

Review: Walter Daum ? The Life and Death of Stalinism

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The publication of Walter Daum's book* in 1990 could not have been better timed from the point of view of marketing. It hit the streets as the world in general and the left in particular were reassessing Stalinism. As regime after regime in Eastern Europe was toppled many on the left threw in their lot with the bourgeois critics of socialism.

?This book uses the tools of Marxism to analyse the Stalinist system?. This grand claim is from the introduction by Sy Landy, National Secretary of the League for the Revolutionary Party of the USA.

The aim of this review is to show that, far from using Marxism, Daum distorts it ? and fails both the theoretical and programmatic test set by the collapse of Stalinism.

The central contention of Walter Daum's book is that Stalinist Russia was a form of bureaucratic state capitalism.

Like Tony Cliff and numerous other centrists of Trotskyist origin, Daum claims to base his theory on Trotsky's analysis. But unlike Cliff, Daum's analysis of social relations in the former USSR rests on the assertion that the Stalinist economies exhibited ?the laws of motion of capitalism in operation?. For Cliff Russia was capitalist despite the absence of the generalised operation of the law of value. For Daum, it was capitalist because of the role played by the law of value in the Soviet economy.

Daum stands in the tradition of CLR James, Raya Dunayevskaya and Kuron/Modelewski. All of these attempted to construct a theory of Soviet state capitalism based on the supposed social counter-revolution which took place in the mid-to-late 1930s with the introduction of various market mechanisms into the Soviet economy.

Thus, unlike Cliff and the SWP, Daum accepts Trotsky's characterisation of Russia as a degenerated workers' state right up to 1939, the point when Daum dates the social counter-revolution.

Yet Daum's analysis does share two methodological bases with Cliff. First, his whole case rests on a revision of the scientific meaning of certain key Marxist economic categories. Secondly, his argument is inevitably normative.¹

Cliff sets up the norm of a healthy workers' state, and by proving Russia does not fulfil the criteria declares that ?it must be capitalist?. Daum also sets up a norm, a definition, but this time it is of capitalism. The definition is so one-sided and all-embracing that he inevitably ?proves? Russia to be state capitalist. In the process he manages to deprive the Marxist concept of the transition to socialism of any coherent meaning. Ultimately he creates an internally contradictory theory of Soviet state capitalism which, far from building

on Trotsky's analysis of pre-1939 Russia, challenges its very foundations.

Daum's argument

To establish his case, Daum sets out to prove three things:

These are: 1) that the possibility of stratified capitalism flows from the Marxist theory of capitalism; 2) that a ruling class was formed out of the decay of the state and party bureaucracy in the Soviet workers' state of the 1920s and 1930s; and 3) that the post-World War Two Stalinist states exhibit the laws of motion of capitalism in operation.²

This approach already tells us much about Daum's method. He pays lip service to Trotsky's analysis, without which no one can reach a Marxist understanding of the Stalinist counter-revolution and society today.³ But he does not base his own analysis upon Trotsky's.

Trotsky's analysis, culminating in *The Revolution Betrayed*, was not of a rising capitalist class and increasingly capitalistic functioning of the economy. Trotsky saw the consolidation of the power of a parasitic caste which, in order to maintain its rule, exercised a brutal and dictatorial regime over the economic system. This dictatorship denied the possibility of the democratic involvement of the working class, which alone could have ensured the efficient working of the system. Far from transforming itself into a stable class, the caste's ruination of the economy could allow a capitalist counter-revolution, fascist in form, with which many bureaucrats could be expected to side.

To build on Trotsky's legacy means to further develop and test this model, to elaborate it in the light of events and developments after Trotsky's death. But this is not Daum's approach.

Daum starts with a description of capitalism and then tries to establish the norm of 'state capitalism'. What such a thing would look like, act like, is his first concern. Having established his model, his method is only to show that the Soviet Union has similar features, believing that proof of this will constitute proof of the capitalist character of the Soviet Union.

Soviet state capitalism?

With Daum's first contention, that 'stratified capitalism' is a theoretical possibility, genuine Marxists should have no quarrel. But the task is to show whether or not the Soviet reality conforms to that theoretical possibility, and, if it does, how it developed in that way.

As Trotsky argued,⁴ labelling the Soviet Union as state capitalist gives the would-be theorist an advantage inasmuch as nobody can really tell what the term actually means. In effect, each theorist can give their own meaning to suit their purposes.

In Daum's case considerable care is taken to avoid the pitfalls into which his predecessors have fallen. His account of other writers' inaccuracies on the Soviet economy is a serviceable introduction to the subject.

In order to prove his first point, that a state capitalism could develop on the basis of Marx's analysis, Daum devotes an entire chapter to the contradictions of capitalism. The main points that he wishes to establish are:

that the existence of wage labour and the operation of the law of value, rather than the production of commodities, are the chief defining characteristics of capitalism

? that the origin of the drive for accumulation lies in the pressures of the class struggle, not in competition between capitals

? that, over and above the cyclical crises of capitalism, there is a long term trend towards falling profit rates which results from the greater centralisation and concentration of capital achieved by those crises.

The purpose of these three propositions is not difficult to see. The model takes shape before our eyes.

If there were a state capitalism then it would be characterised by wage labour and the continued operation of the law of value. Whilst there would not be great competition in the market between the different state capitals, there would nonetheless be accumulation. This accumulation would be very centralised and concentrated and, as a result, there would be an extremely low rate of profit. So great a proportion of total capital would be obsolete, and its value fictitious, that the entire economic system would be in constant danger of stopping completely through advanced sclerosis.

The similarities between this model and the Soviet economy are obvious. But they are not enough to prove Daum's case.

In the first place Daum's case relies upon an inadequate definition of capitalism. He fails to recognise that capitalism is generalised commodity production, which means centrally that labour has become a commodity (labour power), it is the commodification of labour which is essential to the existence of capitalism and which Daum fails to prove existed in the USSR after 1939. Secondly, Daum has to distort the nature of the transition period from capitalism towards socialism under the dictatorship of the proletariat, and specifically the role played by wage labour and the law of value within that transition period.

Daum versus Preobrazhensky

To defend his theory, Daum launches an attack on the whole Leninist-Trotskyist understanding of the transition period. But it is a flank attack, aimed not at Trotsky himself but Yevgeny Preobrazhensky, the economic theorist of the Left Opposition who eventually capitulated to Stalinism in the early 1930s.

Daum wants to show that Preobrazhensky was wrong to say that the imposition of planning in the Soviet Union negated the operation of the law of value in the state sector.

To prepare the ground, Daum begins by taking issue with Preobrazhensky's description of the German economy during the First World War. Preobrazhensky wrote:

?The regulation of the whole of capitalist production by the bourgeois state reached a degree unprecedented in the history of capitalism. Production which formally remained commodity production was transformed de facto into planned production in the most important branches. Free competition was abolished, and the working of the law of value in many respects was almost completely replaced by the planning principle of state capitalism? 5

Daum goes on to comment,

?Preobrazhensky drew back from concluding that the near replacement of the law of value in Germany had abolished capitalism, or even nearly so?.

Why ?drew back?? Why the suggestion that Preobrazhensky might have thought Imperial Germany had abolished capitalism? The idea is absurd.

In his discussion of imperialist Germany, Preobrazhensky was making the relatively simple point that, even

under capitalism, the operation of the law of value can be negated, for a period, by the state taking control of production in order to maintain its social order.

The Bolsheviks studied the experience of German 'state capitalism' of the First World War period to see what lessons could be imported into the early Russian workers' state. But there was a qualitative difference between Germany and the Russian workers' state. In the former private ownership of the main means of production continued to exist and formed the basis of the economy. The state co-ordinated and intervened into aspects of production in order to secure supplies essential to the functioning of a war economy. The state also guaranteed orders for key industries and directed labour to some sectors.

The same was true for the British war-time economy in the years 1939-45. All these measures tended to undermine the free operation of the law of value, but they by no means subordinated it to a higher logic.

Daum is thus wrong to paraphrase Preobrazhensky as having claimed that 'state capitalist planning cancels the law of value'. Preobrazhensky's view was far more qualified, and referred to 'aspects' being 'almost completely replaced', and only in those spheres taken under state control.

The purpose of all this for Daum is to establish a distinction between Trotsky and Preobrazhensky on the law of value with, by implication, Daum drawing his positions from Trotsky.

The central point about any discussion of the law of value under 'state capitalism' is this: capitalism is capable of spontaneously negating the law of value in whole industries and for whole periods. But the function of this is to preserve the operation of the law of value as a whole, as the guiding mechanism of the capitalist economy.

When either a healthy workers state, or a bureaucratically degenerate one, negates the law of value it does so with the conscious aim of subordinating the economy to the interests of the working class or the bureaucratic caste. Indeed, for us, what 'defines' a post-capitalist economy is the absence of the generalised operation of the law of value, even if aspects of it survive.

Daum has to distort Preobrazhensky's understanding of imperialist state capitalism in order to accuse him of misunderstanding the transition period. But it is Daum who gets it wrong.

Daum on the transition to socialism

Daum refers to the Critique of the Gotha Programme, in which Marx outlined two stages in post-revolutionary society: communism, and the 'lower stage' of communism which has come to be known as socialism.

Marx described having to deal with this earlier stage of communist society, 'not as it has developed on its own foundations, but on the contrary, just as it emerges from capitalist society'.⁶

Daum correctly points out that the dictatorship of the proletariat, which inaugurates the transition to socialism, must not be confused with the socialist 'lower stage' of communism. But, having introduced the concept of the transition period, Daum proceeds to negate its dialectical content by declaring it to be a phase of capitalist society.

Having discussed the two stages of communism, having explained that elements of bourgeois right survive after the proletarian revolution and that, therefore, Lenin said the workers' state was a 'bourgeois state without the bourgeoisie', Daum writes:

'The Socialist stage refers to communist society 'when it has just emerged after prolonged birth pangs

from capitalist society?. This does not mean that socialism is created right after the socialist revolution, when the bourgeoisie is ousted from state power. That would deny any transitional society between capitalism and socialism. No, it implies that the workers' state that leads up to socialism is still part of the capitalist stage of history. The proletariat is a class that only exists within capitalism, as part of the wage labour relationship. Since it cannot be abolished and still rule its own state (the dictatorship of the proletariat), that state is in that sense still bourgeois?. 7

It should be clear from this why Daum places such a great emphasis on defining capitalism through the continued existence of wage labour.

The dialectical understanding of the transition period, where the proletariat continues to exist as a class in struggle against the remnants of the law of value, is reduced to a tautology: the proletariat only exists within capitalism; as long as the wage labour relationship continues to exist the proletariat exists, therefore the dictatorship of the proletariat is, economically speaking, a phase of capitalism.

The central error Daum makes is to confuse the wage form with the wage labour/capital relationship.

In the healthy, normative, transition period the proletariat moves as quickly as possible to abolish exploitation and the accumulation of capital, and to subordinate profit to need.

Even in the state sectors of a workers' state the workers receive wages. However, they do not receive them from capitalists but from a central wage fund whose size is determined prior to production.

Under capitalism wages are the price of labour power and, if we assume that on balance their total price equals their total value, then the wage expresses the value of labour power. This value, like that of all commodities, is determined by the socially necessary labour embodied in it. And like other commodities under capitalism, its socially necessary labour is only determined after the event, in the act of exchange. Failed or successful exchange tells all those in the market what is and is not socially necessary. Wages may be adjusted in the next round of accumulation under capitalism on the basis of rearranging the previously existing proportions between unpaid and paid labour. This is done under the spur of competition between different capitals, the outcome of which is to constantly readjust what counts as socially necessary labour.

With the abolition of capitalist private property in the main means of production, the wage-labour relationship is qualitatively undermined. In this theoretical model of the transitional economy as a whole (that is to say including both state and private sectors) the wage form no longer expresses the relations of exploitation between capitalist and worker, constantly adjusted under the impact of competition between capital. This is so even if wages remain the form in which surplus labour is extracted in the transition period. In short, the wage-labour relationship becomes increasingly form without content.

In a post-capitalist society in transition towards socialism, wages would represent an entitlement to a definite proportion of the social stock of goods, in the first instance based on how much each person put into the stock. But this is not commodity exchange since the 'value' of labour, its share of social wealth, is now determined prior to production. Wages, whether in the form of currency or certificates, are not a mediation between labour and capital that establishes the social value of individual labour, because this is established from the outset. Now it is only a way of mediating the exchange of labour for labour.

The fact that distribution of the rewards of labour is unequal between people in the transition period and under socialism reflects the fact that society cannot jump all at once beyond the limitations imposed on it by capitalism. But this distributional inequality is prevented from being the basis of exploitation since the

workers? state ensures that social ownership of the means of production are not subjected to the criteria of market competition, profitability and individual ownership.⁸

As the transition progresses and the material and cultural basis of society is raised, then the wage itself becomes less and less important for mediating the exchange of labour for labour. The decommodification of labour power means that an increasing proportion of social goods are provided as a collective right (basic housing, certain foods, power). Certain goods are still mediated through the wage form: they are paid for with wages. In a healthy workers state the proportion of these goods within total consumption should fall even if their absolute number grows. This stratum of consumption remains an expression of bourgeois right, that is a right of inequality.

Daum misuses Lenin?s concept of a ?bourgeois state without the bourgeoisie?. Daum infers that this is because Lenin accepted that the economy was capitalist. But Lenin?s aphorism refers not to the content of the economy over which that state would rule, but to the very fact that any state was necessary at all. In the sense that we have established above, inequality exists in the transition period since individuals possess different abilities and these differences are rewarded to some extent. A state that guarantees this inequality?even if a workers? council state?is to that extent a ?bourgeois state without the bourgeoisie?. But the latter three words signify the fact that the same state has expropriated capitalist relations of exploitation, an important, qualitative measure!

Trotsky versus Preobrazhensky?

This view of wage labour under the dictatorship of the proletariat was employed by Preobrazhensky in his work on the USSR. He stated that in large measure state industry in the early Soviet economy ?was abolishing the commodity status of labour power?.⁹

According to Daum, Preobrazhensky was wrong. Preobrazhensky?s ?mistake? and his pre-eminence are both crucial elements in Daum?s attempt to explain why the Left Opposition, and thereafter the Fourth International, did not develop a state capitalist analysis of the Soviet economy.

Trotsky, untainted by this ?error?, asserted that ?principles of commercial calculation have been re-introduced and wages again made dependent on skill and output?.¹⁰

The implication is clear: Preobrazhensky thought that statified industry was already ending the commodity status of labour power (and, therefore, the operation of the law of value) whilst Trotsky recognised that the law of the market, the law of value, not only continued to exist but should be made the basis of the state?s economics.

We have already explained that the retention of wages, the tying of rewards to ability and the decommodification of labour power are all part of the same unified process and not at all counterposed. What Daum sees as a counterposition is in fact a different stress that each is placing on aspects of the political economy of the proletariat.

The quote from Preobrazhensky is taken from *The New Economics*, published in 1926. It was an attempt to analyse the tendencies inherent in the Soviet economy as it approached the end of the reconstruction phase, a time when the emergencies and priorities of the early NEP were already in the past.

The quote from Trotsky is taken from his report to the Comintern in 1922 on the operation of the first year of NEP, when achieving a clear system of accounting was amongst the highest priorities of the Communist Party. To this end, as is well known, the state allowed the revival of the market.

?The gist of the New Economic Policy lies in the revival of the market, of its methods and its institutions.?

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However, even then Trotsky went on to say, after listing the proportions of private and state owned sectors, that taxation and credit were two important levers ?for securing the ascendancy of state forms of economy, that is, forms socialist in their tendency?. He added for good measure that the assertion that the state was capitulating to capitalism was ?an obvious and crass distortion of the reality?.¹²

We could say the same for Daum?s portrayal of the rift between Trotsky and Preobrazhensky.

The law of primitive socialist accumulation

Daum argues that a fundamental difference existed between Trotsky and Preobrazhensky on the political economy of the transition period.

The other, and principal, error made by Preobrazhensky, according to Daum, is that he thought the law of value could be abolished and be replaced by the ?law of primitive socialist accumulation? during the transition period.

Daum summarises Preobrazhensky?s argument like this:

?He expanded on the idea of a struggle between socialist consciousness and the capitalist inheritance embodied in the law of value. He regarded this struggle as one between two laws, the law of value and the ?law of primitive socialist accumulation?. By this he meant the need of the workers? state to expand production in the state owned sector of the economy, mainly the largest enterprises in heavy industry, by siphoning off a portion of the surplus value produced by the peasantry. If the state sector were left to expand solely on the basis of the surplus value it produced itself, it would grow only ?at a snail?s pace? (Bukharin?s phrase) and the working class would remain a minority of the population for a long time.?

Daum continues:

?State accumulation was certainly necessary, but Preobrazhensky?s theory was wrong. The dual character of production in a workers? state cannot be represented as combat between laws, a capitalist law of value and a socialist law of accumulation. First of all, we have seen that accumulation is an unfulfilled capitalist task left to the workers? state to carry out. The laws of accumulation are derived from the law of value, not counterposed. In the short run, accumulation runs counter to raising the cultural and living standards of the masses, obviously it could be accomplished far more speedily if the masses sacrificed their immediate well-being and all resources were dedicated to more means of production. In the long run, if dead labour dominates living, that is, if accumulation is the supreme goal, then all the evils of capitalism in its epoch of decay will follow and accumulation itself will be undermined.

?Nor is accumulation by the state at the expense of the petty-bourgeois peasantry specifically socialist. Achieved by transferring surplus value from the weaker and smaller units of capital to the larger, centralised and more advanced, it is again a law of capitalist development.

?The reason why Preobrazhensky?s theory is wrong is that the proletarian consciousness that combats the law of value is not a blind law independent of the will of the workers. There is no law regulating conscious planning (other than the law of value which holds it back). Preobrazhensky?s own attempts to formulate his ?law? present no objective developmental process. They merely acknowledge the level of Soviet economic backwardness. The best interpretation that can be made is that Preobrazhensky?s law was an effort to give theoretical backing to the Left Opposition?s strategy for industrialisation. But it had the

effect of drawing a line between the state sector and the private sector, as if the law of value could penetrate the former only from outside.¹³

If that was what Preobrazhensky said, then he was wrong. But that was not what he said.

This is how he formulated the law of primitive socialist accumulation:

‘The more backward economically, petit-bourgeois, peasant, a particular country is which has gone over to the socialist organisation of production, and the smaller the inheritance received by the socialist accumulation fund of the proletariat of this country when the social revolution takes place, by so much the more, in proportion, will socialist accumulation be obliged to rely on alienating part of the surplus product of pre-socialist forms of economy and the smaller will be the relative weight of accumulation on its own production basis, that is, the less will it be nourished by the surplus product of the workers in socialist industry.’¹⁴

In other words, the less industrially developed a country is, the more it will have to rely on taking a part of the surplus created by the peasantry, or other petit-bourgeois strata, to begin industrialisation and reconstruction.

To some extent, the law would apply to all post-revolutionary societies:

‘It must not be forgotten that the period of primitive socialist accumulation is the most critical period in the life of the socialist state after the end of the civil war. In this period, the socialist system is not yet in a condition to develop all its organic advantages, but it inevitably abolishes at the same time a number of the economic advantages characteristic of a developed capitalist system.’¹⁵

For the workers’ state to rapidly achieve the economic advantages of socialist planning, it must appropriate resources from outside its own sphere of economic organisation.

It is quite clear that Preobrazhensky did not conceive of his ‘law’ as blind, independent of the will of the workers. On the contrary, it was a statement that if the socialist state cannot get hold of sufficient resources from its own sector, it will have to get them from somewhere else. In this form it would appear to be incontrovertible.

Perhaps this is why Trotsky wrote:

‘The analysis of our economy from the point of view of the interaction (both conflicting and harmonising) between the law of value and the law of socialist accumulation is in principle an extremely fruitful approach, more accurately, the only correct one.’¹⁶

Preobrazhensky’s law demanded conscious recognition by the state authorities in order to operate effectively. The state authorities, personified by Bukharin and Stalin, insisted that the socialist sector had to develop on the basis of the surplus it could generate for itself. This was too slow to guarantee the defence of soviet power—therefore development had to be funded from elsewhere and levers of accumulation devised that accelerated the spontaneously arising levels of accumulation in the state sector. Where else was there apart from the peasantry and the world market?

Daum, like Bukharin in his argument with Preobrazhensky, wrongly believes that the existence of a ‘law’ is incompatible with conscious planning and direction of the economy. This is in effect an undialectical counterposition of freedom and necessity, as if the former is freed from any obligation to the latter. But Marx and Engels recognised that ‘freedom is the recognition of necessity’. Applied here this boils down to

a recognition that there exist definite proportionalities in the rates of accumulation between different sectors of the economy. There is in this sense a lawfulness about the rates and tempo of consumption and production which if not respected and acted upon can lead to breakdown in accumulation.

The Left Opposition's programme, for example on housing and industrialisation, included the use of unequal exchange with the countryside and, where possible, on the world market. To enable the state to do this it was necessary to alter the structure of the economy, to go further than the nationalisation and monopoly of foreign trade already established, and institute a planned distribution of resources.

Within this framework the state could shift its resources unrestricted by the law of value. What it could not do was shift them any way it pleased. It had to recognise the physical scale of resources; it had to maintain an appropriate relationship between 'Department One' and 'Department Two'. It had to work within the very limited planning capacities it had at its disposal. But, within the state controlled sphere, they constituted a qualitative barrier to the subordination of that state sector to either the domestic or international law of value.

There was a danger in Preobrazhensky's theorisation, more particularly in *The Crisis of Soviet Industrialisation*, the work that followed *The New Economics*, . That was his attempt to construct a mathematical model of the Soviet economy in which advance was, essentially, predicated only on the correct dispositions within the national economy and abstracted from the prevailing social and political relations.

Trotsky had already drawn attention to the danger that such work would be taken over by the Socialism in One Country theorists.¹⁸

Nonetheless, to imply that his 'law of primitive socialist accumulation' (not 'socialist law of accumulation' as Daum calls it) provided a rationale for the brutal subordination of the working class's living and cultural standards under Stalin's industrialisation drive is a crass misinterpretation.

In fact, Daum's view of proletarian consciousness as the magic ingredient is far closer to the view that prevailed in the 1930s period of Stalinist industrialisation. Convinced that it was the repository of 'proletarian consciousness', the Stalinist regime devised voluntaristic schedules in the belief that through an effort of will alone one can overcome all material obstacles.

Of course, Daum is as critical of the results of the Stalinists' voluntarism as we are. It follows that there are objective limits to what a transitional regime can achieve with given resources.

What determines those limits for comrade Daum? The question has already been answered: the law of value regulates planning. This must be so because the dictatorship of the proletariat, the workers' state, is still a part of the capitalist period of history:

'Even if the entire economy were brought under state ownership, accumulation would still be a capitalist survival. The socialist tasks would remain; advancing the cultural and material level of the workers, shortening the working day, bringing the masses into the running of the state, increasing equality etc. The struggle against the law of value would continue.'¹⁹

For Daum the workers' state is, fundamentally, a benevolent capitalism. The economic laws of the society are those of value but the state, nonetheless, 'struggles against the law of value' by raising the cultural level of the workers, shortening the working day in keeping with increasing productivity.

This reduces the proletarian character of the workers' state to directing the distributional outcomes of the

labour process, diverting some of it towards cultural and socially progressive undertakings. For all Daum's insults hurled at 'middle class Marxism', his conception of the struggle against the law of value has far more in common with Fabianism than with Bolshevism.

A degenerated workers' state?

In his discussion of late-1930s Stalinism, Daum attempts to show that the Stalinist economies were indeed 'generalised commodity producing' economies with competition between enterprises, with the surplus taking the form of value. He can only do so on the basis of a profound mistake concerning the political economy of the working class under the dictatorship of the proletariat.

Yet the real mystery given this mistake is why Daum refuses to draw these conclusions about Stalinism in the 1920s and early 1930s. Basing his argument on the idea that all forms of the transitional society are 'phases of capitalism', Daum undermines the case for seeing a 'social counter-revolution' in the late 1930s. Why is such a counter-revolution necessary if the degenerated workers' state is itself a form of capitalism?

To cover up this inconsistency Daum reduces the proletarian content of the workers' state to its political form of rule. For Daum the class character of a transitional regime is determined by the subjective will of its ruling class or caste, since its economic content is essentially capitalist.

If there is nothing 'socialist' about planning, state ownership and the state monopoly of foreign trade, then only the political consciousness of the ruling stratum characterises the class nature of the state. Thus only the political consciousness of the Bolsheviks separated their regime from state capitalism. Such an argument is a rejection of the whole Bolshevik strategy for building socialism via the seizure of state power and the utilisation of that power to negate the law of value.

It is correct to say of the young soviet state that it was 'socialist' only in the sense of its aspirations and the direction of its policies. But to leave it there is to ignore the structural changes which that state introduced into the economy, namely statification, planning and the monopoly of foreign trade, and thereby deny that there is any qualitative distinction between the economy of the workers' state and that of a bourgeois state. This becomes doubly important when we are considering not a revolutionary workers' state but a degenerated workers' state where the only distinctive class characteristics are those of the structure of the economy.

Daum wants to keep his Trotskyist credentials by retaining the idea of the degenerate workers' state from 1924 to 1939. But he undermines his own argument in the process. No qualitative changes took place in the economy of the Soviet Union between 1936 and 1939.

What happened in this period was that Stalin eradicated all opposition and finally dominated a regime which had, by trial and error, developed a means of extracting sufficient production from the statified economy to maintain itself.

Certainly this period, which saw the majority of surviving ex-Bolsheviks purged or executed, represented the squeezing out of the bureaucracy of the last remnants of a subjective revolutionary consciousness. But in no sense could it be identified as the decisive collapse of the subjective intention to build socialism. As Trotsky himself documented, this took place with the adoption of the 'socialism in one country' perspective, much earlier in the degeneration process.

Daum on Trotsky

We have already noted that Daum wants to accept Trotsky's outlook²⁰ with regard to the Soviet Union up to 1939. But all that Daum actually accepts from Trotsky is the label 'degenerate workers' state'.

For example, in relation to Trotsky's proposals for dealing with the crisis caused by the First Five Year Plan, Daum writes:

'Unlike the capitulators, Trotsky denounced the forced pace of industrialisation and collectivisation; the accompanying barbarism, irrationality and disorganisation had weakened the foundations of the Soviet state. 'The Soviet economy today is neither a monetary nor a planned one. It is an almost purely bureaucratic economy.' Accordingly, he called for a retreat from adventurist expansion and a 'year of capital reconstruction'. This meant replacing the Five Year Plan with a return to the market'in the hope of later regaining the possibility of centralised scientific planning and economic accounting. '²¹

Daum's point is clear enough. Trotsky argued that it was not a planned economy and that the only way to regain any rationality was by the return of the market. This would suggest that Daum is right in saying that the underlying laws of the economy, whether recognised or not, were those of the market, the law of value.

Now let us look at what Trotsky did say in the earlier of the two articles referred to by Daum:

'The laws that govern the transitional society are quite different from those that govern capitalism. But no less do they differ from the future laws of socialism that is of a harmonious economy growing on the basis of tried, proven and guaranteed dynamic equilibrium.'²²

Whatever else Trotsky may have thought, he certainly did not think that the underlying and inevitable laws of the economy were those of capitalism.

We can then read further,

'It is impossible to foretell the extent that the crisis will assume. The advantages of the planned economy remain during crises as well, and one may say they show themselves with special clarity precisely in a crisis . . . The workers' state meets the crisis with all its resources. All the dominant levers'the budget, credit, industry, trade'are concentrated in a single hand. The crisis may be mitigated and afterwards overcome not by strident command but by measures of economic regulation.'²³

What can this mean except that, first, the Soviet economy of late 1932 was a planned economy and that, secondly, to overcome the crisis, it was necessary to use state regulation of the economy.

And what about the 'Year of Capital Reconstruction'? Trotsky used this as a sub-heading in his article, employing the word 'capital' in the sense of 'fixed installations', factories, railways etc. The content of what he was demanding sheds further light on his argument:

'Having been knocked off balance, the Soviet economy is in need of serious reconstruction. Under capitalism the disrupted equilibrium is restored by the blind forces of the crisis. The socialist republic allows the application of conscious and rational cures. It is impossible, of course, to halt production in the whole country . . . but there is also no need to do that. It is enough to lower the tempos. The current productive labour for 1933 cannot be carried on without a plan, but this plan must be for one single year, worked out on the basis of moderate, quality quotas.'²⁴

This does not sound like 'replacing the Five Year Plan with a return to the market'. On the contrary, Trotsky explicitly counterposes the necessary planning to the 'blind forces' of the market.

To explain Trotsky's later observation that the economy was neither 'monetary nor planned'²⁵ does not

require Daum's argument but the quite simple recognition that, in that discussion, Trotsky was counterposing 'monetary', meaning capitalist, to 'planned' meaning socialist, i.e. he was explaining that the economy was neither entirely free of its capitalist origins nor entirely controlled by rational planning.

The Trotskyist tradition has always referred to the workers' state as precisely this, a transitional state.

The 'social counter-revolution' of the late 1930s

There is another side to Daum's method which we can examine in the context of his analysis of the completion of the capitalist counter-revolution between 1936 and 1939. This is the side which replaces argument altogether with simple assertion.

The year 1936 is very important for Daum because it marks the beginning of the final act in the rise to power of a bureaucratic capitalist class. This was accompanied, in his opinion, by a final consolidation of capitalism within the economy. The evidence for this is the right turn undertaken by the regime and exemplified, for Daum, by the tightening of political control leading up to the purges, the introduction of a 'panoply of capitalist methods' and 'revisions of Soviet theory and practice'. These included rapid advancement of arms production, restoration of traditional institutions and the return to Soviet respectability of 'old ruling class professionals, like clergymen and lawyers'²⁶, increased Russian nationalism, increased competition and inequality between workers, the consolidation of 'Stalinist planning' and the reform of Soviet law.

Now, all of these things certainly happened and Trotsky drew attention to them at the time. The point, once again, is that such phenomena are entirely compatible with the characterisation of the Soviet Union as a degenerated workers' state. In fact the degenerated workers' state analysis enables us to understand these phenomena better. Daum's discussion of the development of 'Stalinist Planning' illustrates this.

This gets to the heart of Daum's theory that the Soviet economy was capitalist. Nowhere is the substitution of assertion for argument and evidence more glaring:

'Despite the formal hierarchy of planning, where in theory all goods produced were transferred from one firm to another not through a random market but by administrative decision, the reality was that competition flourished at every level in the planning system. The more elaborate the Stalinist economy became, the more competitive the different interests became; if not over sales, then over resources, labour, funds and assignments.'²⁷

The 'evidence' cited for this? A lengthy quote from a 1963 textbook on the Soviet justice system!²⁸ More important than the sheer lack of any worthwhile evidence is the simple equation of competition with capitalist relations. It is every bit as fatuous as Cliff's argument that because the USSR competed with the USA in the field of arms technology this resulted in the imposition of capitalist relations within the USSR.²⁹ Competition under capitalism merely executes the inner laws of capital that lie in production. We are forced to return to the earlier question. Are the 'resources, labour, funds' allocated on the basis of the law of value or not? We have already shown that this is not the case. Falsely abstracting from the nature of the competition proves nothing.

It is actually even odder than Cliff's position because of the lengths to which Daum has gone to explain that, in highly monopolised state capitalism, there is precious little competition! If there were real competition there would be losers, firms which were inefficient would go out of business and the capital they represented would be destroyed. But this is exactly what did not happen in the Soviet Union.

Daum's position is further contradicted by his own summary of the system of 'Stalinist Planning':

?It is in reality administration by fiat. The very concept of socialist competition as a means for subordinating all units of production to the drive for maximising accumulation makes genuine planning impossible. . . . Likewise the market for commodities was replaced by a system of mandates issued from above, based not on scientific planning that meshed resources with needs but on a system of priorities. Heavy industrial and military sectors were favoured and agriculture and light industry subordinated to them.?30

This is just another example of the normative method at work: if there can be no genuine planning (as in a healthy workers' state) then there is no planning at all. At the same time, there is the fiercest of competition? but also rule by fiat?and the market has been replaced by a system of mandates.

?Marxists of every stripe?, we are told:

?have overlooked the decentralist tendencies emerging in the midst of political centralisation and national planning.?

Only comrade Daum, it seems, realised that,

?the heart of the matter was the intensification of the struggle over surplus value and accumulation?31

With such insight, who needs evidence?

The new capitalist class?

Daum's account of the rise of the 'new capitalist class' is no more rigorous. The essence of his argument is that the scale of the purges of the late 1930s ensured that hundreds of thousands of state, party, trade union and military cadres, who had roots in the revolutionary past, were replaced by young members of the new ruling class typified by Brezhnev, Kosygin, and Andropov.

We have no quarrel with Daum over the extent of the purges. But for Daum the key point is that the formative experience of the October Revolution, vestiges of Bolshevik consciousness, had been eradicated. Daum finds the moment of social counter-revolution in a change in the political consciousness of the ruling stratum, not in a change in social relations.

The inner laws of Soviet state capitalism

Although Daum's book purports to be an exposition of the capitalist character of the Soviet Union, the actual amount of space devoted to a positive presentation of the theory is very slight. The argument rests on analogy rather than analysis, and fails to provide much detail or, indeed, evidence.

The heart of the chapter devoted to 'Stalinist Capitalism' is a comparison of the supposed characteristics of a state capitalism with various well-known features of the Soviet economy. Thus, for example, a state capitalism would exhibit considerable centralisation but this would not (according to Daum's model) eliminate competition between sectors.

?A significant feature of the Stalinist economy is its subdivision into separate ministries acting in many ways like the giant corporations of the West: they compete among each other for shares of the system's overall resources, but cannot completely suppress internal competitive tendencies?32

At one level, this approach is laughable. It is asserting an equal content on the basis of an entirely superficial formal comparison that is highly contentious and for which absolutely no evidence is given. At another level, however, it does illustrate Daum's fundamental position that capitalism rules until there are sufficient material resources to remove the need for competition for 'shares of the system's overall

resources?. Daum does not want to say it, but the logic of his argument, once again, is that the Soviet Union was capitalist long before the 13th Congress.

It would be tedious to make the same point about each of the features referred to by Daum. Most Sovietologists confirm that there has been an over-concentration on extensive development, especially of producer goods industries, and to say that this could be expected to happen in a stratified capitalism neither proves nor disproves anything about the class character of the Soviet Union. As Trotsky pointed out, it is also an inevitable consequence of bureaucratic control of a degenerate workers' state. The same can be said for lousy standards of consumer production, for the failures of planning, for the continuing social inequality of women—all features presented by Daum as definitive proof of the capitalist nature of the Soviet Union.

There is, however, a rational kernel to one aspect of Daum's argument. The period from 1936 to 1939 witnessed the creation of a system of control of the economy which enabled Stalinism to survive longer than Trotsky had predicted. This fact does have to be explained. Daum's observation that Trotsky ceased to write detailed analyses of Soviet developments after *The Revolution Betrayed*, primarily because of the absence of information, is entirely valid. However, what is required of Trotskyists is not the rejection of Trotsky's model and the imposition of an entirely different one, but an examination of Trotsky's model in the light of information that is now available to us.

What this would show is that during and after the Second Plan, the bureaucracy evolved a number of pragmatic methods for dealing with the errors inevitably caused by its methods of planning. The system has been researched and presented by Harrison³³, and was based around the creation of a network of Gosplan plenipotentiaries who were empowered to take whatever action they thought necessary to complete projects that had been prioritised by the political leadership. This same system was instrumental in allowing the maintenance of war production after the invasion of 1941 and for the astonishing creation of new war industries in Siberia prior to the counter-attack of 1943. Thereafter, in the reconstruction phase, the regime was able to utilise the lessons (as well as the actual blueprints, very often) of the First and Second Plans to rebuild the most important infrastructural and industrial projects with much lower overhead costs than in the Thirties.

In other words, Trotsky's assumption that the economic dislocations caused by bureaucratic planning would eventually reach a pitch where economic collapse would cause the downfall of the regime, was offset by developments of which he appears to have known nothing.

This is not dissimilar from the way in which, while Trotsky expected the crisis at the end of the First Plan to result in the collapse of the Stalinist leadership, the speed with which they adopted important elements of Trotsky's own proposals ensured Stalin's survival. This did not cause Trotsky to abandon his analysis, but to refine it. The same can be said with regard to his famous predictions about the impending collapse of Stalinism towards the end of his life. The conjunctural predictions proved to be wrong, but the factors which falsified the prediction do not falsify the analytical model of the degenerate workers' state.

Post-War Stalinism

Daum does not end his analysis with the 1930s. He goes on to consider Stalinism's role in the post-war world. 34

As far as the class character of the Soviet Union is concerned, the only further innovation made is the argumentation to support the characterisation of the Soviet Union as imperialist. This relies mainly on drawing an analogy with Lenin's characterisation of Tsarist Russia. Like the Soviet Union this was not a

net exporter of capital and did not share many of the features of 'classical' imperialism. Nonetheless, Lenin regarded it as imperialist because it was an integral pillar of the world imperialist system. Similarly, says Daum, the Soviet Union does not export capital but has clearly been central in maintaining the world order of imperialism since the Second World War. Clearly this analysis stands or falls by the characterisation of the Soviet Union as capitalist in the first place.

That it has collaborated in butchering revolutions, made concession after concession to imperialism and has generally been guided by the need to prevent any strategic advance by the international working class, is not at all incompatible with its character as a degenerated workers' state. Stalin did all of those things during the period when Daum thinks he ruled a degenerated workers' state.

This is no terminological debate, as there is a key political point to calling the Soviet Union imperialist. It means that revolutionaries do not defend it, even in confrontation with the main imperialist powers. Opposition to defence of the Soviet Union was the driving force behind Shachtman, and it is the driving force behind Daum and his organisation. This final point can be evidenced by looking at the programmatic conclusions drawn at the very end of the book.

Hollow orthodoxy

Daum strikes a very revolutionary attitude by insisting that correct the programme for the Soviet Union is, essentially, the Transitional Programme developed by Trotsky in 1938 for capitalist countries. He argues that the programme of political revolution adopted by Trotsky for the Soviet Union has become completely outmoded.

For example, it makes no sense to talk about 'regenerating the soviets' when there have been none for effectively three generations. Similarly, for the working class to take power would require the 'smashing' of the essential organs of the state such as the secret police and the officer corps.³⁵ Daum therefore outlines the key elements of the Transitional Programme that are likely to be applicable in the Soviet Union (and other similar states): sliding scale of hours, socialisation of housework, workers' control, expropriation of key industries by the state, public works, workers' management, national programme for housing, pensions, creation of strike committees, workers' militias, soviets and the workers' (and farmers' where appropriate) government in a workers' state.³⁶

All very orthodox. In reality, all very hollow. Such a programme avoids all the political problems actually facing revolutionaries in the Soviet Union. Take the 'expropriation of key industries'. What are we to understand by this? The key industries are already state property? how can the state expropriate them? Daum is not talking about expropriation by a revolutionary government because he specifically explains that it is principled to demand nationalisation by a capitalist government.

What does workers' control imply in a fully nationalised economy? It can only mean asserting the control of the workers over the economic decision making concerning their plants. But the decision-making is still, ultimately, in the hands of the central economic planning and banking institutions and so the demand really comes down to taking control of them. The workers of the Kuzbas coal mines must, at the very least, re-establish the distribution and supply links that have been disrupted by the collapse of the Soviet Union. To do this they do not need to smash the planning ministries, they have to take control of what's left of them. That being the case, of course, it suggests that, wherever such systems still exist, even though not yet under workers' control, revolutionaries will defend them against either dismantling or privatisation.

That is what Daum wants to leave out of his programme. He is perfectly well aware that, if it is necessary to defend a single statified industry, or a single planning agency, then it is necessary to defend them all. And when an entire economy has been statified it is necessary to defend the whole economy and that

means defending the state controlling that economy against imperialist aggression.

Daum's programme would leave a revolutionary in Russia completely disarmed as the massed ranks of restorationists and imperialists move in to complete their destruction of the last vestiges of the planned economy and the degenerate workers' state. The capitalist counter-revolutionaries recognise the importance of the destruction of these vestiges of the October Revolution even if Daum, armed with his theory, does not.

Footnotes

1 For an analysis of Cliff's theory of state capitalism see Paul Morris, 'The crisis of Stalinism and the theory of state capitalism'. Permanent Revolution 9, London, 1991

2 Daum, The Life and Death of Stalinism, New York 1990, p22

3 ibid, p194

4 Leon Trotsky, The Revolution Betrayed, London 1973, p245

5 cited by Daum op cit p82

6 cited by Daum, ibid, p112

7 ibid p120

8 Naturally, the partial continued existence of private capital in a workers' state in the consumer goods sector stands in contradiction for the general abolition of exploitation.

9 E. Preobrazhensky, The New Economics, Oxford 1965, p.191. He wrote further:

'As regards the workers. . . in the state economy, the special feature of the situation which has come into being here is the process of abolishing the commodity status of labour power, a process which has begun and which is progressing as the productive forces develop.'

10 Leon Trotsky, The First Five Years of the Comintern, Vol 2, London 1974, p267, cited by Daum, op cit, p138

11 ibid, p267

12 ibid, p269

13 Daum, op cit, pp147-9

14 Preobrazhensky, op cit, p124

15 ibid, p89

16 Leon Trotsky, 'Notes on Economic Questions', in Challenge of the Left Opposition, Vol 2, New York 1980, p57

17 By 'unequal' we mean both selling above and below 'value' as was necessary to achieve the objective.

18 And it could certainly be argued that this was the basis upon which Preobrazhensky defected to the Stalinists after the industrialisation turn of 1928-29.

19 Daum, op cit, p148.

20 ibid. p9

21 The quotations cited by Daum on p165 come from, Leon Trotsky, The Degeneration of Theory and the Theory of Degeneration, April 1933 and The Soviet Economy in Danger, October 1932 Daum has reversed the chronological order so that it appears that the need for a 'year of capital reconstruction' flows from the characterisation of the economy.

22 In Trotsky's Writings, 1932, New York 1973, p278

23 ibid, p279

24 ibid, p281

25 In Trotsky's Writings, 1932-33, p224

26 Daum, op cit, p172

27 Daum, op cit, p175

28 H. Berman, Justice in the USSR, 1963, cited Daum, p176

29 See Morris, P op cit.

30 Daum, op cit.

31 ibid. p177

32 ibid. p197

33 M. Harrison, Soviet Planning in War and Peace, 1938-45, Cambridge, 1985

34 Daum discussed the impact of Stalinism's survival on degenerating Trotskyism. In this context he makes many correct observations about, for example, disputes between the International Committee and the International Secretariat of the Fourth International. These points have been made by Workers Power and the LRCI many times. Both in The Trotskyist Manifesto, London 1989, and in various action programmes, the LRCI has made it clear that it is entirely possible to overcome such anachronisms in Trotsky's programme for political revolution whilst retaining the essential features which are related to the existence of a degenerated workers' state, eg. defence of planning and statified industry etc.

35 Daum, op cit, pp357-36

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