State capitalism - ?Call that socialism??

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Tony Cliff?s theory of state capitalism lies at the very centre of the Socialist Workers Party?s politics. Since 1950 Cliff?s tendency has defined itself against all others on the international left mainly over the argument that the USSR, China and Eastern Europe were ?state capitalist? societies.

In the face of the momentous crisis wracking Stalinism since 1989 Chris Harman has argued that ?. . . this theory alone can make sense of the otherwise bewildering events of the last few months, pointing to future options both for the world?s ruling classes and those of us committed to ?ghting them?(ISJ 46). Mark Abram contests this claim and shows why state capitalist theory fails.

Do you think it?s socialist? This is the stock question that comes back at Trotskyists when they try to explain how and why the USSR and Eastern Europe are ?degenerated workers? states?.

Our answer is simply, no. The USSR is not socialist nor moving towards socialism. It is a society where the workers took power in 1917 and took the first steps of transition towards socialism.

There was no possibility of building socialism in one country, especially in one as backward as Russia. Lenin and Trotsky believed that if the USSR remained isolated and revolutions in the advanced west failed, then the ?rst workers? state would be overthrown and capitalism would return.

The revolution did remain isolated. But instead of succumbing to counter-revolution from outside the Soviet working class fell victim to a a different kind of counter-revolution from within; the new Stalinist bureaucracy seized political power and crushed all forms of workers? democracy.

At the same time it massively extended and consolidated the property relations established by the Soviet dictatorship in the early years after 1917.

Industry, which had been nationalised in the 1918-21 period, was greatly enlarged in a series of Five Year Plans, starting in 1929. Private property on the land was liquidated, as were millions of peasants themselves. The threads of agricultural and industrial production were pulled together into the hands of centralised planning agencies that directed resources between different sectors according to the political criteria set by the new conquering bureaucrats.

Trotsky described this whole process as a political counter-revolution. The social relations established by October 1917 had not be overthrown. But workers? power?the only thing that could employ these relations in the service of transition?had been crushed. The result was a degenerated workers? state.

Cliff was not the first person to claim that Russia was state capitalist. From the very beginning of its life ?left communists? and Mensheviks claimed that the USSR was, and could never be anything other than, state capitalist.

But Cliff?s theory attempts to stand by the early experience of the Bolshevik Revolution and by Trotsky?s
fight against Stalin. Even today Cliff’s followers claim that ‘state capitalism’ is based on Trotsky’s method and that today Trotsky would be a proponent of state capitalist theory. (ISJ 47)

It is the inability of the SWP to fully grasp the significance of the transition period under the dictatorship of the proletariat which is the single most important methodological error that lies at the heart of the theory of bureaucratic state capitalism. For revolutionary Marxists the dictatorship of the proletariat necessarily ushers in a transitional period.

The central task facing the working class in that period is to gradually transform property relations, social life and political power so as to make possible the creation of a communist society. In the transition the productive forces must be massively expanded in order that a society arises which can inscribe on its banner: from each according to his ability to each according to his needs?. (Marx) Gradually, to the degree social antagonism disappears the working class itself disappears, for the proletariat is victorious only by abolishing itself and its opposite . . . private property.? (Marx and Engels, Collected Works Vol 4 p36)

In the field of politics the dictatorship of the proletariat under the leadership of Lenin and Trotsky faced three tasks. First the suppression of counter-revolution which was carried out ruthlessly during the civil war period 1918-21. Secondly, this workers’ state, based on soviet power, encouraged the widest democracy of the toilers, recognising that for socialism to be built progressive measures had to be taken to ensure the withering away of the state as a separate power. Thirdly, in order to create the material conditions of a communist society and in order to ensure its very existence the Soviet Republic had to be an instrument for internationalising the revolution. Ultimately the working class can only be victorious on a world scale.

Lenin and Trotsky recognised the impossibility of an immediate leap out of backwardness. The Soviet dictatorship destroyed the bourgeoisie’s rule and ushered in a period of economic transition in which the working class would have to fight to eradicate the forms of capitalist production, exchange and distribution. As Marx had said:

?What we have to deal with here is a communist society, not as it developed on its own foundations, but, on the contrary, just as it emerges from capitalist society, which is thus in every respect, economically, morally and intellectually, still stamped with the birth marks of the old society from whose womb it emerged.? (Critique of the Gotha Programme)

Marx presumed that, for example, remuneration for labour would still take the form of wages which in the early transition would represent exactly what each individual worker had given to society. Bourgeois right or capitalist forms of distribution would inevitably operate in the workers’ state so long as the economy remained impoverished and scarcity was generalised. Only the conscious effort of the workers to progressively raise labour productivity and increase productive wealth could undermine the continued operation of such forms inherited from capitalism. Economically, the key task facing the Soviet workers after 1917 was the subordination of all elements of capitalism?commodity production, profit, law of value, wage inequalities, money?to the principle of conscious planning. The creation of statified property was a necessary means to that end.

However even in the hands of a healthy workers’ state, statified property does not have, in the immediate aftermath of the proletariat revolution, an automatically socialist character. This is determined by whether or not the direction of the property relations is towards the triumph of conscious planning and the creation of socialism. As Trotsky said:

?The latter has as its premise the dying away of the state as the guardian of property, the mitigation of inequality and gradual dissolution of the property concept even in the morals and customs of society.?
In turn, this triumph can only occur at all if the workers are democratically organised to exercise their own power. Only the self-emancipation of the working class can guarantee the transition to socialism. Because of the rise of the Stalinist bureaucracy?itself a product of Russia?s material backwardness and the isolation of the ?rst workers? state?the transition to socialism was blocked in the USSR. Trotsky himself was the most intransigent opponent and analyst of the degeneration of the Russian Revolution. He recognised the material forces that shaped that degeneration:

?The upsurge of the nationalised productive forces, which began in 1923 and which came unexpectedly to the Soviet bureaucracy itself, created the necessary economic prerequisites for the stabilisation of the latter. The upbuilding of the economic life provided and outlet for the energies of active and capable organisers, administrators and technicians. Their material and moral position improved rapidly. A broad, privileged stratum was created, closely linked to the ruling upper crust. The toiling masses lived on hopes or fell into apathy.? (Writings 1934-35 p175)

The developing Stalinist bureaucracy lashed out first against the communist Left Opposition, crushing it by 1928. Over the next ?ve years it crushed the restorationist right wing around Bukharin, established a bureaucratic command economy and destroyed each and every remnant of proletarian democracy. By 1927 the political defeat of the working class at the hands of the Stalinist clique was complete. Yet in the process of creating this Stalinist Bonapartism the economic foundations created in the aftermath of destroying capitalism were not only preserved but actually extended on a massive scale, with the liquidation of the Kulaks and the extension of the planned economy. Stalinism?s contradictory character reveals itself in its political expropriation of the Russian proletariat and its extension of bureaucratic planning to all the major elements of the post-capitalist economy. Against the proletariat Stalinism is counter-revolutionary in that it strangles the only force that can effect the transition to socialism. But it does it on the basis of property relations that have a post-capitalist character. It is this dialectical understanding of Stalinism?s contradictory nature that completely eludes each and every state capitalist theorist.

Is it capitalist?
Cliff?s method of analysing the class nature of Stalinist Russia has nothing to do with Marx?s dialectics. He compares the reality of Stalin?s Russia with the norms of a healthy workers? state in transition towards socialism. In fact he sums up his own method well when, after discussing Marx and Lenin?s programme of proletarian democracy, he continues:

?To the conception, let us now counterpose the reality of the Russian Stalinist state.? (State Capitalism in Russia, 1974 p96)

Not surprisingly Russia fails Cliff?s normative tests. Of course the USSR is not a healthy workers? state and neither is it socialist. But it is impossible to deduce the class character of a state by contrasting it with programmatic norms. Trotsky himself warned his critics:

?In the question of a social character of the USSR, mistakes commonly flow, as we have previously stated, from replacing the historical fact with the programmatic norm.? (In Defence of Marxism, Path?nder p3)

A revolutionary method of analysis does not counterpose ?norm? to ?fact? but seeks to analyse their contradictory unity:

?The programme of the approaching revolution in the USSR is determined on the one hand by our appraisal of the USSR as an objective historical fact and on the other hand, by the norm of the workers?
state. We do not say ?Everything is lost, we must begin all over again.? We clearly indicate those elements of the workers? state which at the given stage can be salvaged, preserved and further developed.? (ibid p3)

Using his own method Cliff is only able to prove that Russia is not socialist and not in transition to socialism. So what? Trotsky said that first and with far greater clarity. But Cliff and hundreds of SWP educational meetings, leap from the evidence that Russia is not socialist, to that claim that it is therefore capitalist.

In order to prove Russia is capitalist the Cliff school has had to mangle the very meaning of capitalism and its laws for the Marxist tradition. Cliff applies his own formalistic, non-dialectical method to the sphere of political economy too.

The case for calling Russia state capitalist essentially rests on the nature of the accumulation process in the USSR. For the SWP this argument is used to explain how, why and when capitalism was restored in the USSR. Cliff interprets the creation of the bureaucratically planned economy of the USSR as a social counter-revolution that inaugurated bureaucratic state capitalism in the USSR. For Cliff, the bureaucracy is transformed into a collective capitalist because it undertook the ?bourgeois? task of accumulation. As he says:

?Under capitalism the consumption of the masses is subordinated to accumulation.? (p34)

?What is specific to capitalism is accumulation for accumulation?s sake, with the object of standing up to competition.? (p168)

?. . . The fact that the bureaucracy fulfills the task of the capitalist class, and by doing so transforms itself into a class, makes it the purest personification of this class.? (p169-70)

Cliff has no problem in showing figures for the First Five Year Plan (1929-33) which show a marked shift in priority away from individual consumption towards accumulation of the means of production. These are not in dispute. But within the use to which Cliff puts these figures lies that key element of Cliff?s method, the use of the syllogism: under the first Five Year Plan consumption was subordinated to accumulation; under capitalism, consumption is subordinated to accumulation; therefore the First Five Year Plan was capitalist.

Accumulation by the bourgeoisie is the accumulation of capital which, of course, takes on the concrete appearance of machines, tools etc. However, whether such use values are capital in any given situation is not determined by the mere fact that they are accumulated. As early Wage Labour and Capital Marx argued:

?Capital consists not only of means of subsistence, instruments of labour and raw materials, not only of material products, it consists just as much of exchange-values. All the products of which it consists are commodities . . . Capital does not consist in accumulated labour serving living labour as a means for new production. It consists in living labour serving accumulated labour as means of maintaining and multiplying the exchange-value of the latter.? (Wage Labour and Capital, Marx and Engels, Collected Works p212-3)

The means of production in the USSR do not have the character of commodities, they are not produced for eventual sale on the market. They are transferred from one state enterprise to another, according to a predetermined plan which has decided the proportions in which different sets of commodities will be produced. It is not left to the market to decide which is needed and which, by dint of its inability to find a purchaser is useless.

The healthiest of workers? states would have to accumulate use-values, in particular means of production. If it is to progress towards socialism it will have to expand production on a huge scale. Consumption will
have to be subordinated to accumulation in any workers? state or socialism is impossible. Under Lenin?s leadership the early Soviet Republic did not somehow become capitalist because all consumption was cut back in an effort to produce munitions and supplies for the Red Army to resist the wars of intervention! In order to buttress his case Cliff claims that what makes Russia?s accumulation ?capitalist? is the fact that it is carried out in order to survive in competition?to repeat a quote from Cliff:

?What is specific to capitalism is accumulation for accumulation?s sake, with the object of standing up to competition.? (p.168)

He decides he does not need to prove that the social relations of production are primarily concerned with the accumulation of exchange values. In order to do so he would have to establish that the wage labour/capital relationship dominates the production process and that, as a result, labour power is a commodity in the USSR. But in the various versions of his book (1948, 1955, 1964, 1974) Cliff has consistently denied this:

?.. if one examines the relations within the Russian 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 within it. 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 in kind.? (T Cliff op cit. p208-9)

Assuming that the USSR is just like one large company operating on the world market, Cliff believes he only has to prove the existence of, and determining nature of, the competitive relations between the ?state capitalist? blocks to demonstrate their capitalist character. Thus:

?But as it is, Stalinist decisions are based on factors outside of control, namely the world economy, world competition.? (p209)

Cliff argues that although the USSR has replaced commodity exchange within the USSR by a mere technical division of labour, the law of value dominates it through the exigencies of world capitalism. Cliff is aware that the USSR?s trade with the imperialist countries is relatively small. He does not stop to consider the implications for a ?state capitalism? that deliberately abstains from and avoids capitalistic exchanges.

Instead he tries to prove that the capitalist nature of the USSR is determined by the character and scale of US military competition with the west. Because this competition does not take place through exchange, Cliff is driven to argue that the use-values (i.e. tanks, guns, nuclear warheads) act as though they were exchange values:

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

Once again Cliff equates the accumulation of use-values with the accumulation of capital. ?Striving after use-values? is only another way of say ?striving to accumulate material wealth?, something which has been a common feature of all societies save the most primitive.

There is no doubt that the pressure of military competition does exercise a distorting effect on the Soviet economy, as it will have on the economy of any workers? state?healthy or unhealthy. But none of this means that military competition can take the place, or have the same results as capitalist competition. One cannot explain the capitalist character of an economy from an analysis of competition. As Marx explained:
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 and explain them simply as results of competition therefore means to concede that one does not understand them. (K Marx, *Grundrisse* p751-2)

If it is impossible to prove the existence of the law of value from an analysis of competition it is also equally impossible to derive the capitalist character of competition by focussing on the military form of competition. There is nothing specifically capitalist per se about military competition. Again to prove it was such, Cliff would have to show that the state engaging in the competition was producing capitalist commodities, which is exactly what he admits he cannot do. Instead he tries by sleight of hand to invest use values with the character of exchange values.

**Is labour power a commodity?**

Cliff’s attempts to prove that either ?accumulation? or ?competition? made Russia capitalist clearly do not stand up. Evident unease at Cliff’s categories has encouraged a debate within the SWP over the question of whether labour power is a commodity in the USSR. Binns and Haynes stand on one side in the argument. In ISJ 2.7 they argued that:

> Labour power cannot be a commodity in the USSR because with only one company (USSR Ltd) purchasing it, there cannot be a genuine labour market there.? (p29)

This is, in effect, Cliff’s argument of thirty years ago, and one we presume he still holds. It does however threaten to bring the entire theoretical edifice of ?state capitalism? crashing to the ground. Duncan Hallas obviously sensed this and replied quite sharply:

> 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.? (ISJ 2:9)

Apart from anything else this is a refutation of Cliff’s work. More recently, Alex Callinicos (ISJ 2:12) has gone to great length to back Hallas up and even openly attacks Cliff on this point.

A false argument has ensued which revolves around whether or not labour power in the USSR is ?free? in the sense Marx described it; i.e. free from means of production so that each labourer must sell his/her power for a limited period and be free to change their employer. On the one side, Binns and Haynes can marshal evidence to show what restrictions exist on the free movement of labour in the USSR. On the other hand, Callinicos 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.? (ISJ 2:12 p15)

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. In fact, all Hallas proves is that the Soviet working class is not a slave class. Following the logic of Cliff’s variant of state capitalism Haynes and Binns suggest it is. That fact that wage incentives, bonus payments etc exist in the USSR does not in itself enable Callinicos to shore up Cliff’s state capitalist theory. As we have seen, they would exist in a healthy dictatorship of the proletariat as a result of the fact that it would arise out of capitalism and could not immediately leap to communism where inequalities no longer exist.
For Marx, free labour in the sense of the purchase and sale of labour power was a juridical question, and an essential part in the whole question of the production and exchange of commodities. It is in this area that massive restrictions exist in the USSR, which do not exist under capitalism. The correct starting point is not to focus on the abstracted question ?is labour power a commodity??, but ?to what extent is there generalised commodity production in the USSR?? It is clear that commodity production and exchange only exists in pure form in the black market, and co-ops, but even here it is predominantly simple commodity production, not capitalist commodity production.

As far as the state sector is concerned the matter is different again. The bulk of material production in the USSR concerns the production of the means of production. These goods are not produced for the market, as explained earlier. By and large they are not the subject of sale and purchase transactions so the labour and valorisation process in this sector cannot be a process of commodity production. The labour expended in them is directly social labour. In the consumer goods sector, the nature and volume of these, as with capital goods, is determined by the bureaucracy?s ?blind planning mechanisms?.. However, there is something of a commodity character imparted to consumer goods because unlike capital goods, a considerable portion of consumer goods are distributed in a different manner, not according to a plan.

They are produced for an unknown market and are exchanged against money wages. The labour carried out in this production is not directly social labour, as it is only recognised as such after the sale (if at all). The same, dialectical, view should be taken of ?labour power as a commodity?. The fact that the worker sells, and the bureaucracy purchases, the worker?s labour capacity via the medium of money indicates the continuing commodity character of labour power. However, on the other hand, the market price of labour power is not determined by supply and demand under the pressure of an army of unemployed. The wage fund is set in advance by the bureaucracy which determines general wage levels in different sectors. It is possible to make similar observations about other economic categories such as prices of production, money etc, which achieve their fullest and most developed expression under capitalism but which continue to exist in the USSR in an underdeveloped form as they would in any post-capitalist society.

The bureaucracy as ruling caste

Behind all the garbled economic categories lies one argument that is always at the centre of the state capitalist case. In arguing against the Trotskyist view of the USSR as a degenerate workers? state, state capitalist theory constantly repeats the refrain that it cannot be any form of workers? state if the workers are oppressed and have no political power, and that the bureaucratic agent of this oppression must therefore be a ruling class. To quote Alan Gibbons:

?1929 saw the abolition of independent trade unions, the abolition of the right to strike, the forcing down of wages. That these are the policies of Tory governments today shows that Russia has become but one capitalist power among other?the only difference being that in Russia the state itself was the ruling class, that it was state capitalism.? (How the Revolution Was Lost, Alan Gibbons p28)

The central problem is whether the working class can be said to be the ruling class where its political power is not expressed through mass organs of proletarian power or the rule of its vanguard party? Can the class rule of the workers exist where a bureaucratic dictatorship over the working class has been established ? At the heart of this dispute is the question of how Marxists define the class nature of any state. Trotsky argued on this:

?Friederich Engels once wrote that the state, including the democratic republic, consists of detachments of armed men in defence of property, everything else serves only to embellish or camouflage this fact.? (Whither France)
It followed that the class nature of any state was determined by the property relations that it defends. Despite the monstrous tyranny of the Stalinist bureaucracy the property relations of the USSR?state planning?remain those that the proletariat must take hold of if it is to carry through the transition to socialism. To that extent the property relations remain proletarian despite the rule of the bureaucracy and the need for the revolutionary overthrow of the bureaucracy as a prerequisite for using those property relations to effect a socialist transition.

Hallas and Binns have attacked this method of evaluating the character of the soviet state: ?This is a fundamental break with Marx and Lenin and with Trotsky?s own earlier position.? (ISJ 91 September 1976)

It can hardly be call a fundamental break with Marx. This is how Marx posed the question of evaluating the character of a given state:

?It is always the direct relationship of the owners of the conditions of production to the direct producers . . . which reveals the innermost secret, the hidden basis of the entire social structure and with it the political forms of the relation of sovereignty and dependence, in short, the corresponding specific form of the state.? (Capital Vol 3 p772)

For Trotskyists the USSR remains a proletarian state because it defends, and even in certain circumstances extends, the expropriation of capitalism and the subordination of its laws. The SWP?s attempts to prove that the USSR is capitalist do not stand the test of serious examination. But what of their negative case against the ?degenerate workers? state? theory that the non-existence of workers? power proves that the USSR cannot be a workers? state?

The history of capitalist development provides instances where the capitalist class did not exercise political power directly but the state was still capitalist. For example, in France in the Napoleonic era, the Restoration period, and the Second Empire of Louis Napoleon all excluded the bourgeoisie from direct access to political power. Trotsky was the first Marxist to develop an analogy between this experience of bourgeois development and the degeneration of the Russian Revolution.

The proletariat lost political power in Russia without the immediate re-introduction of capitalism. However there are important differences between a capitalist state where the bourgeoisie has lost political power and a proletarian state where the working class is politically expropriated. The bourgeoisie did not need to directly rule for capitalism to grow and develop because it is based on the blind spontaneous mechanism of the market. However, the working class cannot move forward to socialism without ruling politically. That is why the transition in the USSR is not only blocked but is reversed.

The bureaucracy undermines the continued existence of even the blind planning that exists. It prepares the ground for the restoration of capitalism. The result of this contradictory state of affairs is that the ?state? in the USSR continues in precisely the ?form? but not the social content that Marxists seek to abolish?set above and against the toilers. Far from a tendency to ever greater equality, inequalities continue and are even exaggerated.

The capitalist norms of distribution and exchange that Marxists seek to destroy and replace will remain and are strengthened by ?market reforms?. All this demands a political revolution by the working class to once again clear the road for the transition to socialism and communism.

The SWP, on the other hand, reduce the question of workers? state to a political and superstructural question, to the political forms through which the dictatorship was organised. This is at one with the un-
Marxist normative method employed in every dimension of the state capitalist argument.

The designation of the Russian bureaucracy as a capitalist ruling class because it performs tasks normally historically undertaken by a bourgeois class, is another example of crass schematic thinking. Cliff expressed it in the following way:

"The fact that the bureaucracy fulfils the tasks of the capitalist class, and by so doing transforms itself into a class, makes it the purest personification of this class. Although it is different from the capitalist class, it is at one and the same time the nearest to it historical essence." (Russia: A Marxist Analysis p118)

Trotsky showed how the normal progress of capitalism in Russia could not occur as it had in western Europe when he developed his theory of permanent revolution. What is normal in one historical period becomes impossible in the next. In just this fashion it will fall to the international working class in the greater part of the world to undertake extensive industrialisation. Will the proletariat therefore become a bourgeoisie?

If the bureaucracy does not constitute a capitalist class is it possible that it does still, nonetheless, constitute a ruling class? Cliff and co have always attempted to steer clear of the implication that the USSR was some kind of new class society as Shachtman, Djilas and others since have claimed. Cliff simply asserts that the bureaucracy is a class because their role can be squared with an extracted quote from Lenin:

"We call classes large groups of people that are distinctive by the place they occupy in a definite historically established system of social production." (ibid p166)

In fact Cliff fails to grasp what is meant by definite historically established system of social production. The USSR is a transitional society comprised of elements of post-capitalist society and elements of capitalism. This is reflected in the fact the bureaucracy has no definite historically established role to play in the USSR. While the bourgeoisie under capitalism is a necessary component of the relations of production of the capitalist system, the Soviet bureaucracy is not such a necessary element in the planned property relations of the USSR.

On the contrary its monopoly of political power, its control over distribution is, and always has been (even during the most dynamic phases of Soviet economic development), an obstacle to the full realisation of the potential of the property relations of the USSR.

In all hitherto existing societies the property relations, and the class structures that necessarily owed from them, became a brake on the development of the productive forces of mankind. In the USSR it is not the property relations but a layer of administrators and distributors who block the development of the productive forces.

When we strip away the jumble of pseudo-Marxist categories we can begin to see state capitalist theory for what it is. It proceeds from authority relations in the USSR, from outrage at the evidently repressive coercive regime, to reject Trotsky's dialectical understanding of the USSR. This is the same method all other new class theorists have used and is why it is no surprise that when its use of Marxist terms is debunked state capitalism looks remarkably like a new class theory.

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