taking place at the initiative of the dominant wing of the bureaucracy. Castro presents the measures involved in the return to private property as 'indispensable concessions'. Given the terrible economic conditions in the country and the blockade (which has obviously reinforced the stagnation of the economy), Castro can present himself as the defender of the gains of the Cuban Revolution against US imperialism.

It is probable that the current regime will remain at the head of the restoration process, cultivating illusions amongst the masses as to its real nature. The regime may be able to survive for several more years behind its 'Marxist-Leninist', 'anti-imperialist' façade even though it is attacking the very foundations of the planned property relations.

China, with nearly a quarter of the world's population and at the heart of the region experiencing the most dynamic economic growth in the world, will play an increasingly important role in the fate of the world capitalist economy and in world politics. After 1978, market reforms in the countryside led to a massive increase in agricultural output and class differentiation and a significant accumulation of capital throughout most of rural China.

The Chinese Stalinist bureaucracy under Deng's leadership simultaneously promoted the import of foreign (mainly Hong Kong, Taiwanese, US and Japanese) investment into special zones on the Chinese coast. This investment has hitherto been attracted by the existence of very low waged workers to produce goods for re-export. Growth rates have exceeded 8% per annum in these zones.

Parallel to this, state capitalist trusts have been established whose profits are intended to form the capital for a state-supervised sector as a potential counterweight to the influence of foreign owned capital. This

controlled capitalist development has a series of potentially explosive contradictions.

Firstly, it has accelerated the development of a new super-exploited Chinese working class which has been forced to work under primitive and hazardous nineteenth century sweatshop conditions. Despite the repressive political conditions this working class will be forced to fight for protective labour measures and higher wages.

The doubling of disputes recorded by the state Labour Department over the past year is evidence of the development of the early stages of trade union organisation.

Although repression will drive such organisations towards the bourgeois-led Democracy Movement, their very existence creates an obstacle to both the Stalinists and bourgeoisie. Since the bloody crushing of the democracy movement in June 1989 there has been no open political opposition to the Stalinists. Nor is there evidence of political reform movements from within the bureaucracy.

Secondly, huge numbers of peasants have left the countryside to swell the cities, which have neither the jobs nor the urban infrastructure to support them, thereby creating more social tensions.

Thirdly, the loss-making state enterprises are coming under increasing pressure since the subsidies required to keep them in production act as a brake upon the further development of capital accumulation in the rest of the country.

Fourthly, increased collaboration of state and party officials with capital, especially with 'overseas Chinese' capital in joint ventures, is eroding the central authority of both state and party institutions which is essential for the continuation of the government's strategy.

Fifthly, the rapid development of the coastal Special Economic Zones (SEZ's) and their autonomous links to booming capitalist South East Asia will create strong centrifugal pressures that will encourage divisions within the central state power. This tendency will deepen with the return of Hong Kong to Chinese sovereignty in 1997.

However, the dismemberment of China is not the strategic objective for Chinese capital. The real significance of the SEZ's is that they have provided a territorial base from which to subordinate the rest of China to the law of value and the social rule of the bourgeoisie.

Although in formal statistical terms the SEZ's and private sector may be responsible for more than 50% of Chinese GDP, this will not result over the next two to three years in the restoration of capitalism.

Quite apart from the difficulty of establishing an objective standard by which to compare the two sectors, the real issue is the point at which capital accumulation becomes the dominating priority within the economy. This would entail a dramatic reduction in subsidies to state industry and in spending on social services and, consequently, very rapid rises in urban unemployment.

Although this might result from a decision to shift state resources towards state capitalist trusts, the real motive force, which differentiates China from the other degenerated workers' states, will be the dynamism of a fully-fledged capitalist sector.

As to the imperialists, they soon forgot their hypocritical denunciations of the regime for the Tiananmen massacre as US economic self-interest reasserted itself. Trade and investment with China has expanded greatly since 1989.

During the last three years China has taken a growing share of a declining total of Japan's foreign

investment; the USA too has increased its investment. Moreover, they are beginning to change their character as the multinationals start to produce for the Chinese market. Already there is a mass market for low value consumer goods such as televisions, provided by imperialist owned companies.

If current growth rates of trade, investment and output were to be continued up to the year 2000 then there would be a several hundred million strong market with enough income to sustain significant car, house building and consumer electronics industries. China, together with the rest of Asia, is thus seen by imperialism as its greatest economic opportunity for the rest of the century and indeed for the new millenium.

But capitalist development inside China?either through the further influx of foreign capital or the metamorphosis of parts of the bureaucracy into a capitalist class?cannot proceed without further sharp convulsions. The ?overheating? of the new economic zones?feverish credit expansion, inflation, lagging behind of the necessary infrastructural development?gives way in turn to constraints on demand.

This in turn produces dashed expectations, dislocations and unemployment. As the economic paths of the SEZs and the old state sector diverge more and more, any attempts by the rulers of the latter to impose restraints upon the development of the former will cause more and more conflicts as the new capitalists feel themselves unjustly restrained by the demands of the planned economy.

On the other hand, the ?iron bowl? guarantees enjoyed by the huge numbers of industrial workers in the old state enterprises will come under attack, provoking resistance from the most concentrated working class in the world. In the countryside the continued process of uneven economic development will promote further class differentiation, polarisation and conflict.

Enhanced capital penetration and link ups between the SEZs and the interior will cause conflicts between sections of domestic and foreign capital that will not be easy to resolve smoothly given the absence of a clear regulatory framework.

Moreover, China?s economic development will find itself a victim of its own rapid growth as it suffers retaliation from the EU, USA and others seeking to protect their industries and markets from cheap competition.

Finally, at the crossroads of all these contradictory paths of development stands the Chinese bureaucracy. It can only absorb so many of these conflicting pressures and stay relatively monolithic for so long; at a certain point in the next five years the bureaucracy will fracture along quite different regional, economic and sectoral lines.

Rural disorders, strikes in the SEZ?s and beyond, indicate that the masses are already moving into struggle. Massive closures in the industrial centres of the planned economy could, likewise, produce a social explosion.

Given the increasing tensions within the bureaucracy and the army, the first serious public split could rapidly lead to a pre-revolutionary, or even revolutionary, situation.

The issue of proletarian political revolution or social counter-revolution could be posed very quickly.