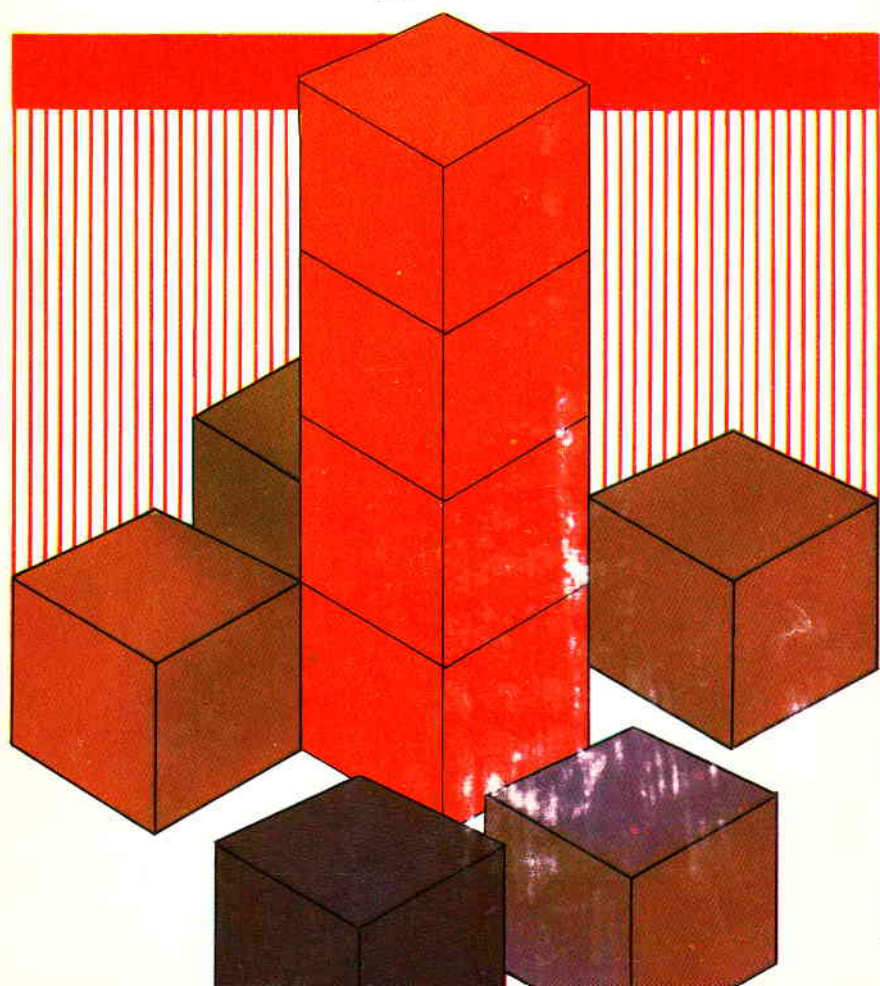


**Vsevolod
Kulikov** **Formation
of the Socialist
Economic
System**



Formation of the Socialist Economic System

The author is a political economist who deals with the most interesting and modern problem both of political economy and of social science as a whole: the transition period between capitalism and socialism. He sums up the wealth of experience in socialist construction in the USSR and other countries, and elaborates a set of new ideas and propositions which ultimately add up to a graphic and impressive picture of the struggle to form socialist relations, a struggle which is still under way.

The book is meant for readers with an economic education, but its fabric of fact could be of interest to non-specialists as well.

**Vsevolod
Kulikov**

**Formation
of the Socialist
Economic
System**



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В. Куликов

**СТАНОВЛЕНИЕ ЭКОНОМИЧЕСКОЙ СИСТЕМЫ
СОЦИАЛИЗМА**

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To the Reader

For some peoples of the world, the transition to socialism is already part of history, however recent; for others, it is a matter of daily life, and for the rest, it is a thing of the future. Past experience shows that building socialism is a more formidable endeavour than it might have appeared at first. Claims about a seemingly complete transition to socialism have not always been borne out in practice, with occasional relapses into the midst of the transition period. Changes in the orientation of development have also occurred in history.

Science cannot afford to ignore all these events. Its task is to analyse in ever greater depth the ways leading up to socialism and to bring out all the possible solutions to the problems that arise.

The author is a political economist, whose job in examining the most abstract matters is to switch his theoretical conclusions to a practical plane, which is why both will be found in this book: abstract propositions and descriptions of actual historical processes.

The abstract sections of the book could be of interest to professional students of political economy, and the others, to a wider readership. Accordingly, the author has tried to present each chapter as a relatively complete study in the form of an essay, so as to enable readers to concentrate on those they prefer in the light of their interests. The author hopes, however, that those who decide to read the book right through will also find it to have been worth their while.

INTRODUCTION

1

One of the favourite tenets of the ideological adversaries of socialism is that Russia's proletariat made the revolution without a clear-cut plan of socialist construction. They have also kept trying to contrast Lenin's views on socialism and the ways of building it with those of Marx and Engels. But the fact is that it was Marx and Engels who elaborated the fundamental ideas on the ways of transition to socialism, and those are the very ideas that lie at the root of Lenin's plan of socialist construction. They were the ones who showed that the material and spiritual prerequisites of socialism took shape under capitalism and that a socialist reconstruction of the society was inevitable. They were also the ones to substantiate the necessity of a special transition period, and their arguments were so convincing that Lenin had every reason to declare on the eve of the Great October Socialist Revolution: "The first fact that has been established most accurately by the whole theory of development, by science as a whole—a fact that was ignored by the utopians, and is ignored by the present-day opportunists, who are afraid of the socialist revolution—is that, historically, there must undoubtedly be a special stage, or a special phase, of transition from capitalism to socialism."¹

Marx and Engels already projected the crucial measures that would ensure a transition to socialism. But they could not, of course, provide recipes for every occasion, and they did not even try to do so. Frederick Engels wrote to Conrad Schmidt: "Your second plan—transitional stages to a communist society—is worth thinking about, but I would advise you: *nonum primatur in annum* (not to hurry—V.K.);

¹ V. I. Lenin, "The State and Revolution", *Collected Works*, Vol. 25, Progress Publishers, Moscow, 1977, p. 464.

that is the most difficult question of all that exist, for the conditions keep changing.”¹ Such was the basic attitude of the classics of Marxism to that question.

Marx's ideas were eventually elaborated in Lenin's works and in the resolutions of the Communist Party of the Soviet Union (CPSU) and the communist and workers' parties of other countries. Marxist researchers from many countries have done much to examine the problems of the period of transition from capitalism to socialism and to bring out its general uniformities.

The achievements of Marxism-Leninism in studying the problems of the transition period are unquestionable, but the effort should not be slackened. First, because for most of mankind a transition to socialism is still a thing of the future. What is more, the conditions for such a transition do not remain the same, for capitalism is not something hard and fast, but tends to develop at all its stages, including imperialism. Characterising imperialism as decaying and moribund capitalism does not rule out its development, as Lenin foresaw. Moreover, the past few decades have shown that socio-economic changes under capitalism have intensified, although its foundations remain intact. New trends and processes keep emerging in the economy of the capitalist countries. The forms of capitalist development tend to become more complicated, in particular, under the influence of existing socialism, and some changes in the external manifestations of capitalism may be regarded as a direct response to the “socialist challenge”. With the emergence of new phenomena under capitalism, Marxists have not only had to prove again and again that these phenomena do not invalidate the general Marxist conclusion about the inevitable transition to socialism, but also to show the new potentialities and forms of such a transition opened up by these phenomena.

Second, the practice of revolutionary struggle, socialist construction and development yields and will continue to yield ever new experience that requires theoretical generalisation. In our day such theoretical generalisations are all the more important, because new millions of people from different social strata are being drawn into vigorous political action in the capitalist world, and countries which have not as yet reached the stage of full-scale capitalism face an ever more real opportunity of advancing towards socialism. It is more imperative than before to make an in-depth and

¹ “Engels to Conrad Schmidt in Zurich, July 1, 1891”, in Karl Marx, Friedrich Engels, *Werke*, Bd. 38, Dietz Verlag, Berlin, 1968, p. 728.

integral study based on the principles of scientific communism, of the "physiology and anatomy" of the socialist society and the ways leading up to it, and to give all the contingents of the revolutionary movement a more precise idea of the *general guideposts* in the struggle for socialism and the ways of building socialism and communism.

The historical road to socialism has been marked by mistakes and occasional defeats, as well as successes and achievements. Some socialist countries have gone through political crises. It is necessary to examine the causes and essence of such mistakes and crises and *to make political economy as a whole much more effective as the scientific basis of party and state economic policy*. That fully applies, in particular, to the section of political economy dealing with the transition period. The new edition of the CPSU Programme emphasises the need for an allround analysis of the experience of world development, the formation of a new society in the USSR and in other socialist countries.¹ And the CPSU Central Committee's Political Report to the 27th Congress of the Party said: "A considerate and respectful attitude to each other's experience and the employment of this experience in practice are a huge potential of the socialist world."²

2

The transition from capitalism to socialism is being studied, along with political economy, by Marxist philosophy and history, with each of these focusing on its own aspect of research. Political economy examines the forms of interaction and the contradictions between the productive forces and the relations of production peculiar to each given mode of production, helping to bring out the set of *economic contradictions* whose maturation makes a transition to the new mode of production inevitable. The next objective of political economy is to show what economic instruments can and do help to resolve the existing contradictions, what economic conditions are necessary for the emergence of a new system of production relations, and how it takes shape.

Whereas in the recent past bourgeois political economy started from the assumption that the capitalist economic

¹—*The Programme of the Communist Party of the Soviet Union*, Novosti Press Agency Publishing House, Moscow, 1968, p. 61.

² Mikhail Gorbachev, *Political Report of the CPSU Central Committee to the 27th Party Congress*, Novosti Press Agency Publishing House, Moscow, 1986, p. 89.

system was natural, under the influence of the successful development of the world socialist system and the sharpening contradictions of the capitalist system a number of bourgeois scientists have been obliged to raise the question of alternatives to capitalism, coming up with theories of its "transformation". Answers to that question have also been offered in the theories of "market socialism", "pluralist socialism" and other "models" of socialism. A further study of the problems of transition from one mode of production to another can therefore contribute a great deal to the struggle against bourgeois and revisionist conceptions of the society's economic development.

Far from refuting any basic conclusion of the classics of Marxism-Leninism, the theory and practice of the past few decades have been providing fresh proof of their doctrine's validity. Their methodological and theoretical legacy provides a solid foundation for present-day social science, a foundation upon which one must always rely in order to resolve the problems raised by life.

The Soviet Union's rise to the stage of developed socialism and the fact that many other countries have completed laying the foundations of socialism and got down to building a developed socialist society have objectively extended and increased the need to study socialism not only as an *integral* social organism (in the sphere of political economy, this is done through a honing of the system of economic categories and laws), but also as a steadily *developing* social organism with its own *stages of maturity*.

The past never disappears without a trace, but remains in the present in modified form, so that a study of the formation of objective prerequisites, the emergence and establishment of each given system of production relations does much to bring out both the content of its elements and their interrelationship. There is also, of course, an inverse relationship.

The objective prerequisites forming within a given mode of production provide a basis for projecting the features of the future mode of production. Thus, an analysis of the tendencies of capitalist development enabled Marx to discover the basic characteristics of communism.

But once the transition to a new mode of production is complete, it is possible to reverse the course of research: from studying the properties of the existing mode of production to the kind of prerequisites necessary for the emergence and development of these properties. So, the notions about the mode of production itself and its prerequisites are mutually corrected and specified.

There is a similar correlation between a study of the history of the formation of a given mode of production and an analysis of its developed state. On the one hand, a study of the rise and formation of each system of production relations helps to understand the system itself. On the other hand, the only way to gain a deep insight into the history of the system's formation is first to analyse it in its developed state. A theory reflecting a given mode of production in its actual state makes it possible to explore the history of its formation in a purposeful way, drawing a distinction between the processes that are of paramount importance for the subsequent stages of development and those whose role is a transient one.

In this book, the author seeks to carry on his analysis from a strictly *politico-economic* angle and to limit the range of analysed problems accordingly. That is why he does not examine such problems as the shaping of political prerequisites for a socialist revolution, the revolutionary situation and how it takes shape, the forms of the dictatorship of the proletariat, and other major issues relating to the advance from capitalism to socialism. The author tries to concentrate on those economic and political problems of transition to socialism which have yet to be studied in greater depth, which remain controversial and whose importance goes beyond the framework of the section of political economy that deals with the formation of socialist relations of production.

Such preliminary work has yielded several relatively independent groups of problems, which are examined in this book.

“Formation” as a concept has different readings. In economic and especially in philosophical writings it is used in different senses. The formation of any concrete system of production relations is usually said to begin at the point when it emerges as a system that exists independently and separately from other systems. From that point of view (shared by the author), the objective prerequisites for any system of production relations begin to take shape before it is formed as a system, that is, prior to its formation. At the same time, the shaping of prerequisites for any new mode of production is of essential importance for a change of modes of production. Accordingly, the author starts out with the question of the shaping of objective prerequisites for socialism.

The Marxist-Leninist discovery that each mode of production prepares the *objective prerequisites* for a new mode of

production is a major element in substantiating the materialist view of history. That discovery showed that modes of production do not emerge out of nothing, that they are the product not of human will or intent, but of the whole of preceding social development, and that as the contradictions within a given mode of production are aggravated, the means for their resolution are formed.

Marx emphasised: "if we did not find latent in society (bourgeois—V.K.) as it is, the material conditions of production and the corresponding relationships of exchange for a classless society, all attempts to explode it would be quixotic."¹ The shaping of objective prerequisites for socialism within the entrails of capitalism shows that the transition to socialism is ultimately irreversible, as well as inevitable.

The objective prerequisites of the new mode of production maturing within the old one are a real historical connection between consecutive modes of production. Thus, the unity of social development is manifested through these prerequisites.

The existence or absence of objective prerequisites for socialism is a crucial factor in deciding whether it is in principle possible to introduce the socialist economic system in a particular country in a particular period, and in choosing the ways of such an introduction. The concrete forms of class struggle for socialism largely depend on the state of these prerequisites. Although the existence of mature objective prerequisites for the new mode of production does not in the least mean a transition to the latter, it is an indication of a transitional epoch.

Objective prerequisites are that from which a new mode of production arises after a revolution, that which it assimilates from the preceding mode of production. The degree to which these prerequisites have developed on the eve of the socialist revolution determines the volume of constructive work that has to be done in the course of socialist construction, and also the main lines of that work.

It is particularly important to take due account of the degree of development of the objective prerequisites for socialism because that degree markedly differs from one country to another in view of the uneven development of capitalism. That alone predetermines the diversity of the forms of transition to socialism and shows that concrete problems of the movement to socialism cannot be solved

¹ Karl Marx, "Economic Manuscripts of 1857-58", in: Karl Marx, Frederick Engels, *Collected Works*, Vol. 28, Progress Publishers, Moscow, 1986, p. 97.

by referring to "capitalism in general" and "socialism in general", but calls for a differentiated approach.

In this context, one is bound to notice that while the new processes unfolding in the developed capitalist countries under the impact of the scientific and technical revolution are being widely analysed by many authors, these processes are rarely seen from the standpoint of the shaping of objective prerequisites for socialism. That undoubtedly impoverishes our ideas about the forms of transition to socialism and, in some instances makes it difficult to determine how universal this or that process of socialist construction is. Further efforts to resolve these problems are most important for increasing the international relevance of the theory of transition to socialism, and for exposing bourgeois and revisionist notions about the perspectives of the highly developed capitalist countries. One of the objectives in Section One of this book is to elucidate *the relation of the latest phenomena of present-day capitalism to the process of transition to socialism.*

The shaping of objective prerequisites for socialism is usually examined solely in application to national production. And although the internationalisation of capitalist production has been dealt with in many works both in the Soviet Union and abroad, it is still rarely analysed from the standpoint of preparing objective prerequisites for socialism. But socialism is international by its very nature, and so the prerequisites of that quality of socialism should also take shape under capitalism. "The bourgeois period of history," Marx emphasised, "has to create the material basis of the new world: ...universal intercourse founded upon the mutual dependency of mankind, and the means of that intercourse..."¹ Consequently, the growing internationalisation of economic life under present-day capitalism should also be considered from the standpoint of the society's transition to socialism.

To designate the objective prerequisites of socialism, the classics of Marxism-Leninism usually used the term "material conditions"² of the new society. All the programmes of

¹ Karl Marx, "The Future Results of British Rule in India", in: Karl Marx, Frederick Engels, *Collected Works*, Vol. 12, Progress Publishers, Moscow, 1979, p. 222.

² Karl Marx, *A Contribution to the Critique of Political Economy*, Progress Publishers, Moscow, 1977, p. 21; V. I. Lenin, "Notes on Plekhanov's Second Draft Programme", *Collected Works*, Vol. 6, 1977, p. 52.

our party also refer to the material possibilities of socialism being prepared by capitalism.¹ In the works of the classics of Marxism-Leninism and party documents, one will also find the term “economic prerequisites” and “socio-economic prerequisites (preconditions)”² of socialism. These concepts coincide in content for economic prerequisites are material. The difference between them is that the concept of “material prerequisites” is a category of historical materialism rather than of political economy, for historical materialism brings out the material and nonmaterial elements of social life and determines the relation between these, while political economy does not deal with this question directly, but starts from the tenet of historical materialism that the economic sphere is material and plays the definitive role in the society’s life.

Another notion (not always voiced, but tacitly implied) is that it is only technico-material prerequisites that capitalism prepares for socialism. But the term “technico-material prerequisites of socialism” is not identical with that of “material, or economic, prerequisites”. The latter concept has a wider meaning—both the productive forces and the relations of production, constituting the economic sphere, are material—and can thus be used to characterise changes in both aspects of the mode of production, while the term “technico-material prerequisites” can be applied solely to the productive forces, and then only to their material factors rather than their totality.

But, after all, terms are not the main point. The essential question is whether the objective prerequisites for socialism are shaped under capitalism *solely in the material factors of the productive forces or whether they are shaped both on the side of the productive forces as a whole and on the side of separate economic forms*. The main objective of Section One is to clarify that question.

¹ V. I. Lenin, “Notes on Plekhanov’s Second Draft Programme”, *Collected Works*, Vol. 6, 1977, p. 52; “Draft Programme of the R. C. P. (B.)”, Vol. 29, 1977, pp. 101-102; *The Road to Communism*, Foreign Languages Publishing House, Moscow, 1961, p. 453.

² See, for instance, V. I. Lenin, “The State and Revolution”, *Collected Works*, Vol. 25, p. 472; “Extraordinary Seventh Congress of the R. C. P. (B.), March 6-8, 1918. Political Report of the Central Committee, March 7”, Vol. 27, 1977, p. 93; “Original Version of the Article ‘The Immediate Tasks of the Soviet Government’”, Vol. 42, 1971, p. 71; “Our Revolution”, Vol. 33, 1973, p. 478; *Kommunist*, No. 2, 1974, p. 11 and No. 11, 1975, p. 28.

Our ideological adversaries speculate on the issue of material prerequisites for socialist transformations. Thus, they charge that the CPSU and the ruling parties of some other socialist countries with a similar development level of the productive forces on the eve of the revolution have departed from Marx's theory, since the objective prerequisites for socialist transformations were allegedly absent in these countries. There is nothing new about such allegations, for they merely echo those of the leaders of the Second International. But the question about the *minimum level of objective prerequisites* that are necessary for introducing a socialist economic system is indeed one of the cardinal questions of the theory of socialist revolution. A new twist is also given to that question in view of the advance to socialism bypassing capitalism that is now under way in a number of countries. These matters are also analysed in Section One.

3

In view of the recently elaborated ideas about the socialist system as a developing organism, new problems have arisen before the theory of the formation of socialism. These ideas, best expressed in the conception of the socialist society's accelerating socio-economic and spiritual progress formulated by the 27th Congress of the CPSU, have their origins in the works of the classics of Marxism-Leninism. Marx was the first to apply the theory of development not only to capitalism, but to communism as well. "The whole theory of Marx," Lenin wrote, "is the application of the theory of development—in its most consistent, complete, considered and pithy form—to modern capitalism. Naturally, Marx was faced with the problem of applying this theory both to the *forthcoming* collapse of capitalism and to the *future* development of *future* communism."¹

The main result of Marx's application of the theory of development to the social setup that was coming to replace capitalism was, first, the cardinal conclusion that "between capitalist and communist society lies the period of the revolutionary transformation of the one into the other",² and

¹ V. I. Lenin, "The State and Revolution", *Collected Works*, Vol. 25, pp. 462-463.

² Karl Marx, "Critique of the Gotha Programme", in: Karl Marx and Frederick Engels, *Selected Works* in three volumes, Vol. 3, Progress Publishers, Moscow, 1976, p. 26.

second, the discovery and delimitation of the stages of the maturity of communism (socialism and full-scale communism). That amounted to its large-scale periodisation.

Lenin attached exceptional importance to an application of the development theory to socialism. "By what stages, by means of what practical measures humanity will proceed to this supreme aim (full-scale communism—V. K.) we do not and cannot know. But it is important to realise how infinitely mendacious is the ordinary bourgeois conception of socialism as something lifeless, rigid, fixed once and for all, whereas in reality *only* socialism will be the beginning of a rapid, genuine, truly mass forward movement ... in all spheres of public and private life."¹

Present-day political economy, however, has yet to realise, fully and consistently the idea of socialism as a developing social organism. Before that is done, a number of theoretical and methodological problems need to be solved.

Socialisation of production constitutes the real basis for the emergence and development of the socialist system. Accentuating that aspect of the matter, Lenin repeatedly emphasised: Marxism demonstrated "the inevitability of the capitalist system being transformed into a socialist system as a result of the socialisation of labour";² "the socialisation of labour ... provides the principal material foundation for the inevitable advent of socialism"; "the socialisation of production cannot but lead to the means of production becoming the property of society";³ "scientific socialism is based on the fact of capitalism's socialisation of production"⁴

In accordance with these basic propositions, Section One largely centres on the objective prerequisites for socialism emerging in the course of the socialisation of production under capitalism, and Section Two, on various aspects of the socialist socialisation of production. In elaborating on such categories as incomplete and complete socialisation of production, socialisation of production in fact, development of production relations in depth and breadth, the author introduces (Section Two) the category of "initial socialist socialisation of production", by which he means an end to

¹ V. I. Lenin, "The State and Revolution", *Collected Works*, Vol. 25, p. 477.

² V. I. Lenin, "What the 'Friends of the People' Are and How They Fight the Social Democrats", Vol. 1, 1977, p. 186.

³ V. I. Lenin, "Karl Marx", *Collected Works*, Vol. 21, 1977, p. 71.

⁴ V. I. Lenin, "Socialism Demolished Again", *Collected Works*, Vol. 20, 1977, p. 205.

the alienation of labour-power from the means of production, a direct, immediate conjunction of the material and personal factors of the productive forces, formation of an integral system of labour cooperation embracing the whole economy, and planned-and-balanced organisation of the whole of social production. The idea is that the category of "initial socialist socialisation of production" helps to present formation of socialist relations of production from such an important angle as the formation of the whole set of conditions for the functioning of the socialist economic system.

In Soviet economic writings on the transition period, the term "initial socialist socialisation of production" is used but rarely, while the shaping of the system of socialist relations of production is designated by the term "formation". But that concept belongs to the *general* theory of development, so that it cannot point to the specific content of the initial stage in the development of each phenomenon of that kind. Consequently, the concept "formation" is insufficient in instances when it is not a matter of development in general, but the development of a definite object. In such instances, the term "formation" itself should be specified in accordance with the specifics of the object being considered. With regard to capitalism, the decisive feature of its formation is the primary accumulation of capital, and with regard to socialism, the initial socialisation of production.

In analysing the development of the capitalist mode of production, Marx distinguished between the formal and the real subordination of labour to capital. It was such a distinction that enabled Marx to reflect the very fact of development and to give it a meaningful characterisation. Hence the question of whether socialism has similar stages as well, whether there is any *legitimate distinction between formal and actual socialist socialisation of production*. It is one of the central questions of Section Two.

The idea of development raises the problem of its source, which, according to dialectics, can only lie in *contradictions*. Scientists have done a great deal to examine the system of contradictions of the transition-period economy, notably, to pinpoint and define its basic contradiction. But much has yet to be done to apply the doctrine of contradictions throughout the whole theory of the formation of the socialist economic system. That aspect is given special attention in Section Two.

The specifics of socialist production relations in the transition period, as compared with the relations of triumphant socialism, have not as yet been given due coverage in economic writings. As a result, the process of the formation of socialist production relations is mostly presented as an extension of these relations to ever new spheres of the economy, that is, as a development of these relations *in breadth*. Such an approach reveals only those specific features in the operation of socialist economic laws which are connected with the limitation of the sphere in which these laws have taken effect, while the intrinsic peculiarity of socialist production relations in the period of their formation is brought out insufficiently, and the process of their development *in depth* is not duly detected.¹ Application of the ideas of development to socialism, for its part, orients the researcher towards a deeper study of the stages of its maturity and so towards the problems of development in depth.

The problems of economic development and the changing modes of production are inseparable from that of transitional economic forms, which comprise *interwoven elements of diverse economic relations*. The classics of Marxism-Leninism believe the emergence of such forms to be a property of any transitional epoch.² In substantiating and carrying out the programme of socialist construction, Lenin emphasised: "We can use, and, since it is necessary, we *must* learn to use, all transitional economic forms..."³ That is why it is important to study the transitional forms of economic relations. But while concepts like "transitional economic relations" or "transitional economic forms" are sometimes used in works dealing with the replacement of the capitalist mode of production by the socialist one, these have yet to be characterised in sufficient detail: it remains to determine their specifics, types and origins and to single out the range of transitional economic forms. Nor is there any

¹ That is particularly true of politico-economic rather than historical-economic writings: Works on the history of the national economy that examine the economy of the transition period in individual countries contain a wealth of facts pointing to an in-depth development of socialist production relations. But these facts should be generalised to a fuller extent from a politico-economic angle and translated into the language of politico-economic categories.

² V. I. Lenin, "The Development of Capitalism in Russia", *Collected Works*, Vol. 3, 1977, p. 195.

³ V. I. Lenin, "The Importance of Gold Now and After the Complete Victory of Socialism", *Collected Works*, Vol. 33, p. 115.

clarity on the point of whether economic forms that are transitional to the new mode of production exist under capitalism or whether such forms emerge solely after a socialist revolution. These questions are also examined in this book.

The formation of the socialist economic system is a complicated and protracted process. Hence the problem of its *stages* and the criteria for distinguishing between these. The importance of determining the stage at which this or that socialist country finds itself can hardly be overestimated, either in theoretical or practical terms. Once the stage is determined, Mikhail Gorbachev noted, "this helps to get a better idea of the economic and social coordinates in which one is to act".¹

Another question that has recently come to the fore is that of the *historical place of the transition period*. That is due to the fact, in particular, that the demarcation of the different stages of socialism's maturity has raised the problem of the correlation between the transition period and these stages.

An analysis of the general and the specific in the advance from capitalist to socialist production is *two pronged*. The *first set* of problems is connected with a study of the general and the specific in the transition to socialism as compared with the genesis of capitalism.

Much has been written about the transitions from one mode of production to another, but the analysis is somewhat one-sided: the accent is on the specific features of each of these transitions, whereas their *general* features still call for a special examination. Meanwhile, "general" and "specific" constitute a pair of categories. The specific can be considered only where there is a general, whereas the latter's absence rules out the specific and indicates a totally different phenomenon.

The existence of general elements in the succession of modes of production is due to the fact that it is based on a common process, on one and the same law: the law of correspondence of the relations of production to the character of the productive forces. The specific elements in the succession of modes of production are due to the specifics of the changing modes of production themselves,

¹ Mikhail Gorbachev, *The People's Living Creative Spirit*, Politizdat, 1984, p. 7 (in Russian).

of the basic contradiction that is resolved in each particular transition to a new mode of production.

On the strength of these essential propositions, the author has sought to determine the general in the transition both to capitalism and to socialism and, on that basis, to particularise the specifics of the formation of socialism as compared with the genesis of capitalism.

The *second set* of problems is connected with a study of the general and the specific in the formation of the system of socialist production relations in different countries.

The need to bring out the general and the specific in social development tends to become particularly important under socialism, which makes it possible and necessary to make conscious use of objective laws: the latter is impossible either without a knowledge of the general, or without a knowledge of how that general is refracted in the specific and the individual.

The theory and practice of socialist development proves beyond any doubt that both departure from general uniformities and inability to apply these with a view to the specific historical conditions are bound to produce zigzags in socialist construction, tend to deform the socialist organism to a greater or lesser extent, and could ultimately jeopardise the socialist gains. That is why the problem of the general and the specific in the change from the capitalist mode of production to the socialist one remains a constant point of ideological struggle.

The new edition of the CPSU Programme notes the abiding importance of the socialist countries' experience and emphasises: "The past decades have enriched the practice of the building of socialism and clearly demonstrated the diversity of the world of socialism. At the same time the experience of these decades shows the immense importance of the *general laws of socialism*, such as: the power of working people, with the working class playing the leading role; guidance of society's development by the Communist Party armed with the ideology of scientific socialism; establishment of social ownership of the basic means of production and on this basis the planned growth of the economy in the interests of the people; implementation of the principle 'From each according to his ability, to each according to his work'; development of socialist democracy; equality and friendship of all nations and nationalities; and defence of revolutionary gains from encroachments by class enemies.

"The use of the general laws in the specific conditions of each of the socialist countries forms the basis of their con-

fidant advance, the overcoming of the growing pains and the resolving in good time of contradictions that arise; it is a real contribution of the ruling Communist parties to the general process of socialist development."¹

The theoretical, political and practical importance of the problem of the general and the specific in the formation of socialism in different countries makes it necessary to keep studying that problem. Thus, in characterising the general economic uniformities of the transition to socialism, the *task* is to take fuller account of the latest phenomena that have arisen in the capitalist world in the past few years; to systematise the factors modifying the operation of these uniformities and bring out the possible main varieties of the formation of the socialist economic system. In this context, special importance attaches to the specifics of the *advance to socialism bypassing capitalism*.

It is mature capitalism that prepares the objective prerequisites for and paves the way to socialism. In view of that, the transition to socialism bypassing capitalism is impossible without allround and extensive assistance from nations which are effecting socialist development and have large-scale machine production. The existence of countries in which socialism has won out is an essential condition for transforming the democratic movement of economically lagging peoples into a socialist movement.

It was no accident that the first triumphant socialist revolution occurred in a country which had a firm place in the group of medium-developed capitalist countries and in which capitalism was entering the monopoly stage of its development.

Nor was it an accident that the scientific theory of transition to socialism was formulated in the light of the trends in mature capitalism. And although most countries and peoples could well go over to socialism bypassing the stage of mature capitalism and there is no doubt about the need to study the peculiarities of that way from a politico-economic angle, it is nevertheless true that the theory of transition to socialism is based on an analysis of the movement to it from capitalism. Both historically and logically, the transition to socialism bypassing capitalism is *secondary* as compared with the transition from capitalism to socialism.

At the same time, it is essentially important to find out whether the general uniformities of the transition from ca-

¹ *The Programme of the Communist Party of the Soviet Union*, p. 13.

pitalism to socialism apply to the advance to socialism by-passing capitalism.

Such is the range of problems examined in this book. As for the factual material on which it is based, it is primarily drawn from the experience of the USSR, which pioneered the peoples' advance to socialism. First of all, its experience confirms the existence of the general uniformities in building the new society that were discovered by Marxism-Leninism, and shows that no road leading to socialism can circumvent these uniformities. Second, since the transition to the new social system took place in a multinational state, it was established in practice, as well as in theory, that a successful advance along the road to socialism is impossible without due consideration of national peculiarities. Third, many of Russia's nations and nationalities on the eve of the revolution were at precapitalist stages of development, and the experience of socialist construction in the USSR has brought to light some of the peculiarities of the movement to socialism bypassing capitalism.

At the same time, there is no doubt about the necessity and importance of studying and generalising the experience of the movement to socialism in different countries with different conditions. Apart from the unique features connected with national peculiarities, the experience of each socialist country always contains general features, which are of international interest. The scientific notions about the general uniformities of the transition to socialism do not remain unchanged, but are specified through a comparison of the experience of different peoples. That is why the analysis in this book unfolds against a broad international background.

SECTION ONE

THE OBJECTIVE PREREQUISITES FOR SOCIALISM

Chapter One

THE PREREQUISITES FOR SOCIALISM IN THE SPHERE OF THE PRODUCTIVE FORCES

1. The technico-material prerequisites for socialism and their peculiarities under the scientific and technical revolution

By making the value form of wealth (profit) the main goal of production, capitalism lifted many of the restrictions organic to precapitalist social systems and so gave much greater scope to the development of the productive forces. The main achievement of capitalism in that sphere is the development of large-scale machine production.

But the self-expansion of value, or maximisation of profit is also a socially limited goal, and machine production, which has a capacity for boundless growth and ever greater socialisation of the production process, comes into contradiction with the narrow goal of the capitalist mode of production. "The *real barrier* of capitalist production," Marx wrote, "is *capital itself*... The means—unconditional development of the productive forces of society—comes continually into conflict with the limited purpose, the self-expansion of the existing capital."¹

That conflict is most evident in crises of overproduction, which mean a surplus not only of commodities, but of capital as well: a part of the capital is not used because such use is unprofitable from the standpoint of capitalist motivations and purposes, rather than because it cannot be used in principle. So, Marxism has always spoken of the relative, rather than the absolute, character of capitalist overproduction. The capitalist would never agree of his own free will to make additional capital investments if these could markedly reduce the rate of profit (P^1). But with the development of large-scale machine production, its requirements ever more frequently call for big capital investments which do not promise sufficient profit, especially at the early

¹ Karl Marx, *Capital*, Vol. 3, Progress Publishers, Moscow, 1974, p. 250.

stages. Whole industries emerge in which P^1 remains at a steady low level, but without which the economy cannot function normally (such industries often include coal mining, metallurgy, some types of transport and communications, etc.). In each particular instance, capitalism eventually finds a tactical way out, but the inherent conflicts undoubtedly keep mounting.

The inherent conflict between capital's purpose and its means shows its transience, the historical inevitability of a change in the purpose of production, a change that would bring the purpose into correspondence with the means for its attainment. *A truly limitless goal is presented by developing human needs*, and it emerges when the society as a whole becomes the economic subject.

Large-scale machine production, on the one hand, presupposes full satisfaction of the requirements of the society as a whole and, on the other, where such satisfaction becomes a purpose of production, helps to realise that purpose.

An examination of the general trends in the development of the productive forces thus makes it clear that the lingering view of socialism as an ascetic society is utterly groundless. Marxists have never taken such a view of socialism. Lenin noted: "Socialism alone will make possible the wide expansion of social production and distribution on scientific lines and their actual subordination to the aim of easing the lives of the working people and of improving their welfare as much as possible. Socialism alone can achieve this. And we know that it must achieve this, and in the understanding of this truth lies the whole strength of Marxism."¹

The planned-and-balanced organisation of production that is intrinsic to socialism also becomes technically possible and necessary solely with the emergence of large-scale machine industry, whose development leads to a concentration of production, deeper division of labour, and broader economic ties between production units. It turns out that whereas small- and medium-scale production can make do with casual consumers and casual suppliers, large-scale production needs *guaranteed* consumers and suppliers. The bigger a production unit, the greater is the risk it runs in relying on supply and demand it cannot control. There is a graver danger that at the crucial moment it will not be able to get the required quantity and quality of producer goods and labour-power or to sell a larger volume of output.

So long as production is carried on at small and fragmented enterprises, a suspension of work at one of these

¹ V. I. Lenin, "Speech at the First Congress of Economic Councils, May 26, 1918", *Collected Works*, Vol. 27, p. 411.

affects no more than a few members of the society, and the losses for the society as a whole are insignificant. As the scale of production grows, the picture changes. If production at a large enterprise is suspended for lack of consumers or suppliers, that affects a considerable number of the society's members and means a major loss not only for the enterprise itself, but for the economy as a whole.

In short, with the development of large-scale machine production, all types of production processes begin to merge into a single production process, giving rise to an essentially new problem: that of tying in, coordinating production and consumption well *in advance*.

But the establishment of direct links between production and consumption before the beginning of the production process itself is a distinctive feature of planned-and-balanced production. As such, it contrasts with the mechanism of commodity production, which does not guarantee any advance links between producers and consumers, but ensures such links only in the course of exchange and by means of exchange.

So, the development of large-scale machine production leads up to planned-and-balanced organisation of the economy, demanding such organisation over the historical perspective. And, on the contrary, the less concentrated the production and the less developed the ties within it, the harder it lends itself to centralised accounting and control and the less possible is its planned-and-balanced organisation.

The above-listed features of the technico-material prerequisites for socialism are traditional: they are present in one form or another in all Marxist works dealing with this problem. In the present conditions, however, these are *insufficient*: it is also necessary to clarify the influence exerted on the formation of the technico-material prerequisites for socialism by the *scientific and technical revolution (STR)*.

That revolution unfolds within the framework of machine production (at least at its present stage) and does not obviate the general tendencies of its development. At the same time, it has a revolutionising effect on the material factors of the productive forces, an effect that is generally recognised, although its concrete characteristics are a point of debate.

Hence, the STR does not cast doubt on the objective tendency of capitalism towards the shaping of technico-material prerequisites for socialism, but it should inject *qualitatively new elements* into the process.

Even before the STR, production increasingly tended to develop in patterns which did not involve an increase in the

mass of profit, something that indicated a conflict between end and means under capitalism. With the STR, this situation becomes typical. That is due, in particular, to the fact that science becomes a productive force whose effectiveness can be assessed in value terms only within fairly narrow margins.

Under the impact of the STR and scientific and technical progress as a whole, production in the developed capitalist countries has in the past few decades risen to a qualitatively new technical and technological level, with a leap forward in labour productivity, mass production and range of goods. Radical changes in hardware and technology have occurred not only in industry, but in agriculture as well. The growth of labour productivity in material production has made it possible sharply to expand the nonproduction sphere. As a result, the possibilities of material and spiritual production have increased to such an extent that the existence in the developed capitalist countries of sharp contrasts in the material and spiritual standards of different classes, with large pockets of poverty, slums and disaster areas, no longer has any technico-material justification, but is a crying injustice, an absolutely intolerable fact which can only be explained by the specifics of the capitalist society.

What makes the conflict even worse is that although the STR offers mankind unprecedented opportunities for multiplying material and spiritual values, once it is put at the service of capital it is used to intensify the exploitation of ever larger masses of working people, to develop ever more destructive means of mass extermination, and to prepare and launch aggressive wars. The "mass culture" industry generated by the STR is meant to implant the philistine mentality, aggressive ambitions, a cult of violence, and other forms of social pathology. As a result, the STR in its capitalist use is not the constructive process it essentially is, but a destructive and socially dangerous phenomenon. And the greater its advances under capitalism, the graver is the danger.

So, the fundamental question of our day is whether the fruits of the STR will be used for the benefit of mankind or to its detriment, something which could push it to the brink of annihilation. That question is being decided today in the course of an irreconcilable class struggle between labour and capital, in the struggle between the two world systems: the socialist and the capitalist.

Sharply aggravating the conflict between capital's end and means, the STR, on the one hand, makes it ever more necessary to alter the purpose for which the economic system functions. On the other hand, it is quite evident that

whereas the productive forces of the second half of the 19th century were only potentially able to ensure universal well-being, the productive forces now at the disposal of the developed capitalist countries would well guarantee this in our day. The only thing that is ultimately necessary to realise the STR potentialities is to reject the capitalist social setup.

The STR also makes it clear that there is an imperative need for planned-and-balanced organisation right now, and not in some faraway future.

The implication is that from the standpoint of technico-material prerequisites capitalism is "rotten ripe" for socialist transformations.

2. The shaping of prerequisites for socialism on the side of the subjective factor of the productive forces and STR influence on that process

Analysts dealing with the problems of transition from capitalism to socialism traditionally devote much attention to the technico-material prerequisites for socialism as prepared by capitalism. Considerably less attention is paid to the fact that such prerequisites are formed not only on the side of the material factor, but also on the side of the subjective factor of the productive forces (labour-power).

Since the economic subject under socialism is the society as a whole, the working person here should have qualitatively new properties as compared with the working person of all preceding modes of production. Engels wrote: "Industry carried on in common and according to plan by the whole of society presupposes... people of all-round development, capable of surveying the entire system of production."¹

All-round development of all members of the society can be realised as the purpose of production only when such development is objectively conditioned. If that is to be so, the need for all-round development should take shape both on the side of the immediate production process and on the side of consumption. The transition to socialism thus presupposes the emergence of corresponding trends in production.

The Marxist conclusions, on the one hand, that the proletariat is an exploited class, a class from which capital alienates true values and, on the other, that it is the class to carry

¹ Frederick Engels, "Principles of Communism, in: Karl Marx, Frederick Engels, *Collected Works*, Vol. 6, Progress Publishers, Moscow, 1976, p. 353.

out a social revolution and build a new society could appear to be mutually exclusive. But the whole point is that Marxism has never regarded the proletariat solely as a suffering class. Such an approach was characteristic of utopian socialism, and not of Marxism. In full accord with that approach, the utopian socialists appealed to the society as some kind of integral whole or even mostly to the ruling class, instead of the working class and its movement.

The growth of the scale of production and social ties in the course of capitalist development tends to increase the numbers of the working class and to consolidate it, providing an objective basis that enables the workers to realise their strength and their historical mission (see table 1).

But that is not the only point. Another aspect is important in terms of the shaping of material prerequisites for socialism. Machine production eventually comes into ever greater conflict with the specifically capitalist partial character of the worker, which means that he is attached to separate operations in the division-of-labour system and is alienated from the more creative and managerial elements of labour.

Marxism regards man as an expression of the totality of social relations in which he is involved. From that standpoint, the degree of man's development in the most general terms is determined by the wealth of his social relations, and so also by the wealth of his requirements. "The individual's universality," Marx emphasised, "lies in the universal

Table 1

**Growth of the Working Class in the Leading Capitalist Countries
in the 20th Century (million persons)***

	Early century	Mid-century	Early 1980s
World total including:	71	282	660
Britain	9	18	21
France	5	11	15
Germany (then FRG)	10	14	20
Italy	2	10	14
USA	16	43	86
Japan	2	13	35

* See, Boris Ponomaryov, "On the Historical Destiny of the Working Class", *Kommunist*, No. 1, 1985, pp. 21-22.

ity of his real and ideal relations.”¹

The development of machine production inevitably entails a deepening and extension of social ties. Unless these ties reach certain dimensions, surplus value cannot be produced. That is why capitalism removes many of the barriers placed by earlier modes of production in the way of a universalisation of social ties, and so ultimately forms the need to overcome the partial character of the worker it has itself created.²

Of course, that tendency keeps running into obstacles raised by the exploitive nature of capital and insurmountable under capitalism; it is in deep contradiction with the nature of capital, a contradiction which is exacerbated as the tendency to man's universalisation gathers momentum. But the existence of that tendency shows the direction of the society's development and calls for a radical reconstruction of social relations in accordance with it.

The tendency to man's universalisation is also manifest on a more concrete plane. Marx analysed the influence of machine production on labour-power and showed that the constant revolutions in the technical basis, in the functions of the worker and the social combinations of the labour process that are peculiar to that production entail a change in the worker's labour, a movement of his functions, his all-round mobility, and so also his greatest possible versatility. Such, according to Marx, is the universal (fundamental) law of social production, which is in conflict with another reality which stems from the nature of capital and which consists in the worker's conversion into an appendage of the machine, into a simple vehicle of a particular social function. That fundamental law of social production cannot be abolished (such an abolition implies the need to give up machine production, which is essentially impossible), and social relations should be adapted to that law, i.e., revolutionised.³

The growing demands on the quality of labour-power and the development of mass production under capitalism are

¹ Karl Marx, *Gründrisse der Kritik der Politischen Ökonomie*, Verlag für Fremdsprachige Literatur, Moscow, 1939, p. 440.

² Marx emphasised: "... production on the basis of exchange-values ... along with the universality of the estrangement of individuals from themselves and from others, now also produces the universality and generality of all their relations and abilities." (Karl Marx, Frederick Engels, *Collected Works*, Vol. 28, p. 99.)

³ Karl Marx, *Capital*, Vol. 1, p. 458. See also: Frederick Engels, "Synopsis of Volume One of *Capital* by Karl Marx", in: Karl Marx, Frederick Engels, *Collected Works*, Vol. 20, 1985, pp. 307-308.

bound to increase the range of the working people's requirements to an ever greater extent. Marx wrote: "as the ceaseless striving for the general form of wealth, however, capital forces labour beyond the limits of natural need and thus creates the material elements for the development of a rich individuality, which is as varied and comprehensive in its production as it is in its consumption..."¹

The need to work is among man's primary wants. Under capitalism, satisfaction of that need, as well as other human needs, is not guaranteed, but it develops as the worker is accustomed to labour and to labour discipline, which becomes a habit. Important elements are thus formed which are necessary to create a new type of worker after a socialist revolution. Marx emphasised that capital's historical "mission is fulfilled when, on the one hand, needs are developed to the point where surplus labour beyond what is necessary has itself become a general need and arises from the individual needs themselves; and on the other, when, by the strict discipline of capital to which successive generations have been subjected, general industriousness has been developed as the universal asset of the new generation."²

At the early stages of capitalist machine production, the industrial worker is often inferior to the independent handicraftsman or peasant in living standards, skills, and so on. But from the very beginning he surpasses them in social outlook and is more receptive to new ideas. The limited social ties that mark small-scale production make for limited wants and provide an objective basis for prejudice, narrow-mindedness and ignorance, for all that which Marx and Engels aptly described as "the idiocy of rural life".³ Here is how Engels characterised the type of working people that existed before the industrial revolution: "...Intellectually, they were dead; lived only for their petty, private interests, for their looms and gardens, and knew nothing of the mighty movement which, beyond their horizon, was sweeping through mankind. They were comfortable in their silent vegetation, and but for the industrial revolution they would never have emerged from this existence, which, cosily romantic as it was, was nevertheless not worthy of human beings."⁴

¹ Karl Marx, Frederick Engels, *Collected Works*, Vol. 28, p. 251.

² Karl Marx, Frederick Engels, *Collected Works*, Vol. 28, p. 250.

³ Karl Marx and Frederick Engels, "Manifesto of the Communist Party", in: Karl Marx, Frederick Engels, *Collected Works*, Vol. 6, p. 488.

⁴ Frederick Engels, "The Condition of the Working-Class in England", in: Karl Marx, Frederick Engels, *Collected Works*, Vol. 4, 1975, p. 309.

Socialism is free not only of class, but also of patriarchal narrow-mindedness. The view of a socialist society as an aggregation of sects, communes and other similar entities, even if there is material equality within and between them, has nothing in common with the Marxist view of socialism simply because under such a social setup man remains part of a separate unit and his interests are confined to the interests of that unit, so that his free all-round development, his universalisation is unattainable.

Even while capitalism establishes an all-round interdependence of all individuals, leads to changes in labour and to mobility of labour-power, widens the range of the working people's wants, and turns labour discipline into a norm, it is unable—in view of its exploitive nature—to create social individuals with all-round development, but it shapes the necessary prerequisites for that. It is only in unity with the prerequisites taking shape on the side of labour-power that the prerequisites taking shape on the side of the objective factors of the productive forces form the prerequisites for socialism in the sphere of the productive forces. Under the STR, the process is intensified many times over and acquires new forms.

The main lines of the STR impact on labour-power have been amply defined in many special fact-filled studies. So let us take no more than a brief look at the most important aspects of the problem.

Whenever there is a qualitative leap in the material factors of the productive forces, as material production turns into a technological application of science, there is not simply a sharp increase in the demands on labour-power, but a qualitative change in the nature of these demands, and not only in the sense that there is now a *mass* need for working people with a high level of special training and general education, although that is in itself a sign of qualitative changes in the demands made on labour-power. Under the STR, crucial importance attaches to such properties of the working person as a capacity for creative work, an ability to take decisions in unexpected situations, high occupational mobility, an ability to find one's bearings in the whole system of social production, and so on.

But it is not enough merely to list all these circumstances, however important they may be. It is also necessary to interpret them from a politico-economic angle.

No one has ever denied the qualitative changes in labour-power under the impact of the STR, but some analysts believe that even in these conditions one could largely confine oneself to examining the changes under way in the material

factors of the productive forces, whereas others tend to draw the conclusion that the STR induced revolution in the productive forces *primarily* involves labour-power and that, in contrast to earlier stages of development, the latter becomes the *point of departure* for a revolution in the productive forces.

Apparently, both these approaches give a one-sided reflection of the actual process. Marxism has always assumed that the material factors of production (the means and technology of production) are the most mobile and basic elements of the productive forces. Their state predetermines the nature of the demands made on the worker, his function and place in the labour process. That proposition remains valid under the STR as well, but with essentially new elements in the interplay of the material and personal factors of production.

Whereas all the earlier revolutions in the productive forces, while changing the worker's status in the production process to a greater or lesser extent, invariably left him within that process, the STR for the first time puts the worker alongside and above the production process. Another thing is that under the STR the feedback influence of the human factor on the material factors of the productive forces intensifies. That is due, in particular, to the fact that as production turns into a technological application of science, the potentialities for a direct influence of human knowledge on the state of the material factors of production are sharply expanded. Another factor operating in the same direction is that ever more working people now get a high general education and special training.

Over the past 25 to 30 years, the general education level of labour-power in the industrially developed capitalist countries is estimated to have risen by 25-40 per cent.¹ Thus, the average US worker in the 1920s went through primary school and attended secondary school for one or two years (5 or 6 years of schooling). In 1940, the US average was already 8.6 years of schooling, going up to 10.9 years in 1952, 12.4 years in 1970, and 12.6 years in 1977.²

In the FRG, France and Britain, that indicator has increased by two or three years over the past 20 to 25 years, and the process is expected to develop. By 1990, only 10 per cent of the USA's aggregate labour force is expected to have a general education level of under 8 years.³

¹ N. D. Karpukhin, *Capitalist Exploitation Today*, Mysl Publishers, Moscow, 1982, p. 27 (in Russian).

² *Ibid.*, p. 28.

³ See, *Problems of Intensifying Production (A Critical Analysis of US Experience)*, Moscow, 1978, p. 78.

There is now evidence of a narrowing gap in educational levels between *different strata of the working class* in the developed capitalist countries (Table 2).

The table shows that whereas in the early 1950s the general education gap between highly skilled and unskilled workers was 1.7 years, in the late 1970s it was down to 0.4 years. The share of skilled labour in the developed capitalist countries has also been growing, while that of unskilled labour has been shrinking (Table 3).

Labour-power with a high general education level and skill standards does not fit into production involving elementary, manual and arduous types of work, unhealthy or unaesthetic working conditions, and so on. The difficulty in supplying such production processes with labour-power puts pressure on industries not as yet affected by the STR, so accelerating a corresponding revolution within them.

All of that indicates that the revolution in the material factors of the productive forces is in a sense not only a cause, but also an effect of the qualitative changes in labour-power. The STR-induced qualitative leap forward in the productive forces cannot be understood if hardware and technology are considered on their own, independently of labour-power, without an examination of the qualitative changes under way within the latter. Consequently, the new elements being introduced by the STR in the shaping of material (economic) prerequisites for socialism cannot be understood well enough either. Whereas at pre-STR stages it was inaccurate to reduce such prerequisites solely to technico-material ones, under the STR itself it is simply wrong to do so.

The fact that the worker with a high level of general education and special training is typical of the STR also means that it is not so much the working people's physical as their mental abilities that increasingly become the object of ex-

Table 2

General Education Level among US Industrial Workers
(years of schooling)¹

Skill standards	1948	1959	1970	1974	1977
Foremen and skilled workers	9.7	11.0	12.1	12.3	12.4
Semi-skilled workers	9.1	9.9	11.3	12.0	12.1
Unskilled workers	8.0	9.6	10.6	11.4	12.0

¹ N. D. Karpukhin, Op. cit., p. 28.

ploitation in the developed capitalist countries. The new edition of the CPSU Programme says: "The mechanism of exploitation has become more complex, more sophisticated. The skills, intellectual powers and the energy of the worker are being exploited for gaining more and more profit."¹ That further sharpens the problem of correlation between technical and social progress, between technical and purely human elements, a problem which is intrinsic to exploitive societies.

The STR presupposes the development of human abilities, and any omission in realising that demand tends to have an ever more adverse effect on the development of production. But that STR demand is essentially at odds with the nature of capitalism: the latter cannot meet that demand to any meaningful extent. Capital needs skilled labour-power rather than a highly cultured, all-round personality. Development of the worker's personality is not only unnecessary for capital, but is also dangerous for its domination. All the media of mass culture are being used by the bourgeoisie to

Table 3

Worker Structure in Terms of Skill Standards
(as a percentage of the total)*

Workers	USA			
	1950	1960	1970	1980
Skilled	34.8	35.6	36.5	40.5
Semi-skilled	49.8	49.7	50.2	44.4
Unskilled	15.4	14.7	13.3	15.1

	Britain		France				
	1951	1977	1979	1954	1962	1968	1980
	35.9	39.9	40.1	49.1	37.7	37.7	50.5
	46.9	42.9	49.5	31.4	39.7	39.9	37.8
	17.2	20.2	10.4	19.5	22.6	22.4	11.7

**Exploitation of the Working People in the Capitalist Countries Under the STR*, Moscow, Mysl Publishers, 1984, p. 19 (in Russian).

¹ *The Programme of the Communist Party...*, p. 15.

spread philistine views and interests, requirements that corrupt the individual, anti-intellectual and anti-social attitudes, and so on. The working people's objective need for all-round development is in ever deeper conflict with the socio-economic essence of capitalist relations. On the surface of economic life in the developed capitalist countries, that conflict manifests itself, in particular, in the gap between the working people's growing objectively necessary requirements and the possibilities for meeting them, between modern employment standards, which require working people with a high level of general education and special training, and the existing system of general and specialised education, in which young people of workingclass origin find it hard to get the necessary education; in structural unemployment; in a partial conversion of secondary and now also of higher education into a form of latent unemployment, and so on.

The ever deepening conflict between the STR-engendered objective need for the working people's all-round development and the socio-economic nature of capitalism is one of the main reasons why capitalism cannot achieve an *organic* blend of STR achievements with its system of production relations. This means that although capitalism has had and will continue to have some successes in realising the scientific and technical revolution, it can never realise it in full. That calls for a different social system, a system that puts production at the service of the all-round development of all members of the society, so opening up the road for an organic blend of STR achievements with its system of production relations.

Under the STR, on the one hand, the role of the working class as the chief productive force sharply increases, which is in glaring conflict with the fact that in the capitalist society it is an exploited class.

On the other hand, the intensifying intellectual elements in labour and the emergence of creative incentives on that basis, the rising general educational standards, the widening range of requirements and the ever greater universalisation of the working people help them to adopt a work ethic that is a prerequisite for creating after a socialist revolution a new type of working person, one who can find his bearings in the whole system of social production.

Capitalism under the STR, if one takes the most developed capitalist countries, is evidently "ripe" and "rotton-ripe" for socialist transformations not only from the standpoint of technico-material prerequisites for socialism, but also from the standpoint of the prerequisites taking shape on the side of labour-power.

CHAPTER TWO

SOCIALISATION OF PRODUCTION AND FORMATION OF OBJECTIVE PREREQUISITES FOR SOCIALISM

1. Capitalist socialisation of production and emergence of elements of planned-and-balanced development

Marxist economists have never lost sight of the problems of planned-and-balanced development, its objective basis and its history. Under socialism when planned-and-balanced organisation of the whole of social production has taken full shape, these problems are being analysed at length.

At the same time, economists have yet to agree on their reading of planned-and-balanced development. Some contrast it solely with *spontaneous* development and regard it merely as *conscious* economic administration and management; others contrast it with *anarchy* and *competition* and interpret it solely as *concerted, coordinated* steering of economic processes; and still others in effect reduce it to steadily maintained proportionality in the national economy.

It has often happened in the history of science, however, that theoretical definitions which seem to be mutually exclusive turn out to be a reflection, even if onesided, of actual reality. The task of research in this respect is not to look for new definitions while discarding old ones, but to synthesise them and find a niche for each within their unity. It appears that with regard to planned-and-balanced production the task is resolved by regarding it as a form of production which historically succeeds the commodity form of production, using its own methods to tackle the same economic problems as the latter. It then turns out that the planned-and-balanced form of production, taken in its developed state, includes all of the above definitions of the term, but cannot be reduced to any of these.

Marxists have always assumed that the commodity form of production is a historically transient form, so that science should make a profound study of the form of production that comes to replace the commodity form. After all, what

matters is not how one calls the new form, but its distinctive features. The system of economic relations under any mode of production has a complex structure. The processes unfolding within it have different roles to play, and their connections with the socio-economic nature of the system are different. The functioning of any mode of production implies at least two processes: first, bringing out social requirements and distributing resources to meet these requirements, in short, tying in production with social requirements; and second, conjugating labour-power with the means of production for a definite purpose. These processes are the most general ones for any mode of production, and no mode of production can exist without them.

In any economy with a division of labour, where aggregate social labour carries within it the contradiction of uniform and multiform, it is necessary to bring out the structure of social requirements, to distribute the available economic resources in accordance with these requirements, to take into account separate elements of the integral labour process and include these in that process. The problem does not consist in whether or not to carry out the basic processes, which have always been and will continue to be at every stage of social development, but how that is to be done, in what form the social-labour contradiction is to be kept moving. The definite mode in which these processes are carried out is, in fact, the form of production.

As it follows from the definition of the form of produc-

¹ Many analysts divide economic relations into two groups: the first is known as technical, technico-economic, organisational, organisational-economic, or production-economic relations, and the second, as relations of appropriation or property (see G. V. Plekhanov, *Selected Philosophical Works*, Vol. 2, Politizdat Publishers, Moscow, 1976, pp. 531-34; *Questions of Political Economy*, Edited by N. A. Tsagolov and N. V. Khessin, Moscow State University Publishers, Moscow, 1960, pp. 215-37; A. Pokrytan et al., *Socialist Property During the Transition to Communism*, Moscow, 1964, p. 21; V. V. Radayev, "The Category of Property in Political Economy", *Moscow State University Herald, Economics*, No. 1, 1968; L. I. Abalkin, *Political Economy and Economic Policy*, Mysl Publishers, Moscow, 1970, pp. 52-55—all in Russian). The form of production, as defined above, largely coincides in terms of the relations it expresses with organisational-economic relations. But the criterion for singling out the appropriate group of relations is different in the two instances. In singling out organisational-economic relations, the criterion is the difference in the connection of various economic relations with the productive forces (V. N. Cherkovets notes, for instance, that relations of production have two sides to them: "One side of the relations of production directly characterises the process of the socialisation of

tion,¹ it is conditioned by the state of the social division of labour and the extent to which its units are separated, and so also by the framework, i.e., the limits of labour cooperation. These general economic parameters do not remain the same, but pass through several stages in their development, which means that different forms of social production are essentially possible and that they are transient. History has known three specific forms of production: natural (subsistence), commodity, and planned-and-balanced production.

The form of production does not in itself signify whether the relations of production are exploitive or not. Thus, commodity relations, which emerged at the time of the disintegration of the primitive-communal system, remain under socialism, so functioning in both an exploitive and non-exploitive society. Under no socio-economic formation does the form of production constitute the basic production relation,¹

production, which occurs on the basis of the development of the productive forces... The other side of the relations of production covers all property relations and constitutes the economic structure of the society at the given stage of its development..." *Questions of Political Economy*, p. 218). Similar ideas are expressed in this context by V. V. Radayev ("... some elements of social relations are directly engendered by the development of the *character of the means and processes of labour*, i.e., are connected with the progress of the productive appropriation of material values". Op. cit. p. 16) and L. I. Abalkin ("Organisational-economic relations, being on the whole determined by the nature of property relations, are to a certain extent closer to the productive forces..." Op. cit., p. 53). As for the form of production, it is distinguished from other economic relations depending on its connections with the basic relation of production.

¹ By basic production relation present-day Marxists mean the direct relation of the owners of the conditions of production to the immediate producers, a relation which expresses the special character and the mode of the worker's conjugation with the means of production. That kind of relations determines the purpose of the functioning and development of each mode of production; it reveals, as Marx put it, "the innermost secret, the hidden basis of the entire social structure" (Karl Marx, *Capital*, Vol. 3, Progress Publishers, Moscow, 1974, p. 791) and "distinguishes the different economic epochs" (*ibid.*, Vol. 2, p. 36). Thus, the primitive-communal mode of production is characterised by a natural community of people, which can assume different forms (gens, tribe, territorial commune, etc.). Precapitalist exploitive modes of production are marked by different forms of the immediate producer's personal dependence on the owner of the basic means of production, a direct coercive domination of one part of the society over the other. The innermost essence of capitalism lies in the relation between capital and wage-labour, in the production of surplus-value through the exploitation of the wage-worker. Under capitalism

but, being an independent relation, it is nevertheless a major part of it. For instance, there is no basic production relation of the capitalist society without commodity, value or money.

Both the commodity and the planned-and-balanced forms of production are the product of definite stages in the development of the social character of the production process: the two types of the organisation of social production express different stages of that process in their own specific way.¹

Initially, the growing socialisation of production led to the disintegration of closed economic units, to the establishment of economic ties between earlier isolated units and, on that basis, to the formations of integral social production, the typical state of whose production units was their separate economic activity. Later on, the very same process, retaining its gains in the form of integral social production, comes to question the segregation of producers. Once the concentration of production reaches a certain point, *guaranteed* supplies of raw materials, equipment and labour-power and *guaranteed* marketing of output become a question of life and death for separate production units, which means the emergence of a qualitatively new element in economic relations.

Specialisation of production develops in unison with its concentration. The economic ties between production units are deepened and extended, with the results yielded by the economic activity of each separate unit of the national economy being increasingly dependent on the state of affairs in many of its other units. Production *complexes* first arise in some spheres of the economy, and then spread to a greater or lesser extent to all the other spheres. Within the framework of these complexes separate labour processes can

the means of production are conjugated with the producer, who is personally free but is deprived of the means of production, in the form of the purchase and sale of labour-power.

Socialism is based on social property in the means of production. It is characterised by a direct conjunction of the associated producer with the socialised means of production, which is expressed in the formation of a work collective on the scale of the whole of social production, in universal labour, and in production serving to ensure the full well-being and the free and allround development of all members of the society.

¹ See, V. N. Cherkovets, *On the Methodological Principles of Political Economy as a Scientific System*, Moscow University Press, Moscow, 1965, pp. 227-28 (in Russian).

no longer be effected without *prior* coordination, which also means the emergence of a qualitatively new element in economic relations. Marxist political economy has theoretically expressed that situation in social production in the idea that all lines of production are fused into one social production process, using the category of "*socialisation of production*".

Economists are still debating the content of that category, apparently in view of the fact that socialisation of production is a complex multifaceted process which embraces both the productive forces and the relations of production, and also the juridical forms of the latter's expression. Since the phenomenon is so complicated, it tends to be given a special definition, as distinct from its other definitions, whenever its analysis is based on merely one of its aspects.

Economists often use the category of socialisation of production to designate the development of the social character of labour and reduce it to a deepening of the social division of labour, ever greater concentration of production, and so on. In that case, socialisation of production is presented as a *general historical* process.

Such use of the "socialisation of production" concept is warranted, for development of the social character of labour lies at the root of the socialisation of production, whatever its definition. But one should bear in mind that the development of the social character of labour passes through several stages, each of which is marked by its own type of economic connection. Such real distinctions in the state of the social character of labour should be expressed in corresponding categories. The specific term to be used is a secondary matter, whereas the main point is that such distinctions do actually exist and should be reflected in the conceptual apparatus of political economy. For that purpose, the classics of Marxism already used the concept of "socialisation of production".¹ The only thing is that one should clearly distinguish between its use in the *broad sense* of the term (to designate the development of the social character of labour) and its use in the *narrow sense* (to designate a definite stage in the development of the social character of labour, when separate production processes begin to merge into one social process).

In examining the social character of labour at that stage, one is also bound to ask in what concrete economic rela-

¹ See, V. I. Lenin, "What the Friends of the People Are and How They Fight the Social-Democrats", *Collected Works*, Vol. 1, Progress Publishers, Moscow, 1977, pp. 176-78.

tions it is directly reflected. As it turns out, such relations are those of planned-and-balanced production. As a result, socialisation of production appears as a process in which elements of planned-and-balanced production emerge and develop.

Whereas the commodity relation in its most general sense is a relation of separate producers, something that manifests itself in economic ties that are neither direct nor guaranteed, the planned-and-balanced relation is a relation of social production in which separate production processes tend to merge into one social process, something that is manifested in economic ties that are direct and guaranteed in advance.

Along these lines, there is a similarity between the natural (subsistence) and the planned-and-balanced forms of production, but similarity does not mean identity. The former presupposes a low development level of the productive forces, and the latter—large-scale machine production. In the first instance, economic ties are *locally limited* and are based on natural tribal relations or on relations of direct despotism, whereas in the second instance these are based on a developed system of social division of labour and presuppose a highly developed social character of the production process.¹

The limitations of the natural form of production are to a considerable extent overcome by the commodity form. The planned-and-balanced form inherits that development tendency and ensures its further advance. Hence, it is essentially different not only from the commodity, but also from the natural form (there is a typical “negation of the negation”).

The Marxist proposition that large-scale machine production is the technico-material basis of planned-and-balanced organisation of production and that it calls for such organisation is so widespread that it is accepted as a self-evident fact. However, it needs to be specified, for machine production itself has different stages, which have yet to be studied in greater detail.

At the initial stage in the development of machine production, elements of planned-and-balanced organisation do not as yet appear in practice; moreover, it not only gets along with the commodity system of economic activity, but serves as the basis on which that system reaches the highest forms of its development: it is precisely on the basis of the industrial revolution that capitalism asserted itself and gave

¹ See, Karl Marx, *Capital*, Vol. 1, Progress Publishers, Moscow, 1974, pp. 423-24.

full scope to commodity production.

Of course, the industrial revolution gave a gigantic impulse to the development of the social character of the production process, but it did not as yet undermine the *separation of producers* (when each produces his commodities at his own risk and when it becomes clear only at the point of sale whether the producer did or did not guess the social requirement), although the tendency itself contains the necessity of undermining that separation. That is why machine production, stemming as it did from the industrial revolution, demands planned-and-balanced organisation of production only in the *historical perspective*.

A *developed* credit system was the first historical form which made it clear that the growing ties between the separate spheres of social production had reached a point where a direct relation was established between these spheres. Free competition capitalism already created such a credit system, which mastered temporarily free resources from all sectors of social production, concentrated these resources in separate economic centres, and then distributed them from these centres. The bank was, on the one hand, "a centralisation of money-capital, of the lenders, ... and on the other a centralisation of the borrowers"¹. In view of that, while being a purely capitalist enterprise, the bank is at the same time a forerunner of the future form of production, when centralised mobilisation and distribution of resources becomes an inherent element of planned-and-balanced organisation of production.

Another important point here is that the bank, acting as an intermediary in trade operations and concentrating payments, is in a position to survey a sizeable part of social production and to some extent to coordinate the activity of its clients.

The possibilities of expanded reproduction for the separate producer as such are limited by his own resources. A developed credit system begins to remove these limitations, and that indicates the emergence of a new qualitative element which does not directly fit into the commodity system.

All of that enabled Marx to draw the conclusion that "the banking system possesses ... the form of universal book-keeping and distribution of means of production on a social scale, but solely the form. It thus does away with the private character of capital and thus contains in itself, but only in itself, the abolition of capital itself. By means of the bank-

¹ Karl Marx, *Capital*, Vol. 3, Progress Publishers, Moscow, 1974, p. 402.

ing system the distribution of capital as a special business, a social function, is taken out of the hands of the private capitalists and usurers. But at the same time, banking and credit thus become the most potent means of driving capitalist production beyond its own limits, and one of the most effective vehicles of crises and swindle."¹

Marx went on to emphasise: "There is no doubt that the credit system will serve as a powerful lever during the transition from the capitalist mode of production to the mode of production of associated labour; but only as one element in connection with other great organic revolutions of the mode of production itself."²

The next step in the same direction as the credit system was the joint-stock form of capital, which stemmed from that system. A point to note here is that whereas under free-competition capitalism banking capital still stood apart from industrial capital, the joint-stock form not only penetrated the sphere of actual production, but also became a widespread form of industrial capital even before the onset of imperialism.

The joint-stock form of capital from the very beginning not only ensures the centralisation of funds³ and organisationally entrenches the ties between enterprises, but also makes it clear that large-scale production cannot be managed individually, for this requires a fairly large number of specially trained personnel. The function of management, which used to be interlocked with private property, begins to separate from it and to turn into a social function, as it should be in the future society. Engels wrote: "This, then, is the result: the economical development of our actual society tends more and more to concentrate, to socialise production into immense establishments, which cannot any longer be managed by single capitalists. All the trash of the eye of the master, and the wonders it does turns into sheer nonsense as soon as an undertaking reaches a certain size. Imagine 'the eye of the master' of the London and North Western Railway! But what the master cannot do the workman, the wage-paid servants, of the Company, can do, and do it successfully."⁴

¹ Karl Marx, *Capital*, Vol. 3, pp. 606-07.

² *Ibid.*, Vol. 3, p. 607.

³ "The private entrepreneur is limited by the size of his individual capital; the joint-stock company—by the size of the whole money-capital available in the capitalist society and free for a new application" (Rudolf Hilferding, *Das Finanzkapital Eine Studie die jüngste Entwicklung des Kapitalismus*, Dietz Verlag, Berlin, 1955, p. 168.

⁴ Engels, *The Wages System*, Progress Publishers, Moscow, 1975, p. 51; see also: *Capital*, Vol. 3, pp. 436-37.

The banking and credit systems originate, beyond any doubt, as commodity phenomena, but in the course of their development quantitative changes begin to turn into qualitative ones. These phenomena develop properties which drive them beyond the limits of the initial quality. When Marx wrote that "the banking system possesses indeed the form of universal book-keeping and distribution of means of production on a social scale,"¹ and Lenin emphasised that "the big banks are the 'state apparatus' which we need to bring about socialism, and which we take ready-made from capitalism";² they did not mean the extension to socialism of the commodity organisation of production, but an assimilation and development by socialism of the elements of planned-and-balanced organisation contained in the developed banking system.

The developed credit system and the joint-stock form of capital, reflecting the approach of a qualitatively new stage in the development of the social character of labour, are known to have given an additional impetus to that development.

All of this indicates that even the level of production attained by the developed capitalist countries in the second half of the 19th century already called for a transition to planned-and-balanced organisation of social production and paved the way to it. Capitalism could not go on existing without adapting itself to the new character of the productive forces. That adaptation resulted in *monopoly*.

Some capitalist monopolies emerged back in the days of free-competition capitalism, at the final stage of its development. They were a transient, episodic phenomenon, but heralded a new form of capitalist socialisation of production.

A distinctive feature of monopoly at the stage of imperialism is that monopoly is a *capitalist form of the socialisation of production*. In criticising the bourgeois economist J. Rieser, who recognised the interlocking of capitals, but at the same time believed that the Marxist forecast as regards socialisation had not come true, Lenin wrote: "What then does this catchword 'interlocking' express? It merely expresses the most striking feature of the process going on before our eyes.... It reveals the observer as one who is overwhelmed by the mass of raw material and is utterly incapable of appreciating its meaning and importance. Ownership of shares, the relations between owners of private property

¹ Karl Marx, *Capital*, Vol. 3, p. 606.

² V. I. Lenin, "Can the Bolsheviks Retain State Power?", *Collected Works*, Vol. 26, 1972, p. 106.

'interlock in a haphazard way'. But underlying this interlocking, its very base, are the changing social relations of production. When a big enterprise assumes gigantic proportions, and, on the basis of an exact computation of mass data, organises according to plan the supply of primary raw materials to the extent of two-thirds, or three-fourths, of all that is necessary for tens of millions of people; when the raw materials are transported in a systematic and organised manner to the most suitable places of production, sometimes situated hundreds of thousands of miles from each other: when a single centre directs all the consecutive stages of processing the material right up to the manufacture of numerous varieties of finished articles; when these products are distributed according to a single plan among tens and hundreds of millions of consumers ... then it becomes evident that we have *socialisation of production*, and not mere 'interlocking'..."¹

As a form of socialisation of production, monopoly at the stage of imperialism is inconceivable without elements of planned-and-balanced organisation. Such monopoly necessarily contains these elements. Starting from its lowest forms, it concentrates in its hands such an amount of resources as enables it roughly to take into account the sources of the materials, energy and equipment it needs, to control the training and movement of labour-power, and to regulate supply and demand in some lines of commodities. Monopolies work out and perfect economic methods for such accounting and control, ways of tying in diverse industries, production and consumption *a priori*, instead of *a posteriori*, and economic forms of mustering resources from different spheres and redistributing these from separate economic centres.

Unless the elements of planned-and-balanced organisation are taken into account, it is impossible to understand either the mechanism of monopoly extraction of profits or the whole new range of relations engendered by monopoly.

The next stage in the development of capitalist socialisation of production and elements of planned-and-balanced organisation is connected with state-monopoly capitalism.

The necessity of conversion into state property first confronts those industries whose national-economic ties are particularly intensive and on whose activity the state of the

¹ V. I. Lenin, "Imperialism, the Highest Stage of Capitalism", *Collected Works*, Vol. 22, 1977, pp. 302-03. As we find, Lenin saw planning as a crucial characteristic feature of socialisation of production.

whole economy depends. In the 19th century, those were mostly branches of transport and communications (railways, posts and telegraphs). With the development of the STR, the number of such industries has sharply increased.

Yet another essential circumstance comes to the fore: the STR involves constant serious structural changes in the economy and so implies a mobile movement of capital between industries, its constant redistribution on a considerable scale. Private capital finds it hard and often even impossible to cope with that task.

With the growing socialisation of production, the state should thus undertake an ever greater volume of economic-organisational functions.

Socialisation of production is the basis of state-monopoly capitalism (SMC), but it is far from being the only factor in its development. SMC is under the impact of other factors as well, both periodic, or temporary (like economic crises or wars), and permanent (like the competition between the two systems—socialist and capitalist, the working-class struggle or the national liberation movement). The more far-sighted bourgeois analysts realise that if the positions of capitalism are to be consolidated, state intervention in the economy must be stepped up. Thus, the well-known US economist John Kenneth Galbraith wrote that “most of the things that effective competition requires will also require effective government leadership”.¹

Giving in to the demands of the working class, the capitalist state may nationalise enterprises which would otherwise have remained in the hands of private capital. In countries where the working-class movement assumes great scope, the state intensifies its interference in the economy, so as by means of partial concessions to the working people to attain its main goal: to preserve the capitalist system.

Since there are many factors influencing the development of SMC, its basis is hard to find. The fact that the broken line of its growth tends to peak in periods of war and crisis gave economists reason to think that it is a product of such extraordinary events. And the parallel intensification of the state-monopoly character of capitalism and of its general crisis invited the conclusion that crisis was the source of SMC development. In both instances, SMC was seen as something alien to the nature of capitalism, taken under so-called normal conditions of its development.

In our day, such a reading of SMC has largely been discard-

¹ J. K. Galbraith, *The Liberal Hour*, Houghton Mifflin Company, Boston, 1960, p. 17.

ed. While analysing the whole range of factors that influence its development, economists have been paying ever more attention to the latter's internal connection with the aggravation of the basic contradiction of capitalism.

SMC, based on socialisation of production, has a feedback effect on the latter. By redistributing funds among industries, awarding large contracts to various monopolies, and extending information on the general state of the economy and its development prospects, the state helps to establish ties between its diverse spheres, to integrate these into a single whole. When realising its economic programmes, the state finds it easier and more profitable to deal with big production firms. In view of these considerations, and also in order to make national capital more competitive, the state stimulates the concentration of production and centralisation of capital in various ways (overt and covert). Hence it is clear that the evolution of private monopolies is the result of SMC influence, as well as of their internal development. The scientific and technical revolution under capitalism would also have been inconceivable without developed SMC.

By the early 1950s, SMC in the developed capitalist countries had become a powerful economic force. The state (public) sector that has taken shape in these countries now employs from 10 to 20 per cent of their total labour force. The share of state expenditures in the national income of these countries remains at a steady 30-40 per cent.

Where SMC reaches significant dimensions, it has more opportunities than private monopolies for attempting to exert a planned-and-balanced influence on the economy. These attempts assume *three* forms: state enterprise, state regulation of the economy, and economic programming. Each of these forms can up to a point exist separately and independently from the rest, but in their more or less developed state they constitute a unity.

State (public) enterprise precedes, both historically and logically, the two other forms of state planned-and-balanced influence on the economy. State regulation and programming rely on the state sector in the economy, and their effectiveness, all other conditions being equal, is determined by the size of that sector.

Economic programmes are realised through the state sector, for which they are ultimately binding, and also through state regulation of the economy. So, programming does not replace the earlier forms of attempts to exert a planned-and-balanced state influence on the economy, but relies

on and supplements them, integrating them into one system and widening the limits of such influence in space and time. In view of that, the latter's tasks are also modified: the state tends to use it in an attempt not only to smooth over mature disproportions, but also to prevent their aggravation.

The historical picture of the development of the social character of labour presented above is, of course, no more than an outline, but that outline reflects generally known phenomena and so, in my view, does not even require any references to concrete facts. It helps to show, first, that elements of planned-and-balanced production stem from changes in the productive forces, so that their emergence is irreversible, as well as inevitable; second, that these elements emerge and develop together with the socialisation of production, on the basis of the developed social character of the production process, and third, that the STR accelerates the socialisation of production and engenders its new forms, providing the basis on which elements of planned-and-balanced production penetrate into virtually every sphere of the economy. Without taking due account of the STR, one cannot explain why state-monopoly regulation has become an organic part of the mechanism of capitalist production, why programming has emerged and developed as a new form of state intervention in the economy, and why the tasks of such intervention have been altered and extended.

2. The limits and social consequences of developing socialisation of production and elements of planned-and-balanced organisation under capitalism. A critique of the theories of "planned" capitalism

The development of socialisation of production and elements of planned-and-balanced organisation is ultimately based on changes in the productive forces, so that such development is not only inevitable, but also irreversible. Hence the essential importance of the question about the limits and social consequences of such development under capitalism. That is all the more important since reformists from among the right-wing socialists, on the forced attempts at planned-and-balanced regulation of capitalist production, have drawn the conclusion that capitalism has evolved into "planned" and "organised" capitalism, and that the capitalist system has been "transformed" on that basis.

Lenin noted back at the end of the 19th century that "the socialisation of labour by capital has advanced so far that

even bourgeois literature loudly proclaims the necessity of the 'planned organisation of the national economy'.¹ In our day, some bourgeois economists not only "loudly proclaim" such a necessity, but also seek to develop a theory of planned regulation of the industrial society. One of the most prominent representatives of the line of modern bourgeois economic thought is the US researcher J. K. Galbraith.

The problem of the limits and social consequences of the development of elements of planning under capitalism has *two aspects*: can such development result, first, in planned-and-balanced organisation of production and, second, in a radical change in the basic production relation and the purpose of production? These two aspects are relatively independent, for the form of production directly depends on economic processes (the state of the social character of the production process) which do not in themselves determine the socio-economic nature of this or that mode of production and are not determined by it themselves. Such relative independence of the form of production is clearly evident with regard to the commodity form of production: the conversion of the product of labour into a commodity, and of the latter into money, the shaping of the commodity organisation of production had been historically complete even before the commodity form had become the form of conjugation of labour-power with the means of production, that is, before the basic production relation of capitalism had taken shape and the transition to the capitalist mode of production had occurred. The question is whether the same could be true of the planned-and-balanced form (that is, whether planned-and-balanced organisation of production could emerge even within the framework of capitalism, without a transition to the new mode of production).

Socialisation of production under imperialism takes place within the framework of the private form of economic activity and is *limited by it*. The monopolies are separated from each other and from non-monopolised enterprises. As a result, monopolies can always split up and new outsiders emerge, which is a counter-tendency to the developing capitalist socialisation of production. Each monopoly carries on extensive market research and elaborates a corresponding programme of action, but in view of its isolated status much about the resources, competitiveness and intentions of its partners remains unknown to it. The individual monopoly is even less able to trace all the tendencies of economic development or to exert a purposeful effect on these.

¹ V. I. Lenin, "The Economic Content of Narodism and the Criticism of It in Mr. Struve's Book", *Collected Works*, Vol. 1, p. 446.

Both the monopolies, and SMC as a whole aim to *strengthen and perpetuate the private form of economic activity, rather than to eliminate it*. Monopoly capitalism agrees to join forces with the state only in so far as that meets its interests, directly preventing an etatisation of the economy in all other instances.¹ Monopoly associations remain the basic form of economic activity, and that in itself essentially restricts the capitalist attempts to exert a planned-and-balanced influence on social production.

The tendency to socialisation of production and development of elements of planning under capitalism is thus confronted with counter-tendencies, which stem from the private form of economic activity. Marx wrote: "In practical life we find not only competition, monopoly and the antagonism between them, but also the synthesis of the two, which is not a formula, but a movement."² Monopoly produces competition, competition produces monopoly." That proposition is valid for imperialism as well. Planning there is *partial and incomplete*.

At the same time, the emergence of elements of planning does not mean that labour-power is no longer separated from the means of production or that exploitation has been eliminated. Although exploitation is now to some extent planned, it is still exploitation. "Planning," Lenin wrote, "does not make the worker less of a slave, it enables the capitalist to make his profits 'according to plan'."³ The bourgeoisie introduces elements of planning in order to ensure its profits in the new conditions and has no intention of giving these up altogether. Elements of planning are incorporated in the system of capitalist production re-

¹ Recognising the fact, J. K. Galbraith wrote: "The planning system (meaning monopoly corporation — *Ed.*) has a powerful commitment to independence from the state except where public action is required" (J. K. Galbraith, *Economics and the Public Purpose*, A Signet Book, New American Library, Inc., New York, 1975, p. 152). That conclusion is graphically confirmed by the postwar tides of nationalisation and denationalisation in various industries in Britain, depending on which grouping of the ruling class (one that directly expresses the interests of big capital of a more liberal one) comes to power; in Portugal after the Revolution of April 25, in France, and so on.

² Karl Marx, "The Poverty of Philosophy", in: Karl Marx, Frederick Engels, *Collected Works*, Vol. 6, p. 195.

³ V. I. Lenin, "The Seventh (April) All-Russia Conference of the R.S.D.L.P.(B), April 24-29 (May 7-12), 1917. Speech in Favour of the Resolution on the Current Situation, April 29 (May 12)", *Collected Works*, Vol. 24, 1980, p. 306.

lations and service the production of surplus-value, that is, they have a *capitalist content*.

So, Marxism and the theory of "the new industrial state" differ radically in their reading of the changes that are taking place in the capitalist system of economic relations under the impact of the development of the productive forces. Whereas Marxists speak of *elements* of planning under imperialism, J. K. Galbraith, like many other Western economists, believes that the monopoly sector of the economy is already planned. He writes: "...We have an economic system which, whatever its formal ideological billing, is in substantial part a planned economy."¹ Whereas Marxists say that commodity production is undermined under capitalism, Galbraith says it is eliminated: "...In areas of most exacting and advanced technology the market is most completely replaced and planning is therefore most secure."² Finally, whereas Marxists believe that in the transition to imperialism only some of the basic properties of capitalism begin to turn into their opposite and that these changes do not take imperialism beyond the framework of capitalism, Galbraith seeks to prove that the nature of capitalism has changed as a result of that transition.

The problem of a radical change, or revolution, in the mode of production is not one of development of the form of production, but of a change in the basic relation of production, so that the way of resolving that problem crucially depends on the specifics of the changing basic relations of production. Since socialist production is geared to meet the interests of all the working people, socialist relations should, as soon as they emerge, embrace the key economic sectors. But such large-scale intervention in capitalist reproduction requires power, that is, a political revolution should first take place. That is why the emergence under capitalism of production relations with a socialist content is ruled out in principle. The basic production relation of capitalism constitutes (together with the private form of economic activity) yet another social limit to the development of elements of planning.

Rudolf Hilferding wrote: "The limits to capitalist socialisation of production are determined, first, by the disintegration of the world market into national economic spheres of individual states. That entails a continuation of the competitive struggle among the cartels and trusts, backed by the

¹ J. K. Galbraith, *The New Industrial State*, Hamish Hamilton (London), 1976, p. 6.

² *Ibid.*, p. 31.

political power of the state: second, to complete the picture one should also mention that the limits to capitalist socialisation of production are set by the formation of ground rent, which obstructs concentration in agriculture; and third, by economic-policy measures aimed to keep medium and small-scale production viable."¹

Evidently, Hilferding does not in principle see any limits to capitalist socialisation of production within the framework of national industrial production, but in effect reduces the whole problem of such limits to derivative and particular, though real, phenomena. He does not think it necessary to point out the basic factor, namely, the private form of economic activity and the separation of labour-power from the means of production. Such an understanding of the limits to capitalist socialisation of production in theory opens the way for his eventual slide-down to the ideas of "organised" capitalism.

The existence of limits to capitalist socialisation of production shows that the development of elements of planning under capitalism is bound to aggravate the inherent conflict of the situation. Elements of planning there are limited by the private form of economic activity, which means that any attempts at planned-and-balanced regulation are bound to—and actually do—run into that limitation, so that failures in such attempts are inevitable.

The scale of the economic operations conducted by a monopoly is so large that each of its mistakes in assessing its partners' possibilities or the general tendencies of economic development is fraught with grave consequences for production as a whole. In emerging from crisis situations, each monopoly primarily seeks to secure its own interests, and that, as the crisis of 1929-1933 graphically showed, widens the fluctuations of the whole economic system as compared with pre-monopoly capitalism. So, far from eliminating the basic contradiction of capitalism, monopoly serves to aggravate it. That is what always happens in pre-socialist modes of production when attempts are made to resolve a contradiction simply by changing the forms of its movement, rather than by eliminating the causes that engender it.²

¹ Rudolf Hilferding, *Das Finanzkapital. Eine Studie über die jüngste Entwicklung des Kapitalismus*, Dietz Verlag, Berlin, 1955, p. 557.

² Marx used the commodity to explain the way in which contradictions are resolved within the framework of the given system of production relations. He wrote: "We saw... that the exchange of commodities implies contradictory and mutually exclusive conditions. The

State-monopoly regulation of the economy, as a manifestation of the capitalist system's supreme form of socialisation of production, does not ensure its full realisation either and is thus in contradiction with it. The new edition of the CPSU Programme says: "In conditions of state-monopoly capitalism, which combines the strength of monopolies and the state, the conflict between the vastly increased productive forces and capitalist production relations is becoming ever more acute."¹

Elements of planning under capitalism have a capitalist content, which means that far from eliminating exploitation, such elements merely extend the opportunities for it. Capitalism not only adapts to the developing processes of socialisation, but also gears these to meet its own interests. Here are some of the lines along which that is done.

Elements of planning help to guarantee production and the appropriation of surplus-value, and make that process less spontaneous. By using the technological dependence between enterprises, which is inevitable in the conditions of specialised mass production, the monopolies in effect gain control of many enterprises which do not belong to them, and use market and non-market methods to take over a part of the profit produced at these enterprises. And the mechanism for raising and redistributing funds that develops with the socialisation of production serves to involve virtually all social strata in the sphere of exploitation, extends its methods, and offers additional opportunities for the personal

differentiation of commodities into commodities and money does not sweep away these inconsistencies, but develops a *modus vivendi*, a form in which they can exist side by side. This is generally the way in which real contradictions are reconciled. For instance, it is a contradiction to depict one body as constantly falling towards another, and as, at the same time, constantly flying away from it. The ellipse is a form of motion which, while allowing this contradiction to go on, at the same time reconciles it." (Karl Marx, *Capital*, Vol. 1, p. 106). Marx goes on to demonstrate that the emergence of money, on the one hand, reconciles the contradictions of the commodity by providing a form that ensures the existence of its opposite and, on the other, sharpens and complicates that contradiction, something that is primarily manifested in the emergence of an abstract possibility of crises.

Marx brought out the same picture in analysing the development of the functions of money. By contributing to a resolution of the contradictions of the commodity, that development, on the one hand, makes crises less likely and, on the other, makes them ever more likely and certain.

¹ *The Programme of the Communist Party of the Soviet Union*, p. 15.

enrichment of individual capitalists.

As elements of planning develop, the monopolies and state-monopoly capitalism are enabled to exert a purposeful influence on unemployment, prices and inflation, processes which are of vital importance for the working class.¹ Without taking that influence into account, one can never understand such paradoxical realities as growing unemployment and declining production coupled with rising prices and inflation. These paradoxes imply a modification of the market mechanism under the impact of elements of planning.

Separate spheres both of the national and of the world capitalist economy with a different degree of monopolisation have different opportunities of development (the higher the degree of monopolisation, the greater are the opportunities). And since the attempts at planned-and-balanced regulation service private interests, the disproportions are not simply reproduced, but are purposefully created whenever that meets these interests. So, the development of elements of planning under capitalism does not rid it from disproportions or crises, but creates new ground for these. That is evident from regular crises in the USA recurring at intervals of three to five years, slumps or stagnation in Britain, Italy, the FRG and France, sharp periodic fluctuations in production growth rates and inflation in all the developed capitalist countries without exception, and especially the economic crisis which throughout 1974-1975 and 1981-1983 spread to virtually all the developed capitalist countries and a number of developing countries, and which is a blend of the overproduction crisis with the energy, raw-material, food and monetary crises.

Some bourgeois economists have also had to admit that present-day capitalism cannot live down its crisis phenomena.² The conclusion that disproportions and crises are

¹ Antonio Pesenti writes in that context: "Inflation is engendered by a 'manipulation of the money supply', i.e., a depreciation of money that is no longer spontaneous but is regulated from above, so that money is no longer regarded as a 'neutral' means of payment (as it is under free-competition capitalism), but as a deliberately active factor. In our epoch, when the class struggle is more intense and the working class is better organised, slowed-down money inflation, coupled with monopoly-induced price inflation, is a method used by present-day capitalism as it strives to resolve in its favour the antagonistic profit-wages contradiction." (Antonio Pesenti, *Manuale di economia Politica*), Vol. II, Editori Riuniti, Roma, 1970, p. 113.

² See, J. K. Galbraith, *Economics and the Public Purpose*, A Signet Book, New American Library, Inc., New York, 1975, p. 179.

inevitable is valid for all the stages in the development of imperialism. But that conclusion is no longer sufficient, considering the peculiarities of the economic crisis of 1974-1975. As it was noted at the 25th Congress of the CPSU, "... an economic crisis erupted in the capitalist world, the intensity and scope of which even bourgeois politicians admit to be comparable only with the crisis of the early thirties. It spread simultaneously to all the main centres of the capitalist world economy. It is characteristic that a crisis of such force should afflict the highly developed state-monopoly economy which emerged in the postwar period. Capitalism did its utmost, so to speak, to keep in step with the times, to apply various methods of economic regulation. This made it possible to stimulate economic growth, but, as the Communists foresaw, it could not remove the contradictions of capitalism."¹

The crisis that has gripped the "highly developed state-monopoly economy" is also in effect a crisis of state-monopoly regulation, which has found its external expression in "Reaganomics". What is the essence of the crisis of such regulation? Could it be seen as a crisis of the emergent elements of planning as such? And could it lead to an abandonment of state-monopoly regulation of the economy?

An analysis of the limits to and the basis of the developing elements of planning under capitalism invites these fundamental conclusions. First, the crisis of state-monopoly regulation is not a crisis of planned-balanced organisation as such, but of partial, incomplete planning, which has a capitalist content.

Second, it would be a mistake to think that the crisis of state-monopoly regulation means that such regulation could be abandoned. After all, it is not a short-term phenomenon but has deep-going objective roots. Capitalism, with its modern productive forces, has no other ways of ending the crisis while preserving the existing social system except a further development of monopoly and state-monopoly regulation of the economy. But the forms of the latter have been changing and are bound to go on changing in the future.

With the development of capitalist socialisation of production and elements of planning, the contradictions within the bourgeois class itself become more complicated. The problem does not boil down to the establishment of monopoly-capital domination over the non-monopolised

¹ *Documents and Resolutions. The 25th Congress of the CPSU*, Novosti Press Agency Publishing House, Moscow, 1976, p. 33.

sector of the economy.

Any purposeful regulation always restricts private enterprise to a greater or lesser extent. But whereas regulation introduced into the economy by private monopolies was largely confined to control and intervention in the affairs of the non-monopoly bourgeoisie, state-monopoly capital broadened the framework of such intervention, extending it to monopoly associations as well. The SMC state regulates some major aspects of profit allocation, relations among corporations, labour relations, and so on. By mustering a sizeable share of the profits of private capital through the taxation system (in the USA, that share has been close to 50 per cent since the 1950s), the state restricts capital's freedom to dispose of its profits.

State-monopoly capital, which expresses the common interests of monopoly capital, seeks to impose these on separate monopoly associations. Each monopoly or group of monopolies resists these attempts and seeks to shift the expenses of meeting the common class interests to its class partners, aiming not only to protect its own private interest, but to impose it on the state.

The conflict is exacerbated by the fact that the state, bent on preserving the capitalist system, restricts the special interests of monopoly capital as a whole in those aspects which do not coincide with that goal.

All of that considerably complicates the whole system of relations and contradictions within the bourgeois class and aggravates these contradictions. The situation is deeply contradictory, therefore, simply because under the growing socialisation of production and the threat to the survival of the private-property system, capitalism has been forced to restrict the private-property-based rights of individual capitalists and groups of capitalists.

The transition to a new type of production organisation—the replacement of capitalism by socialism—becomes ever more imperative as elements of planned-and-balanced development, on the one hand, and situations of conflict, on the other, tend to develop under capitalism along various lines. That fundamental conclusion cannot be ignored if one is to perceive the long-range trends towards the socialisation of production under capitalism. Any other approach would amount to a purely speculative examination of the matter. Lenin's comment on the idea of "ultra-imperialism" is perfectly relevant in this context: "There is no doubt that the trend of development is *towards* a single world trust absorbing all enterprises without exception and all states without exception. But this develop-

ment proceeds in such circumstances, at such a pace, through such contradictions, conflicts and upheavals ... that inevitably imperialism will burst and capitalism will be transformed into its opposite *long before* one world trust materialises, before the 'ultra-imperialist', world-wide amalgamation of national finance capital takes place."¹

There is no effective evolutionary way from elements of planning to the planned-and-balanced organisation of production. While the latter is the direct opposite of the system of commodity production, and not of capitalism as a whole (the opposite of which is the communist mode of production and socialism as its first phase), the necessary condition for transforming the elements of planning into the planned-and-balanced organisation of social production as a whole is abolition of the system of wage-labour exploitation and profit as the supreme purpose of production. These elements originate under capitalism, but the planned-and-balanced organisation of the whole of social production is *specific* to the communist mode of production and socialism as its first phase.

An examination of the limits to the socialisation of production and the planned regulation of the economy under capitalism shows both the need for and the target of the main strike that is to wipe out these limits. If the problem is to be solved, there is a need to eliminate the system of private enterprise and the detachment of labour-power from the means of production, the basic production relation under capitalism. That implies the need to do away with the private capitalist form of property in the means of production.

But socialisation of production also points to the *character* of the required transformations: the new form of property must be such as to make the boundless development of socialisation of production possible, and this demand can be fully met only by the *whole people's form* of property in the means of production.

Elimination of the private-capitalist and introduction of the whole people's form of property in the basic means of production implies extra-economic intervention in the economy, a socialist revolution and the establishment of the working people's political power. The socialisation of production which proceeds under capitalism determines the transition to socialism and serves as the material basis for such transition, constituting the historical prerequisite for

¹ V. I. Lenin, "Preface to N. Bukharin's Pamphlet 'Imperialism and the World Economy'", *Collected Works*, Vol. 22, p. 107.

the planned-and-balanced organisation of production, but the development of partial socialisation of production cannot in itself result in complete socialisation of production. The revolutionary transformations of private-capitalist property in the means of production mark a watershed in planned-and-balanced development and pave the way for developing the elements of planning that emerge before the socialist revolution into the planned-and-balanced organisation of the whole of social production.

3. Evolution of capitalist property forms as production is socialised and its significance for transition to socialism

At a certain level, the growing concentration of production and the ever greater interdependence of the various spheres of production cease to fit into the framework of individual capitalist property and force the capitalists to move on to *associated* forms of capitalist property, such as group and state property.

The changes in the form of property, for their part, tend to amplify the trend from which they have originated, namely the trend towards the replacement of commodity-money relations by forms of direct social ties between those involved in production. These changes enlarge the potentialities for developing the direct economic ties which had originated earlier on, while leading to the emergence of an additional set of such ties. Thus, even where the association of capitals does not lead to a growing concentration of production, even where these capitals are employed in industries without any producer connections, such an association in itself makes it possible to effect a direct redistribution of funds between associated enterprises in different industries. With their increased financial resources, such associations extend their influence to other companies, enter into direct contacts with the state, and so on.

But the role of associated forms of private capitalist property in preparing the prerequisites for socialism is not confined to the ever greater effect they produce in undermining commodity production. Even when joint-stock companies (group form of property) arise, the ties between individual capitalists as owners and real capital are complexified and mediated. Their property applies *directly* only to stocks and shares, i.e., to fictitious capital. Each of them is individually in a position to dispose of the stock held, but not of real capital. In other words, there is a separation of

capital as property from capital as function. This separation, on the one hand, offers opportunities for the enrichment of a handful of persons through financial speculation (formation of companies, trading in stocks and shares, etc.), and on the other, shows that capitalist-owners, who, at best, develop into "financial wizards", are altogether unnecessary for the actual process of reproduction.

As the state form of property develops, the capitalists' connection with the actual process of reproduction is further complexified. The power of each individual does not apply to the resources which are marshalled and used by the state. And while these resources ultimately serve the interests of the capitalists, they are largely appropriated by the capitalists not individually but as a class.

The state form of property increases the distance between individual capitalists as owners and reproduction proceeding within the framework of state property, and so makes it perfectly obvious that such capitalists are superfluous. Engels says that the capitalist mode of production "forces out capitalists, and reduces them, just as it reduced the workers, to the ranks of the surplus population, although not immediately into those of the industrial reserve army".¹

State capitalist property, which keeps being constantly reproduced, is the product of capitalism's highest stage of socialised production, which is why it points to the form of property which has to be set up after the socialist revolution.

Socialism is a direct continuator of the highest—and not the lowest—forms of production socialisation attained under capitalism, and for that reason alone it is altogether futile to try to construct for socialism some other dominant form of property instead of state property.

Even where there is no exploitation of man by man, the cooperative or any other form of group property in the means of production does not in itself entirely eliminate the complete separation of producer units, which is why it is unable to ensure planned-and-balanced economic development. The only thing that can remove the constraints on the all-round development of economic ties within social production—constraints that are created by its atomistic structure—is a *coherent cooperation of labour with a single subject of economic activity*, that is, the whole people's property in the means of production. Cooperative enterprises can be included in planned-and-balanced development only if the

¹ Frederick Engels, *Anti-Dühring*, Progress Publishers, Moscow, 1975, p. 319.

basic means of production are the property of the whole people.¹

While the private capitalist sector needs to be nationalised in the course of a socialist revolution, no such problems arise with respect to state property: it is converted into the property of the whole people by the working people's takeover of power, and this makes it easier to carry through further socialist transformations.

The state is the first bastion of the ruling class. The development of state property fortifies that bastion, but if it falls, the proletariat is at once turned into both the dominant political and a powerful economic force, thereby vastly weakening the capitalist system. The development of state property, therefore, makes the capitalist system more *vulnerable*. Such is the significance of changes in the forms of capitalist property for the socialist revolution.

4. Objective prerequisites for socialism formed as production is internationalised

Capitalism creates the potentialities for boundless production growth (even if it does so on a contradictory basis) and carries the productive forces beyond the national boundaries. That is why the development of the international division of labour and of regular external economic relations becomes inevitable and intrinsically imperative. Under free-competition capitalism, such relations take shape as external trade ties.

The emergence of monopolies, with a sizeable part of national production concentrated in their hands, in itself signifies a centralisation of external economic ties. As the scale of the monopolies' economic activity grows, they are forced into sharing out the world commodity and capital markets among themselves. Thus, the first few *international monopolies* emerged in the early 20th century on the basis of a new and higher stage in the concentration of capital and

¹ Here is how Karl Kautsky criticised the anarchists' proposal to turn in the course of the revolution every enterprise into the property of the workers employed at it: "Such an approach rids the workers of the troubles they face from capitalist exploitation, but the dangers now threatening any independent entrepreneur remain the same: competition, overproduction, crises, and bankruptcies will not disappear at all. The best-run enterprises will continue to oust from the market the enterprises operating in worse conditions, and will ultimately ruin them" (Karl Kautsky, *The Erfurt Programme*, Politizdat Publishers, Moscow, 1959, p. 111).

production, a stage which was higher in terms of national and world production.

Lenin says that the formation of international monopolies is materially based: "The capitalists divide the world, not out of any particular malice, but because the degree of concentration which has been reached forces them to adopt this method in order to obtain profits."¹

But the direct partition of the sources of raw materials, marketing outlets, and spheres of capital investment is nothing but the introduction of elements of planned-and-balanced development into external economic relations. Mass production cannot do with casual suppliers and consumers, and where it caters for several countries, while being based in one country, the elements of planned-and-balanced influence on the economy inevitably become international. Like national monopolies, international monopolies are, therefore, a form of socialisation of production, but only of international, instead of national, production.

The STR exerts the most potent influence on the international socialisation of production. One of its peculiarities is that it spawns mass-scale types of production, and this abruptly increases the optimal size of production and demands large markets. As a result, the boundaries of individual countries, even big ones, ever more frequently turn out to be inadequate to meet the necessary scale of producer cooperation and marketing.

Furthermore, the STR generates new types and subtypes of production, with a growing range of products. In order to develop and manufacture such a wide range of required products in terms that make economic sense, there is a need for a quantity and quality of scientific and technical personnel and material resources which even the largest and technically most developed countries fall short of having. All of that inevitably deepens the international division of labour, switches the centre of gravity from intersectoral to intrasectoral specialisation, and leads to the emergence of lines of production deliberately designed for foreign consumers.

The international division of labour once mainly meant a structural adaptation of the national economies, while each country's external economic ties were re-oriented with relative ease. Under the STR, however, there is an interpenetration of the national economies and a shaping of international producer complexes. Production processes merge into a

¹ V. I. Lenin, "Imperialism, the Highest Stage of Capitalism", *Collected Works*, Vol. 22, p. 253.

coherent social process both within the national and the international frameworks.

External economic ties are of growing significance for all the capitalist countries involved in the STR, and tend to become a key factor of international reproduction.

The interpenetration of the national economies has determined the evolution of the international monopolies and the emergence of their new type, whose designation has yet to be universally accepted (they are called transnationals, supranationals, internationals and multinationals, along with other designations). These new-type international monopolies are based on international producer complexes and convert a sizeable part of world intersectoral ties into their internal affairs. The new edition of the CPSU Programme says: "The strengthening of transnational corporations, which make huge profits by exploiting working people on a world scale, is a direct result of capitalist concentration and internationalisation of production."¹ In the early 1980s, they accounted for almost 40 per cent of the capitalist world's industrial output, for 60 per cent of its foreign trade, and for nearly 80 per cent of high technology.²

They keep transferring capital from country to country, setting up subsidiaries abroad and building joint enterprises on an international basis. In 1978, the value of TNC foreign subsidiary output totalled \$1,383.1 billion, as compared with \$117.5 billion in 1960, i.e., a more than 11-fold increase. TNC production capacities abroad have been growing much faster than the production potential of the countries in which they are based. From 1974 to 1979, the developed capitalist countries' industrial output increased by about 2.1 per cent a year; in that same period, the monopolies' direct investments abroad grew by 17-18 per cent a year³ (Table 4).

US corporations constitute the core of the transnationals. Their foreign enterprises produce \$1.5 trillion worth of goods and services a year, which amounts to 40 per cent of US gross output and is two or three times as high as that of such leading West European countries as the FRG, France or Britain. In terms of economic activity, the biggest transnational monopolies can now be compared with entire states.

But however gigantic an international monopoly may be,

¹ *The Programme of the Communist Party of the Soviet Union*, p. 15.

² *Present-Day Transnational Corporations*, Moscow, 1983, p. 7 (in Russian).

³ T. Ya. Belous, *International Monopolies and the Export of Capital*, Moscow, 1982, p. 29; *World Economics and International Relations*, No. 1, 1982, p. 39.

it controls no more than a limited range of intersectoral economic ties. None of these international monopolies are capable of anticipating or controlling the general trends in world economic development, which is why they cannot make a country's whole aggregation of external economic ties either stable or guaranteed. That is of fundamental significance, because, with the high degree of interdependence of the national economies, uncoordinated action by individual countries can cause grave consequences for the world capital economy as a whole. There is good reason, therefore, why the development of international monopolies in the postwar period has been paralleled by a development of interstate regulation of international economic ties.

Interstate regulation first extended to foreign-trade and monetary relations. It led to the conclusion of interstate economic agreements and the establishment of interstate institutions designed to exert a purposeful influence on international economic ties, such as the General Agreement on Tariffs and Trade (GATT), which is expected to take care of the system of tariffs and other general terms of world trade; the International Bank for Reconstruction and Development (IBRD) and others, with international credit as their province; and the International Monetary Fund (IMF), concerned with monetary and credit relations. Interstate regulation has become a key element of the capitalist world's monetary system as it took shape in the postwar period.

Table 4

Foreign Subsidiary Output as a Percentage of GDP
and Goods Exports¹

	% of GDP			% of goods exports		
	USA	Western Europe	Japan	USA	Western Europe	Japan
1960	10.8	11.3	1.2	265.7	72.3	12.2
1973	22.5	16.7	7.3	414.9	84.5	80.5
1979	40.1	24.1	14.4	527.9	126.1	141.1
1979 to 1960 (times)	3.7	2.1	12.0	1.9	1.7	11.6

¹ *World Economics and International Relations*, No. 1, 1982, p. 40.

As the ties between the national economies are intensified through regular and sizeable deliveries of goods from country to country, the need arises to have a simple token of value (a national or special collective currency, which for our purposes is immaterial) acting as the means of payment in world commodity turnover instead of gold.

Gold's monopoly role as the world means of payment is the basis for the mechanism through which monetary relations are *spontaneously* regulated, providing each country with broad opportunities for becoming more competitive on the world market and switching their burdens onto one's trade partners by manipulating the rate of foreign exchange. That is countered by other countries, with the result that international economic ties become chaotic and could even be gravely disrupted, as the record of the late 1930s or of the early 1980s so obviously shows.

Intensive external economic ties require a stable means of payment and, consequently, abandonment of the spontaneous mechanism for regulating monetary relations. Now that these ties have become vital for the developed capitalist countries and their disruption threatens these countries with severe economic crises, complete freedom of action by individual states on monetary issues can no longer be tolerated.

So, the abandonment of the gold standard after the Second World War, the collective coordination of exchange rates, and the elaboration of collective measures to keep them stable were objectively conditioned. The conscious and purposeful interstate regulation of the monetary system can alone explain the fact that for more than 20 years (since the late 1960s) the capitalist countries have managed to keep stable the parity of the dollar—the chief reserve currency — and the price of gold.

The highest degree of interstate regulation is achieved within the framework of economic associations of several countries, which can be formed for various reasons, but which are an expression of the need to develop the productive forces only when they are based on territorial production complexes and help to develop them.

The formation of such associations (*imperialist integration*) implies, as the practice of the Common Market shows, the establishment of a common customs tariff and a common trade policy with respect to third countries; the lifting of restrictions on the export and import of goods and the movement of capitals within the framework of the association; agreement of fiscal policies, of price levels in some types of goods, etc., and also the formation of international economic institutions.

There are various interpretations of the "economic integration" category. "Integration" literally means the merging of some disparate parts into a single whole. This has led some economists to identify economic integration with the internationalisation of the productive forces and the development of external economic ties. Such an approach would imply that economic integration originated with international division of labour and international trade.

But such a purely semantic approach can hardly be justified in political economy, in which a concept can gain currency only if it expresses a specific phenomenon distinct from other phenomena designated by other economic categories.

Economic integration is, of course, directly connected with the internationalisation of the productive forces. Still, it is not based on just any kind of internationalisation of the productive forces, but only on the stage of the latter at which the national economies are interwoven and an integral reproduction process takes shape on an international scale. In that sense, economic integration is a narrower concept than the internationalisation of the productive forces.

There is, however, yet another distinction between these processes. In contrast to the internationalisation of the productive forces, economic integration covers not only the sphere of the productive forces, but also their economic forms, introducing elements of planned-and-balanced development into these. It is a more complex process as compared with the internationalisation of the productive forces.

Such a view of economic integration makes it possible to define it as an international form of production socialisation. In so far as the integration process is determined by the development of the productive forces, it is irreversible, despite the inevitable occasional retreats.

As the monopolies introduce elements of planning into international economic ties, they undermine commodity-money relations both nationally and on the scale of the world capitalist economy as a whole, but the emphasis is on undermining and not on eliminating the commodity economy.

Interstate regulation is based on and mediated by national state-monopoly regulation, which is why it cannot have a greater effect on economic processes than the latter.

Imperialist integration advances the internationalisation of production within the framework of a given association, while impeding the development of economic ties with third countries, so that the coherent process of production in-

ternationalisation is fragmented into separate spheres.

The West European countries' integration and the interstate regulation developing on that basis have failed to safeguard these countries from cyclical fluctuations of production (even after the Common Market was set up, all of its countries have been hit by recessions and stagnation in industrial production).

International state-monopoly regulation has not made the monetary system more stable either. Now that it is no longer gold but reserve currencies that operate as the international means of payment, it is not so much the gold parity or the price of gold as the exchange rate of the national currency with respect to the dollar, the chief reserve currency, that is of immediate significance for every country engaged in foreign trade. That is why the interests of state-framed capitals tend to clash above all on the exchange-rate issue, instead of the price of gold. The state of exchange rates is a truer reflection of the contradictory and separate interests of the national capitalist economies and of the limits and potentialities for state-monopoly regulation than is the movement in the price of gold. It is indicative in this context that the currencies of the IMF countries have been devalued on more than 100 occasions. Exchange rates tend to change several times a year, and it is considered to be "normal" for exchange rates to go up or down within a margin of 20 per cent. Thus, the differential between maximum and minimum dollar exchange rates with respect to other leading capitalist countries was as follows (per cent): FRG mark in 1982—16.1, 1983—18.2; pound sterling, respectively, 21.9 and 32.8; Japanese yen—27.2 and 27.3; Italian lira — 24.7 and 29.8; French franc — 29.3 and 29.6; and Swiss franc—25.3 and 26.6. The fluctuations were not much narrower in 1984.¹

The monetary crisis of the late 1960s, which heavily rocked the currencies of some capitalist countries, made it perfectly obvious that state-monopoly regulation was *inadequate* to ensure the vital stability of the international means of payment.

Exchange rates can be stabilised only if the inflationary processes in various countries are halted or, at least, synchronised; if the uneven development of the national economies is eliminated, for, among other things, it produces leaps and bounds in labour productivity levels and product

¹ V. Acharkan, "Exchange Rates: Their Mechanism and Imperialist Contradictions", *World Economics and International Relations*, No.9, 1984, p. 72.

prices in the various countries; if the states of issue are prevented from using the reserve currencies for their own interests; if there are no unpredictable changes in the individual countries' balance of payments, and so on.

But none of these conditions can be adequately ensured by any kind of regulation in a private capitalist economy. State-monopoly regulation has a built-in constraint, and the basic reproduction processes are ultimately beyond its control. Moreover, since regulation is effected for the benefit of the stronger, it itself operates to disrupt external economic ties, as has been made perfectly obvious by the external economic aspects of Reaganomics, by means of which US economic expansion has been stepped up and extended. Exchange-rate manipulation, predatory operations by the TNCs, political restrictions in trade, and all manner of boycotts and sanctions which the United States has most widely used over the past several years create an atmosphere of tension and distrust in international economic relations, disrupt the world economy and trade, and undermine their juridical basis.

Attempts to reinstitute the spontaneously operating mechanism of regulation are one possible response to the crisis situations that are inevitable in the world capitalist economy, for when the new shoes start pinching, one longs for the old, as the saying goes. So, there have been proposals for something just short of a re-establishment of the gold standard or, at any rate, of freely fluctuating exchange rates. However, the limitations of international state-monopoly regulation are no argument for a return to the past (which is no longer possible), but are evidence of an imperative need to go on to a new type of relations ensuring planned-and-balanced economic organisation.

The emergence of elements of planning in international capitalist relations makes them *even more contradictory*.

The formation of international monopolies and economic integration create more favourable conditions for the development of mass and large-batch production, for deepening the division of labour between countries, and for concentrating capital in the key sectors of the economy, and here the advantages to be gained by this or that country—all other conditions being equal—depend on its participation in international forms in which production is socialised. That goes to intensify the uneven economic development of the capitalist world and so to aggravate the *whole* range of inter-imperialist contradictions.

The international monopolies, whose activity is geared to their own benefit, do not reckon with the state of affairs

in individual countries, but in all the countries where they have a stake. These monopolies have wide opportunities for transferring capital from one country to another depending on the shaping state of the market. All of that reduces the effect of state regulation and programming on the activity of international monopolies. The greater their role in a national economy, the graver the threat for that economy to be confronted with unpredictable economic situations.

The activity of the new type of international monopolies clashes both with state and interstate regulation. In some cases, it frustrates the arrangement of economic ties within the framework of integrating groups of countries and impedes integration measures. It is indicative that the number of mergers and takeovers between Common Market companies, on the one hand, and third-state companies (not taking part in the Common Market) is much higher than the number of mergers and takeovers between companies within the Common Market.

All these processes in international relations between the capitalist countries produce additional layers of contradictions. Nor is it a matter, of course, of the interpenetration of national economies as such, which is inevitable under the STR. The threat to national sovereignty lies in the deeply contradictory combination of this interpenetration with the capitalist economic system, under which the strength of capital is crucial. That is precisely what enables some countries to use the interpenetration of the national economies to derive one-sided benefits at the expense of other countries. It was emphasised at the 27th Congress of the CPSU that "a new knot of contradictions has appeared and is being swiftly tightened *between the transnational corporations and the nation-state form of society's political organisation*. The transnational corporations are undermining the sovereignty both of developing and of developed capitalist countries. They make active use of state-monopoly regulation when it suits their interests, and come into sharp conflict with it when they see the slightest threat to their profits from the actions of bourgeois governments".¹

The interpenetration of the national economies thus indicates the need to establish a new type of interstate relations based on the principles of equality and cooperation.

The ongoing international socialisation of production and the STR also confront the less developed countries with some very grave problems. Because of their marked lag in

¹ Mikhail Gorbachev, *Political Report of the CPSU Central Committee to the 27th Party Congress*, p. 18.

economic development, they are unable to join in the process on a par with the developed countries. Their share of world capitalist trade and of the export of capital by the developed capitalist countries has not grown: from 1950 to 1980, it has declined from 32 to 30 per cent in world trade, hitting a low of 19 per cent in 1971.¹

Energy, raw-material, food, population, ecological, monetary and financial problems are simultaneously further aggravated, for in principle they defy solution within individual groups of countries and require world-wide efforts.

The inequality in relations between the imperialist states and the newly free countries is a constraint on the development of the latter, as their exploitation is stepped up and their economic decolonisation impeded. The development gap between the industrialised capitalist countries and the less developed countries within the world capitalist system has not narrowed, and this has led to a further growth of antagonistic contradictions between them. It was said at the 27th Congress of the CPSU that "before the developing countries the scientific and technological revolution is setting this most acute question: are they to enjoy the achievements of science and technology in full measure in order to gain strength for combatting neocolonialism and imperialist exploitation, or will they remain on the periphery of world development? The scientific and technological revolution shows in bold relief that many socio-economic problems impeding progress in that part of the world are unresolved."²

The way out of the situation evidently lies in the technically advanced countries' rendering extensive and purposeful processes, a mechanism which, once it is reorganised, could well fit into the new type of international relations. As in the case of the national forms in which production is socialised, the main point here is who is to direct the balanced regulation that has emerged and for what purposes it is being used.

The development of international forms of production socialisation opens up fresh prospects for a transition to socialism, while also producing new problems, notably because the internationalisation of production gives international monopoly capital greater opportunities for exerting economic pressure on countries trying to take the way of revolu-

¹ *The World Capitalist Market and the Problems of the Internationalisation of Economic Life*, Moscow, 1983, p. 115, (in Russian).

² Mikhail Gorbachev, *Political Report of the CPSU Central Committee to the 27th Party Congress*, p. 11.

tionary transformations (as the experience of Chile and Portugal shows, use is made in such cases of cutbacks in orders or the closure of enterprises owned by international monopolies but located in the given country: withholding of deliveries under international cooperation, of loans and credits, etc.). The international revolutionary movement has to reckon with this fact, which implies that the national contingents of that movement need to do more to tie in and coordinate their actions.

Attempts to consider the shaping of the material (economic) prerequisites for socialism only in the context of national production no longer accord, therefore, with the situation which took shape as free-competition capitalism developed into imperialism: the formation of the world capitalist economy and the emergence of international monopolies testified that the socialisation of production had already gone beyond the national framework.

The narrow view is all the more unacceptable under the STR, with the marked development of such international forms of production socialisation as the new-type international monopolies, interstate regulation of external economic ties, and economic integration, all of which signify that elements of planned-and-balanced development—which are the material (economic) prerequisites of socialism—have not only penetrated into the sphere of economic relations between the capitalist countries, but have also had a considerable role to play in their operation.

* * *

Summing up the first two chapters, let us emphasise these points:

1. As capitalism adapts to the development of the productive forces, the growing socialisation of production, and the changing situation in the world, it attains economic growth and advances along some lines of the STR. At the same time, new contradictions are superimposed on the old ones, and all the groups of contradictions amplify each other and add another dimension of conflict to the situation as a whole. The substance of these processes is expressed in the CPSU Programme, which says: "No 'modifications' and manoeuvres by modern capitalism have rendered invalid or can render invalid the laws of its development, or can overcome the acute antagonism between labour and capital, between the monopolies and society, or can bring the historically doomed capitalist system out of its all-permeating crisis. The dialectics of development are such

that the very same means which capitalism puts to use with the aim of strengthening its positions inevitably lead to an aggravation of all its deep-seated contradictions. Imperialism is parasitical, decaying and moribund capitalism; it marks the eve of socialist revolution."¹

2. The processes which tend to sharpen the contradictions of the capitalist society and which make its replacement by another mode of production inevitable simultaneously shape the objective prerequisites for the new mode of production. Because of this dual nature of social development, the problem emerges together with the material conditions for its solution. That rule is not invalidated by the complications which exist and which are to be considered below.

3. The shaping of the objective prerequisites for socialism within the entrails of capitalism has a long history, but in contrast to earlier periods such prerequisites in the developed capitalist countries under the STR have, first, taken shape as a *system* and exist both as objective and as subjective factors of production; both on the side of the productive forces and on the side of their individual economic forms, and both in the national and the international sphere; and second, all the elements of this system of prerequisites without exception have attained a ripe and rotten-ripe state in the sense that capitalism is ready for socialist transformations.

¹ *The Programme of the Communist Party of the Soviet Union*, p. 18.

CHAPTER THREE

THE MINIMUM LEVEL OF OBJECTIVE PREREQUISITES FOR SOCIALISM NECESSARY FOR SOCIALIST TRANSFORMATIONS THE OBJECTIVE FOUNDATIONS FOR A TRANSITION TO SOCIALISM BYPASSING CAPITALISM

Just before and after the Great October Socialist Revolution of 1917, the Mensheviks and the Socialist Revolutionaries¹ claimed that there were no material prerequisites for socialism in Russia, which is why no socialist revolution was possible. Georgy Plekhanov wrote in early 1917 that it would make sense to seize political power "only if the objective conditions necessary for a social revolution prevailed. These conditions do not exist yet..."²

That idea was later adopted by the leaders of the Second International, who declared that the Bolsheviks had made a big mistake by taking power and getting down to the construction of a socialist economy.

The same claim is being made by right-wing Socialists to this day. Thus, Norbert Leser, a prominent theorist of Austrian Social Democracy in the postwar period, insisted that since Russia had still been economically backward in 1917, the October Revolution had allegedly distorted Marxism and had meant a return to utopian socialism.³

Similar assertions will also be found in a 1957 report of the Venice Congress of the Socialist Party of Italy: "Forty years ago, Kautsky was perfectly right when he asserted in purely theoretical terms that an industrial bourgeois revolution carried to the most advanced progressive forms

¹ After the Second Congress of Russia's Social-Democratic Labour Party (1903), the members of its opportunistic wing became known as Mensheviks (the Russian for minority): they expressed petty-bourgeois views of the socialist revolution and remained in a minority when votes were taken on matters of principle. The Socialist Revolutionaries were a petty-bourgeois party in Russia which had a marked role to play in its political life from 1902 to 1918. — *Ed.*

² Quoted in: V. I. Lenin, "A Basic Question", *Collected Works*, Vol. 24, p. 192.

³ See, F. Y. Polyansky, *Socialism and Present-Day Reformism*, Moscow State University Press, 1972, p. 105 (in Russian).

was the Marxist prerequisite for a socialist revolution, and that no such prerequisite had existed in Russia.”¹

Our ideological adversaries continue to speculate on the material prerequisites for socialist transformations, and keep trying to contrast Lenin’s views on socialism and the ways leading to it with those of Marx and Engels. They keep saying that neither Russia, nor Poland, nor any of the other countries of the world socialist system with a similar level of production development had been ready for socialist transformations.

There is nothing novel about such claims, for they are merely a rehash of the slanders disseminated by the Socialist Revolutionaries, the Mensheviks and the leaders of the Second International.

Lenin took a firm stand against their approach, which he branded as “a lie from beginning to end”. On the eve of the October Revolution he said: “These leaders deceive themselves and the people by saying that ‘Russia is not yet ripe for the introduction of socialism’ ”. He went on to explain why that was so: “The situation is misrepresented to make believe that some want to ‘introduce’ socialism in Russia by decree, without considering the existing technical level, the great number of small undertakings, or the habits and wishes of the majority of the population. That is a lie from beginning to end. Nobody has ever proposed anything of the kind. It is, and has been, a question solely of measures which ... have the full approval of the mass of the poor, i.e., the majority of the population, measures which are perfectly right, technically and culturally...”²

Marxism does indeed regard the society’s development as a natural historical process, and from that standpoint the introduction of socialist relations of production does require the existence of definite economic conditions. On the eve of the October Revolution, Lenin emphasised: “Capitalism differs from the old, pre-capitalistic systems of economy in having created the closest interconnection and interdependence of the various branches of the economy. Were this not so ... no steps towards socialism would be technically feasible.”³

Lenin took the same stand after the October Revolution

¹ Quoted in: Palmiro Togliatti, *Selected Speeches and Articles*, Vol. 2, Moscow, 1965, p. 233 (in Russian).

² V. I. Lenin, “From a Publicist’s Diary”, *Collected Works*, Vol. 25, pp. 303-04.

³ V. I. Lenin, “The Impending Catastrophe and How to Combat It”, *Collected Works*, Vol. 25, p. 339.

as well. In his "Remarks on Nikolai Bukharin's Book, *The Economics of the Transition Period*", he vigorously objected to the author's statement that "The collapse of the world capitalist system began with the weakest national-economic systems, with the least developed state-capitalist organisation", as follows: "That is wrong: it began with the 'medium-weak'. We could have done nothing without a fairly high level of capitalism."¹

The Mensheviks and the Bolsheviks were at odds not in accepting or rejecting the general Marxist proposition concerning the necessity of definite economic prerequisites of socialism for a socialist revolution, but in interpreting that proposition, which the Mensheviks and the leaders of the Second International viewed in purely formal terms. In a reply to Nikolai Sukhanov, who had set forth right-wing socialist ideas, Lenin wrote that the Russian petty-bourgeois democrats and all the heroes of the Second International took an impossibly pedantic view of Marxism: "They have completely failed to understand what is decisive in Marxism, namely, its revolutionary dialectics."²

Socialist construction does, of course, require a definite level of development of the economic prerequisites for socialism, but it is altogether futile to try to lay down some cut-and-dried minimum quantum for their development (say, by deciding on the level of labour productivity a country must attain before its transition to socialism can become objectively possible). The purely statistical approach does little to help solve the problem of the existence of economic prerequisites for socialism in a given country. The crucial role here belongs to the state of the productive forces and the relations of production. Socialist transformations become objectively possible if capitalism has taken over the leading components of the national economy and has advanced to machine production.

Viewed in those terms, the economy of prerevolutionary Russia did have the objective prerequisites for socialism and, consequently, it was wrong to say that the Bolsheviks were retreating to utopian socialism. Tsarist Russia was fifth in the world in volume of output, and was ahead of countries like Italy, Spain and Japan. It had a steady place within the group of medium-developed capitalist countries. In 1913, industrial output accounted for over 40 per cent of Russia's gross industrial and agricultural output. It already had an industrial revolution behind it. Machine production had

¹ *Lenin Miscellany XI*, p. 397 (in Russian).

² V. I. Lenin, "Our Revolution", *Collected Works*, Vol. 33, p. 476.

come on the scene and was developing, and its concentration had reached a fairly high level. Thus, on the eve of the First World War large enterprises (employing 500 and more workers) accounted for 56.5 per cent of the total industrial labour force. Capitalism in Russia had entered upon the monopoly stage on the basis of the high concentration of production. From 1880 to 1890, 20 stable monopoly associations had already emerged in Russia's basic industries. Two powerful monopoly groups, one headed by the Russian-Asian Bank, and the other by the International Bank, had taken shape in banking, with 52 per cent of all the capital held by seven major Petersburg banks. Nearly two-thirds of all the joint-stock capital, almost three-quarters of the bank deposits and 80 per cent of all the banking operations were concentrated in the hands of 13 banks.¹

The concentration of capital was high in railways. Railway companies, which were for all practical purposes monopolies, emerged and operated in especially close contact with state financial agencies and banks. In 1911, a syndicate was set up by nine banks seeking to establish control over all of private railway construction in the Urals, Siberia, the Caucasus, and Turkestan.

By the time the First World War broke out, the monopolies had become a pillar of Russia's economic life. The formation of state-monopoly capitalism was accelerated during the war and so markedly advanced the shaping of the material (economic) prerequisites for socialism. This is exemplified by the establishment of a Special Conference on State Defence, on which the government collaborated with leaders of Russia's bourgeoisie and which controlled all the processes in mobilising industry, awarding contracts, etc. Three-quarters of all the military expenditures went through the Special Conference on State Defence.² In an assessment of the economic situation in 1917, Lenin said that monopoly capitalism had become state-monopoly capitalism "under the influence of the war. We have now reached the stage of the world economy that is the immediate stepping stone to socialism".³ Lenin's analysis (above all in his "The Impending Catastrophe and How to Combat It") made it perfectly clear that the whole course of development had prepared the bas-

¹ P. I. Lyashenko, *History of the USSR Economy*, Vol. 2, Moscow, 1956, pp. 356-57 (in Russian).

² A. L. Sidorov, *The Historical Prerequisites for the Great October Socialist Revolution*, Nauka Publishers, Moscow, 1970, p. 45 (in Russian).

³ V. I. Lenin, "For Bread and Peace", *Collected Works*, Vol. 26, p. 386.

ic components of Russia's economy for nationalisation and introduction of planned-and-balanced regulation on a broad scale. At the same time, he demonstrated that such transformations were not only objectively feasible but were, in fact, the only possible means for averting the impending catastrophe, something the ruling classes could not cope with.

Prerevolutionary Russia was, of course, well behind the developed capitalist countries in the level of production, and it still had some strong relicts of feudalism. Machine production had yet to spread to every industry, and income per head was between a third and a fifth of that of the advanced capitalist countries. Russia's industry in 1911 was still short of reaching the US 1870 level, i.e. it lagged behind the United States by more than 40 years.

Lenin remarked on the contradictory situation, saying that Russia had "the most backward system of landownership and the most ignorant peasantry, on the one hand, and the most advanced industrial and finance capitalism, on the other".¹ It is not right, therefore, to confine oneself to pointing to the backwardness of prerevolutionary Russia, as the Mensheviks and the right-wing Socialists did; there is a need to state clearly what the backwardness consisted in, and to which spheres of social life it actually referred.

The contradictory level of economic and social development reached by tsarist Russia was not evidence of a lack of the objective prerequisites for socialism, but merely indicated that these were at a relatively low stage of development, and that the *whole system* of such prerequisites had not yet taken shape. In this context, Lenin says: "These tasks (the economic tasks of the socialist revolution—V.K.) can be handled by any form of collective effort or any form of state passing over to socialism only on condition that the basic economic, social, cultural and political preconditions for this have been created in a sufficient degree by capitalism. Without large-scale machine production, without a more or less developed network of railways, postal and telegraph communications, without a more or less developed network of public educational institutions, neither of these tasks can be carried out in a systematic way on a national scale. Russia is in a position when quite a number of these initial preconditions for such a transition actually exist. On

¹ V. I. Lenin, "Political Notes", *Collected Works*, Vol. 13, p. 442. A little later, he added that in Russia "modern capitalist imperialism is enmeshed, so to speak, in a particularly close network of pre-capitalist relations" ("Imperialism, the Highest State of Capitalism", Vol. 22, p. 259).

the other hand, quite a number of these preconditions are absent in our country, but can be borrowed by it fairly easily from the experience of the neighbouring, far more advanced countries, whom history and international intercourse have long since placed in close contact with Russia."¹

The methodological defect of the views held by the Mensheviks and the right-wing Socialists is that they had failed to comprehend the complexity of the interaction between the productive forces and the relations of production, and so took the view of vulgar metaphysical materialism, because they saw no more than a one-sided relation within the "productive forces—production relations" system: the development of the productive forces predetermines the development of the relations of production.² In actual fact, the relations of production are relatively independent, and this will be seen above all in the fact that no adequate material and technical base is required for the emergence of new relations of production. Thus, capitalist relations of production historically emerged before machine production came on the scene.

The relative independence in the development of the relations of production consists in the fact that they have an active influence on the development of the productive forces. Thus, the elimination of feudal relations in the course of bourgeois revolutions itself provided a powerful impetus to the development of the productive forces, and regenerated and renewed the production basis.

So, it is logically wrong to insist that economic prerequisites for the new relations must necessarily take shape in advance and that only then can such relations take shape. Lenin exposed the erroneous reasoning of the right-wing Socialists in these words: "If a definite level of culture is required for the building of socialism (although nobody can say just what that definite 'level of culture' is, for it differs in every West European country), why cannot we begin by first achieving the prerequisites for that definite level of culture in a revolutionary way, and *then* with the aid of the workers' and peasants' government and the Soviet system,

¹ V. I. Lenin, "Original Version of the Article 'The Immediate Tasks of the Soviet Government' ", *Collected Works*, Vol. 42, p. 71.

² Edward Bernstein claimed that "only when the use of the means of production is socialised in every sphere of production will it be possible to direct the development of property towards socialism". Karl Kautsky, who then tried to reject that approach, remarked that Bernstein puts socialism "into the most slavish and direct dependence on economic conditions" (Karl Kautsky, *A Critique of the Theory and Practice of Marxism*, p. 104).

proceed to overtake the other nations?"¹ The degree to which the material (economic) prerequisites for socialism have matured in a country has a substantial effect on the forms and pace of socialist transformations and on the extent of the effort to build up the productive forces to the level necessary for socialism, but it is irrelevant to the question of whether socialist transformations are possible in principle.

It is necessary, therefore, to draw a clear distinction between the existence of the material (economic) prerequisites for socialism and the degree of their maturity, on the one hand, and the productive forces' level that is characteristic of the material and technical base of socialism, on the other. These three factors bear on different matters: the first bears on the question of whether it is possible in principle to carry out socialist transformations without delay; the second, on the question of the concrete forms and pace of these transformations; and the third, on the question of the victory of socialism and its attainment of a developed state.

Just how absurd the right-wing Socialists' conclusions are is evident from the fact that the concept of the "maturity of the material (economic) prerequisites for socialism" is a relative one, and cannot be considered outside the context of time and place, a point driven home by Lenin when he said that no one is able to pinpoint the exact level of culture required for the building of socialism. Let us assume, for instance, that country *A* has mature prerequisites for socialism, while they still have to take shape in country *B*; let us further assume that after a certain period of time country *B* surpasses country *A*'s level. But the latter does not stand still either, so that the prerequisites in country *B* will still appear to be relatively immature. On the logic of the right-wing Socialists, it turns out that a revolution could have been carried out in country *A* with the initial level of prerequisites for socialism, but not in country *B*, even though it has reached that level. In actual fact, even though the objective prerequisites for socialism in country *B* in the second case continue to appear relatively immature, they are still there and the revolution now hinges only on the subjective factor. The right-wing Socialists' logic shows that once mesmerised by the idea of the highest stages in the development of capitalism, they are incapable of escaping from it.

Capitalism is capable of adapting to technical progress

¹ V. I. Lenin, "Our Revolution", *Collected Works*, Vol. 33, pp. 478-79.

and carrying it on even in a state of general crisis. That is why, so long as the capitalist system exists, the maturation of the material (economic) prerequisites for socialism is a process that cannot stop: there is no degree of their maturity under which it would be justifiable to say that capitalism has worked itself out in the course of their development. And that could always be used to claim that the material (economic) prerequisites for socialism are not yet mature enough and that it is not yet time for a socialist revolution.

The logic of this reasoning is aimed, therefore, to justify a postponement of socialist transformations *ad infinitum*, whatever the industrial level in the capitalist countries—and that is only a short step away from a direct denial of the need for a socialist revolution. Indeed, the right-wing Socialists quite *naturally* evolved from their assertion that it is imperative for a socialist revolution to have mature material (economic) prerequisites to the denial of the need for any revolution at all.

Lenin's arguments on the shaping of the economic prerequisites for socialism and the prospects for a socialist revolution in Russia are of general theoretical significance. They show that the possibility of socialist transformations will in principle be found not only in the developed capitalist countries, but also in countries with a lower level of production development, which, for all practical purposes, means all the countries that are on the same level of development as Russia's at the time of the First World War.

Lenin's arguments, furthermore, show that the working people can fight for power even where conditions for immediate socialist transformations do not yet exist.

All of that opened up fresh perspectives before the revolutionary movement of the world and laid the theoretical foundations for its more vigorous action. In the sphere of theory, this helped to overcome the hypnotic influence exerted on the revolutionary movement by the developed capitalist countries' technical progress. Palmiro Togliatti made a study of Lenin's rejection of the view that a socialist revolution could proceed only in countries where the capitalist economy had reached the highest point of its development, and made this comment: "For the rest of the working-class movement (meaning the movement outside Russia—V.K.) it was a revelation, a discovery of exceptional significance whose effects we are perhaps capable of fully assessing only just now. We can well understand, therefore, what was in fact a cry of liberation in Gramsci's article of January 6, 1918, which carried what was undoubtedly an erroneous—but highly significant—title: 'Revolution

Against *Capital*'. It was aimed not against the basic tenets of Marxism, but against the distorted positivist interpretation of Karl Marx's *Capital* and of Marxism, against the reformists' flat economism and pedantry, and against the adversaries' ideological deception."¹

To be successful, a socialist revolution requires the right prerequisites. Once socialism has emerged after the victorious revolution, it begins to have an effect on all the processes in the capitalist world (including the shaping of objective prerequisites for socialism) and to promote the building of socialism in countries taking the socialist way. In this respect, the socialist revolution triumphantly carried out by the working people of Russia and the rise of the world socialist system have been of especial significance.

As socialism develops, its influence tends to increase, which is perfectly obvious now that the world socialist system has grown into a crucial force of world development.

In these conditions, the potentialities for a transition to socialism are amplified. What is more, transition to socialism *bypassing capitalism* has become a realistic prospect.

The problems posed by such a transition are exceptionally meaningful, for they have a direct bearing on all countries in which the capitalist order has not as yet become dominant, and these countries are in a majority in the modern world. Most of them have emerged from the collapse of the colonial system. Once they had won national statehood, their peoples were faced with a choice of development ways. There are, in fact, only *two* such ways: one leading to capitalism, and the other bypassing capitalism and on to socialism. There is no third way, because the pre-capitalist forms of production are a part of past economic history, and that is a very good reason why they cannot become its future.

The number of countries taking the way of radical economic, social and political transformations and adopting the socialist orientation has been growing. Many of the newly free countries are still faced with the choice of development way, while some of them have opted for the capitalist way. But only some of the countries from the third group have made any noticeable headway in implanting the capitalist system, which means that for them the noncapitalist way is not yet out of bounds.

That being so, the objective conditions for the move-

¹ Palmiro Togliatti, *Selected Articles and Speeches*, Vol. 2, Moscow, 1965, p. 125 (in Russian).

ment towards socialism bypassing capitalism is a question of fundamental importance. Nor is it one of the easiest to answer. In historical terms, socialism does, after all, present itself as resulting from an explosion of the contradictions in which the capitalist society is hopelessly entangled. It is capitalism at a fairly high level of development that prepares the objective and subjective prerequisites for the socialist system, thereby making its establishment inevitable. But there are no such prerequisites in countries with prevailing precapitalist forms of social organisation, and these forms do not of themselves lead up to socialist transformations.

But it does not at all follow that the peoples of these countries are doomed to the torments of capitalism. They have no need to wait until capitalism has taken over their society and starts preparing the necessary prerequisites for socialist transformations in some dim future. The way to socialism is not barred to any people in the modern world, and that is due both to *external* and *internal* factors.

From the standpoint of the need and possibility to advance towards socialism bypassing capitalism, *two external factors* are most important. The first is the presence of the countries of existing socialism which render political, economic and every other kind of assistance to the peoples taking the noncapitalist way of development. But for the formation of the world socialist system, which has brought about a radical change in the world balance of forces, the colonial system would not have collapsed and the newly free countries would not have had any alternative to the capitalist way of social development. There is also the great importance of the available experience in restructuring the society (it helps to find the most efficient ways of solving the problems that crop up along the noncapitalist way of development), and also the ideological impact of the international communist movement on the peoples of the newly free countries. In this context, the world socialist system can be viewed as both a political and an economic prerequisite for transition to socialism.

The second factor making for the need and possibility of this way of development springs from the fact that at the imperialist stage capitalism has spread the system of wage-labour exploitation to the entire nonsocialist world and has turned it into a world system. That is why anti-capitalist struggle is the order of the day for the peoples of all the countries, regardless of whether or not their national capital has been developed and to what extent.

The problems of going on to socialism bypassing capitalism need, therefore, to be considered in the general con-

text of the situation and the trends taking shape in the modern world. At the same time, clarification of the specific *internal initial conditions* for the noncapitalist way of development is a necessary prerequisite for determining the objective foundations and uniformities of the noncapitalist way.

The states taking the noncapitalist way or having the prospect of such a way¹ differ markedly from each other in territory, population, natural resources, historical traditions, dominant religious creeds, and many other features. But they also have much in common: production development level, place in the world economy, initial economic, social and political structure of the society, and content of the contradictions and problems they face.

A distinctive feature of the economy of this group of countries is a low level of the *productive forces* (with a prevalence of primitive implements and technology) and an ugly and one-sided economic structure (usually agrarian). Labour productivity in their industry is about 80-85 per cent lower, and in their agriculture, about 95 per cent lower than it is in the developed capitalist countries. According to the International Labour Organisation (ILO), the highest-skilled specialists and managers in the developed capitalist countries average about 16 per cent of the total labour force, and in the LDCs, about 3 per cent, which is less than one-fifth. Their population is as a rule almost entirely illiterate, while the generally undeveloped state of the economy impels them to export a very narrow range of agricultural and other raw-material products.

Crises of overproduction and mass unemployment are the most salient forms in which the historical limitations of the capitalist system are manifested in the countries of classical capitalism. In the LDCs, such manifestations assume the form of chronic underproduction and underconsumption, which keep hundreds of millions of people on the brink of hand-to-mouth existence. In the early 1980s, income-per head in the developed capitalist countries was eleven times as high as that of the LDCs, whose population adds up to more than 2 billion people, and the gap has in fact been

¹ Among the countries moving along this way are Albania, the Socialist Republic of Vietnam, the Democratic People's Republic of Korea, Cuba, and the Mongolian People's Republic. Such an orientation is being increasingly asserted in such countries as the People's Republic of Angola, the Democratic Republic of Afghanistan, the People's Democratic Republic of Yemen, the People's Democratic Republic of Laos, the People's Republic of Mozambique, the Republic of Nicaragua, and Socialist Ethiopia.

growing over the past three decades. Chronic malnutrition and hunger produce a terrible rate of child mortality and epidemics affecting hundreds of millions of men and women.

Imperialism cannot escape the blame for the dire plight of the LDCs, which have been and are still being exploited by all the imperialist states, but most ruthlessly by US imperialism. From 1970 to 1978, direct foreign investments in the LDCs totalled \$42.3 billion, while profits repatriated from these countries reached \$100.2 billion. In other words, \$2.37 left those countries in profits for every invested dollar.¹ Over the past decade, the profits repatriated by US corporations from the LDCs were four times as large as their investments, and for the Latin American and Caribbean region they were eight times as large. The LDCs' debt to the imperialist countries has reached astronomical proportions. Every child born in the Third World in the early 1980s already had a debt of \$260, and for Latin America as a whole, the debt per inhabitant was already around \$1,000. From 1978 to 1982, the LDC's economic growth averaged 3.2 per cent a year, while their exports shrank at an average of 1.7 per cent, the external debt grew by 16.8 per cent, and debt service payments by 23.3 per cent, i.e., at a faster rate than the increase in the debt itself.²

Underconsumption is, of course, not something that has developed overnight, but now that there are countries with highly developed production and consumption, on the one hand, and countries with abject poverty and hunger among vast masses of people, on the other, underproduction and underconsumption have become a vital problem not only from the standpoint of the LDCs but on a world scale. World capitalism's inability to solve the problem is clear and telling evidence that it has no future before it. The underproduction and underconsumption, which now cry out for a solution as soon as possible, are a powerful factor behind the movement to new forms of social organisation and a spur in the fight for these new forms.

The countries in this group have a diversity of economic and social structures (sectors), with feudal and prefeudal forms of exploitation, relicts of the primitive-communal (tribal) system, subsistence economy among petty producers, small-scale production, emergent national capitalism and what could be called imported capitalism existing side by side.

¹ See, Fidel Castro, *The World Economic and Social Crisis*, Publishing Office of the Council of State, Havana, 1983, pp. 86, 95.

² *Ibid.*, pp. 86, 88, 89, 95, 97, 99.

The multisectoral economy is not in itself anything unique, for it occurs whenever one mode of production gives way to another. But the multisectoral economy of the LDCs is of a special type. Both in the movement from feudalism to capitalism in the past, and in the period of transition from capitalism to socialism there is a leading sector (the capitalist sector in the former instance, and the socialist sector in the latter) which integrates the multisectoral economy and ultimately carries it along the right direction. Things are different in the LDCs: in their initial state, a sector that could integrate the economy and so determine the line of its development as a whole (the leading sector, in this sense) has yet to take shape. That is the main peculiarity of these countries' multisectoral economy.

The *class structure* in this group of countries is a motley one and the differentiation of the social strata is not clearly manifest in every case. The peasantry, with a prominent rich top stratum, is the most massive class. Landed estates have not yet taken shape in all these countries, while the national bourgeoisie is in a state of formation and often consists not so much of industrial as of precapitalist forms (usurers, traders, middlemen, etc.). The working class, wherever it exists, makes up a small percentage of the total population in these countries, being mainly employed at small semi-handicraft enterprises and akin to the peasantry in social and mental make-up. The urban middle strata, which are fairly numerous in these countries, consist of handicraftsmen, petty traders, employees, various groups of intellectuals, army officers, and so on. There are also numerous strata of the pauperised population of town and country.

Such are the initial economic and social conditions in countries faced with a choice of way. The specific thing about these conditions is the *archaic* economic, social and class structure of the society, so that the *main task* is to overcome the age-old backwardness and to wipe out poverty, unemployment and illiteracy. What is important is that the popular masses will not wait endlessly, which means that the task has to be fulfilled within a historically short period, and that implies accelerated development. But the law governing the movement of the precapitalist systems is simple reproduction, i.e., its repetition in the same volume because of the primitive implements of labour and the lack of any economic incentives for expanding and modernising production.

There is, therefore, a *contradiction* between the ob-

jective need for accelerated development and the impossibility of bringing it about within the existing structures, a contradiction which makes deep transformations in every sphere of social life inevitable. From this angle, the choice of development way is ultimately predetermined by the potentialities opened up by this or that way for effecting such transformations.

Here the limitations of the capitalist way of development are fairly obvious. In the group of countries taking the capitalist way, the state is forced to some extent to effect economic, social and political transformations, on the one hand. But on the other hand these transformations clash with the substance of the chosen way. Hence the incompleteness and inconsistency of transformations and the ebbs and flows in their implementation. Thus, if all the efforts to develop the economy are to be consolidated, a state (public) sector needs to be set up and strengthened, with the introduction and improvement of planning and ever wider state regulation of production. But beyond a certain point all these measures clash with the interests of private capital, which—as it gathers strength—begins to regard state regulation of economic development as a constraint on its initiative.

Under capitalist development, the state expresses the interests of that part of the holders of capital who live off the precapitalist order as parasites, and tries to build up its social support with their aid, seeking as far as possible to conserve the precapitalist relations in the countryside. However, that is in direct conflict with the necessity for agrarian transformations in favour of the labouring peasantry.

The logic of deep economic and social transformations requires vigorous action by the broad masses, but this cannot be done unless education, science, culture, administration and management are democratised, and the working people's living standards raised. The capitalist way of development holds within itself a different kind of tendency. Characteristically, international statistics indicate that in the capitalism-oriented LDCs the inequality of income distribution has been growing (instead of diminishing), now and again surpassing the income differentiation in the developed capitalist countries.

It would, of course, be absurd to deny that some progressive transformations can be carried out within the framework of the capitalist way of development. But the gist of the matter is not that there is no such potentiality, but that it is limited. That way is ultimately unable to bring about a complete solution of any of the problems facing

the peoples in economically underdeveloped countries after their liberation.

The noncapitalist way of development is, of course, not free from difficulties or contradictions either, but the main difficulty is that there are not enough objective and subjective prerequisites for the new forms of social organisation in the initial conditions of advance towards socialism bypassing capitalism. In that situation, zigzags and retreats cannot, naturally, be ruled out. These are used by certain forces to justify wait-and-see tactics and to put off the transformations until "better times". But social development cannot be halted, and the peoples' urge for a better life is unquenchable. For all the hardships and possible zigzags and departures, the development line is such that the objective necessity impels the newly free countries to take the noncapitalist way, and it carries them—with equal objective necessity—to the shaping of socialist relations. That line is ultimately insuperable and irreversible in historical terms.

It is emphasised in the CPSU Programme (new edition) that "the non-capitalist way of development, *the way of socialist orientation*, chosen by a number of newly free countries, is opening up broad prospects for social progress. The experience of these countries confirms that in present-day conditions, with the existing world alignment of forces, the formerly enslaved peoples have greater possibilities for rejecting capitalism and for building their future without exploiters in the interests of the working people. This is a phenomenon of immense historic importance. The road chosen by them ... coincides with the mainstream of historical development."¹

¹ *The Programme of the Communist Party of the Soviet Union*, pp. 21-22.

SECTION TWO

INITIAL SOCIALISATION OF PRODUCTION ON SOCIALIST LINES

Capitalism objectively prepares the transition to socialism by substantially advancing the socialisation of production. The socialist revolution removes the inherently bourgeois constraints from these processes and gives them full scope for development into a new and socialist quality. That is achieved in the course of the initial socialisation of production on socialist lines, which is the economic content of the transition to socialism and the main process in the formation of socialism's economic system.

Chapter Four

THE NECESSITY OF A SPECIAL PERIOD OF TRANSITION TO SOCIALISM. THE PROBLEM OF DIRECT TRANSITION TO SOCIALISM

None of the utopian socialists (with the exception, perhaps, of the Russian revolutionary democrat Nikolai Chernyshevsky¹) had suggested the need (even in the most general terms) for a special transition period to shape the new system, as they depicted scenes of a future society. But the earliest documents of scientific socialism already contained the idea that such a period is imperative, an idea it not only formulated, but also substantiated.

Why does the transition period constitute a necessary stage in historical development? Writers on the subject usually say (and quite rightly) that socialist relations of

¹ See, N. V. Khessin, *Nikolai Chernyshevsky in the Struggle for Russia's Socialist Future*, Mysl Publishers, Moscow, 1982 (in Russian).

production cannot originate within the capitalist society. That is certainly an important consideration, for on the opposite assumption socialism could take shape within the older system and there would have been no need for a transition period. Thus, the right-wing Socialists insist that capitalism evolves into socialism, thereby effectively removing the question of the need for a special period of transition to socialism. It simply does not fit into their theory.

But here two questions arise: first, why cannot the socialist sector, in contrast to, say, the capitalist sector, originate within the framework of the preceding system, and second, is it enough to point to this fact to justify the need for a special period for the establishment of socialism?

No mode of production has ever given way to another as a one-off act: with any mode of production, the replacement takes an entire historical period in the course of which several sectors exist in the economy. The transition to socialism is no exception.

What is peculiar about the origination of socialism is not the existence of a transition period, but the fact that the transition period is a specific one. The period of transition from capitalism to socialism, first, lies beyond the framework of the preceding economic and social system and second, has fairly clear-cut boundaries: it begins with the working people's takeover of power, which they use to put through socialist transformations, and ends with the complete victory of socialism, which implies that the economy is no longer multisectoral and that economic conditions have been created in which capitalist relations of production cannot be revived. That specific feature in the origination of socialism is predetermined by its fundamental distinctions from all earlier modes of production.

There are a number of common features to the modes of production lying between the primitive-communal system and socialism: first, they are all exploitive, and second, their production has an atomistic structure. These two features in fact make it possible for one exploitive system to exist within the entrails of another. Thus, capitalist relations of production originate within the framework of feudalism, and even after capitalist relations of production have become dominant and have even attained a developed state, they often continue to coexist with survivals of relations from earlier modes of production. That is why the period in which capitalism replaces feudalism has vague boundaries and no definite timelimits.

By contrast, socialism implies an integral economy on the scale of the society as a whole, with production geared

to the interests of all the working people, so that the victory of socialism means an economy that is no longer multisectoral. That is the line dividing the transition-period economy from the economy of socialism.

Since socialist production is subordinated to the working people's interests, socialist relations of production must extend, as soon as they originate, to the key sectors and commanding heights of the economy. Whereas capitalist relations of production for a long time after their emergence play a subordinate and secondary role in social production, socialist relations of production have the leading position in the economy even at the stage of their formation, since otherwise their purposes cannot be realised.

But intervention in capitalist reproduction on a scale large enough to release the leading sectors of the economy from subjugation to capitalist relations of production requires power, which means that the working class has first of all to carry out a political revolution and destroy the bourgeois state apparatus acting as watchdog over the capitalist system. The implication is that relations of production with a socialist content can never emerge under capitalism. The watershed between capitalism and transition to socialism is the establishment of the working people's power and a start on socialist transformations.

At the same time, the imperative need for a special period of transition to socialism is not entirely due to the fact that socialist relations of production cannot emerge under capitalism. What is also important is that organising the new system of economic activity is an extremely challenging venture which calls for a fairly long period of time. What is more, in order to complete this work in the main, the productive forces have to be adapted to the new relations of production, and that also takes time. The old economic system cannot be removed or the new one put in place overnight. Socialist relations of production do not come ready-made, a point the classics of Marxism-Leninism specifically emphasised. Marx and Engels repeatedly stressed that the transformation of the capitalist society could not "be carried out at once",¹ and that the proletariat would wrest capital from the bourgeoisie "by degrees".² Engels's "Principles of Communism", written just

¹ Frederick Engels, "Principles of Communism", in: Karl Marx, Frederick Engels, *Collected Works*, Vol. 6, Progress Publishers, Moscow, 1984, p. 351.

² Karl Marx and Frederick Engels, "Manifesto of the Communist Party", in: Karl Marx, Frederick Engels, *Collected Works*, Vol. 6, p. 504.

before the "Manifesto of the Communist Party", contains this question: "Will it be possible to abolish private property at one stroke?" His answer is an emphatic no, and he goes on to give a brilliant and profoundly materialistic explanation of what he means: "No, such a thing would be just as impossible as at *one* stroke to increase the existing productive forces to the degree necessary for instituting community of property. Hence, the proletarian revolution, which in all probability is impending, will transform existing society only gradually, and be able to abolish private property only when the necessary quantity of the means of production has been created."¹

What Lenin says on the inevitable need for a transition period fully corresponds with the ideas of Marx and Engels. Lenin says that the object of the working class is to build socialism. "This object cannot be achieved at one stroke. It requires a fairly long period of transition from capitalism to socialism, because the reorganisation of production is a difficult matter, because radical changes in all spheres of life need time, and because the enormous force of habit of running things in a petty-bourgeois and bourgeois way can only be overcome by a long and stubborn struggle. That is why Marx spoke of an entire period of the dictatorship of the proletariat as the period of transition from capitalism to socialism."²

Explanations of the need for a transition period usually focus attention only on the existence of small-scale peasant production and its gradual transformation on socialist lines.

The socialist transformation of small-scale production does, of course, require time, which is why it implies the existence of a transition period, but that is only one aspect of the formation of socialist relations of production seen from a narrow angle, i.e., only as developing in breadth. The assumption here is that no special transition period would be necessary if capitalism had managed to oust small-scale production before the socialist revolution, and if its economy were free from precapitalist relations. But even in the absence of such relations, the formative stage in the development of socialism and the presence of the capitalist sector alongside the socialist sector over a period of time are inevitable, which is why, regardless of whether

¹ Frederick Engels, "Principles of Communism", in: Karl Marx, Frederick Engels, *Collected Works*, Vol. 6, p. 350.

² V. I. Lenin, "Greetings to the Hungarian Workers", *Collected Works*, Vol. 29, p. 388.

small-scale production does or does not exist on the eve of the socialist revolution, a transition period cannot be done without. In any study of the transition period, as of capitalism itself, there is a need to abstract oneself up to a point from small-scale production and to answer a number of questions, including that of the need for such a period, regardless of the existence of small-scale production. Only then should it be introduced into the analysis for correcting earlier conclusions.

One could well raise the objection that the transition period was conceived long ago, and that since then the world has become a different place, so that the question needs to be viewed in a different light, especially with respect to the leading capitalist countries. The question is: does high technology in the developed capitalist countries make a transition period superfluous as a specific and additional stage in social development preceding socialism? Some believe that it is made superfluous on the tenuous ground that Karl Marx's *Critique of the Gotha Programme* mentions a period between the capitalist and the communist society, and not between the capitalist and the socialist society. It is argued that what Marx meant by transition period was not a stage preceding socialism, but socialism itself. It is further asserted that the idea of a special period of transition to socialism was not formulated by Marx and Engels, but by Lenin, who introduced it for countries that had not gone through the stage of highly developed capitalism. What is here completely ignored is that Marx and Engels used "communism" as a term to designate the communist formation as a whole, and not just the higher phase of communism. What is also ignored is Lenin's direct reference to Marx and Engels in such of his works as *The State and Revolution*, "Left-Wing" Childishness and the Petty-Bourgeois Mentality, and *Economics and Politics in the Era of the Dictatorship of the Proletariat*. Here is only one of these references: "The teachers of socialism spoke of a whole period of transition from capitalism to socialism and emphasised the 'prolonged birthpangs' of the new society."¹

It is also indicative in this context that when Lenin explained the need for a period of transition to socialism, he referred readers to the general theory of development: "The necessity for a whole historical era distinguished by these transitional features (the existence of different sectors and a struggle between them—V.K.) should be obvious not

¹ V. I. Lenin, "Left-Wing" Childishness and the Petty-Bourgeois Mentality", *Collected Works*, Vol. 27, p. 341.

only to Marxists, but to any educated person who is in any degree acquainted with the theory of development."¹ That is so because no economic system can disappear instantly, just as no economic system can appear ready-made, because the successive modes of production are based on diametrically opposite principles and profoundly differ from each other. That is even true of cases in which there is a transition from one exploitive mode of production to another, and it is even truer for a transition from the last exploitive mode of production—capitalism—to the system under which the working people themselves become the proprietors of the conditions of production.

In short, a radical transformation of the economic system is required when one mode of production gives way to another, and for that reason alone the change-over cannot be a one-off act, but requires a fairly long time, i.e., a fairly lengthy historical period.

The idea that a period of transition to socialism is not required for all countries appears to stem from the mesmeric effect of the high technical level attained in the developed capitalist countries. It is a kind of technological determinism setting up the technical factor as an absolute, and it is as wrong as forgetting the imperative need to build up a definite material and technical base for the new economic system. What socialism needs is not merely large-scale machine production, but one which is in a state determined by the needs of attaining the new social objectives. That is why, whatever the level reached in developing the productive forces under capitalism, there always remains the need in the transition to socialism to modify the productive forces in the light of the new economic and social demands made on them. These modifications naturally differ in volume and depth in the various countries, but they are imperative.

Besides, a high technical level cannot obviate the need for building up the new economic system and mastering the sophisticated science of organising the whole of social life on socialist principles, including the science of planning and directing the national economy; the need to unite the working people on the basis of the interests and the ideals of the working class, the need to develop the socialist consciousness, consolidate the socialist state, and so on. It is altogether a different matter that the socialist transformation of the society in the most developed capitalist coun-

¹ V. I. Lenin, "Economics and Politics in the Era of the Dictatorship of the Proletariat", *Collected Works*, Vol. 30, p. 107.

tries may take less time, in terms of the material and technical prerequisites for such a transformation. But then it is quite probable, for instance, that it will take relatively greater efforts to bring about an ideological re-orientation or overcome the multisectoral character of the economy.

Direct transition to socialism (i.e., without any intermediate phases and forms) is a problem linked to the imperative need for a period of transition to socialism. After the October Revolution, Lenin repeatedly considered the problem, especially following the abandonment of the "war communism" policy.

"War communism" included a ban on private economic activity; renunciation of commodity-money relations (their use in the presence of mass small-scale production would have led to a revival of capitalist elements); naturalisation of relations both within the socialist sector and between sectors; rigid centralism in administering state enterprises; and egalitarianism in distribution. Such a set of measures is possible as a temporary one, but attempts to maintain it for a long time do not justify themselves, if only because it does not stimulate production, as Soviet Russia's experience shows.

Two types of misconceptions were widespread in the approach to "war communism". On the one hand, it was depicted only as a system of measures forced upon the country by the civil war and intervention. That was a correct but inadequate interpretation: when "war communism" was practiced, it was regarded not only as a system of measures impelled by extraordinary conditions, but also as a definite plan for building socialism. The gist of the plan was orientation towards direct transition to the new social system, and if the plan had been realised, the transition period would have been reduced to the shortest possible time, but the need for such a period would not have disappeared in that case either.

That is precisely the spirit in which Lenin interprets the gist of "war communism" as a special plan for transition to socialism: "Borne along on the crest of the wave of enthusiasm, rousing ... the enthusiasm of the people, we expected to accomplish economic tasks just as great as the political and military tasks we have accomplished by relying directly on this enthusiasm. We expected—or perhaps it would be truer to say that *we presumed without having given it adequate consideration* (emphasis supplied—V.K.)—to be able to organise the state production and the state distribution of products on communist lines in a small-peasant country directly as ordered by the proletar-

ian state. Experience has proved that we were wrong. It appears that a number of transitional stages were necessary."¹

In a speech at that time to the Second Congress of Political Education Departments, Lenin said: "Our previous economic policy, if we cannot say counted on (in the situation then prevailing we did little counting in general), then to a certain degree assumed—we may say uncalculatingly assumed—that there would be a direct transition from the old Russian economy to state production and distribution on communist lines."²

In elaborating the "war communism" idea as a plan for a direct transition to socialism, Lenin showed that it was an erroneous plan, adding in that same report: "Partly owing to the war problems that overwhelmed us and partly owing to the desperate position in which the Republic found itself ...—owing to these circumstances, and a number of others, we made the mistake of deciding to go over directly to communist production and distribution..."

"I cannot say that we pictured this plan as definitely and as clearly as that; but we acted approximately on those lines... That, unfortunately, is a fact. I say unfortunately, because brief experience convinced us that that line was wrong..."³

Lenin elaborated that interpretation of "war communism" later, in his report at a Moscow party conference. He said: "In estimating the prospects of development we in most cases—I can scarcely recall an exception—started out with the assumption—perhaps not always openly expressed but always tacitly taken for granted—that we would be able to proceed straight away with socialist construction."⁴

There is a need, therefore, to draw in "war communism" a distinction between the policy which was impelled by the extraordinary conditions of the war, and the special plan for transition to socialism. Whereas such a policy is necessary and justifiable in definite conditions, it is erroneous as a special plan for advancing to socialism.

Apart from the fact that such a distinction is not always made, there is yet another misconception about "war

¹ V. I. Lenin, "Fourth Anniversary of the October Revolution", *Collected Works*, Vol. 33, p. 58.

² V. I. Lenin, "The New Economic Policy and the Tasks of the Political Education Departments", *Collected Works*, Vol. 33, p. 61.

³ V. I. Lenin, "The New Economic Policy and the Tasks of the Political Education Departments", *Collected Works*, Vol. 33, p. 60.

⁴ V. I. Lenin, "Seventh Moscow Gubernia Conference of the Russian Communist Party", *Collected Works*, Vol. 33, p. 87.

communism". It is the notion that the Bolsheviks were allegedly launching upon the socialist revolution with a programme of "war communism", while the principles of another plan for building socialism were worked out by Lenin only in 1921. That is a grave distortion of the actual facts. It is a distortion because Lenin's programme for the revolution was a direct continuation and development of the ideas of Marx and Engels, who kept stressing that the measures for transforming the capitalist society "cannot be carried out at once".¹

Lenin worked out his programme for the forthcoming revolution on the assumption that socialism "cannot be achieved in Russia directly, at one stroke, without transitional measures".² He was altogether averse to the idea of an instant "introduction" of socialism, and kept saying so. In complete accord with these tenets, he included in his programme for the forthcoming actions only measures which he said were "technically and culturally quite mature".

A programmatic article, "The Immediate Tasks of the Soviet Government", which Lenin wrote a few months after the October Revolution said that the work of arranging the new economic system was lagging behind the work of the immediate expropriation of the expropriators, and argued the need to halt the "Red Guard attack" on capital and to enter into a compromise with the bourgeois elements, including bourgeois cooperatives. A pamphlet he wrote a month later, "*Left-Wing*" *Childishness and the Petty-Bourgeois Mentality*, shows that "elements of different socio-economic sectors" are bound to remain within the transition-period economy.

The idea of state capitalism as a transitional stage on the way to socialism, involving the use of state capitalist forms for controlling private production, which was elaborated in the above-mentioned and other works by Lenin in that period signified an advance in Marxism.

The use of commodity production was less amply elaborated on the eve of the October Revolution and in the first few months after it, but in early 1918 Lenin proposed a plan for a monetary reform designed to set up a stable Soviet currency, arguing that "during the transition from capitalist to socialist society it is absolutely impossible to do without currency notes or to replace them with new

¹ Frederick Engels, "Principles of Communism", in Karl Marx, Frederick Engels, *Collected Works*, Vol. 6, p. 351.

² V. I. Lenin, "Letters from Afar", *Collected Works*, Vol. 23, p. 341.

ones in a short space of time".¹

It is also indicative that Lenin resolutely fought the "left-wing Communists", who opposed the "graduality" and who demanded "resolute socialisation", instant and utter "crushing of the bourgeoisie".

Lenin had good grounds, therefore, to regard the New Economic Policy² as a direct continuation of the economic programme for building socialism which the Bolsheviks worked out on the eve of the October Revolution and immediately after it. He said the 1921 policy was "a new one with respect to our earlier economic policy", with respect to "war communism", and not with respect to the 1917-early 1918 policy. He emphasised: "In substance, however, this new policy contains more elements of the old than our previous economic policy did."³

Fundamental significance attaches to Lenin's conclusion that it was wrong to decide on a direct transition to socialism, a conclusion which still holds good. Attempts are being made even today to plan for a direct transition to socialism and even to communism, i.e., in effect to apply "war communism" not as a system of measures impelled by extraordinary circumstances, but as a definite and comprehensive plan for introducing the new social system. Such attempts are, of course, being made under different signboards and with somewhat different scenarios, but they are, in effect, identical with "war communism". Nor is there any guarantee that such attempts will not be repeated in the future, if only because they are induced by various circumstances that differ in character and significance, but that at a given moment may add up to a preponderant weight in favour of such attempts.

Thus, it is quite natural that the generation of men and women who carried out the revolution want to see the new society in their lifetime, and so there could well be an urge

¹ V. I. Lenin, "Original Version of the Article 'The Immediate Tasks of the Soviet Government'", *Collected Works*, Vol. 42, p. 74.

² New Economic Policy (NEP) was the name given to the policy which replaced the "war communism" policy on the basis of the decisions of the 10th Congress of the RCP(B) in 1921. It allowed for the existence of private-property sectors (including the capitalist sector) and their use, mastery of market economic methods, and preparation of conditions for gradually transforming and ousting the private-property forms of production. In its most essential features, NEP is of general significance for the transition period.

³ V. I. Lenin, "The New Economic Policy and the Tasks of the Political Education Departments," *Collected Works*, Vol. 33, Progress Publishers, Moscow, 1976, p. 61.

to step up the socialist transformations. Indeed, "war communism" in effect creates the illusion of a rapid substitution of a new social system for the old.

The revolution awakens among broad masses of people an enthusiasm and potentialities which are truly vast and defy quantification. It is easy, therefore, to assume that enthusiasm alone is enough to build the new society, while material incentives and other "prosaic" instruments are simply superfluous.

Wartime conditions do much to feed the "war communism" ideology. First, in such conditions the "war communism" policy can appear to be the only right one. Second, the urge to use well-tried methods of tackling military tasks in order to tackle economic tasks is quite understandable.

The conditions favouring such an ideology are most often to be found in countries with an undeveloped economy, where, along with the circumstances mentioned above, there is also the state's role as the main integrating factor in the economy, in which it is forced to resort to extra-economic coercion on a large scale. The state's use of extra-economic coercion is a sign both of strength and of weakness: of strength because extra-economic coercion can truly help to do a great deal, and of weakness because its wide application shows that the state is still short of purely economic instruments for exerting an influence on state enterprises and the private-property sectors.

In countries with an undeveloped economy precapitalist relations are still strong, and these are characterised both by egalitarianism and by the extensive use of extra-economic instruments.

These countries, moreover, have large petty-bourgeois strata, and history has repeatedly demonstrated that they are inclined to go to extremes: either to be passive and conservative, or to take reckless action to change the existing order.

In view of all these considerations, the Marxist propositions that it is unrealistic to expect to go over directly to socialism, that intermediate stages and transitional measures are inevitable, and that before entering upon socialism there is a need to solve a wide range of complicated, mainly economic, problems is of exceptional importance now that more and more peoples are taking the way of radical social change.

CHAPTER FIVE.

THE NECESSITY AND CONTENT OF REVOLUTIONARY TRANSFORMATIONS IN CAPITALIST PROPERTY RELATIONS

1. Property as a complex and multilayered phenomenon. The basic structural elements of the revolutionary transformation of capitalist property

A number of key tenets concerning property have become axiomatic, such as that property relations constitute the basis of the economic system, that the changeover from one mode of production to another implies a transformation of these relations, and that the main blow in a socialist revolution should be delivered at private property in the means of production. The tenet that Marxism has always attached especial importance to the problem of property on the whole appears to be incontestable. One need merely recall this famous statement: "The theory of the Communists may be summed up in the single sentence: Abolition of private property."¹

Meanwhile, different readings are being given nowadays to some fundamental aspects of the theory of property. What are the actual processes that science designates by the concept of "property"? What does it mean constituting the basis of the economic system? What are the processes within the transformation of property relations and are these processes of one and the same order? What needs to be done in concrete terms to develop socialist property? These and some other questions remain controversial to this day.

No coherent exposition on property problems has come down to us from Marx, Engels and Lenin, and their fairly numerous statements on these problems are scattered throughout their various works. That naturally makes it more difficult to master the classical legacy on the theory of property. Furthermore, some statements by the founders of Marxism at first sight seem to be contradictory and even incompatible with each other. Hence the inevitable at-

¹ Karl Marx and Frederick Engels, "Manifesto of the Communist Party", in: Karl Marx, Frederick Engels, *Collected Works*, Vol. 6, Progress Publishers, Moscow, 1984, p. 498.

tempts to set up one type of statement as an absolute against every other. The actual problem is to take a coherent view of their ideas on property, taking their diverse statements on this matter as reflecting the diverse facets of the intricate phenomenon of property.

"Property" is a term traditionally used to designate the *material object, actual things*. Marx stressed that "private property is nothing but *objectified labour*".¹ That is the definition in which the term is being widely used in modern writings. Thus, whenever it is said that "socialist property needs to be multiplied, safeguarded and protected", whenever data are cited on the growth of the fixed production assets, etc., to illustrate the development of socialist property, property is taken to mean the material-thing object, in which the means of production are, of course, of crucial importance.

Knowledge about the material-thing object of every given form of property is certainly important, but it does not in itself give any indication of the relations taking shape between people concerning that object. When one clarifies such relations, the first question that arises is that of the *subject* to whom the material-thing object belongs (when the mode of production is characterised, it is the question of whom the means of production belong to). Once such a subject is discovered, property appears in a new light: it appears as a *relation between people concerning a definite material-thing object*, in which the object is either one's own or another's. Here property expresses the fact that the object belongs to this or that subject.

Property relations are known to consist of various groups, and this raises the question of whether the relations constituting property in the above-elaborated definition are economic or non-economic.

It appears that we are dealing here with pre-economic relations, mostly juridical and legal ones. That is so because nothing has yet been said about the economic forms in which the "belonging" of the given material-thing object to the given subject is used, realised and reproduced. The historical record shows, for instance, that the monopoly of individuals on the means of production is economically used and reproduced in the patriarchal, petty-commodity, feudal and capitalist economy. Accordingly, no fundamental distinction can be discovered between the private property

¹ Karl Marx, "Draft of an Article on Friedrich List's Book *Das Nationale System der Politischen Oekonomie*", in: Karl Marx, Frederick Engels, *Collected Works*, Vol. 4, 1975, p. 278.

of the patriarchal peasant, the petty-commodity producer, the feudal lord and the capitalist unless one considers the relations of production in which these subjects are locked and which constitute the real economic content of property.

So, to characterise any form of property, there is a need to answer at least three questions: 1) what is its material-thing object? 2) to whom does it belong (who is the subject of the given form of property)? and 3) what is the economic content of this form of property?

The definitions of property elaborated above do not simply neighbour on each other, but constitute a unity, so that property does not actually exist without any of them. Since what is appropriated is always something real, property is inconceivable without its material-thing object. "Appropriation which appropriates nothing is a contradiction in terms."¹

Moreover, to each given form of property there can be only one definite material-thing object, and not any casual one. Thus, only machine means of production are adequate to the capitalist form of property. The object of, say, individual property under socialism is mainly limited to consumer goods.

A material-thing object involved in social use belongs to someone, and this "belonging" is juridically formalised and established in one way or another. The right in property, for its part, is economically realised and reproduced in labour, through the existing production relations system. Marx emphasised: "Real appropriation does not occur through the establishment of a notional relationship to these conditions (conditions of production—V.K.), but takes place in the active, real relationship to them, when they are really posited as the conditions of man's subjective activity"²

Let us note that the juridical form of property which interacts with the production relations system is far from being indifferent to them. Every type of production relations implies a definite form of property: it constitutes the necessary condition and *prerequisite* for their existence and development. Thus, the system of capitalist relations of production can neither originate nor exist without private property in the means of production or the property

¹ Karl Marx, *A Contribution to the Critique of Political Economy*, p. 193.

² Karl Marx, "Economic Manuscripts of 1857-58", in: Karl Marx, Frederick Engels, *Collected Works*, Vol. 28, Progress Publishers, Moscow, 1986, p. 417.

of the working person, deprived of the means of production, in his labour-power, while socialism cannot exist without state property in the key means of production. By the same token, elimination of the form of property constituting the necessary condition for the existence of a given type of production relations results in the elimination of this type of relations.

The rules of economic law regulate economic processes and have an active influence on production: they stimulate its development, if they accord with the state of production relations, or slow it down, if they do not. The relations of production, for their part, ensure the reproduction of the given form of property both on the side of its material-thing object and on the side of the object's belonging to a definite subject. When Marx analysed the accumulation of capital, he made it perfectly clear that the capitalist emerges from each reproduction cycle as an ever larger proprietor of the means of production, while the wage-worker remains deprived of the means of production. The form of property, as the prerequisite of reproduction, thus presents itself in the course of reproduction as its *result*.

The interaction and interpenetration of various aspects of property make it more difficult to demarcate these aspects and so make it easier to confuse them. Recognition of the need to draw a clear distinction between the juridical form and the economic content of property is one of the main results of the discussion on property problems.

At the same time, it is not right to absolutise any aspect of property. Thus, property does not exist without its material-thing object, but it does not follow that property presents itself only in a reified state. Appropriation is actually effected in labour, through labour, and on its basis.

Claiming that property is no more than juridical is yet another attempt to set up one aspect of property as an absolute. Those who make such attempts refer to Marx's well-known statement from his famous foreword to *A Contribution to the Critique of Political Economy*. Here is that statement in full: "At a certain stage of development, the material productive forces of society come into conflict with the existing relations of production or—this merely expresses the same thing in legal terms—with the property relations within the framework of which they had operated hitherto."¹

One could well make the assumption here that property

¹ Karl Marx, *A Contribution to the Critique of Political Economy*, p. 21.

relations are merely an expression of production relations in legal terms. However, Marx's view of property is not confined to that statement alone. After all, it was Marx who gave a withering critique of Proudhon for saying that property had no place within the relations-of-production system: "In the real world, ... division of labour and all Mr. Proudhon's other categories are social relations forming in their entirety what is today known as *property*, outside these relations bourgeois property is nothing but a metaphysical or legal illusion."¹

Marx held that the process of labour, as man's relation to nature, amounts to the appropriation by human beings of the objects of nature: "...Production is always appropriation of nature by an individual within and with the help of a definite social organisation. In this context it is tautological to say that property (appropriation) is a condition of production."² But since the process of labour is itself appropriation, what is the ground, one could well ask, for excluding from property the social form of this process, that is, the relations of production within whose framework and by means of which it is effected? Indeed, the object of nature is adapted to human needs and delivered to the consumer through the system of production relations and in accordance with its laws. In other words, the real process of appropriation is effected precisely within the framework of every given type of production relations and by means of them.

That idea is expressed in Marx's works quite clearly and unambiguously. In his polemic with Proudhon, he wrote: "The question of what this is (contemporary bourgeois property—V.K.) could have only been answered by a critical analysis of 'political economy', embracing the totality of these *property relations*, considering not their *legal* aspect as *relations of volition* but their real form, that is, as *relations of production*."³

So, Marx does not deny the juridical expression of property relations, but believes the relations of production to be the main thing instead of the juridical expression of property relations.

Those who take the juridical view of property on the

¹ "Marx to Pavel Vasilyevich Annenkov in Paris, December 28, 1846", in: Karl Marx, Frederick Engels, *Selected Correspondence*, pp. 33-34.

² Karl Marx, *A Contribution to the Critique of Political Economy*, p. 192.

³ Karl Marx, "On Proudhon", in: Karl Marx, Frederick Engels, *Collected Works*, Vol. 20, 1985, pp. 27-28.

strength of that logic suggest that property is not a special subject-matter of analysis in Marx's *Capital*. In actual fact, *Capital* does not contain a single category that does not characterise in one way or another the real process of capitalist appropriation. The gist of this type of appropriation is expressed in the category of surplus-value. Here is what Marx said: "Consequently, the true and specific function of capital as capital is *production of surplus-value* which is nothing ... but appropriation of unpaid labour in the actual process of production..."¹

A full-scale comparison of the various historically succeeding forms of property is given by Engels in his *Anti-Dühring*. Characteristically, he concentrates his attention not on the right in property, but on the economic form and character of appropriation. He compares property under the form of commodity production which developed in the Middle Ages with property in capitalist production to show that they are in principle similar in form of appropriation, but differ radically in the character of appropriation. "It is hardly necessary in this connection to point out that even if the *form* of appropriation remains the same (namely, commodity—V.K.), the *character* of appropriation is just as much revolutionised as production is by the changes described above (the transformation of commodity production into capitalist production—V.K.). It is, of course, a very different matter whether I appropriate to myself my own product or that of another."²

What has been said shows, among other things, that an important description of capitalist appropriation is contained both in surplus-value and in the commodity: there is no capitalist appropriation without commodity, which constitutes the universal form of the actual process of capitalist appropriation.

* * *

A protracted discussion is under way on the role of socialist nationalisation in the emergence of socialist relations of production. One view is that it does signify the emergence

¹ Karl Marx, Frederick Engels, *Works*, Vol. 49, p. 34 (in Russian). In another manuscript this idea is expressed as follows: "In order to express the relations into which capital and wage-labour enter as *property relationships* or *laws* we have only to express the conduct of both sides in the *process of valorisation* as a *process of appropriation*" (Karl Marx, "Economic Manuscripts of 1857-58", in: Karl Marx, Frederick Engels, *Collected Works*, Vol. 28, p. 397.

² Frederick Engels, *Anti-Dühring*, p. 320.

of these relations, while the other is that it is only a necessary condition and prerequisite for their emergence, but that it does not of itself engender socialist relations of production.

One reason why the discussion of this problem has been so protracted is that those involved have yet to take full account of the multiple facets of property and the interpenetration of these facts. Since property is a unity of juridical form and economic content, its revolutionary transformations are also two-fold and involve both aspects. Transformation of the juridical form of property is a change in the legal sphere, and that is why it cannot create any new relations of production, which for their part, cannot originate without such a transformation, because it liquidates the necessary condition for the existence of the old production relations, thereby making their existence impossible. But this transformation, by establishing the transfer of the means of production to a new subject, creates the conditions for the emergence of new relations of production. Thus, the declaration in the course of a socialist revolution that the key means of production have become the whole people's property and that the working people are now the subject of property cannot in itself convert the economy into a tangible economic whole or introduce the planned-and-balanced organisation of production, or even raise the working people's living standards. But such a change in the subject of property clears the way for the establishment of socialist relations of production and creates the necessary conditions for fulfilling these tasks. On the strength of the new law, which is backed up by the power of the state, the working people get down to arranging the new system of economic activity, so that social property is eventually filled with a corresponding economic content and becomes socialist not only in form, but also in content.

The fact that the declaration of the key means of production as social property precedes the origination of socialist relations of production creates the illusion that the declaration itself produces these relations. But accepting the illusion for the reality would be tantamount to recognising that the juridical form is capable of creating production relations. Lenin said: "Confiscation alone leads nowhere, as it does not contain the element of organisation, of accounting for proper distribution."¹ Elsewhere he explained: "Even the greatest possible 'determination' in the world

¹ V. I. Lenin "Can the Bolsheviks Retain State Power?", *Collected Works*, Vol. 26, pp. 107-08.

is not enough to pass *from* nationalisation and confiscation to socialisation... The difference between socialisation and simple confiscation is that confiscation can be carried out by 'determination' alone, without the ability to calculate and distribute property, *whereas socialisation cannot be brought about without this ability.*"¹

The establishment of socialist property implies a build-up of the material and technical base of socialism in the course of which socialist property is given a material-thing object adequate of itself.

Drawing a distinction between the nationalisation of the key means of production and the emergence of socialist relations of production is of fundamental importance in the struggle against idealistic views of the transition to a new society, namely that the seizure of power is all that it takes to change property relations. Such views ignore the need for a purposeful restructuring of the basis and lead to a denial of the need for definite material conditions for a transition to the new society.

2. The system of contradictions in the transition-period economy

Economic writers have brought out many of the contradictions in the shaping of socialist relations of production, but not all of them are given due attention. Thus, there is a tendency to ignore the contradiction between the planned-and-balanced and the commodity organisation of the economy in the transition period, although that contradiction is specific to that period, since both types of production organisation exist simultaneously in the economy of that period alone. That contradiction is not confined to the framework of relations between any two sectors and cannot be reduced to any other contradiction (say, that between the socialist and the capitalist sectors, or that between the socialist and the petty-commodity sectors). It is a general contradiction of the transition-period economy in its own right.

Besides—and this is the important thing—analysis of the contradictions of the transition-period economy has yet to become the basis for full-scale studies of the formation of socialist relations of production, although these contradictions do constitute such a basis. Among other things, they also predetermine the specific operation of the econom-

¹ V. I. Lenin, "'Left-Wing' Childishness and the Petty-Bourgeois Mentality", *Collected Works*, Vol. 27, pp. 333, 334.

ic laws of socialism in the initial socialist socialisation of production.

The system of contradictions in the transition period is structurally complex, for they differ in character (some being non-antagonistic, and others, antagonistic). Depending on the historical duration of their existence, they fall into two groups. Some exist not only in the transition period but, say, also before the revolution (as do the contradictions between capitalist and petty-commodity relations), while others remain even after socialist construction has been completed (as do the contradictions specific to socialism as such: they originate together with its origination and exist at every stage of its development); a third group exists both before the revolution and after the victory of socialism (some contradictions connected with commodity-money relations). All these contradictions have, of course, greater or lesser peculiarities in the transition period owing to the conditions of that historical stage, but they also exist beyond its limits in one form or another.

Another group of transition-period contradictions is peculiar to that period and exists solely within its boundaries. These are the contradictions typical of the formation of socialism, and they also fall into two groups: those between different sectors and those within this or that sector, as, for instance, within the socialist sector.

Among the intersectoral contradictions are those between the socialist sector and the capitalist, petty-commodity and other private-property sectors.

Among the contradictions within the socialist sector is above all that between the emerging new relations of production and the productive forces inherited from the old system. The main thing for resolving this contradiction is the build-up of the material and technical base of socialism, which consists not only in creating a machine industry where it had not been duly developed before the revolution, but also in re-orienting the inherited productive forces, i.e., adapting them to the attainment of new economic and social purposes.

Among this group of contradictions is also that between the establishment of the whole people's property in the key means of production and the extent to which it is economically realised, which depends on how well the new system of economic activity has been organised and ultimately on the level attained in shaping the material and technical base of socialism.

These two groups of contradictions could be, respectively, characterised as contradictions in the development of

socialism in breadth (the spread of socialist relations of production to more and more economic units) and in depth (the shaping and adjustment of the new economic system). The presence of two types of contradictions in the formation of the economic system of socialism signifies that unless the forms of existence (movement) of the contradiction within the socialist sector have been found, the transformation and ousting of the private-property sectors still fall short of ensuring the construction of socialism. That is precisely one of the main reasons why any direct transition to socialism is ruled out.

One elementary tenet of the transition-period theory is that its main contradiction is that between socialism and capitalism. However, this question arises: does that tenet apply to countries in which capitalism was not developed to any significant level before the revolution (in such cases, the transition to socialism in effect proceeds not from capitalism, but from precapitalist social systems) or where it has already been markedly pushed into the background?

The following two considerations are important in answering that question. First, the actual strength of the capitalist elements is greater than their share in output, trade or number of business establishments. Bourgeois elements tend to retain in their hands various unaccounted for material values, masses of money, valuables and other objects of luxury. They maintain their ties with the world bourgeoisie, on which no statistical data are ever available, but which nevertheless constitute a real force. The same is true of the bourgeois elements' accumulated experience, techniques and skills, and not only in the economic, but also in the political and ideological spheres. The bourgeois elements' high incomes have a corrupting influence on the environment, creating the illusion that the bourgeois forms of economic activity make it possible for every enterprising person to get rich and that these forms have advantages over the socialist forms of economic activity. With their material and monetary resources, the bourgeois elements use these to bribe unstable elements in the state and economic apparatus.

All of that suggests that bourgeois elements in the transition period can be compared to the tip of an iceberg.

Another and equally important point is that capitalism is the only possible alternative to socialism. Petty-commodity production has no alternative of its own: it confronts socialism as a capitalist potential, for it is the general nutrient medium in which bourgeois elements are bred. That is why these elements cannot be entirely overcome so long

as petty-commodity production is present in more or less considerable proportions. In countries with a large stratum of petty producers, the socialist state and sector have, of course, to deal mainly with these petty producers, and not with bourgeois elements. The petty-bourgeois elements can pose a direct threat to the new order. This breeds the illusion that that is where the basic contradiction is rooted. But the petty-bourgeois danger can lead to nothing but capitalism.

There is a need, therefore, to draw a distinction between the immediate danger (and in this sense the main danger) and that which lies at the basis, namely, the basic contradiction.

What has been said should make it clear why Lenin referred the capitalist sector to the main forms of social economic activity and defined the transition period as "a period of struggle between dying capitalism and nascent communism".¹ He said that in an article written at the height of "war communism" when capitalist enterprise on Soviet-controlled territory was in effect banned.

3. Real and nominal socialist socialisation of production as aspects and stages in socialising production in practice

Concerning the processes in the formation of socialism, Lenin wrote: "The principal difficulty lies in the economic sphere, namely, the introduction of the strictest and universal accounting and control of the production and distribution of goods, raising the productivity of labour and *socialising production in practice*".²

What Lenin says is fairly well-known, but it needs to be considered here if only because the concept of "socialising production in practice" is often taken as a metaphor rather than a scientific category. However that may be, what Lenin says on the matter contains a meaningful description of socialising production in practice: first, it is presented as a complex and multifaceted phenomenon expressing definite aspects both of production relations and of the productive forces; second, it refers not to socialisation in general, but to its specific form, namely, socialist socialisation of production; and third, it synthesises not all the features of

¹ V. I. Lenin, "Economics and Politics in the Era of the Dictatorship of the Proletariat", *Collected Works*, Vol. 30, p. 107.

² V. I. Lenin, "The Immediate Tasks of the Soviet Government", *Collected Works*, Vol. 27, p. 241.

production socialisation, but its core, its economic content.

This concept helps to formulate the basic distinction between the socialisation of production within and by means of socialist relations of production, and capitalist socialisation of production, and to draw a line between the economic and non-economic aspects of socialist socialisation of production: socialisation as a whole relates to every sphere of social life, ranging from the productive forces to ideology; socialisation of production in practice bears only on the economic sphere.

Demarcating the economic and non-economic aspects of socialisation is most important for the conditions in which socialism takes shape, when the proclaimed social property in the means of production is gradually filled with a real and relevant economic content. In these conditions, the idea that it is one thing to obtain the right of master, and another thing to become one is especially meaningful.

Lenin warned of the danger of trying to reduce the revolution in property relations to a one-off act, which turns the basic means of production into the whole people's property (and subsequent experience has shown that he had good reason to issue such warnings): "The expropriation of the landowners and capitalists enabled us to organise only the most primitive forms of socialism."¹ It is the socialisation of production in practice that makes it possible for social property in the means of production to unfold the great wealth of its economic content.

Socialising production in practice means shaping a planned economic system, increasingly orienting the economy to satisfying the working people's requirements, establishing control by the whole people over the production and distribution of goods and services altering the capitalist structure of production, deepening the division of labour, and further concentrating production through the development of the productive forces.

As production is socialised in practice, the society begins increasingly to act in these three economic roles: as an integral subject of economic activity, as an integral producer (aggregate worker), and as an integral consumer. In these conditions, producers are directly linked to the means of production, and that is why the sole purpose of production is to satisfy the wants of all the members of the society and to promote their free and harmonious development.

¹ V. I. Lenin, "Report on Subbotniks Delivered to a Moscow City Conference of the R.C.P. (B.), December 20, 1919", *Collected Works*, Vol. 30, p. 285.

Socialising production in practice effectively helps to switch production to realising the objective goal of socialism "in practice".

There are two aspects to socialising production in practice: 1) arrangement of a planned-and-balanced system of economic activity and 2) development of the social character of production by adapting the productive forces to the new system of production relations. The latter (the growing social character of production) constitutes the content of the former (arrangement of planned-and-balanced production), while the former is the latter's form. They differ both in their role in the formation of socialist relations of production and in the time when they are set in motion. Whereas adapting the productive forces to the needs of the new production relations system is the *main thing* for the victory of socialism, the arrangement of a planned-and-balanced system of economic activity, even if in the most initial and immature form, is the *priority task* of socialist construction, without whose fulfilment the working class will simply be unable to get production going. There is good reason why Lenin begins his exposition of the economic programme for transition to socialism with a formulation of that task, emphasising that before accounting and control have been introduced "there can be no thought of achieving the second and equally essential material condition for introducing socialism, namely, raising the productivity of labour on a national scale."¹

A consideration of socialist socialisation of production in practice means drawing a line between real and formal socialisation.

The production relations system which is in the process of formation differs essentially from their fully-shaped system, for it does not emerge with the full wealth of its elements, laws, etc. The first economic relations and laws to emerge are those without which the system is altogether inconceivable, and these relations and laws themselves do not exist in that period in the whole wealth of their definitions. That means that as the new production relations system is formed, its organic features attain greater maturity and it is enriched with new features.

Let us recall that in his study of this question as applied to the formation of the system of capitalist production relations Marx used the concept of *formal and real subjugation of labour to capital*.

¹ V. I. Lenin, "The Immediate Tasks of the Soviet Government", *Collected Works*, Vol. 27, p. 245.

Historically, capital first subjugated labour in the state in which it found labour under feudalism: artisan labour in the towns, the cottage industry, the handicrafts and the agricultural labour of the small peasant in the countryside. The material and technical base of labour remained the same, i.e., the labour subjugated to capital did not initially differ from the labour of the petty producers in techniques, methods and implements of production. Only the social form in which production was organised had changed: the independent peasant and independent artisan of yesterday were turned into wage-workers exploited by the capitalist. Marx said that this kind of subordination of labour to capital on the basis of manual labour and handicraft implements was formal. It was characteristic of the early stages in the development of capitalist production.

The *formal* subjugation of labour by capital implies a stage in the development of the capitalist relations of production at which capitalism does not yet have at its disposal the methods of raising productivity and intensifying labour through the use of machines, methods which are organic to capitalism, and unknown under earlier modes of production. Lengthening the working day continues to be the main instrument of exploitation. Under the formal subjugation to the capitalist, the worker still has a chance to leave his new master and go back to his old occupation.

The *real* subjugation of labour by capital sprang from the deep changes in the material and technical base of production: hardware and other instruments of labour. It resulted from the industrial revolution which undermined manual artisan labour and signified the development of capitalist forms of exploitation. Consequently, drawing a distinction between the formal and real subjugation of labour by capital helps to give a materialist explanation of the development of capitalist production relations.

Drawing a distinction between the formal and real subjugation of labour by capital has an important role in Marx's theory of the development of the capitalist mode of production. But this question arises: is such a distinction of general significance methodologically or does it express the specific development of capitalism? In other words, is there anything similar to be found in the formation of the system of socialist production relations? Since this means socialisation of production in practice, is it right to draw a distinction between the formal and the real socialist socialisation of production?

Formal socialist socialisation of production signifies—in contrast to real socialisation—that transformations have

yet to spread to the productive forces. Under real socialisation of production, the productive forces are adapted to the planned economic system and the new economic and social goals. The growing socialisation of production, which eventually leads to the formation of an integral country-wide economic complex, helps to consolidate the objective basis of the planned-and-balanced organisation of production and of the organic connection between production and wants. At the same time, it opens fresh potentialities for boosting productivity and so also for a growth of the working people's wellbeing. Transformations in the subjective factor of the productive forces—the worker—help to involve the working people more broadly in the management of social production and to develop the working people's genuine self-governance.

The proprietor realises himself above all through the exercise of his functions of management. Thus, the capitalist is the proprietor of capital not because he manages production. On the contrary, he manages production because he is the proprietor.

Similarly, one of the key lines in realising the whole people's property is the utmost involvement of the working people in running all the social affairs, in the utmost consolidation of their status as co-masters of social production. The extent to which the working people participate in management, like the level of their labour activity, is the key indicator of the maturity of the whole people's property, and so also of the real socialist socialisation of production.

The distinction between the formal and real socialist socialisation of production is, of course, in a sense no more than conventional. The formal socialist socialisation of production is real in the sense that the arrangement of the new system of economic activity even in its initial form helps to make development more proportional, to prevent the waste of resources caused by crises and other similar phenomena, thereby generating a new and additional productive force.

The real socialist socialisation of production is formal in the sense that it exists in definite forms: the planned-and-balanced organisation of social production, the whole people's control over the production and distribution of goods and services, and so on. Both forms of socialisation of production do not exist without each other: one can merely establish the prevalence of either at this or that stage in the development of socialism.

At the same time, while the drawing of the distinction between formal and real socialist socialisation of produc-

tion is no more than conventional, it is productive in the sense that it helps to identify within the socialisation of production in practice different and relatively independent aspects which do not take shape quite synchronously. That, for its part, helps to bring out the various historical stages in socialising production in practice.

Formal socialist socialisation of production is an expression of the embryonic state of the socialist relations of production which have already emerged. Although planned-and-balanced development in the transition period, especially at its initial stages, is still immature, many mistakes are still made in planning and it does not always work, the main line of economic development is still laid down in advance. Here is a characteristic statement by Felix Dzerzhinsky at the Third Congress of Soviets in 1925: "The elements of our state plan at present are not so much numerical calculations and calendar dates, in which we can still err a thousand times, as the establishment of the line in economic policy ... so that the whole of economic activity of all the individual parts should run along a definite course mapped out by the Soviet power."¹

Organising planned-and-balanced production and turning the working people into the subject of economic activity, which has a new purpose—all of that opens up from the very outset fresh sources for increasing labour productivity, regardless of any changes in the sphere of the productive forces. In this sense, just as formal subjugation of labour by capital has never existed in a pure form, but always in combination with elements of real subjugation of labour by capital, so formal socialist socialisation of production does not exist in a pure form, but always in combination with elements of real socialist socialisation of production. What is more, there is a steady growth in the significance of these elements as the material and technical base of socialism is shaped and the new system of economic activity is put in place.

In application both to capitalism and to socialism, the gearing of labour to the new relations-of-production system is formal and not real in the sense that the immediate process of labour and its factors have yet to be modified through the changes that are required to bring it into accord with the new relations-of-production system, which is why it is not yet established in material, reified ("real")

¹ Felix Dzerzhinsky, *USSR Industry: Achievements and Tasks*, Central Press Administration of the Supreme Economic Council of the USSR, Moscow, Leningrad, 1925, p. 31 (in Russian).

terms and has yet to reach a developed state.

Under the formal subjugation of labour by capital, capitalists, confronted with considerable difficulties in the production of surplus-value and deprived of the possibility of overcoming them by means of specifically capitalist methods, are forced to resort to methods characteristic of the old system (keeping labour-power tied to a given capitalist enterprise through the allocation of land parcels to workers, a system of labour service, remuneration of labour in kind, and so on). The result is an *interpenetration* of capitalist relations with elements of precapitalist relations.

Extra-economic coercion is likewise widely used at these stages in the development of capitalism. At that time, the capitalist class needs the state not only for safeguarding the existing order and for generally regulating some economic processes. Without the wide use of the power of the state and its active support, i.e., without extra-economic coercion, the capitalists of that period are simply incapable of carrying on reproduction. Such extra-economic coercion is exemplified by the forcible expulsion of peasants from their land, vagrancy laws, despotic systems of surveillance at enterprises, bans on emigration for industrial workers, and so on.

Socialist production relations at the stage of their formation cannot do without the "old forms" either. It is impossible to do without such forms in ensuring the normal functioning of social production when the organisation of production corresponding to these relations is just being arranged, while the productive forces are only adapting to these relations. The use of the "old forms" will be seen in the existence of such phenomena as commercial calculation, state capitalism, use of bourgeois specialists (the payment of a "tribute" to them), etc.

The role of the state in building socialism is even more significant and is largely different from that in the transition to capitalism, if only because the shaping of the capitalist order precedes the bourgeoisie's takeover of power, whereas the socialist order emerges only after the establishment of the dictatorship of the proletariat. The socialist state not only promotes socialist construction but directs it.

So, the new relations-of-production system takes shape only gradually in all its elements, as it sheds the alien features, spreads to the whole of social production, and reveals all its potentialities, in short, as it shapes into an *integral developed system*.

CHAPTER SIX

THE "IN-DEPTH" DEVELOPMENT OF SOCIALIST RELATIONS OF PRODUCTION IN THE INITIAL SOCIALIST SOCIALISATION OF PRODUCTION

In the initial socialist socialisation of production, the socialist relations of production emerging after the revolution develop both "in depth" and "in breadth". But while their development "in breadth" is mainly confined to the transition period, their development "in depth" not only goes beyond the framework of the transition period, but largely becomes the sole type of development existing so long as the given mode of production exists. In this sense, the development of socialist relations of production "in depth" proceeds at every stage of socialism, and "in breadth", specifically in the transition period.

Such broad boundaries for the development of the economic system "in depth" do not signify, however, that they do not have specific features at various stages. In the transition period and in the early stages of socialism, the development of socialist relations of production "in depth" is expressed in the "socialising production in practice" category.

Development of the socialist economic system "in depth" has never been denied, but analyses of the transition period tended to concentrate on its development "in breadth", while the specific features of the shaping socialist relations of production, as compared with the relations of victorious socialism, were not duly highlighted until the recent period. There was good reason why such an approach prevailed for a long time. The study of any object has its history and goes through successive stages in its examination. The study of the new object begins with a description of its individual properties, manifestations, etc., in order to accumulate the material required for subsequent theoretical generalisation. Let us note that at this stage phenomena are inevitably regarded as being mainly in a frozen state, without mutual transitions, and so on.

The political economy of socialism could not leap over such a stage of development either, but the assertion in the 1970s and 1980s of the view of socialism as a developing organism was evidence that the earlier stage of research had come to an end.

Another reason for the old approach to the study of the socialist economic system was that economic writers often characterised the material and technical base of socialism in much too general terms, without identifying the stages of its formation. That made it more difficult to draw a line between the various states of the socialist relations of production.

Four economic laws affect the functioning and development of socialist relations of production: the basic economic law of socialism,¹ the law of planned-and-balanced development, the law of distribution according to labour, and the law of value. This fact was established in the course of the 1951 discussion, when a substantial advance was made in determining the subordination of these four laws: it established the leading role of the first two laws, and also the fact that the first three laws were specific to socialism (the law of value operated in one form or another in the modes of production before socialism).

All these conclusions of the 1951 discussion have stood the test of time: they have not been refuted either by practice or by the theory of socialist economic activity. This chapter will consider the specific operation in the transition period of the law of planned-and-balanced development, the basic economic law of socialism, and the law of distribution according to labour. A similar analysis with respect to the law of value will be given in the section on commodity production.

1. Specific operation of the economic laws of socialism in the transition period

a) Basic economic law of socialism

Once the socialist relations of production originate, production is geared to the ever fuller satisfaction of the

¹ "Basic economic law" is a term used in Marxist writings today to designate the economic law which expresses the most profound economic and social substance of each given mode of production and which determines the purpose for which the latter functions and develops. The basic economic law of capitalism is the law of surplus-value. The basic economic law of socialism and communism as a

people's material and cultural wants, but the forms in which the main goal of socialism is realised at the various stages of its development and the extent to which that is done are different. "From the first days of Soviet power our Party and state have been doing their utmost in this respect. But for well-known historical reasons our possibilities were limited for a long time."¹

The constraints in our country were, of course, primarily produced by circumstances stemming from the concrete historical conditions of its development. But the very fact that the planned-and-balanced organisation of production is just being arranged in the transition period tends to act as a constraint on realising the basic law and other economic laws specific to socialism as the first phase of communism.

Any radical restructuring of social production organisation inevitably entails greater or lesser losses. The adaptation of the productive forces to the new system of production relations likewise requires the allocation of additional funds for accumulation, something that does not directly lead to a rise in the working people's living standards, but merely creates the necessary conditions for raising them later on. All of that necessarily acts as a constraint on the operation of the basic economic law of socialism. The extent of the constraint depends directly on the level of production socialisation reached before the socialist revolution and on the development of machine production, i.e., on the maturity of the objective prerequisites for socialism.

The need for skilled labour-power, for educated workers, and so on, also depends on the level to which production has been developed. If primitive operations not requiring high skills or a good general education prevail in the process of labour, this makes it harder for workers to realise the need for better education, slows down the development of their requirements, and produces a contradiction between the goal of socialism and the objective requirement in considerable numbers of workers for fulfilling unskilled and low-skilled labour. Such growth is ever more imperative for economic development itself, and is a key prerequisite for the fast rate of expanded reproduction as machine production is developed: machine production makes height-

whole is defined in the following formula; production is to ensure the "full well-being and free, all-round development for all members of society" (V.I. Lenin, "Notes on Plekhanov's Second Draft Programme"; *Collected Works*, Vol. 6, p. 52).

¹ 24th Congress of the Communist Party of the Soviet Union, March 30-April 9, 1971. *Documents*, Novosti Press Agency Publishing House, Moscow, 1971, p. 51.

ened demands on the general education and special training of workers, and that depends on their living standards and on how fully their material and spiritual requirements are satisfied.

Under the impact of constraints on the operation of the basic economic law of socialism, the goal of socialist production at the initial stages of development may be manifested not so much in higher living standards of the working people as compared with the prerevolutionary period, as in the elimination of exploitation, the provision of guaranteed employment; in the elimination of social obstacles to the working people's access to education, culture and public health care; in the conversion of the satisfaction of individual wants, once the private business of every individual, into the common cause of the community as a whole, of the entire association of working people.

At a time when the potentialities for tangibly raising the working people's wellbeing are limited, it is important to identify and concentrate upon those lines that are either unattainable or attainable with great difficulty for nonsocialist countries with a similar development level but that are attainable for a socialist country and, moreover, give the working people a tangible sense of the state's concern for their wants. In that case, the working people will learn about the improvement of their condition not from the newspapers, but from their daily life, a fact which is most essential for strengthening the social support of the new power.

Among these lines could be the introduction of a guaranteed minimum of consumption for all the working people; large-scale action to eliminate mass unemployment (in 1928, the USSR had almost 1.6 million unemployed; by August 1931, the figure was down to 18,000, which meant that unemployment had been effectively eliminated once and for all); introduction of general education and guaranteed health care to an extent unattainable in nonsocialist countries with a similar development level; creation of an atmosphere of respect for the working people's wants, and resolute efforts to cut short any display of bureaucratic practice and "communist arrogance", as Lenin put it. Bureaucratic practices often irritate the population more than shortages of this or that product. There is good reason for the saying that nothing is less costly than respect for human dignity, but there is little that can compare with it. The main line of work in this sphere is utmost involvement of the working people in management and the arrangement of genuine self-governance.

b) The law of planned-and-balanced development

The transition to planned-and-balanced organisation of social production is an intricate and relatively lengthy process. Why is it impossible to organise the "main and basic features" of production on those lines right away? That is a good question, especially since elements of planned-and-balanced development already appear under capitalism.

Anyone answering that question has to bear in mind a number of circumstances. The establishment of a fundamentally new production organisation in accordance with the concrete conditions of a given country is in itself an exceptionally challenging undertaking which requires a creative approach to the solution of every new problem. Besides, one has to bear in mind that capitalism develops unevenly, so that while the country's economy as a whole has adequate economic prerequisites for transition to socialism, its various industries and enterprises are not equally prepared for an immediate switch to socialist economic methods. The capitalist mode of production in each country leaves behind it *different levels* in the social development of production—even if one considers "pure capitalism" (in abstraction from small-scale production)—and that cannot but objectively hamper the arrangement of planned-and-balanced social production: the lower the development of machine production, the lower is the level of its concentration and the greater are the difficulties confronted in forming the new system.

The fact that the planned-and-balanced organisation of production is just being arranged in the transition period is revealed, in particular, in that production programmes in the transition period (especially at its initial stages) are largely indicative and may not apply to all the enterprises within the state sector. Thus, in the USSR, production programmes approved by the State Planning Committee encompassed 40-45 per cent of industry in the socialist sector in 1923/24, 60-70 per cent in 1924/25, and 85 per cent in 1925/26.¹

Until 1925, production programmes in the USSR were drawn up for individual industries for a short period (sometimes for a few months) and were indicative. From 1925 on, the State Planning Committee got down to computing control figures for 32 industries, tying in their planned development targets with each other.

¹ G. M. Sorokin, *The Planning of the USSR Economy*, Moscow, 1961, pp. 141, 144, 165 (in Russian).

Planning is not always directive at the initial stages of the transition period. Thus, in the USSR individual control figure sections were first approved as mandatory for all departments only in 1927/28. Planning at that time had yet to be elaborated into a country-wide economic plan and in the first few years was limited to the drawing up of individual production programmes and control figures. The First Five-Year Plan, which covered 50 industries, was worked out for 1928/29-1932/33. In countries building socialism the actual result of economic activity differed markedly from what was envisaged by such programmes. In these conditions, operational direction of enterprises in the socialist sector, rather than planning, can be foremost in the planned-and-balanced direction of such enterprises. A resolution of the 15th Congress of the RCP(B) emphasised that "the record of planned direction has proved... that the actual plan is inevitably made up organically to the extent of the real growth of organisation of the economy and to the extent of the increasing potentialities for strict accounting and forecasting on the basis of the growing socialisation of the country's economy".¹

Earlier, a resolution of the 13th Conference of the RCP(B) in January 1924 drew attention to the fact that "the prerequisites of planned direction consist in creating a hard currency, in organising credit, in accumulating material assets which lend themselves to manoeuvring, and in effecting and consolidating definite forms of economic organisation (trusts, etc.)".²

Unstable rates of growth, considerable disproportions in the economy, snags in some industries, in the marketing of products continue to be objectively possible in the transition period. Thus, in the USSR in that period (with the exception of the years of the Civil War and the rehabilitation period), industrial growth fluctuated between 5 and 29 per cent a year. From 1950 to 1960, minimum annual industrial growth came to 8 per cent, and maximum, to 20 per cent in Bulgaria; 6 and 23 per cent, respectively, in the GDR; 5 and 27 per cent in Hungary (with the exception of 1956), 9 and 22 per cent in Poland, 6 and 24 per cent in Romania, and 5 and 18 per cent in Czechoslovakia.

At the same time, it would be wrong to judge of the strength and reality of the planned-and-balanced system

¹ *The CPSU in the Resolutions and Decisions of Congresses, Conferences and CC Plenary Meetings, 1898-1970*, Eighth Edition, Politizdat Publishers, Moscow, Vol. 4, 1970, p. 32 (in Russian).

² *Ibid.*, Vol. 2, p. 527.

of economic activity merely from the compass of economic planning, the length of the plan periods, or even the extent to which the plan targets are met. The crucial factor is the extent to which the given economic system ensures the general course in economic development. What is important for the attainment of this goal is the identification of the leading units of the economy and concentration of planned regulation on them, rather than the scale on which plan targets are handed down to industries and enterprises (i.e., the important thing is quality, rather than quantity). That is precisely the approach which Lenin vigorously introduced from the early days of the Soviet power. That will be seen from the economic measures put through in the first months of 1918. Among them were:

1) the formulation of a plan for the collection, transportation and distribution of *foodstuffs* with an eye to the conditions and results of the year's output and over the long term so as to accumulate reserves;

2) the arrangement of the accounting and distribution of all types of *fuel*, and the merger of the institutions concerned in May 1918;

3) the organisation of the accounting and distribution of *rolling stock* and efforts to ensure scrupulous observance of programmes for the haulage of freight *on railways and water transport*. The establishment of an *interdepartmental commission* on mixed railway and water haulage in April 1918;

4) the unification of *building works*, which was assigned on May 9, 1918, to the Committee on State Building Projects of the Supreme Economic Council¹ (which had the assignment of drawing up the plan, establishing the procedures for its fulfilment, and carrying out state construction);

5) the centralisation of *finances* and the arrangement of control and accounting of *money* circulation and of the *taxation system* (May 1918);

6) the formulation of a programme for improving land in the cotton areas of Turkestan and increasing the production of *cotton* (a programme considered by a special commission under Lenin's chairmanship in the spring of 1918);

7) the formulation, discussion and adoption at interdepartmental commissions of *plans for the major enterprises*;

8) the establishment of the Central Statistical Admi-

¹ The central organ of economic administration from 1917 to 1932.—Ed.

nistration in June 1918 and of local statistical offices in September 1918. Their main forms of activity were to be the carrying out of censuses and special surveys. Thus, an all-Russia industrial and occupational census involving up to 10,000 industrial enterprises (considering that about 3,000 enterprises had been nationalised by August 31, 1918, it follows that the census also involved a sizeable number of capitalist enterprises) was carried out on the government's instructions in August 1918;

9) the arrangement of the accounting and distribution of *production orders*, which were handled by the orders department and the sectoral departments of the Supreme Economic Council and the orders bureaus of regional economic councils;

10) the introduction of a state monopoly on agricultural machinery and implements (machines newly made or confiscated from landowners were taken over by the state) in the spring of 1918;

11) the adoption of a programme for expanding the *extraction of salt* at all the salt mines in June 1918.

The idea of concentrating planned regulation above all in the key units of the economy was most vividly embodied in the GOELRO Plan¹: electrification and power engineering were designated as the crucial units which could help to propel the whole economy.

c) The law of distribution according to labour

This law begins to operate together with the emergence of socialist relations of production. But economic practice in the socialist countries reveals considerable deviations from the mandates of this law, above all towards egalitarianism. The wide spread and reproduction of such deviations show that they are not ultimately due to subjective tendencies, but that they evidently have some objective grounds which need to be brought out.

The historical roots of egalitarianism go back to pre-capitalist, communal and patriarchal relations, and where the remnants of such relations are considerable on the eve of the socialist revolution (as they were in most countries of the world socialist system), the principles of distribution which have become traditional are inevitably extended to the new economic and social forms. Traditions are known

¹ State Commission for the Electrification of Russia. It was the first complex plan for long-term economic development on the basis of electrification. —Ed.

to have a life of their own: they remain potent for a long time after the relations that produced them have become a part of history.

But there is also the fact that the concrete forms of distribution largely depend on the size of the individual consumption fund. Socialism has the task of guaranteeing a definite minimum of wellbeing to all the working people. And where the size of the consumption fund is relatively small, once the minimum has been ensured it may turn out that the remaining part of the fund is inadequate to introduce additional payments in accordance with the different labour inputs by various workers. That situation is characteristic of many countries at the early stages of socialist construction.

In this situation there are also difficulties in bridging the gaps between the consumption levels of different strata of the working people which took shape under capitalism: if the salaries of specialists are sharply reduced it is harder to involve them in socialist production, while the wages of other strata of the working people can be raised to the level of the specialists' salaries only on the basis of a bigger necessary product. In such cases, the distribution differentials will be larger for a period of time than those envisaged by distribution according to the quantity and quality of labour.

In practice, both these trends, which lead to greater or lesser deviations from the principle of distribution according to labour, may exist simultaneously and be combined.

Yet another reason for the existence of elements of egalitarianism is due to the fact that the actual labour input of workers and their collectives to the total result can far from always be established with sufficient accuracy. The difficulties of doing so vary from one sphere of the economy to another. But whenever the criterion for measuring labour inputs is not established with sufficient clarity, there is bound to be an urge to "please everyone", i.e., to give everyone equal shares. The difficulties in determining labour inputs are overcome with the perfection of planning, norm setting, accounting and control of labour, in short, as economic planning methods are honed.

Egalitarianism cannot be altogether avoided wherever there are real objective grounds for it, but it is not right to make a virtue of necessity and declare egalitarianism as being just about a socialist ideal. It is also important to seek to limit its scale to the utmost.

Finally, as the consumption fund is built up, there is a need consistently and steadily to overcome the elements

of egalitarianism and to introduce the principles of distribution according to labour. Such is the objective requirement.

All these causes of egalitarianism in distribution are transient ones, and so the possibilities for more consistent distribution according to labour objectively increase with the development of socialism. They become most favourable under developed socialism, when the operation of the law of distribution according to labour is intensified.

With that fundamental point in mind, one needs to reckon with the existence under socialism of specific phenomena capable of providing good soil for egalitarianism, such as those arising from the contradiction between the differentiation in living standards, which stems from distribution according to labour, and the tendency to consolidate the economic and social equality of all the working people, a tendency which is organic to socialism.

However, egalitarianism merely creates the impression that the contradiction has been resolved; far from resolving it, egalitarianism erects obstacles in the way of its resolution.

Egalitarianism guarantees to one and all a definite level of wellbeing, and that is a positive aspect (it is true that when the consumption fund is small it may turn out to be spreading general poverty). At the same time, it reduces the incentives to more productive labour and conserves the existing level of production and consumption, so leading to stagnation. What is more, egalitarianism hits hardest at those who are capable of giving the society more than others, but who fall short of doing so because a growing contribution to the total results of labour activity has no tangible effect on their own wellbeing.

Major social problems (and among them the increase in social equality is certainly an important one) can be solved only through accelerated development of social production. It is highly important to bear in mind what Lenin said on this score: "Following its seizure of political power, the principal and fundamental interest of the proletariat lies in securing an increase in output, an enormous increase in the productive forces of society".¹

Unemployment is the curse of the working people in the capitalist society, the main instrument used to bring the working people to heel: unruly and lazy workers are simply sacked, and that is certainly very strong medicine (the lot of the unemployed is unenviable). Socialism, for

¹ V. I. Lenin, "Draft Theses on the Role and Functions of the Trade Unions Under the New Economic Policy", *Collected Works*, Vol. 42, p. 378.

its part, guarantees the right to work by making labour universal. That is the greatest social gain and advantage of the new system, which incidentally creates a favourable atmosphere for parasitic attitudes and for an urge to "take more and give less". It is still a part of human nature to put no value on what is readily available. In these conditions, material incentives for efficient labour acquire special significance: it turns out that under socialism material incentives are no longer reinforced by unemployment.

How can the wage differentials be tied in with greater economic and social equality? One way is to take the social load off wages and to switch more of it to the other form of distribution, namely, social consumption funds. Thus, the development of social payments for dependents helps to relieve wages from compensatory functions, and thereby to bring them into greater accord with every worker's labour input. The development of social consumption funds to the right volumes and along the right lines can, therefore, effectively enhance material incentives and bring the measure of labour and the measure of consumption into greater balance, despite the widespread notions to the contrary.

But the main way is to transform labour itself in order to increase the working people's equality in the actual use of the means of production, to enrich the content of labour and make it more creative. The bringing of wage differentials into accord with the labour input of various workers, first increasing the income differentials, subsequently helps to make labour more efficient, to increase the incentives for its transformation and to create the conditions for subsequently reducing the differentials on an objective basis and in full accord with the principle of distribution according to labour.

Rationing is a problem connected with distribution according to labour in the transition period: the shortage of consumer goods makes it necessary to introduce what is known as regulated distribution. The good thing about rationing is that it helps to guarantee a definite quantity of material goods for every stratum of the population.

At the same time, rationing tends to establish consumption on a low level and sharply limits—and often entirely eliminates—the possibility of choice on the part of the consumer, thereby reducing the incentives to develop production.

Rationing does not eliminate consumption differentials (since it implies that different quantities of goods can be had for different categories of ration cards), but it separates

the consumption differentials from labour inputs, and that also reduces the incentives for boosting production. Relations are expressed in kind, and the prices of consumer goods become conventional and largely symbolic. They are separated from the socially necessary labour inputs, so making it more difficult to start a system of economic calculus. Rationing creates the illusion that food is cheap, and this makes it harder to go over to an objectively based price-formation system. At the same time, the population usually tends to accumulate large amounts of money, and this disrupts the circulation of money.

These shortcomings can to some extent be compensated (toned down but never eliminated) by the development of trading on commission, in which goods are sold at real (objectively based) or even exaggerated prices, and by the expansion of the free sale of foodstuffs that are not among the prime necessities and goods in short supply.

All of that indicates that rationing is inadequate to the socialist principles of distribution, and may be regarded as no more than a forced and temporary measure.

2. The material and technical base of socialism.

The economic and social substance of the cultural revolution

The material and technical base (MTB) of socialism is made up of large-scale machine production. Such is its most general definition, from which it follows that large-scale machine production needs to be built up in countries where it has not been duly developed.

But like every other general definition, the above definition is obligatory but inadequate, and needs to be expressed in concrete terms, because far from every kind of large-scale machine production can be an adequate MTB for socialism. It has to reach a state ensuring the formation of an integral country-wide economic complex constituting the basis for planned economic activity, control by the consumer over the producer, attainment of the economic and social goals stemming from the nature of socialist relations of production, i.e., there is a need for specialised mass production, for intersectoral and territorial-production complexes, and complexes within the framework of the primary producer unit.

It is also necessary to shape integral energy, transport and information systems that would actually bind the country's economy into a single complex and act as its blood circulation and nervous systems.

It was suggested at one time that industries which are now known as the industrial infrastructure are not a part of basic industry. That was obviously a misconception, for the extent to which the integral country-wide economic complex is developed is largely predetermined by the development of the industrial infrastructure, whose existence is among the necessary conditions for bringing the MTB into complete accord with the system of socialist relations of production.

If that is to be done, there is also a need to align the technical levels in the various spheres of the economy, industries and regions. Such an alignment is a necessary component of the general line to even out the economic and social conditions of the vital activity organic to socialism. In multinational countries it also serves as the objective basis for solving the nationalities problem which the socialist countries inherit from the past, as a basis for closer relations among nations.

The relations between nations are mainly determined by the relations of production dominant in a society. The resolution of the 10th Congress of the RCP(B) in 1921 stressed: "While private property and capital inevitably divide people, stir up national strife and increase national oppression, collective property and labour just as inevitably bring people closer together, undermine national strife and abolish national oppression. The existence of capitalism without national oppression is just as inconceivable as the existence of socialism is inconceivable without the liberation of oppressed nations, without national freedom."¹ The evening out of the nations, technical, economic and cultural development levels in fact provides the objective basis for establishing a new type of relations between them.

The MTB of socialism is much more than the mere existence of large-scale machine production also because there is a need to bring it into a state in which it is possible to ensure full employment for the able-bodied population and to direct social production to improving working conditions, enriching the content of labour, and raising the people's living standards.

The MTB has, therefore, not only a technical, but also an economic and social aspect, and is an economic category. Accordingly, a distinction needs to be drawn between the technical and the socio-economic aspects in its formation:

¹ *The CPSU in the Resolutions and Decisions of Congresses, Conferences and CC Plenary Meetings. 1898-1970*, Eighth Edition, Politizdat Publishers, Moscow, Vol. 2, 1970, pp. 248-49 (in Russian).

the socio-economic aspect consists in adapting the productive forces to cater for the needs of the new economic system. Indeed, the essence of shaping the MTB of socialism consists in such an adaptation, and not merely in a build-up of machine industry wherever it was not duly developed before the revolution. That, in fact, helps to resolve the contradiction between the newly established socialist relations of production and the productive forces inherited from the old system.

Some accepted views of the cultural revolution likewise need to be corrected, for they reduce it to the wiping out of illiteracy and the training of skilled personnel. Both, of course, need to be done, but that merely completes what capitalism failed to do in many countries. If the cultural revolution were confined to that kind of effort, it would never have been a general uniformity of transition to socialism. The fact is that in the course of socialist transformations there is a need to adapt to the new relations of production not only the material factors of the productive forces, but also the worker, the chief productive force. There is a need to shape a new type of working persons, people capable of finding their bearings within the system of production, something that is also necessary for developing their self-governance. The shaping of the new type of worker requires the establishment of an integral state system of public education, the training and retraining of personnel, and the provision of cultural services for the masses. The cultural revolution is, therefore, an indispensable component in adapting the productive forces to the needs of the system of socialist relations of production, in consolidating that system, and in the real socialist socialisation of production.

Lenin held that machine production, which is also capable of reorganising agriculture, was the only material basis of socialism.¹ So, what is required is more than the existence of a heavy industry, which is no more than a means. The main thing is to make machine production underpin all the branches of production (including, of course, such an important branch as agriculture) and to ensure the reproduction of this technical basis.

That can be done in different ways depending on the concrete historical conditions, which means that the question of the concrete make-up of the MTB of socialism in

¹ See, V. I. Lenin, "Third Congress of the Communist International, June 22-July 12, 1921. Theses for a Report on the Tactics of the R.C.P.," *Collected Works*, Vol. 32, 1977, p. 459.

this or that country cannot be decided outside the context of space and time. Thus, in countries which took the socialist way of development in the postwar period, the material and technical basis has been shaped under a deepening socialist international division of labour. Unless that is taken into account, one cannot decide on the priority development of this or that industry or on national-economic proportions.

Nor is it right to ignore that current scientific and technical progress does much to expand the potentialities for enlarging the supply of technical facilities and technologies to agriculture. In the past, the agrarian sector used to lower the general technical level of the national economy, but that is no longer inevitable. And that, for its part, means that the complete build-up of the material and technical basis of socialism does not always have to turn each socialist country into an agrarian-industrial one; some of them may well remain industrial-agrarian countries.

It is important, at the same time, to develop export-oriented industries, to build up a set of industries whose products in the main meet the population's traditional requirements, and to have industries supplying the technical and energy back-up for reproduction in the first two groups of industries.

In other words, the economy must be open to involvement in the international division of labour, but on complex lines.

Sources of accumulation are essential for transition-period conditions: the reconstruction of the economy demands considerable funds. These sources fall into two groups: internal and external. The internal sources are connected with the inter-industry redistribution of resources, and under a multisectoral economy that must necessarily mean a redistribution of resources among the sectors. But the overall problem is to raise the rate of accumulation. By 1928, the share of accumulation in the national income in the USSR had been raised to 27.1 per cent, in 1932 it came to 26.9 per cent, and in 1937 to 26.4 per cent, whereas in tsarist Russia it had never exceeded 16 per cent. That substantial increase in the rate of accumulation helped to accelerate economic development. Thus, in the first and second five-year periods, national income grew at a rate of 16.2 per cent a year, while industrial per-unit costs between 1933 and 1936 dropped by 4.9 per cent a year, as compared with 1.0-1.5 per cent for tsarist Russia and 1 per cent for the United States (in 1923-1929).

In the transition period, the state is capable of sup-

porting enterprises which are loss-makers, but which are important from the standpoint of the economy's technical reconstruction. That was the case with many enterprises in the heavy industry in the USSR over a period of several years. It is clear, however, that if state enterprises make no profits, the potentialities for accumulation are bound to be sharply reduced. In short, seeing that enterprises in the socialist sector work without losses is one of the key tasks in building up the new system of economic activity.

External sources of accumulation are two-fold: recruitment of foreign capital and economic assistance from countries where socialism has won out.

The terms on which foreign capital is made available are the important thing in recruiting it. There is an obvious danger in the use of foreign capital for the policy pursued by the socialist state and for the working people's economic and social gains: foreign capital should not be recruited at the price of flirtation with or concessions to the imperialist states, whatever their pressure.

It is important, at the same time, to decide in which spheres of the economy the recruitment of foreign capital is most advisable: it was said at the 10th Congress of the RCP(B) that "branches of the national economy whose development obviously helps to raise the development level of Russia's productive forces could be the objects of concession agreements".

For various reasons the volume of economic assistance from the countries where socialism has won out continues to be limited, and here it is of fundamental importance to seek ways for the most efficient use of international assistance, prevention of parasitic attitudes with respect to such assistance, and utmost marshalling of internal resources.

CHAPTER SEVEN

MULTISECTORAL AND INTEGRAL CHARACTER OF THE TRANSITION-PERIOD ECONOMY

1. Multisectoral character of the transition-period economy: objective causes

All Marxist writers recognise that the transition-period economy has to be multisectoral, but there is no due clarity on the objective causes for which these various sectors (above all, the capitalist sector) have to exist. The usual arguments refer to the existence of numerous petty-commodity producers, whose production it is impossible to transform within a short period of time and which keeps breeding capitalism continuously and on a massive scale.

That is quite true as a proposition. It has been so in countries which have built socialism, and in many of those which are still to take the socialist road the transition-period economy will be multisectoral because of the existence of a vast petty-commodity sector. But that is still unacceptable as a general theoretical explanation, because what we have in this case is a concrete historical factor, i.e., capitalism's failure to fulfil its historical mission of ousting the precapitalist economic forms. In general historical terms, it is capitalism in its highest form that carries the society close to socialism, and that is the context in which to solve the problem of the multisectoral economy in the period of transition from capitalism to socialism. But such an approach reduces the problem to whether the capitalist sector must necessarily exist after a socialist revolution even in countries without massive petty-commodity production. "Pure capitalism" is, of course, an abstraction, but one that tends to become ever more realistic for the developed capitalist countries. That point was made by Lenin in his "Notes on Plekhanov's Second Draft Programme": "§V speaks of bourgeois society 'in developed form', and at the same time states that both a 'section of the artisans' and 'the small peasantry' have survived in this society. What follows is an inaccuracy. If one is to understand the words 'develop-

ed form' in a strictly theoretical sense, then there will be neither artisans nor small peasants in such a society. And even if these words are taken in their usual sense to mean the *most* developed countries—even then we will find that in Britain, for example, 'the small peasantry' as a separate section of society has in essence practically ceased to exist."¹

By the time of the socialist revolution, capitalist production consists of various levels of social development of production. In these conditions, socialising production in practice, which is already a challenging process, would be further extremely complicated by any attempts to restructure production on socialist lines in all the units of capitalist production at once.

While all the economic conditions for socialist transformations exist at large-scale enterprises, at the small and medium capitalist enterprises, where the social character of production is inadequately developed, it is advisable to postpone the introduction of the new system of relations until the working class has socialised production in practice in the leading sections of the economy.

Consequently, the deep-lying basis for the existence of the capitalist sector alongside the socialist sector in the transition-period economy is rooted in the specific formation of the socialist relations of production and the socialisation of production in practice. The development of these relations in breadth is organically connected with their development in depth and proceeds through socialising production in practice.

It is also justifiable for the proletariat to keep some capitalist enterprises running for a time because in doing so it offers a compromise to a section of the bourgeoisie, splits it up, weakens its resistance, and shapes a favourable atmosphere for the bourgeoisie's less painful perception of the building of socialism. That is even more productive than instant nationalisation with compensation.

The existence of petty-commodity production in countries taking the socialist way of development has produced the problem of the balance between the substantive and the auxiliary measures in transforming the economic basis of the society. The presence of petty-commodity production goes to intensify and complicate the contradiction in the shaping of socialist relations of production. But because it is an auxiliary, even if important, element in the socialist restructuring of the society, it cannot abolish or

¹ V. I. Lenin, "Notes on Plekhanov's Second Draft Programme", *Collected Works*, Vol. 6, p. 42.

replace the main line of development, which runs from capitalist to socialist forms of economic activity. In the light of this line of development, it is necessary above all to consider the main problems in the transition-period economy.

The notion that the objective basis for the presence of the capitalist sector in the transition-period economy lies in the petty-commodity sector did not, of course, appear accidentally, but had its historical reasons. The bourgeoisie in Soviet Russia started a civil war, so forcing the Soviet power to take resolute action in rooting out capitalist production. In these conditions, capitalist elements were revived through petty-commodity production, which had a sizeable share in the country's economy. The connection between preserving these elements and establishing socialism turned out to be camouflaged.

The spread of this notion was also promoted by the fact that some economic writers regarded relations in the socialist sector as ordinary socialist relations, which differed in no way from the relations of victorious socialism. Such an approach naturally makes it impossible to discern in the socialist sector the grounds for keeping the capitalist sector within the economy for a time. Only one thing then remains in the search for the economic causes of the preservation of the capitalist sector, namely, the petty-commodity sector. If a petty-commodity sector does not exist in the economy or is an insignificant one, the question of the multisectoral character of the transition-period economy remains unanswered. It is discovered, as a result, that if the development of socialist relations of production in depth is ignored, it is logically impossible to demonstrate the inevitable development of these relations in breadth.

Recognition of the fact that the continued existence of the private-capitalist sector for some time is objectively based makes it necessary to tackle the question of the limits of socialist nationalisation.

At the very first stage of socialist transformations, there is a need to nationalise the monopolies (if that was not done at the democratic stage of the revolution). The proletarian state must take hold of all the commanding heights of the economy, for otherwise it cannot ensure the economic superiority of the socialist sector over the capitalist one and hence the advance of the economy towards socialism. Unless socialist relations of production encompass the key economic units it will be impossible to carry out a broad social programme for raising the working people's well-being, which is why these relations will be unable to show

what they actually are.

The laying down of limits for socialist nationalisation at its first stage does not, of course, mean that at some given point the possibility of nationalisation is totally ruled out. What is suggested is above all that with the state in control of the commanding heights of the economy, the centre of gravity shifts from nationalisation to constructive efforts to build up socialist relations of production.

It also needs to be taken into account that the sharpening of the class struggle tends to accelerate the pace of nationalisation. In order to safeguard their gains, the working people are forced to accelerate the pace of nationalisation, despite the fact that this creates additional economic difficulties in building socialism. Socialist transformations can be most gradual only when the socialist revolution develops in peaceful forms.

It is no concession by the working class to the bourgeoisie for the dictatorship of the proletariat to allow capitalist enterprise. It is not a concession in the literal sense of the word. The situation is ultimately not such that the capitalists demand some of the enterprises to be left under their control, while the working people meet them halfway and concede the demand. There is a more profound, economically rooted reason for allowing capitalist enterprise to continue in the transition period. The existence of the capitalist sector in that period stems from the conditions in which socialism takes shape: it is an objective necessity, and the working class consciously materialises that necessity.

If circumstances force a step-up in the nationalisation of private-capitalist enterprises, there needs to be a special analysis of the alternatives under which the losses will be greatest: with the continued existence of the private-capitalist sector or with its stepped-up elimination. After all, far from removing the need to solve the problems of arranging the new system of economic activity, the stepped-up nationalisation actually complicates their solution.

Moreover, capitalist elements cannot be entirely removed so long as petty-commodity production continues to exist, and not only because it keeps generating such elements, but also because it enables them to exist in covert forms, largely underground. The implication is that when deciding to step up the nationalisation of private-capitalist enterprises, it is important to be clear on what is preferable: retaining the overt or covert forms of capital, as the latter are much harder to identify and control.

The temporary preservation of the private-capitalist sector implies not just a formal recognition of the latter, but

acceptance of the conditions without which it cannot exist, such as the functioning of commodity-money relations and a free market. For private-capitalist enterprises, the free market is like the very air they breathe. That is why prohibiting the free market while formally recognising the private-capitalist elements' right to exist is tantamount to their actual prohibition.

The time factor is also of considerable importance: the capitalist will decide to invest his money in this or that sector of the national economy only if he is sure that his activity will not be banned within a fairly long period of time.

One should draw a distinction between the basic sectors (the socialist, the private-capitalist and the petty-commodity sectors) and the derivative sectors taking shape at the interface of the basic sectors as a result of their interaction. These derivative sectors are exemplified by state capitalism, whose emergence means that after the socialist revolution the economy will be multisectoral even if there is no massive petty-commodity production in the country: in that case, *three* sectors—the socialist, the capitalist and the state-capitalist—will function in the economy for a definite period of time.

At every stage in the society's development, beginning with the disintegration of the primitive-communal system and up to the establishment of socialism, various forms of economic activity, various types of production relations and various sectors simultaneously neighboured on each other. Thus, the slave-holding latifundia and the feudal estates neighboured on the communes and the undertakings of the independent petty-producers, while remnants of precapitalist modes of production of varying size remain in the capitalist countries. But can any economy in which different sectors exist be regarded as a multisectoral economy?

The answer which seems to suggest itself is that it can, and that is what some writers maintain. But while seeming to be correct in formal terms, it is wrong in substance, because it obscures the radical distinctions between a transitional economy and the domination of a definite mode of production, and puts the same colouring on the whole of mankind's economic history from the disintegration of the primitive-communal system to our day.

In short, the existence of different sectors in the economy is a necessary but inadequate condition for recognising that it is multisectoral. What is also necessary is the absence of a sector that is absolutely predominant and that

determines the type of development and the face of the given society. Thus, the number of sectors in Russia's economy as a result of the October revolution increased by only one—the socialist sector. But in tsarist Russia the economy was not multisectoral, because its type was determined by capitalism, whereas in Soviet Russia it was multisectoral, because the capitalist form of economic activity ceased to be the dominant one, while the socialist form had yet to become the dominant one.

2. The integral economy of the transition period: distinctive features

Since the transition-period economy is multisectoral, special importance attaches to the question of whether it is integral and in what respect.

That economy is clearly not an organic whole, i.e., it is not integral in terms of the existing relations of production being of the same type. But its sectors are not isolated from each other. They are within an integral social-division-of-labour system and, for that reason, enter into economic ties and interact with each other. In that sense, the transition-period economy is integral: it does not constitute an organic unity but a special type of unity, with a struggle under way within the framework of the whole between mutually exclusive trends of development (socialist and capitalist), one of which must ultimately gain the upper hand and so make the system an organic whole.

The integrity of the transition-period economy will also be seen from the fact that one of the contending trends is a leading trend. The socialist sector has control of the commanding heights, so that it and its laws have a leading role to play, which objectively predetermines the movement of that economy towards socialism.

The integrity of the transition-period economy is also evident from the fact that the predominant socialist sector uses the private sectors in the interests of socialist construction.

“The only socialism we can imagine is one based on all the lessons learned through large-scale capitalist culture,”¹ Lenin emphasised. Such a perception, a “sublation” is attained in practice in various ways. One of these is that

¹ V. I. Lenin, “Session of the All-Russia C.E.C., April 29, 1918. Reply to the Debate on the Report on the Immediate Tasks”, *Collected Works*, Vol. 27, p. 310.

socialist enterprises operating together with capitalist enterprises within the same social-division-of-labour system inevitably borrow their positive experience in organising production.

Competition with capitalist enterprises forces economic agencies in the socialist sector to carry on production more rationally and flexibly. There is a thorough verification of the socialist sector's activity in competition with capitalist enterprises.¹ Competition with the capitalist sector gives the economic agencies of the socialist sector additional incentives to rapid development of the productive forces, because the capitalist can be defeated economically only through higher labour productivity.

In countries where the economic prerequisites for socialism have not yet attained a developed state by the time of the socialist revolution, it is also advisable to allow the existence of the capitalist sector because it helps to develop production, thereby producing and increasing the working class, the chief force of the socialist revolution. In an economy under construction, there is often a shortage of funds, personnel, etc., which is why it is highly important to attract capital to the industries and regions which the socialist sector is still unable to develop on its own.

In the light of what has been said, it is insufficient to describe the attitude of the socialist sector to the capitalist sector as an attitude of restriction, extrusion and liquidation. Such a view, which is often found in Soviet economic writings, reflects only one aspect of the matter. Its advocates assume that the victory of socialism implies the elimination of capitalism, but fail to see that transition-period capitalism is used by the socialist sector, and that the planned-and-balanced methods of economic activity are worked out as it borrows all the positive elements produced by capitalism in this area. The task of the working class is not merely to oust the capitalist sector. With political power in its hands, it can well do so swiftly and easily, but that does not in itself produce a mature socialism or rid the proletariat of the economic tasks of the socialist revolution. That is why there is a need to use capitalism to ease and accelerate the building of socialism and to get rid of it only as it has fulfilled that role.² Indeed, that is

¹ See, V. I. Lenin, "Eleventh Congress of the R.C.P. (B.), March 27-April 2, 1922. Political Report of the Central Committee of the R.C.P.(B.), March 27. Closing Speech on the Political Report of the Central Committee of the R.C.P.(B.), March 28", *Collected Works*, Vol. 33, pp. 273, 275-76, 305, 311 and others.

² This is an exposition of the general principles of transition to

the economic purpose for which the capitalist sector is allowed to exist in the transition-period economy. It is perfectly clear that what we have here is not a "love match, but a marriage of convenience".

The use of the capitalist sector, like the whole of socialist construction, proceeds in the most acute struggle between socialism and capitalism on the principle of "who will beat whom". The use of capitalism is, in effect, a form of that struggle. The capitalist sector keeps trying to go beyond the limits set for it and to harm the socialist sector. That is why one of the hardest problems in socialist construction is to find the fitting measure, limit, and form in which capitalism is allowed to exist at every stage of development. "The proletarian state may, without changing its own nature, permit freedom of trade and the development of capitalism only within certain bounds, and only in the condition that the state regulates (supervises, controls, determines the forms and methods of, etc.) private trade and private capitalism."¹

Developing economic ties between the socialist and the petty-commodity sectors is equally important in forming socialist relations of production.

There is an intrinsic capitalist trend within petty-commodity production, as petty producers spontaneously move towards capitalism. The implication is that they have to be led towards socialism. The basis for their perception of socialist transformations is that most of them are threatened with ruin in an atmosphere of commodity production.

But if the petty producers are to be given a lead towards the socialist sector, there is a need to establish and strengthen economic ties with petty production and to give it assistance and support.

Under capitalism, market competition, the spread between farm and industrial prices, etc., are the main means by which the petty producers are ruined. All these phenomena continue to exist in the transition period, but their operation is limited. For one thing, the petty producers are released from oppression by the monopolies. The bulk

socialism, and the extent to which they are applicable depends on the concrete conditions. If a situation unfavourable for building socialism takes shape, it may be advisable to liquidate the capitalist sector even before it has quite fulfilled its purpose in the transition-period economy.

¹ V. I. Lenin, "Draft Theses on the Role and Functions of the Trade Unions Under the New Economic Policy", *Collected Works*, Vol. 42, p. 375.

of their commodity output is purchased not by capitalists, but by socialist organisations. In these conditions, farm prices are subject to regulation by the socialist sector. It also plays the leading role in supplying the petty producers with manufactures.

In the course of agrarian transformations, the labouring peasantry receives from the workers' state additional land, farm implements, and livestock once in the possession of big landowners.

The restoration of petty production and support for it largely limit, though not entirely eliminate, the differentiation of the petty-commodity producers in the transition period.

Contracting is a higher economic form in which the socialist sector exerts an influence on small producers, for it involves their commodity products in organised exchange and so limits and reduces the uncontrolled operation of the market.

The petty-commodity sector is independent of the socialist sector only in so far as there are no relations between them. But the development of economic ties between them helps to increase control over small-scale production by the socialist sector, and this, for its part, eases the subsequent socialist transformation of small-scale production.¹

3. Commodity production in the transition period: role and peculiarities

The existence of the capitalist and the petty-commodity sectors signifies the retention of the *commodity-money relations system* which is organic to them. Capitalists and petty producers cannot enter into economic relations otherwise than by means of commodity-money relations.

The ultimate reason for the transition-period economy being multisectoral does not lie in the existence of a petty-

¹ S. G. Strumilin drew attention to this fact back in 1924, when he wrote: "If we are able to dictate not only wholesale but also retail prices both to the producer and to the mass consumer, the problem of overcoming the elemental operation of the New Economic Policy will be solved. It does not matter whether or not the remaining petty producers and traders go on regarding themselves as independent 'entrepreneurs'. We shall turn them into our own agents by economically regulating both the prices of the peasants' produce and the commercial mark-ups of the retail trader. Carrying through the necessary collectivisation of labour on the scale required for its rationalisation will then no longer present any insuperable difficulties." (S. G. Strumilin, *On the Planning Front*, Politizdat Publishers, Moscow, 1958, p. 196 (in Russian).

commodity sector, but in the fact that the emergent socialist relations of production do not initially cover all, but only a part of what was once capitalist production. But if, regardless of the existence of the petty-commodity sector, capitalism is allowed to exist for some time for objective reasons, that is the most general reason for retaining the system of commodity production. The petty-commodity sector, for its part, adds new elements militating for the existence of commodity production in the transition period.

Commodity-money relations are introduced into the transition-period economy by the continued existence of their classical subjects: capitalists and petty-commodity producers. But these relations also begin to function in the transition period on a different soil, i.e., between socialist enterprises. Nor are they a mere "reflected light" of the relations proper to the private sectors. *Commodity relations also have a basis within the socialist sector.*

Planned-and-balanced production in the socialist sector is just being arranged, and in these conditions production at socialist enterprises along some lines cannot but be carried on separately, independently of others. The movement of the product in the sphere of circulation has a substantial effect on the activity of these enterprises, at which commodity relations complement and correct the planned-and-balanced management of production.

Commodity relations in the socialist sector have some common properties with commodity relations in the private sectors, but also have *fundamental specific features*: first, they service a new type of relations, namely, socialist relations; and second, they do not constitute an independent system. The second point means that production included in the socialist sector ceases to be a system of atomised economic units connected with each other exclusively through the market.

In the private sectors, the commodity organisation of production, commodity production remains as a system. That is why the law of value in these sectors continues to regulate production, to generate elements of uncontrolled development in the economy, and leads to the differentiation of the producers and the emergence of capitalists from the midst of the petty producers.

By contrast, commodity relations in the socialist sector turn out to be built into the emergent planned-and-balanced organisation of production, in which the law of value does operate, but with a limited role and without the possibility of displaying all its potentialities. It is not the law

of value that determines the development of production in the socialist sector. Expanded reproduction in the socialist sector is effected mainly from a centralised social fund, which is redistributed in a centralised manner among the enterprises and industries in accordance with the requirements of socialist construction, and on that primarily depends the line of development of social production.

As the planned-and-balanced organisation of production is set up and the private sectors are transformed and ousted, however, it turns out that neither the one nor the other is sufficient to surmount commodity-money relations. If these are to be surmounted, there is a need to advance not only in the "organisation and cultural spheres", but also in building up productive forces that would make it possible to do away with the economic and social inequalities in labour, the marked differences in the economic condition of enterprises, etc. Such a state of production cannot be attained within the framework of the transition period: it takes full shape only as the material and technical base of communism is built up, which is why commodity relations continue to exist and are actively used at the stage of socialism.

So, it turns out even in the transition period that the elimination of the basic relation of capitalism is not tantamount to eliminating the commodity form adequate to it.

Eliminating the relations of wage-labour exploitation helps to overcome the system of commodity production, but not commodity relations in general. If these are to be eliminated, there is a need for considerably more conditions than for eliminating the basic relations of capitalism. The withering away of commodity production goes through *three* stages.

First stage: imperialism, when the commodity-production system is undermined;

second stage: transition period, when commodity production is overcome as a system of "atomised" economic units; and

third stage: triumphant socialism, when the use of commodity-money relations creates the conditions for gradually transcending them in the advance to full-scale communism as the planned-and-balanced use of commodity-money relations is perfected.

There is no doubt both from the theoretical and practical standpoint that the commodity production system and the domination of the law of value lead to capitalism. The autonomous operation of the law of value tends to reproduce the existing structure of the economy, which is

why it cannot ensure its socialist reconstruction, so that it cannot evidently be a regulator of social production developing along the way to socialism.

But although the law of value does not in itself lead to socialism, it can and must be *used* for the benefit of socialist construction. Without the medium of commodity-money relations, the socialist sector cannot establish ties with the private sector or, consequently, make use of them in its own interests.

Petty producers need manufactured products, and they do not care where they buy them: from socialist or from capitalist enterprises. Their sole concern is a better and cheaper product more efficiently supplied. If capitalist enterprises cater for the petty producers and assure themselves of supplies of raw materials and foodstuffs without the participation of the socialist sector, the private sectors will form a united front against socialism and will isolate themselves from it, so reducing the socialist sector's possibilities for regulating them.

If the socialist sector is to establish firm ties with small-scale production and so make capitalism unviable, it has to master the market techniques of economic activity.

If the petty producer is involved in commodity-money relations, he has to count his costs, apply new methods of production and increase output. Commodity-money relations stimulate small-scale production and are accordingly used by the socialist sector. Let us recall that when commodity exchange was legalised in our country in 1921, gross agricultural output began to grow rapidly.

The more frequently petty producers appear on the market, the more frequently and palpably they are convinced that it is the big enterprises that as a rule gain the upper hand. That demonstrates the advantages of large-scale production in the language they best understand. The market keeps driving home to them that so long as one remains a petty producer, there is no hope of escaping the threat of ruin. That is what provides the necessary arguments in favour of the collective form of economic activity.

Involvement of petty production in commodity-money relations raises its social character, ties it to large-scale industry and carries the petty producers to the formation of supply-and-marketing cooperatives. The emergence of cooperatives in the sphere of circulation is directly connected with the extent to which commodity relations are developed. Where agriculture is more specialised and has a greater commodity output, more petty producers can be involved in supply-and-marketing cooperatives.

Supply-and-marketing cooperatives provide good schooling in collectivism for petty producers, and so facilitate their transition to producer cooperation. Once they join together in circulation, petty producers naturally come to see the idea of joint production; as they purchase machinery together, they begin to use it together. Such is the ground on which machine associations, circles, etc., arise with some socialised means of production.

Although supply-and-marketing cooperatives promote the cooperation of petty producers, not all of them have necessarily to pass through such cooperatives. This applies above all to the poorer section of the petty producers. Supply-and-marketing cooperatives do not offer the poorer farm owners any special advantages, which is why they are inclined to go on to producer cooperation without any intermediate stages.

Contracting, another form of planned-and-balanced use of commodity-money relations, has consequences similar to those produced by supply-and-marketing cooperatives.¹ Contracting helped to bring the small-farm surpluses into organised commodity turnover and so limited and weakened the uncontrolled market. It also made the need for cooperation more obvious to the small producers. Thus, when a contract on the growing and sale of the same type of produce is concluded with all the peasants in a given village, it makes them well aware that they have to join efforts in growing that crop.

The commodity-money relations system has, therefore, a dual and contradictory role in the transition period. On the one hand, it has a capitalist tendency, and on the other, it helps to realise the integral nature of the multisectoral economy of the transition period and to use the private sectors. Commodity-money relations enable the socialist sector to raise small-scale production as a basis for supplying urban areas with raw materials and foodstuffs, preparing some prerequisites for the cooperation of the petty pro-

¹ In the USSR, contracting in the transition period was a form of organised commodity turnover between town and country on the basis of contracts concluded by state procurement agencies with individual peasant farmers and cooperatives. The contracting parties agreed on their mutual obligations and basic terms of commodity exchange (prices, bonus mark-ups, sales, delivery dates, quality and quantity of produce, etc.). On the contracted terms, peasant farmers and cooperatives supplied the state with the ordered produce, and in return got the necessary means of production and assistance in improving crop cultivation. Contracting was most widespread in areas with a prevalence of technical crops.

ducers, and helping them to become aware of the need for these transformations.

The dual and contradictory role of the commodity-money relations system in the transition period shows that the system can be allowed in that period only to a certain extent and on definite terms. Indeed, the hardest problems in using the commodity-money relations system are to determine the extent to which it can be allowed to operate at each stage of the transition period, and the forms in which it is to be used. Such use also implies the need to keep these relations under control and skill in using market techniques.

CHAPTER EIGHT

TRANSITIONAL ECONOMIC FORMS IN THE INITIAL SOCIALIST SOCIALISATION OF PRODUCTION

1. Emergence of transitional economic forms as an attribute of any transition period

I

Transition implies development. Since the latter is so complicated, the concept of "transition" is multifaceted. In the most general terms, it means transience, an intermediate state between two points in time, from one of which there is transition to the other. In this sense, "transition" coincides with the general concept of development, expresses the fact that everything is in a constant process of origination and disappearance. "There is nothing that is not an intermediate state between being and nothing," says Hegel.¹ In this sense, any state of any object is transitional, and that naturally applies to social production as well.

But development also signifies that an object assumes qualitatively distinct states, which are in a sense knots along a single line of development. In economic development, these are known as *modes of production*, which constitute the stages of social progress, each being the inevitable outcome of the preceding state. The existence of several modes of production and their succession not only establish economic development as a fact, but also show *what* is developing, which concrete economic processes and laws generate the qualitatively new state of social production, and why that particular state is generated.

Each new stage in social development attains full stature when the corresponding mode of production takes shape as an integral organism and reaches the stage of full bloom. The developed states of the succeeding modes of production are the points to which and from which development proceeds. The stages of origination and disappearance of each mode of production accordingly present them-

¹ Georg Wilhelm Friedrich Hegel, *The Science of Logic*, Vol. I, Mysl Publishers, Moscow, 1970, p. 165 (in Russian).

selves as something intermediate and, therefore, transitional. Such is the second, more concrete definition of transitional economic relations.

The definition of transitional relations needs to be specified in some respect when applied to the replacement of the capitalist mode of production by the communist mode.

In contrast to capitalism, communism does not attain a developed state within the framework of its first phase. From this standpoint, the first phase of capitalism (free-competition capitalism) does not fall within the category of transitional relations in their second definition, while the first phase of communism (socialism) does.

Such a conclusion is well-justified in abstract, theoretical terms, and in the light of it one could say that all economic relations existing in the modern world are transitional. There is now no economic system in a state of full bloom: the capitalist system has passed that stage, while the communist system has yet to attain it.

One should bear in mind, however, that developed socialism is *now* the highest achievement in human history, that it is *effectively* the standard in assessing development levels attained by this or that country.

Yet another fact needs to be reckoned with. Presocialist modes of production at stages preceding their developed state never encompassed the whole of social production. Thus, manufacture remained an "architectural ornament on the economic edifice". It proved to be incapable of helping capitalism to push out the precapitalist forms of economic activity. By contrast, communist relations of production encompass the whole of social production even before they have reached the developed state. The triumph of socialism implies that the economy is no longer multisectoral. That is why socialism is an independent stage in the development of the whole of social production, and the replacement of the capitalist mode by the communist mode of production distinctly appears as transition from the capitalist economic system to the socialist economic system on the scale of the society as a whole. All of this makes the formation of socialism a problem in its own right and allows one to examine the transitional relations taking shape in the process from the standpoint of socialism, instead of the higher phase of communism. That is the approach taken below in analysing the transitional economic relations emerging as capitalism gives way to the new mode of production.

The various relations existing at the stage at which a mode of production originates or disappears variously ex-

press the transitional and intermediate character of that stage. It is most clearly expressed in the fact that elements of heterogeneous relations are *interwoven* in some economic forms, and that is what makes them transitional. Such is the *third* and even more concrete definition of transitional relations. In this sense, the latter is not simply an underdeveloped or overdeveloped relation, but an underdeveloped or overdeveloped relation which is interwoven with elements of an opposite relation. That is the sense in which the "transitional economic relation (form)" concept is used in the subsequent exposition.

Transitional economic relations combine elements of heterogeneous relations and express the actual historical connection between the succeeding modes of production. That reveals the unity of social development. But transitional economic relations are not the sole manifestation of such unity, and this makes it harder to identify them.

Different modes of production, for all their fundamental distinctions from each other, are no more than different stages in the development of the economic relations of the society. Some processes in the economy cannot be eliminated by any form of social production: in the transition from one mode of production to another, there is a change only in the form in which these processes are manifested and realised. That is why their existence in a given system of relations does not make it transitional. Identification of transitional relations, therefore, implies a distinction between the general and the specific in economic phenomena. That is the only way to avoid errors in qualifying them as transitional.

Every production relations system negates its historical predecessor, while inevitably absorbing some of its characteristic elements in a process that is known in dialectics as "transcending" or "sublation". Thus, capitalism negates the feudal mode of production, while inheriting the rent form, but that does not turn capitalist relations in agriculture into transitional relations. New, and not transitional, relations take shape in the process of "sublation".

We have here yet another aspect of the coherence of the historical succession of modes of production. This aspect also makes it more difficult to detect transitional relations because it now turns out that in order to decide whether a given relation is transitional, one needs to draw a distinction between the elements of the old relations which exist alongside the new relation and the elements of the old relations which have been "digested" by the new relation and have become an organic part of the latter's self-movement.

Diverse relations within a transitional phenomenon appear as individual elements, and not in the full panoply of their features. Nor do these elements exist separately from each other, but are "interwoven". It becomes hard to understand that elements of another kind are fitted into some relation, and to clarify what these elements are, what their role is, and so on. Lenin noted this fact when considering the genesis of capitalism: "The systems mentioned (meaning labour-service and the capitalist system.—V.K.) are actually interwoven in the most varied and fantastic fashion... Sometimes the labour-service system passes into the capitalist system and merges with it to such an extent that it becomes almost impossible to distinguish one from the other... Life creates forms that unite in themselves with remarkable gradualness systems of economy whose basic features constitute opposites. It becomes impossible to say where 'labour-service' ends and where 'capitalism' begins."¹

The interweaving of the elements of diverse relations within transitional economic forms make them most complicated, confused and contradictory, and thereby unstable. Another thing to bear in mind is that transitional forms have different historical life-spans, depending on the concrete historical conditions. There could well be a retreat to an earlier historical state, i.e., a movement in reverse, or destruction of a transitional form, in which case there is, naturally, no sign of evolution either forward or backward. But given a normal course of events, transitional forms tend to grow into a new relation as the elements of the old relation are gradually extruded.

The formation of transitional economic forms is an immediate expression of *two* objective circumstances: the emergence of material prerequisites for the new mode of production in the relations of the preceding economic system, and the fact that the new production relations system in its formative stage cannot do without the use of "old" economic forms, without coexistence and so also without combining individual economic units with relations of the old system. In the context of capitalism, Marx wrote: "As long as capital is weak, it itself still looks for the crutches of past modes of production or of modes of production which pass away with its rise. As soon as it feels strong enough, it throws the crutches away and moves according to its own laws. As soon as it begins to feel that it itself is, and is known to be, a barrier to development, it takes

¹ V. I. Lenin, "The Development of Capitalism in Russia", *Collected Works*, Vol. 3, pp. 195, 197.

refuge in forms which, while apparently completing the dominance of capital by curbing free competition, simultaneously proclaim the dissolution of capital and of the mode of production based upon it."¹

II

As the feudal estate is involved in commodity-money relations, a new element—value—appears in its activity. If the labourers' serfage is not eliminated and they remain tied to the estate, feudal exploitation is not complemented with capitalist exploitation. But it would be a mistake to regard this change in relations as purely external: the appearance of the new element, which is hostile to the classical feudal estate, implies a fairly high level in the development of commodity-money relations, their direct penetration into the subsistence economy of the estate, and a state of the productive forces at the estate allowing the regular production of a surplus-product that exceeds the landowner's immediate requirements. Marx stressed that there is a greater or lesser change in the whole mode of production with the transition to money-rent.² That shows money-rent to be a transitional economic relation.

The value element may also coexist with other forms of rent, in which case they are likewise transitional economic relations. What is here of fundamental importance is the intrusion of the commodity-money element into the inner system of the feudal estate. Transitional relations of production are not formed so long as commodity-money relations exist in the pores of the feudal society and are complementary to subsistence economy relations, because their formation implies an interpenetration, and not a co-existence, of diverse relations.

Even more serious changes occur when the labourer is transferred to money-rent and works outside the estate. In that case, he frequently hires out to a capitalist and is subjected to a dual exploitation: feudal and capitalist.

Such a situation was highly widespread in Russia before the 1861 reform. On the one hand, the labourer remained feudally dependent, and on the other, was yoked to the means of production through the sale of his labour-power.

¹ Karl Marx, "Economic Manuscripts of 1857-58", in: Karl Marx, Frederick Engels, *Collected Works*, Vol. 29, Progress Publishers, Moscow, 1987, p. 39.

² See, Karl Marx, *Capital*, Vol. 3, p. 797.

The rent he paid was, on the one hand, the material expression of his feudal bondage, and on the other, a part of the value created by his labour. The land-based relation between the landowner and the labourer disappears, although it (property in land) is the basis for the labourer's personal dependence on the landowner under feudalism. This personal dependence now appears in its pure form, without its natural basis, and that is a kind of nonsense.

Money-rent in this case is obviously a transitional relation, but it is apparently a new type of such relation as compared with the relation under which everything boiled down to the sale of the serf's surplus-product, since the subsistence-economy form of the surplus-product is not only replaced by the money form but undermines the basis of feudal exploitation, and the erstwhile serf finds himself in an intermediate state: he is *still* a bondman, but he is *already* an agent of the capitalist production relation (a wage-worker or even an entrepreneur).

Once the labourer's personal bondage has been eliminated, the formation of capitalism tends to produce a wide variety of transitional economic relations in all the countries. In his study of the ways in which the former landed estate develops into the capitalist undertaking, Lenin showed that it was impossible all at once to create the conditions for the capitalist economic system and to get it going: "Thus, the capitalist economy could not emerge at once, and corvée economy could not disappear at once. The only possible system of economy was, accordingly, a transitional one, a system combining the features of both the corvée and the capitalist systems."¹ The existence of such a system both in Russia and in other countries involved the use of the parcel of land as a means of keeping the former landed estates supplied with labour-power: "The allotment-holding rural worker is a type to be found in all the capitalist countries."²

The fact that the labourer is still in feudal bondage will be discovered not only from the use of property in land for his subjugation, but also from the use of extra-economic coercion implied by the system: "Without one or other form of binding the population to their domiciles, to the 'community', without a certain lack of civic rights, labour-service as a system would be impossible."³

¹ V. I. Lenin, "The Development of Capitalism in Russia", *Collected Works*, Vol. 3, p. 194.

² *Ibid.*, p. 178.

³ *Ibid.*, p. 204.

The labourer's feudal bondage is there for all to see, but his attitude to his old master no longer boils down to such bondage, because the labourer is now free both juridically and, partly, of the means of production.

Feudal and capitalist relations come in various combinations (with a prevalence now of one, now of the other). But with the passage of time the centre of gravity shifts from the former to the latter relation, and the parcel-holding labourer is completely transformed either into a wage-worker or into a tenant-entrepreneur (in the latter case, the payments for his parcel are converted into capitalist rent).

As capitalism takes shape, transitional relations emerge not only in agriculture—the citadel of feudalism—but also in industry: “The combination of the labour-service and the capitalist systems makes the present system of landlord farming extremely similar in its economic organisation to the system that prevailed in our textile industry before the development of large-scale machine industry.”¹ Lenin had in mind above all the penetration of commercial capital into the handicrafts, a process to be found in one form or another in all the countries on their way to capitalism. The system of transitional relations will also emerge when a group of craftsmen contract to produce their wares for one buyer. On the one hand, nothing has changed in the condition of the craftsmen: they continue to work independently with their own means of production, but on the other, a basically new element has appeared in their relations: the buyer acts as the organiser of collective production and appropriates its results. The craftsmen's dependence on the buyer gradually tends to grow, and their work turns into ordinary capitalist cottage work, which is itself only an intermediate stage on the way to the classical capitalist forms of production.

It is not a part of this work to consider the whole diversity of transitional relations emerging as feudalism gives way to capitalism. But what is important for us here is that they do exist in that epoch. It is impossible to understand the transition to the capitalist mode of production outside their context.

Let us now consider the replacement of capitalism by socialism.

¹ V. I. Lenin, “The Development of Capitalism in Russia”, *Collected Works*, Vol. 3, p. 194.

III

The emergence of transitional economic forms under capitalism, as earlier under feudalism, is directly connected with the emergence of objective prerequisites for the new economic system. Indeed, the emergence of such prerequisites is an indication that new elements take shape which contradict the nature of capitalism, although they are included in the system of capitalist production relations. In fact, they herald the arrival of the new mode of production and are fully developed in the transition to it. Thus, elements of planned-and-balanced regulation generated by capitalism's highest forms of socialised production cater for the appropriation of surplus-value and have a capitalist content. But planned-and-balanced development itself is alien to capitalism and is adequate only to socialism. The emergence of elements of planned-and-balanced development, their substitution for some parts of the market mechanism regulating production, and the interpenetration of these antithetical forms of production show, therefore, that these relations are transitional.

For the same reasons for which the existence of prerequisites for socialism in some economic forms was denied in economic writings for a long time, the emergence of transitional forms under capitalism tended to be ignored until recently. The notion that such emergence is ruled out in principle became virtually a maxim. The fairly numerous direct statements by the classics of Marxism-Leninism on this score¹ remained unnoticed or were regarded as propositions not to be taken literally.²

When capitalism resorts to the use of alien economic methods, it adapts to the new conditions and expands

¹ Thus, Marx said that capitalism contains within itself a tendency to the emergence of transitional forms "to a new mode of production" (Karl Marx, *Capital*, Vol. 3, p. 441). Lenin said: "Capitalism in its imperialist stage leads directly to the most comprehensive socialisation of production; it, so to speak, drags the capitalists, against their will and consciousness, into some sort of new social order, a transitional one from complete free competition to complete socialisation." (V. I. Lenin, "Imperialism, the Highest Stage of Capitalism", *Collected Works*, Vol. 22, p. 205).

² True, one could say that this idea is more widespread than it may appear at first sight: regardless of whether or not the term "transitional economic forms" is used, their presence is in effect recognised whenever there is recognition of the existence of objective prerequisites for socialism in individual economic forms as a product of the high level of socialised production.

the potentialities for social manoeuvring. But as it intertwines the diverse elements in the economy, it introduces additional contradictions into the situation and makes it more conflicting as a whole.

The fact that capitalism can no longer do only with the economic methods which accord with its nature and is forced to use alien ones signifies the crisis of the capitalist economic system. In this sense, the definition of imperialism as transitional capitalism and moribund capitalism are identical.

It is generally recognised that transitional economic relations can, in principle, exist during the formation of socialism, but there is no complete clarity on whether such relations are bound to exist in all or only in some countries building socialism, and also on the concrete forms in which these relations occur.

The existence of heterogeneous relations of production within one national economy inevitably makes them interact and intertwine with each other in a multifaceted process. Below it is considered in the light of commercial calculation within the socialist sector, of state capitalism and some forms of cooperation.

It is true that some writers have expressed doubts about these phenomena being transitional. That is why, following a substantive analysis of each of them, there is a special paragraph (§5) to show that it is quite right to regard these economic forms as transitional.

2. The politico-economic content of commercial calculation by enterprises in the socialist sector

The use of "commercial calculation" as a term to characterise socialist enterprises historically stems from the introduction of the NEP in our country. At that time, the term was used to describe the new conditions of economic activity by enterprises (trusts) which were fully or largely taken off the state supply list. Indeed, in Lenin's works and party documents of the period "commercial calculation", economic activity on "commercial principles", and so on were used along with the concept of "economic calculus", virtually as synonyms of the latter.

Now, Soviet economic writers do not use "commercial calculation" to describe the economic activity of enterprises under socialism; the term "economic calculus" is used for that purpose. One will ask, of course, what is the relation between commercial calculation and economic cal-

culus, whether there is any difference between them, and if there is, what is it? Let us note that we are not dealing here with terminological distinctions or definitions, but with a comparison of the production relations into which socialist enterprises enter under triumphant socialism and in the period of its formation.

There is no complete clarity on this question in economic literature. Along with vague notions on this question, there have been both identification of economic calculus and commercial calculation and their antithesis as socialist and capitalist economic methods, respectively. Thus, some economists regarded the economic reforms carried out in some socialist countries in the 1960s as an analogy of the NEP and criticised the notions of the NEP as an economic policy of the period of transition from capitalism to socialism, so in effect identifying actual economic calculus with commercial calculation. In their view, the main peculiarity of commercial calculation is that under it the law of value has allegedly the leading role to play.

Others have declared that the switch of socialist enterprises to commercial calculation in the USSR in the early 1920s was a return to capitalist economic methods, and for that reason regarded these enterprises as state-capitalist rather than socialist ones.

The planned-and-balanced organisation of production in the transition period is still at its beginnings. That in itself means that commodity-money relations in the socialist sector are in essentially different conditions as compared with those under triumphant socialism, which is why these relations and the law of value proper to them cannot have such a role in the socialist sector as they would have under the full-fledged system of socialist relations of production.

Besides, in the multisectoral economy of the transition period, the sphere of planned-and-balanced organisation of production is limited: it does not extend directly to the private-property sectors (above all the capitalist and the petty-commodity sectors). Nor is this only a matter of some spatial limitation of the sphere in which the planned-and-balanced organisation of production operates. Socialist enterprises in the transition period find themselves within a coherent system of social division of labour alongside capitalist enterprises and petty-commodity producers, and enter into direct economic ties with them. Meanwhile, the commodity production system and the uncontrolled market remain within the capitalist and petty-commodity sectors. Within the framework of an integral economy this must have due effect on the conditions in which socialist

enterprises carry on their economic activity.

In Soviet Russia, the circumstances generating differences in the role of commodity-money relations in the socialist sector as compared with the conditions of triumphant socialism stood out in bold relief. Thus, state enterprises, which were switched to commercial calculation in 1921, were fully or partially taken off the state list of raw-material and fuel supply, and were entitled to sell their products on the market to anyone, including private producers, and to purchase the materials they required for production as they saw fit. At the time, there were fixed planned prices only for the supply of the basic industries (transport, the metal industry, etc.) and also for the key consumer goods (sugar, salt, kerosene, and so on), while the prices of all the other goods were set by agreement between seller and buyer. The state was not liable for the debts of the enterprises on commercial calculation, they had to work without a loss and develop their production with funds from their own income. The Resolution of the 12th Congress of the RCP(B), "On Industry", stressed that "a large part of state industry is organised in the form of trusts, i.e., associations enjoying wide economic autonomy, freely operating on the market as exchange enterprises. These economic associations, like the individual enterprises within them, have as their basic task the extraction and realisation of surplus-value for the purposes of state accumulation".¹

Such conditions of economic activity imply the existence of *commercial credit*. In that period, it was the basic form in which state enterprises got their credits.

In these conditions, the law of value undoubtedly has a *substantive* influence on the activity of socialist enterprises. This raises the question of whether it is here the dominant one and whether it injects relations with elements antithetical to their socialist content.

With the transition to the NEP, the law of value did not have a *crucial* influence on the direction in which the socialist sector developed, even in the period in which the uncontrolled market was in its heyday. When deciding which enterprises were to be switched to commercial calculation, which were to be leased out, put under wraps, closed down, or left on state supply, the Soviet state, while it undoubtedly reckoned with commercial considerations, was guided above all by the long-term interests in building socialism and not by the law of value. The decisions of the 13th Conference of the RCP(B) stressed that "wherever

¹ *The CPSU in the Resolutions...*, p. 417 (in Russian).

the closure of factories would mean a blow at the proletariat's political authority, would undermine its basic cadres and lead to its dispersal, a policy of rigid concentration would be an intolerable political mistake".¹ Guided by these considerations, the Soviet state allocated funds for the preservation of the mothballed enterprises in the heavy industry and for the maintenance of the worker cadres. State agencies supported the loss-making enterprises and entire branches of heavy industry, without which the creation of a material and technical base for socialism was inconceivable. A decree of the Council of People's Commissars of September 10, 1921, "Basic Statute on the Tariff Question", laid down that "enterprises must be organised on the loss-free principle", while emphasising that "with the exception of those which are necessary within the state economic system regardless of the degree of their economic usefulness".

Once the period of rehabilitation came to an end, the expansion of production in the socialist sector was largely effected through new construction. The Soviet state mapped out these construction programmes largely with an eye to the significance of the given enterprise for solving the tasks of socialist construction, instead of the expected profit margin of this or that enterprise, although that was also an important consideration.

In all these examples, the decisions determining the line of development in the socialist sector contradicted the requirements of the law of value to a greater or lesser extent, but they were the only possible ones from the standpoint of socialist construction. It was said at the 12th Congress of the RCP(B) that "relations between the light industry and the heavy industry cannot at all be resolved by the market method alone, because that would, in fact, pose the threat of destruction of the heavy industry over the next few years".²

The law of value was ultimately not the leading one not only in the socialist sector taken as a whole, but also in the activity of individual enterprises operating on the principles of commercial calculation. Such cardinal problems in their activity as whether to shut down or not to shut down loss-making state enterprises, the prospects for the development of each enterprise, and the principles on which profits were distributed were decided at the centre, and not at the enterprises. (Thus, a decree of the All-Union Central Executive Council and the National Economic Council of

¹ *Ibid.*, p. 521.

² *The CPSU in the Resolutions...*, p. 415.

April 10, 1923, laid down that profits at state enterprises were to be distributed as follows: at least 20 per cent was to go into reserve capital; 10 per cent into a fund for improving the workers' living conditions; up to 2 per cent into the payment of bonuses and other rewards, 10 per cent into income tax, and the rest, over 50 per cent, into the state budget.) State enterprises that were switched to commercial calculation frequently worked on centralised orders, whose fulfilment was obligatory. As time went on, these orders took up an ever greater percentage of total output. Alongside the fixed prices for some goods, a Commission on Internal Trade under the Council of Labour and Defence, which was established in 1922, set price ceilings for some groups of goods, the permissible departures from these prices, and the size of rebates and mark-ups as the commodity moved from the producer to the consumer. With time, there was an increase in the range of goods for which prices were directly regulated from the centre.

The formation of *trusts* and *syndicates* was of great significance for the planned-and-balanced regulation of state enterprises. It is highly characteristic that the switch of state industry to commercial calculation was effected simultaneously with the formation of trusts.

Taken as a whole, trusts made up large-scale concentrations of production and were the organising element that prevented individual enterprises from acting out of concert. The establishment of trusts also made it easier for the central agencies to influence production. In a sense, they were the feelers of central economic agencies by means of which these learned of the social requirements for a product, the prices taking shape, etc. The planning bodies framed their economic programmes in the light not only of calculations and the results of direct studies of the needs of production, but also of information concerning the state of the market. The central economic agencies summed up the information coming in from various sources and so were able to anticipate changes on the market and give new guidelines to the trusts. The 12th Congress of the RCP(B) drew special attention to this factor, saying that "if every trust must feel itself freely oriented and bearing the full weight of responsibility for its work in order to make it successful, then the state, for its part, must regard the trusts and other associations as its ancillary organs by means of which it probes some of the practical measures that are superior to the market orientation of individual enterprises or associations".¹

¹ *The CPSU in the Resolutions....*, p. 414.

Syndicates were set up to coordinate the activity of the trusts. Syndication was started in February 1923 and by the beginning of fiscal 1923/24 it involved almost one-half of the trusts. Only the very small trusts were not syndicated. The syndicates were run by a Council of Syndicates, which regulated their work in accordance with assignments from the Supreme Economic Council. They had control of the wholesale commodity turnover, and so brought order into the relations between the trusts and had a regulating influence on retail trade. That made the trusts operate on the market in a more organised manner. The syndicates handled trade on a larger scale than did the trusts, and so had a wider network of branches and a better knowledge of social requirements, and were able to provide better food supplies for the country's various regions.

Trusts and syndicates introduce elements of planned-and-balanced development into the economy even under capitalism, and this is even truer of the period of transition from capitalism to socialism. It is clear, therefore, that the peculiarities of commercial calculation in Soviet Russia's economy in the 1920s cannot be understood outside the context of the formation of trusts and syndicates in industry.

State enterprises were also regulated in a more planned-and-balanced manner by means of extra-economic regulation of their activity. The decisions of the 12th Congress of the RCP(B) emphasised that the "state's right to dispose of all the uncommitted assets of the trusts, railways, etc., remains unlimited"¹. The fixed assets of the trusts were not subject to sale, and they could not be attached to meet claims made on the trust. The Soviet state used these limiting measures to prevent any possible trickling of state assets into the hands of private capitalists. The priority of deliveries was also regulated: the trusts had a duty first to meet the claims of state institutions, then of cooperatives, and lastly of private persons.

Nor is the content of the basic relations in the socialist sector altered by socialist enterprises operating on commercial terms. Even then its production is aimed to raise the working people's material and cultural level, to ensure full employment, and to shape the prerequisites for the steady unfolding of these processes. That is why commercial calculation in those conditions has a purely socialist content. In that respect, it differs drastically from cost accounting under capitalism, while constituting a single

¹ *The CPSU in the Resolutions...*, p. 417.

whole with the economic calculus of enterprises functioning under full-scale socialism.

One could say that socialist enterprises operating on commercial terms were state-capitalist enterprises only if there were elements of exploitation and extraction of profit was the highest criterion of economic activity. But no such phenomena were actually in evidence.

3. State capitalism as a specific sector in the transition period

Historically, state capitalism emerges before the socialist revolution and consists of various forms of the capitalist state's direct involvement in the economy. Under imperialism, it assumes the form of state-monopoly capital.

State capitalism, as an economic phenomenon of the transition period was discovered by Lenin, who stressed, on the one hand, that "it was important for me to show the continuity between ordinary state capitalism and the unusual, even very unusual, state capitalism to which I referred in introducing the reader to the New Economic Policy,"¹ and held, on the other, that "state capitalism in a society where power belongs to capital, and state capitalism in a proletarian state, are two different concepts".²

Economists usually focus on the second point in Lenin's characterisation of transition-period state capitalism. But Lenin's approach is not so one-sided, and that is of fundamental importance: whatever qualitative changes the phenomenon may undergo, if it is there, some of its constituent features must be there as well.

The existence of state capitalism implies, first, the existence of capitalist relations of production; second, performance by the state of the functions of the subject of economic activity, which ensures state regulation of production not from outside, but from inside, and the institution of state accounting and control of production and consumption. The latter characterises state capitalism as a form of production socialisation.

Such are the intrinsic properties of state capitalism generally. They are also necessarily those of state capitalism in the transition period, but they are only a part of its con-

¹ V. I. Lenin; "On Co-Operation", *Collected Works*, Vol. 33, p. 472.

² V. I. Lenin, "Third Congress of the Communist International, June 22-July 12, 1921, Report on the Tactics of the R.C.P., July 5," *Collected Works*, Vol. 32, p. 491.

tent and are, for that reason, inadequate. That will be seen from the fact that the state controls the commanding heights of the economy, so that the whole capitalist sector has the peculiarity of being under the regulating influence of the state. There is not a single stage in the turnover of capital that can escape such influence. The sphere in which the basic economic law of capitalism operates in the transition period is narrowed down and does not encompass the main units of the economy. The monopolies have been liquidated, and that is why there are no conditions for extracting monopoly profits. The capitalists are not free to choose the industries for investment. The flow of capital between industries is hampered, and it is the socialist sector—and not the capitalist—which decides on the basic aspects of the price-formation process. The socialist sector may not always be prevalent in the transition-period economy, but it is the leading sector from the very outset.

The capitalists do, of course, strive to escape the control of the state and sometimes manage to do so. But on the whole transition-period capitalism lends itself to regulation. Since that conclusion has been sufficiently well substantiated by Soviet economists, we shall take it as an assumption.

Since transition-period capitalism lends itself to regulation, it is not sufficient to point to state regulation in examining state capitalism as a specific sector distinct from the private-capitalist sector. Accordingly, the first problem faced by the student in bringing out the state-capitalist form of economic activity in the transition-period economy is to discover and identify within the system of state regulation of capitalist relations the feature that would help to draw a line between state capitalism as a specific transition-period sector and the private-capitalist sector. Most economists hold that it is the existence of contractual relations between the socialist state and active capitalists.

The merit of this approach is that it indicates the *explicit* distinction between the state-capitalist and the private-capitalist sectors. It turns out that such an indication is fully adequate to solving a number of problems. Thus, it helps to determine—even if with a margin of error, as will be shown below—the list of enterprises relating to the state-capitalist sector. However, confining the peculiarities of the sector to contractual relations not only fails to bring out a number of its important characteristics, but also presents them in a distorted light. With such an approach, attention is focussed on the fact that the state-capitalist sector is formed by the subjective activity of the state, but the objective reasons why the state tends to conduct such

an economic policy remain unclarified. What is more, the question of the lines along which this sector should be used is substituted for the question of the necessity of state capitalism in the transition period. It stands to logic that the use of a phenomenon and the causes of its existence are different, even if related, questions.

The existence of contracts is only an external mark of a formalised economic relation. That is why the economic and social nature of state-capitalist relations is left out if emphasis is put on the fact that transition-period state capitalism implies the existence of contracts between the state and the capitalists. The difference between the state-capitalist and the private-capitalist sectors turns out to be no more than nominal (the existence or absence of contracts), and they appear to be essentially similar. But if that is so, it would be more logical to regard them not as different sectors, but as varieties of one and the same sector, namely, the capitalist sector. After all, the sector is a definite type of production relations, and if state-capitalist and private-capitalist modes of production have one and the same economic and social nature, they must be referred to one and the same sector, and not to different ones.

But there is more to it than that. Pointing to contracts as the criterion for drawing a line between the state-capitalist and the private-capitalist sectors also fails, in formal terms, to answer the question of whether there are any differences in the production relations of the two sectors, and what these differences are, if any. In the presence of contractual agreements between the socialist state and the capitalists, the character of the production relations may *actually* be different in each individual case. Thus, a state enterprise leased to a capitalist may also be run on purely capitalist lines.

The accent on the contractual form of state capitalism in the transition period is one of the reasons why researchers tended until recently to concentrate on describing the concrete *forms* of state capitalism in the practice of socialist construction in various countries and the *lines on which it was used*. Meanwhile, they did not examine the nature of state-capitalist relations and made no effort to show how these differed from relations in the private-capitalist sector. But this is the key question in analysing transition-period state capitalism, because it helps to define the state capitalism of that period as a specific economic phenomenon, as a specific relation of production distinct from all the other relations of production.

Since state capitalism is capitalism regulated by the

state and since private capitalism in the transition period is also subject to regulation by the state, the basic distinction between the two sectors can consist only in the *degree of regulation*, in the extent to which it is *real and stable*, and so also in its *consequences*. The problem is, therefore, to determine in the growing state regulation of capitalist production a point beyond which a new quality emerges and relations in this sphere come to constitute a special sector.

If, apart from observing legislation which regulates the general terms of economic activity (including taxes and interest on credit) and is binding for all non-socialist enterprises, the leaseholder's (concession-holder's) obligations to the state are limited to payments of rentals and dividends on stock after which a sizeable part of surplus-value is left at the disposal of the lease-holder (concession-holder), then there is no more than a *quantitative* constraint on the production of surplus-value in such cases. No qualitative changes have as yet occurred; production is being in effect conducted on purely capitalist lines, i.e., it falls within the private-capitalist sector.

The situation begins to change if the amount of profit remaining entirely at the disposal of the private entrepreneur continues to be reduced, and if the capitalists (whether local or foreign, private proprietors or lease-holders) are forced to deliver their products as laid down by the agencies of the socialist sector, and to switch to supplies from the latter, largely or in full. Then we have a growing degree of state regulation and the emergence of trends leading to the link-up of these enterprises to the planned-and-balanced organisation of the socialist sector and to the servicing of its goals, i.e., we have the beginnings of a trend going beyond the limits of the capitalist quality.

Such a process becomes actual and tangible when the capitalist is forced not only to observe the general legislation on the hiring of labour-power, but also to ensure the level of wages laid down by the organs of the socialist sector (in Soviet Russia, the wage level at concession enterprises was higher than that at state enterprises); when the state actually regulates the use of the part of the profit remaining at such enterprises and, consequently, lays down such reproduction parameters as the size and main lines of capital investments and the volume and technical standards of production; and also when the amount of the profit which the capitalist has at his full disposal approximates the size of managerial salaries. It is also important whether representatives of socialist agencies take part, along with the capitalists, in the management of production, whether these organs

invest their own funds in this production and what kind of role these funds have to play.

Given all these factors, production relations in the private-capitalist sector are no longer purely capitalist (although they are, of course, far from being socialist), and that is what makes it impossible to regard this sector as a private-capitalist one.

That suggests two fundamental conclusions. First, transition-period state capitalism is a natural outcome of the growing reality of regulation of the capitalist sector by the socialist state, which is inevitable in those conditions because the socialist sector takes over the commanding heights of the economy and makes use of the power of the state as soon as it comes on the scene, so that quantity tends to develop into quality.

Second, the link-up of enterprises operating on capitalist lines to the planned-and-balanced organisation of production, and the emergence in the functioning of these enterprises of motivations characteristic of the fundamental laws of socialism provide the touchstone for limiting transition-period state capitalism as a specific sector. That is the point of the principal distinction of the state-capitalist sector both from the transition-period private-capitalist sector and from state capitalism in the capitalist countries. That is also the point at which the state-capitalist sector falls apart into lower, medium and higher forms (i.e., depending on the degree to which enterprises run on capitalist lines are actually linked up to the planned-and-balanced organisation and the emergence of socialist-type motivations in their functioning). Concession and lease-holding enterprises, as well as mixed enterprises set up on terms other than concession or lease, can in principle relate to any of these forms of state capitalism: everything depends on the extent to which they are subjected to the regulating influence of the socialist sector, on the role of the socialist state in their activity. In order to decide whether, for instance, relations in a given concession are semi-socialist, there is a need to analyse in concrete terms the concrete circumstances as a complex. What is important here is not the mode of state regulation itself, but the economic and social consequences produced by state regulation in the existing conditions. Thus, it is one thing when tax is simply a deduction of a part of the surplus-value, but another when the fiscal system has a substantive effect on the use of the profit remaining at the enterprise. Similarly, there may be a marked difference in state influence on the course of reproduction at a given joint-stock company, even when the ratio of state-

owned stock to privately owned stock is the same. Situations where the switch of a capitalist enterprise to state supply and the purchase of its goods by organs of the socialist sector do not involve any essential constraints on capitalist appropriation in one case, and where such constraints are in evidence, in another, are far from being identical either.

It cannot be ruled out either theoretically or practically that stable regulating influence on the part of the socialist sector on capitalist enterprises can be achieved in the absence of direct contractual agreements between state agencies and these enterprises. Where the capitalist is forced to produce the required goods in a volume that meets the needs of the socialist sector, and where they are also delivered in accordance with these requirements, while the capitalist's income is substantially limited, the capitalist gives no ground for excluding his enterprises from the state-capitalist sector. State capitalism is a set of definite relations of production, and the main thing is their substance and not the way in which they are formalised. Contract merely gives a clear expression to state capitalism, but does not rule out the existence of its less explicit forms. That is why referring enterprises to the state-capitalist sector depending on the existence or absence of a direct agreement between these enterprises and the state inevitably leaves the less explicit forms of state capitalism beyond the framework of that sector (and so also the relevant research). As a result, the actual proportions of state capitalism are somewhat minimised.

Having said that, one should bear in mind that in its highest forms state capitalism may come so close to the socialist sector that the contract between the state and the former proprietors of enterprises is no more than a legal atavism of state-capitalist relations, while these enterprises are actually included in socialist production so that it is no longer the relations of state capitalism, but the relations of redemption that need to be considered. If such enterprises are referred to the state-capitalist sector on formal grounds (the existence of a contract), the proportions of the state-capitalist sector will be somewhat exaggerated.

There is, therefore, an inevitable tentative element in defining the proportions of state capitalism in the transition period. This can be done only with a bigger or smaller margin of error, because the watershed between state capitalism and the capitalist sector, on the one hand, and the socialist sector, on the other, is not as pronounced or as sharply defined as that between socialist production and

capitalist or petty-commodity production. Such is the natural result of the fact that transition-period state capitalism, as a special sector, is no longer a set of purely capitalist relations, but is not yet a set of socialist relations.

With the ever greater role of the state in the activity of state-capitalist enterprises, the socialist-type motivations tend to increase, and the relations of wage-labour exploitation, to decrease. As a result, the capitalist's share of the profits in the higher forms of state capitalism develops into a form of redemption of his own property. From there it is no more than one step to the inclusion of state-capitalist enterprises into the socialist sector and their conversion into socialist enterprises, with the capitalists (a part of them) employed as state-hired managers. That signifies the possible use of state capitalism as a form for resolving the contradiction between the socialist and the capitalist sectors, as a form for transforming the private-capitalist sector on socialist lines, and as a form for transforming private-capitalist enterprises on socialist lines. In this form, one quality develops into another in a largely gradual way, ensuring the least painful, phased and compromise way of socialist transformation, and that is its merit. In that sense, state capitalism is akin to redemption and is even much superior to it.

There are two problems with respect to the private-property sectors in the transition period: one of these is the socialist sector's limitation, subordination and use of these sectors; the other is the carrying of the private sectors towards socialism. State capitalism is one form in which both problems can be solved.

As a form of socialist transformation of the capitalist sector, state capitalism gives a section of the bourgeoisie some prospects in the socialist revolution and an opportunity to take a fitting place in the future socialist society. In this context, it is well worth while to consider the experience of the GDR.

By 1971 socialism had scored major successes in the GDR, and the Eighth Congress of the SUPG took a decision on building a developed socialist society, although at the time there were almost 6,700 enterprises with state participation and 2,900 private enterprises in the country's industry. The Fourth Plenary Meeting of the SUPG Central Committee in December 1971 mapped out a system of measures for their socialist transformation, with redemption of private-capitalist property, which allowed the use of one-time capitalists who were qualified specialists in managerial posts at people's enterprises. In 1972, the switch of state-private and private enterprises to people's enterprises was

carried out in an orderly manner on those principles.

Lenin attached much significance to the use of state capitalism as a form in which capitalist production is transformed on socialist lines. Thus, he wrote: "The whole problem—in theoretical and practical terms—is to find the correct methods of directing the development of capitalism (which is to some extent and for some time inevitable) into the channels of state capitalism, and to determine how we are to hedge it about with conditions to ensure its transformation into socialism in the near future."¹

There is good reason to assume that in countries where a democratic revolution precedes a socialist revolution, and where it develops mainly in peaceful forms, wide use will be made of state capitalism in putting through socialist transformations. It will apparently be the basic form of socialist transformations with respect to the petty and middle bourgeoisie supporting the revolutionary process or taking a neutral attitude to it.

But in any case state capitalism cannot be the sole form in which capitalist production is transformed on socialist lines. First, that form is possible only in the presence of a fully shaped socialist sector, and second, its use depends not only on the socialist state, but also on the inclination of the bourgeoisie to compromise. That is why the working class must always be prepared to go over from state capitalism to other forms in switching capitalist enterprises to socialist lines.

On the whole, however, the working class makes use of diverse forms of socialist transformations of capitalist production, accentuating now one and now another of these forms, depending on the concrete conditions and the stage of socialist construction.

Transition-period state capitalism has favourable economic and political consequences. It inclines some groups of the bourgeoisie to compromise and so splits up the bourgeoisie, thereby weakening its resistance and forcing it to abandon the destructive forms of class struggle.

That applies both to the local and the foreign bourgeoisie. Thus, when granting concessions to foreign capital, Soviet Russia made use of inter-imperialist contradictions and so made "it more difficult for the imperialist countries to attack us".²

¹ V. I. Lenin, "The Tax in Kind", *Collected Works*, Vol. 32, p. 345.

² V. I. Lenin, "The Eighth All-Russia Congress of Soviets, December 22-29, 1920. Report on Concessions Delivered to the R.C.P.(B.) Group at the Eighth Congress of Soviets, December 21", *Collected Works*, Vol. 31, 1977, p. 477.

The fact that state capitalism is a "tribute" paid by the working class to the capitalists makes it akin to redemption, but that is no reason to regard it as a mere variety of redemption.

State capitalism is a "specific type of 'buying out'"¹, but it is more than that. Compared with conventional redemption, state capitalism is a more intricate system of relations, implying the preservation of capitalist enterprise for a more or less lengthy period. Accordingly, state capitalism presents itself as a form in which the socialist state makes use of capitalist enterprise.

State capitalism helps to expand production, especially in industries for which the state lacks the funds at that time. On that basis supply of the population is improved, unemployment is reduced (if it does exist in the country), and more funds go into the state budget. The recruitment of foreign capital, say, in the form of concessions, helps to earn the foreign exchange required for buying short-supply goods on the world market.

Skilled personnel are trained at state-capitalist enterprises, and representatives of the socialist state learn from the private entrepreneurs how to manage the economy.

The private-capitalist sector is used on the same lines. State capitalism is merely a more elaborate and advantageous form of such use, because it is made under the socialist state's tighter control. But state capitalism is also used along lines which are peculiar only to it. One of these, namely, the use of transition-period state capitalism as a form of resolving the contradiction between socialism and capitalism has already been analysed. But there is yet another line in the use of state capitalism that is proper only to the latter: as a form in which production is socialised, it presents itself as a form for solving the contradiction between the planned-and-balanced and the commodity organisation of production.

It will be easily seen that both these lines in the use of state capitalism spring directly from the two aspects which are characteristic of it as an economic phenomenon of the transition period, namely, the fact that it is a direct continuation of the socialisation of production which every kind of state capitalism effects and which helps to resolve the contradiction between the planned-and-balanced and the commodity organisation of production, while that which is proper to state capitalism in the transition period

¹ V. I. Lenin, "The Tax in Kind", *Collected Works*, Vol. 32, p. 339.

alone (the presence of socialist-type motivations) turns it into a form for resolving the contradiction between socialism and capitalism.

In the state capitalism of the transition period, both of these are interconnected and constitute a single whole signifying that it has the potentialities for being a form of socialist socialisation of production and a means of turning incomplete socialisation into full socialisation.

But regardless of whether state-capitalist production actually moves to the point at which it is transformed into socialist production or whether its development is cut short at earlier stages, each of the forms of state capitalism raises to a new level the objective prerequisites for socialism, both on the side of the productive forces, and on the side of individual economic forms. Therein lies its significance.

But when opting for state capitalism, one should bear in mind that the capitalists will try to obtain the best possible terms for themselves. They make use of the mistakes and failings of the socialist state in order to build up their strength and enrich themselves. That is why state capitalism does not rule out the prospect of the capitalists involved trying to consolidate the capitalist sector on the strength of the privileges they have been granted, so transforming state capitalism into capitalism. The message is that state capitalism does nothing to abolish the struggle between socialism and capitalism, for it is nothing but just another scenario for such struggle.

4. Interpenetration of the elements of diverse production relations in some forms of cooperation

Lenin's cooperative plan has its origins in the writings of Marx and Engels, who showed that no revolutionary advances are possible without the consent of the peasantry in any country where it is very numerous. But they also demonstrated that in certain conditions the peasantry is capable of siding with the proletariat, and that the greater the number of peasants the proletariat is able to win over while they are still peasants, the earlier and easier will be the social revolution.

Marx and Engels formulated the fundamental tenet that in a socialist revolution the means of production belonging to petty producers must not be nationalised: "It is just as evident that when we are in possession of state power we shall not even think of forcibly expropriating the small peasants (regardless of whether with or without compensation),

as we shall have to do in the case of the big landowners."¹

Marx and Engels also formulated the fundamental idea that the economic and social nature of cooperation depends on the type of state power and the predominant relations of production, all of which enabled them to reach the conclusion that with respect to the small peasants the task was above all to convert their private production and their property into associated property, warning that it was not force, but example and social assistance that should be used for the purpose. In a letter to Bebel, Engels made it quite clear what Marx and he himself thought of the matter: "Marx and I have never doubted that in the transition to a full-fledged communist economy we shall have to make wide use of cooperative production as an intermediate element. But this has to be so arranged that society, and so the state in the initial period, should retain property in the means of production, so that the specific interests of the cooperative association should not gain the upper hand over the interests of society as a whole."²

That view is interpreted in some recent works to mean that Marx and Engels anticipated the existence at the stage of socialism of two forms of social property in the means of production: state and cooperative. This matter appears to require further study but, at any rate, it is hardly right to draw a conclusion on such a fundamental problem on the strength of a single statement, and one taken from a letter. There is, at least, a need to bring together all the other relevant statements by Marx and Engels,³ and especially to clarify to what extent that conclusion fits within the coherent system of views expressed by Marx and Engels concerning communism. But it is certainly important and necessary to stress that Marx and Engels regarded coopera-

¹ Frederick Engels, "The Peasant Question in France and Germany", in: Karl Marx and Frederick Engels, *Selected Works* in three volumes, Vol. 3, p. 470.

² "Engels to August Bebel in Berlin, London, January 20, 1886", Karl Marx, Friedrich Engels, *Werke*, Band 36, Dietz Verlag, Berlin, p. 426.

³ In the context of Engels's work, "The Peasant Question in France and Germany", it is clear that the task of gradually converting peasant association into a higher form and equalising the rights and duties of the individual sections of the whole society was regarded by Engels as a meaningful one for the post-revolutionary period: "How this is to be carried out in practice in each particular case will depend upon the circumstances of the case and the conditions under which we take possession of political power" (in: Karl Marx and Frederick Engels, *Selected Works* in three volumes, Vol. 3, p. 470).

tion as the small producers' way to socialism, and that Lenin's cooperative plan is a direct continuation and development of their ideas on the peasant question.

The works Lenin wrote at different times on the nature of cooperation in the transition period virtually boiled down to one point, namely, that cooperation contains within itself both socialist and capitalist elements, which co-exist, instead of excluding each other. The difference between these works is that Lenin accentuated now the one, now the other of these two antithetical elements of cooperation when considering various concrete issues.

However, if the establishment of the proletarian dictatorship and the formation of a socialist sector are a necessary and adequate condition for the emergence of the socialist element in cooperation and its development into a full-fledged socialist form, it does nothing as yet to predetermine whether cooperation is fully socialist at every given moment, for the latter depends—given the above-stated condition—on the existence of other sectors alongside the socialist sector and their role in the economy; on the internal relations in cooperation; on the social strata joining cooperatives and on what terms; on what is socialised in the cooperatives; on who runs them; on which principles their incomes are distributed, and so on.

If cooperation functions mainly in the sphere of circulation and if entry into cooperatives is not limited for economic and social reasons, the greatest economic gain goes to those petty-commodity producers joining the cooperatives whose output contains a larger share of marketable produce, i.e., mainly the small capitalists. Lenin drew attention to this aspect of the matter: "The small commodity producers' cooperatives ... inevitably give rise to petty-bourgeois, capitalist relations, facilitate their development, push the small capitalists into the foreground and benefit them most. It cannot be otherwise, since the small proprietors predominate, and exchange is necessary and possible."¹

Whenever members of the bourgeoisie join cooperatives, and whenever the role of the individual members of the cooperative in its management and the distribution of its income crucially depends on the size of the initial contribution, the cooperative contains bourgeois elements, elements of capitalist relations of production, and is a species of state capitalism. That does not mean the absence of the socialist element, because transition-period state capitalism is a combination of socialist and capitalist ele-

¹ V. I. Lenin, "The Tax in Kind", *Collected Works*, Vol. 32, p. 347.

ments. The point is that in such cases cooperation is not fully socialist.

In defining the nature of producer cooperation, it is important to identify the factors of production that are socialised. In the initial form of the producer cooperative (teams, mutual assistance groups, etc.), there is only a change in the form of labour, which has become collective, whereas everything else continues to be run on the principles of small-scale private economic activity. As a result, there is a symbiosis of collectivist relations coalesced with socialist relations, on the one hand, and patriarchal and petty-commodity relations, on the other.

The next form of producer cooperation helps to advance socialisation: joint labour is backed up with the socialisation of land as the object of economic activity. But the remaining private property in the reproduced means of production shows that relations alien to socialism continue to exist in cooperation. Economists designate this form of cooperation as semi-socialist.

In some countries of the world socialist system, members of the bourgeoisie were allowed to join cooperatives at definite stages of socialist construction, but then the class principle was, as a rule, successfully applied in cooperation. Thus, less than one-half of the consumption fund in producer cooperatives in the people's democracies was distributed in accordance with the size of land-holdings (in Bulgaria, 30 per cent under the 1950 statute; in the GDR, from 20 to 40 per cent; in Romania, 25 per cent, and in Czechoslovakia, 25 per cent). In some countries, distribution by size of land-holding did not apply to rich peasants (*kulaks*) or was effected at lowered rates for that category of persons. Thus, in the agricultural producer cooperative of the GDR, the richer peasants received for their land-holdings an average income similar to that going to each cooperative household. Participation in collective labour and the performance of the established minimum of work-days were a necessary condition for income by land. The share of incomes distributed by land was gradually reduced, so ensuring the leading status of the socialist principle of distribution by labour and preventing the emergence of exploitive trends in the cooperatives.

Prevention of such trends signifies that cooperation in the socialist countries in practice at the stages when it had yet to become entirely socialist was, as a rule, a form in which socialist relations were combined and interwoven with patriarchal and petty-property elements in general, *rather than a type of state capitalism*. What state capitalism

and cooperation had in common in that situation was above all the fact that elements of socialist relations of production were combined with elements of other relations, and not the proportions between them.

At the same time, there are marked *distinctions* between state capitalism and the initial forms of cooperation in the course of socialist construction.

The transition to socialism via state capitalism is a transition from one form of large-scale machine production to another, while cooperation helps to advance from small-scale production with a prevalence of manual implements to large-scale production based on machinery.

Transition to socialism via state capitalism is, furthermore, a transition from capitalist to socialist relations of production, while cooperation helps to advance mainly from precapitalist to socialist relations of production. In contrast to state capitalism, which lies along the main line from capitalism to socialism, cooperation is a sideline of social development from patriarchal and petty-commodity production to socialism. It exists because by the time of the socialist revolution capitalism has, as a rule, not yet managed to transform and oust the precapitalist relations of production.

The difference in the initial economic relations which are transformed by means of state capitalism and cooperation leads to a situation in which, in contrast to state capitalism, cooperation consists of various combinations both of socialist and bourgeois elements, and of patriarchal and petty-commodity elements, with the configuration depending on the concrete circumstances. That is why, in the context of the transition period, it is impossible to decide in advance whether a cooperative is totally socialist, whether it is a species of state capitalism, or also a form combining elements of socialist and precapitalist relations.

Compared with state capitalism, transition-period cooperation has thus a more intricate economic and social structure and helps to tackle a more intricate set of tasks and to effect a more complicated transition.

Each form of cooperation leads up to a higher form of it. There is a gradual growth of the socialist quality of cooperation, and this makes it possible to carry the small producers towards socialism with the utmost adaptation to their economic condition and traditions. That process is not spontaneous, but is guided by the socialist state in a struggle between diverse trends.

The socialisation of all the factors of agricultural production in cooperatives does not in itself signify, however,

that the formation of socialist relations of production in that sector of the economy has been completed. For one thing, elements of non-socialist relations (say, distribution of a part of the income by land, elements of patriarchal relations, etc.) may still remain within the cooperatives, and for another—and this is the main thing—they still have to go through the stage of *consolidation in economic-organisational terms*.

While workers under capitalism are involved in large-scale production and are trained in the discipline of collective labour, peasants have to face these economic phenomena in cooperatives virtually for the first time in their lives. The peasant is even less prepared than the worker to start managing large-scale production right away, and that makes it more difficult to arrange collective economic management.

Machine production is the only basis of fairly developed socialist relations of production in a cooperative, just as at state-owned enterprises. Whereas petty producers can be brought to cooperatives even without supplying them with technical facilities, for collective labour has a higher productivity as compared with individual labour and cooperation can thus benefit the peasants even without new farming implements, cooperatives cannot become sufficiently mature socialist enterprises without machinery, electricity and chemicals.

Lenin gave this concise formula for “methods of transition to socialist agriculture”: “the small peasant, collective farmer, electrification”.¹

In their early years, cooperatives mostly have the same means of production as the erstwhile petty producers. And where a country's agriculture was scattered, with a prevalence of manual implements, the work that needs to be done to strengthen the cooperatives in terms of economic organisation is especially great. That being so, labour productivity in the cooperatives continues to be low at the initial stages. While they surpass small-scale production in the level of concentration many times over, they still fall far short of state-owned enterprises in these terms.

Building up the economic organisation of cooperatives is a necessary stage in developing cooperative production. As it is effected and as scientific and technical achievements are introduced into agriculture, the cooperatives demonstrate their economic superiority over private, including capitalist, production.

¹ V. I. Lenin, “Plan of the Pamphlet *The Tax in Kind*”, *Collected Works*, Vol. 32, p. 302.

5. Commercial calculation, cooperation and state capitalism as transitional economic forms

It was shown above that socialist relations of production at their formative stage cannot do without the use of old economic forms, so that the emergence of transitional economic relations as socialism takes over from capitalism is *inevitable*. Since commercial calculation, state capitalism and the initial forms of cooperation are all combinations of elements of heterogeneous relations of production, they can all be classified as transitional economic forms. There are evidently many more of these relations as socialism takes shape. But deciding on the nature of the listed economic forms alone would already do much to advance elaboration of the problem of transitional production relations intrinsic to the change-over from capitalism to socialism.

Economists have already broached the idea of the need to consider commercial calculation applied to socialist enterprises as a transitional form of economic relations, but they have linked it up with the fact that commodity-money relations were used for the benefit of socialism. But if this fact is taken as evidence of relations being transitional, the relations of triumphant socialism should likewise be designated as transitional, since there again active use is made of commodity-production relations.

Consequently, the existence of commodity-money relations does not suffice to decide that commercial calculation is transitional, for its nature is ultimately predetermined by the fact that the conditions in which the law of value operates in the socialist sector are both internally (the planned-and-balanced organisation of production is still at its beginnings) and externally (the presence of private sectors with production organised on commodity lines) qualitatively distinct from those in which the law of value functions in the economy of full-scale socialism.

Let us recall that Lenin's cooperative plan also includes the idea of using intermediate forms of cooperation in both circulation and production. The need for such forms springs not only from the urge to carry through the socialist transformation of small-scale production as gradually, painlessly, and less abruptly as possible, but also from the fact that in definite conditions and up to a point in time the lower producer forms of cooperation may be more efficient as compared with higher forms. That depends on the level to which cooperative production has been developed, and on the state's potentialities for rendering economic and organisational assistance. Underestimation of

the lower forms of producer cooperation and the urge to transform these more rapidly into higher forms, without having created the corresponding objective and subjective prerequisites could well undermine the peasant's confidence in these higher forms and discredit them.

The so-called family contract is one of the lower forms of socialisation and so also a transitional form.

The intermediate forms of cooperation (including supply-and-marketing cooperatives), like transitional forms in general, have a two-fold potentiality: they could be used to advance social transformations (in this case, towards socialist producer cooperatives) and also to conserve the existing structure (in this case, small-scale production).

Poland's experience is indicative in this context. By the end of the 1970s, 90 per cent of farm procurement in the country had been socialised, with various types of supply-and-marketing cooperatives making up about 60 per cent of the total. But far from advancing socialisation in the sphere of production, that merely went to preserve individual farming, thereby, incidentally, revealing in practice the flimsiness of Bukharin's idea that socialising the sphere of circulation would automatically carry the peasants to socialism.

The fact that the economic and social nature of transition-period state capitalism is a controversial issue must necessarily mean that the question of state capitalism as a transitional economic form is likewise a controversial one. There are grounds for describing an economic phenomenon as transitional only when it has a definite economic and social content. There is good reason why, therefore, the recent discussion concerning the nature of state capitalism in the process of socialist construction coincided with the wide discussion of the question of whether in those conditions only some forms of state capitalism were *transitional* or whether the whole of it was a transitional economic form. No Soviet economist has denied that state capitalism can be such a form as a matter of principle, but it is widely accepted that the state-capitalist sector can be transitional only in definite conditions, and not in all its forms. Thus, it is frequently denied that the state capitalism of the transition period in Soviet Russia was transitional on the argument that if relations are transitional they must, first, be *semi-socialist* and, second, *effectively develop* into socialist relations. Since state capitalism in our country failed to meet these definitions, it is not referred to transitional economic forms.

One has to note that the suggested definition of transitional economic forms is tied in only with socialist con-

struction, i.e., the possibility of such forms emerging even under capitalism is denied in advance (or, at any rate, not reckoned with). That is a natural outcome of the fact that the analysis of transitional economic forms is usually confined to the period of transition from capitalism to socialism. That is the argument on the strength of which it is asserted that such forms necessarily include elements of socialism and its basic production relation. But what is important for the emergence of transitional economic forms is the interweaving of elements of heterogeneous relations, while it is in principle not necessary for the relations represented by these elements to be the basic relations of production. Relations may be transitional even if their content does not go beyond the bounds of the capitalist quality, so that they are not semi-capitalist, but purely capitalist. The classics of Marxism-Leninism believed that the formation of such transitional economic relations was connected with the highest capitalist forms in which production was socialised.

Things are different in the period of transition from capitalism to socialism, where the "pure" form of capitalism is represented by the capitalist sector, which is entirely regulated by the socialist sector and the socialist state. That is why regulation alone is no longer adequate to the emergence of a form that is intermediate with respect to the socialist and the capitalist sectors. In those conditions, transitional economic forms must necessarily include a socialist quality or, at any rate, some elements of it.

But from that it follows, first, that if transition-period state capitalism does not contain such elements and is not transitional, it does not differ in content from the capitalist sector and is in effect coalesced with it. That is why exclusion of state capitalism from among the transitional economic forms is tantamount to denying it as a specific sector of the economy in the transition period.¹

¹ S. Ye. Yanchenko says, in particular: "It is well known that when Lenin characterised our country's multisectoral economy after the victory of the October Socialist Revolution, he brought out the state capitalist sector alongside private-economy capitalism. There would have been no need to do so if state capitalism were totally identical with private-economy capitalism, something that is not explained by those who deny that state-capitalist relations are transitional. After all, if state capitalism does not differ from private-economy capitalism, neither of these sectors then exists, and there is only one — capitalist — sector, which does away with the problem of state capitalism in general" (S. Ye. Yanchenko, *Transitional Form of Production Relations*, p. 110).

Second, if what is meant is the type of transitional relations in which elements of different basic relations of production are interwoven, the very fact of such interweaving is of fundamental significance for the emergence of this type of transitional production relations. Then the question of the role each of these elements has to play (whether they balance each other out or not) does not relate to the question of the emergence of transitional relations, but to the question of to what extent these relations are developed.

There is, of course, a leading aspect in transitional economic forms, but to be leading and to be dominant is far from always the same thing. Elements of the socialist quality are the leading aspect in transition-period state capitalism, but that is not predetermined only or so much by their specific weight as by the fact that they are backed up by the socialist sector and the state.

In the light of these propositions, it is evidently not right at all to consider some of the concessions granted in Soviet Russia on a par with enterprises in the private-capitalist sector. Thus, concession enterprises for the felling, working and marketing of timber set up in the north of the European part of the USSR in 1923 operated as mixed companies in which the stock was equally divided between the Soviet state trust Severoles and foreign capitalists. The boards of these companies consisted of six to eight persons, with a representative of Severoles filling the office of chairman of the board, who had the casting vote in any tied decision. The board appointed two managing directors: one from Severoles and the other, from among the foreign-firm board members. Under the concession agreements, the Soviet state decided on the plan and quantity of timber to be felled, and also on the volume of output and export of timber. Roughly 30 per cent of the receipts from the sale of the timber went to the state, and the remaining 70 per cent of the gross receipts was distributed in accordance with the stock held by the two sides and went mainly to develop production and repay credits. All of that shows features characteristic of socialist relations in the activity of these concession enterprises.

Nor can one agree that a necessary attribute of transitional relations is their development into full-scale socialist relations. It is perfectly clear to Marxists that without a socialist revolution transitional economic forms emerging under capitalism cannot generate socialist relations of production. But that did not prevent the classics of Marxism-Leninism from describing these forms as transitional.

What is essential to transitional relations is not whether or not they grow directly into pure forms of relations, but that their emergence reflects the objective necessity for a replacement of one mode of production by another. They herald the arrival of the new mode of production and indicate the economic instruments by means of which it is alone possible to resolve the contradictions of the outgoing mode of production. It is important in this context to consider transitional relations not in isolation but within the overall process in which one mode of production succeeds another.

As for transition-period state capitalism, it is in principle capable of developing entirely into socialist relations of production, because as it advances from lower to higher forms, there is a steady increase in the regulating influence of the socialist sector, so that socialist motivations proliferate, gradually expelling the relations of wage-labour exploitation and becoming predominant. From there it is only a step to including the erstwhile state-capitalist enterprises into the socialist sector and converting them into full-fledged socialist enterprises. But whether the potentiality is translated into reality or whether the socialist transformation of the capitalist sector runs a different way depends on the concrete historical circumstances under which a country has to build socialism. But even where the development of state capitalism is cut short for some reasons, as it was in our country, and fails to serve as a form of socialist transformations, such a course of development does nothing to invalidate the potentiality—in principle—of state capitalism growing into full-scale socialist relations of production. One of Lenin's main works on the problems of transition-period state capitalism, "The Tax in Kind", is keyed by the idea that state capitalism in the transition period is an intermediate element in the transition from private-capitalist and petty-bourgeois production to socialism. On that point there are not only indirect, but also direct indications: "The whole problem—in theoretical and practical terms—is to find the correct methods of directing the development of capitalism (which is to some extent and for some time inevitable) into the channels of state capitalism, and to determine how we are to hedge it about with conditions to ensure its transformation into socialism in the near future."¹

Yet another point is important in understanding the transitional nature of the state-capitalist sector. Regardless

¹ V. I. Lenin, "The Tax in Kind", *Collected Works*, Vol. 32, p. 345.

of whether in the course of its development it does or does not grow into socialist relations, it strengthens the objective prerequisites for socialism both on the side of the productive forces and in the individual economic forms, thereby making a direct contribution to the transition to socialism.

It would appear that if state capitalism, as it existed in the transition period in our country, is described as a transitional form of production relations, that amounts to a denial of the class struggle on the basis of state capitalism, to a recognition that capitalist elements can peacefully grow into socialism, and so on. And since a sharp class struggle in fact raged on the basis of concessions and leases, that fact is regarded as an argument against considering such forms of state capitalism as being transitional.

But far from excluding the presence of internal contradictions, such transitional economic forms in fact imply the existence of contradictions, because they are an interweaving of elements of heterogeneous relations. In application to transition-period state capitalism it means that the capitalists involved in this form of connection with the socialist sector strive to use it in their own interests. This makes possible not only advance, but also retreat and even degeneration of state capitalism into conventional capitalism. Transitional economic forms are intermediate, which is why they are less stable than pure economic forms.

In virtue of their antagonism, elements of socialism and capitalism cannot coexist without struggle. Socialist transformation of the capitalist sector by means of state capitalism is not tantamount to capitalist elements peacefully growing into socialism. Even if the bourgeoisie abandons its monopoly in the means of production without overt resistance, it does so not in virtue of any good intentions, but under the pressure of circumstances. Transition-period state capitalism, therefore, does not abolish the struggle between socialism and capitalism: it is just another variety of such struggle. There is no ground at all for idealising state capitalism in the transition period, and this applies not only to its individual forms but to all its forms, and not only to individual countries but to all countries building socialism.

* * *

The elements of heterogeneous relations existing in a transitional economic form may differ from each other, and that is what makes the existence of *different types* of transitional economic relations inevitable.

Transitional economic relations can be classified from at least three angles. First, depending on the role and place of the elements combined within the system of relations (in which case we shall have, to use the terminology I have proposed, relations that are transitional only in form and those that are transitional both in form and in content).

Second, depending on the nature of the ties between the modes of production whose elements are combined. In that case, all the diverse transitional economic forms fall into two groups (an interweaving either of internally connected or internally unconnected social forms), one of which (the latter) has subtypes.

Third, depending on their spread in the transitional economy, in which case a distinction needs to be drawn between intersectoral and intrasectoral transitional forms. The former group includes, among others, state capitalism and cooperatives in the sphere of circulation, and the latter, the lower forms of producer cooperatives and commercial calculation at socialist enterprises.

Each of these approaches to identifying the types of transitional relations has a meaning of its own and can be used only in accordance with that meaning.

CHAPTER NINE

ECONOMICS AND POLITICS IN THE TRANSITION PERIOD. THE ROLE OF THE STATE IN INITIAL SOCIALIST SOCIALISATION OF PRODUCTION

I

All the transformations effected in the transition-period economy bear directly on the property interests of the classes (working class, peasantry, bourgeoisie) of each of the nationalities within a country. These transformations are effected in a clash of class interests, i.e., in class struggle. Accordingly, all measures taken to restructure the economy in the transition period are political.

Let us note that the existence of classes is determined by and expresses the fact that the various strata of the society have a dissimilar status in production. It follows that classes—and ultimately the state and its policy—are the product of economic development.

Politics in the most general terms is relations between classes. The chief political organ of the ruling class, expressing in concentrated form its basic interests, is the state. That is why politics is participation in state affairs, i.e., in deciding on the forms, tasks and content of state activity.¹

Each class has requirements and interests that are diverse and contradictory. The state and its policy are an expression of the economic requirements and interests of the ruling class in concentrated form, and not in every particular detail.²

As a product and expression of economics, the state and

¹ See, V. I. Lenin, "Plan for an Article 'On the Question of the Role of the State'", *Collected Works*, Vol. 41, Progress Publishers, Moscow, 1971, p. 381.

² See, Frederick Engels, "Ludwig Feuerbach and the End of Classical German Philosophy", in: Karl Marx and Frederick Engels, *Selected Works* in three volumes, Vol. 3, Progress Publishers, Moscow, 1970, p. 370; Karl Marx, *Capital*, Vol. I, p. 703; Karl Marx, *A Contribution to the Critique of Political Economy*, p. 214.

its policy have never been indifferent to it. Throughout the whole of human history, the state (wherever it existed) has exerted an active influence on the economy, an influence Marxism has described as the reciprocal action of the social superstructure on the economic basis.

This influence may assume the most diverse forms, including a ban on some types of economic activity, enactment of juridical rules facilitating and encouraging the emergence of definite forms of production relations, redistribution of funds through the fiscal system and other instruments in favour of some forms of economic activity and against others, regulation of current functioning of the economy, and measures to ensure general conditions for such functioning. One need merely recall that in order to step up the transformation of the feudal mode of production into the capitalist mode of production the state used to drive peasants off their lands and to turn other countries into colonies so as to obtain additional sources of raw materials and markets. It pursued a policy of protectionism to create hothouse conditions for emergent national capitals, thereby "manufacturing manufacturers". The state collected huge taxes from the whole of society to provide large-scale subsidies to the bourgeoisie.

The emergent bourgeoisie is also in need of state power in order to regulate wages by means of state legislation, forcing it down to levels that help to extract higher profits, and also in order to lengthen the working day and keep the workers constantly dependent on the capitalists.

Contrary to the widespread bourgeois theories, the state was not a "night watchman" protecting the peace of respected citizens even in the heyday of free-enterprise capitalism. With capitalism fully fledged and developing on its own basis, there is a change in the character of state intervention in the economy, rather than in its scale. The state protects private-capitalist property, provides a legal basis for the functioning of the whole capitalist economy, regulates the working day, wages and money circulation, and either restricts or encourages foreign trade. But then it is no longer required to break up one set of production relations and establish a set of others.

Let us recall that the state caters for the interests of the ruling class. When the working people take over, the state is turned into an instrument for restructuring the society and its economic basis on socialist lines. The working class needs state power to safeguard its social gains and use the vast range of state instruments for building socialism. Under the leadership of the working class, the working people

fight for political power precisely because it is also an economic force. State power would have been unnecessary if it were economically impotent.¹

The very first acts by the socialist state—the introduction of workers' control at capitalist enterprises and nationalisation of the crucial means of production—already reveal the economic and social nature of the socialist state and the extent to which it can influence the economy. The socialist state liquidates private-capitalist property in the means of production (the necessary condition for the existence of the system of capitalist production relations), thereby eliminating these relations in the given sector. By introducing the whole people's property in the crucial means of production, it ensures the necessary conditions for the existence and development of the system of socialist production relations.

The state's takeover of the crucial means of production puts on it the duty to organise their functioning. Such is its constructive function, which aims at creating a type of social labour organisation that is higher than the capitalist one. This is done in the course of arranging a coherent system of accounting and control, country-wide economic planning, a system of day-to-day centralised management of socialist enterprises with assured productivity growth, and the shaping of material and technical facilities adequate to socialism. A special type of state, operating under the leadership of the working class, is thus required for building socialism.

Let us note that while the planned-and-balanced economic system is still in the making, it is impossible to do without extra-economic coercion even within the socialist sector. Such coercion is expressed, in particular, in the forcible regulation of some aspects of the activity of enterprises in this sector in order to realise the will of the working class, which is written into the plan, and to give planning principles priority over considerations of purely commercial advantage.

So long as manual implements of labour predominate in the cooperatives, the possibility of a return to small-scale production is not ruled out in purely economic terms. The state prevents this both economically (by underpinning collective-farm production with machine facilities) and juridically (by laying down, among other things, that collective-farm fixed assets are indivisible).

¹ See, "Engels to Conrad Schmidt in Berlin, October 27, 1890", Karl Marx, Frederick Engels, *Selected Correspondence*, Progress Publishers, Moscow, 1975, p. 400.

In the transition period, the working class is daily under the influence of the petty-bourgeois element and the corrupting activity of the bourgeoisie. The working class is still burdened with the habits and views drummed into workers' heads by capitalism. All of this makes it more difficult to arrange conscious labour discipline and breeds the petty-proprietor urge to give less and take more, which is why coercive measures have to be used with respect to those who are guilty of such acts. Lenin kept stressing that indiscipline was a manifestation of petty-bourgeois anarchism: "The fight against this element cannot be waged solely with the aid of propaganda and agitation, solely by organising competition and by selecting organisers. The struggle must also be waged by means of coercion."¹

At the early stages, the socialist sector does not account for a preponderant share of the economy, but from the outset it is the leading sector, and this ensures the advance of the whole economy towards socialism. This status of the socialist sector is connected not only with the fact that it takes hold of the commanding heights in the economy at once, but also with the fact that it relies on the authority and potentialities of state power. Some basic parameters of capitalist enterprise activity were legislatively regulated by the Soviet state. Thus, not every sphere of production was open to capital investment. The state laid down the maximum duration of the working day, the minimum size of wages, and the ceiling on the prices of some goods. It prohibited the performance of some types of transaction (such as the purchase and sale of land).

Through the fiscal system, the Soviet state limited the possibilities for capital accumulation, on the one hand, and on the other, held out additional funds and resources to state and cooperative enterprises, and also to peasants who worked their farm allotments. Neither the consolidation of socialist production in industry, nor the cooperation of peasant farms could have been carried out without such direct material assistance. Lenin pointed out the need to put cooperatives in more favourable conditions as compared with private entrepreneurs: "Co-operation must be politically so organised that it will not only generally and always enjoy certain privileges, but that these privileges should be of a purely material nature (a favourable bank-rate, etc.). The cooperatives must be granted state loans that are greater, if only by a little, than the loans we grant

¹ V. I. Lenin, "The Immediate Tasks of the Soviet Government", *Collected Works*, Vol. 27, pp. 266-67.

to private enterprises, even to heavy industry, etc.”¹

Those who take the “objectivist” view insist that socialist enterprises need to be placed in equal conditions with those of other types of economic activity, so as to give them a chance to prove their superiority over the latter. But that is the kind of reasoning of an enemy, a demagogue, or an ignorant person. The new system of reproduction needs to be given all the support and assistance it can get until it has developed into an integral system and is able to stand on its own feet, i.e., so long as it is in the formative stage. That applies not only to socialism, but to any other mode of production. The bourgeoisie seems to have a short memory, for it has forgotten that the bourgeois state acted as a powerful instrument of the primitive accumulation of capital. “A social system emerges only if it has the financial backing of a definite class. There is no need to mention the hundreds of millions of rubles that the birth of ‘free’ capitalism cost.”²

When emphasising the inevitable influence of any state on the economy, one should bear in mind that such influence may have two-fold consequences. The state’s economic policy may promote economic development and accelerate it, or may exert a drag on it and erect barriers in its way, something that often results in vast losses.³ Which of these two effects will actually occur crucially depends on the extent to which the state’s economic policy accords with the objective economic laws. The lesser the accord, the greater the harm done to economic development. Indeed, violations of economic laws in economic policy turn up as difficulties facing economic development, and these force those concerned to modify state policy accordingly.

The effect state policy exerts on the economy depends on the class on which the state relies: a progressive class which has the future before it or a moribund class leaving the historical scene. Thus, the capitalist state now relies on a class whose historical mission has already been fulfilled, so that its economic policy has no more than partial success. Indeed, it operates on the whole against the course

¹ V. I. Lenin, “On Co-operation”, *Collected Works*, Vol. 33, p. 469.

² V. I. Lenin, “On Co-operation”, *Collected Works*, Vol. 33, p. 469. (If one is to have a correct perception of what Lenin meant, one should bear in mind that the hundreds of millions of roubles of that period were the equivalent of tens of billions of roubles today. *Ed.*)

³ See, “Engels to Conrad Schmidt in Berlin, October 27, 1890”, in Karl Marx, Frederick Engels, *Selected Correspondence*, p. 399.

of historical development and acts as a constraint on it.

By contrast, the transition-period state relies on the working class, which voices the vital interests of all the working people, who are the sole creators of social wealth, and that is one of the pledges of success for its economic policy. But it is only one of these pledges, a necessary, though inadequate condition. The historically moribund class is in principle incapable of giving economic development full scope, but the take-over of power by the progressive class does not in itself signify that such scope is automatically created along every line. What is also necessary is for the economic policy of that class to be entirely in accord with the requirements of economic laws, duly taking account of the state of the economy.

Politics, which is a concentrated expression of economics and exerts an active influence on it, must necessarily have primacy over it. At first sight, that conclusion appears to run counter to the conclusion that politics springs from economics. But in actual fact both conclusions are correct and do not exclude one another, because they contain answers to two different questions. In one case it is the question concerning the origins and basis of politics, and in the other, the question concerning the relation of politics, as a product of economics, to economics itself. Economics and politics are a unity and are in constant interaction, which is why it is necessary to show both the direct effect (economics produces and determines politics) and the feedback effect (politics is a concentrated expression of economics, exerts an influence on it, and has primacy over it).

The primacy of politics over economics does not at all mean that the state may concentrate on political matters and ignore economic problems.

It is especially important for the activity of the socialist state to have a correct understanding of the idea that politics has primacy over economics when considering their relation. After all, under the capitalist system the economy is run by capitalists, and even if the capitalist state fails to give due attention to economic matters, production will still function with greater or lesser success. But in the course of a socialist revolution, the key means of production are at the disposal of the state, and if it fails to deal with economic matters, there is simply no one else to deal with them. Characteristically, from the very outset the Soviet state got down to tackling economic problems and held their solution to be the main thing in building socialism. Five months after the October Revolution, Lenin wrote: "The task of administering the state, which now confronts

the Soviet government, has this special feature, that, probably for the first time in the modern history of civilised nations, it deals pre-eminently with economics rather than with politics. Usually the word 'administration' is associated chiefly, if not solely, with political activity. However, the very basis and essence of Soviet power, like that of the transition itself from capitalist to socialist society, lie in the fact that political tasks occupy a subordinate position to economic tasks. And now, especially after the practical experience of over four months of Soviet government in Russia, it should be quite clear to us that the task of administering the state is primarily a purely economic task—that of healing the country's wounds inflicted by the war, restoring its productive forces, organising accountancy in and control over production and distribution, raising the productivity of labour—in short, it boils down to the task of economic reorganisation."¹

The primacy of politics over economics signifies that the progressive class cannot give scope to economic development *without* taking power. It signifies, furthermore, that the progressive class will be unable to maintain its domination without the right political approach and that, *consequently*, it will be unable to fulfill its production task either.

The primacy of politics over economics also signifies that political mistakes distract attention from economic tasks and make one lose time in correcting them.

II

These fundamental propositions on the correlation between politics and economics are applicable to any form of society in which there is a state. At the same time, the role of the state and the character of its economic functions do not remain unchanged: both differ variously in different economic formations and at different stages of one and the same mode of production, a point already referred to above. Let us now consider the specific economic role of the state in the transition period.

In that period, the state directs the reorganisation of the economy as a whole, and that means an immense increase in the scale of its influence on the economy.

¹ V. I. Lenin, "Original Version of the Article 'The Immediate Tasks of the Soviet Government'", *Collected Works*, Vol. 42, p. 71.

But quantitative changes are only a part of the story, for they go hand in hand with drastic changes in the nature of the state's economic functions. The substance of these changes consists in the fact that as the planned-and-balanced organisation of social production is arranged and production socialised in practice, the state increasingly becomes the economically active subject, i.e., it now acts not only as a factor exerting an influence on economic processes from outside. It now directly administers social production, and sets in motion all its factors in accordance with the requirements of technology and economic laws, thereby performing the functions of an agent of the relations of production. In Russia, that specific feature of the socialist state's economic activity was reflected in the programme of the RCP(B), adopted in 1919, after the October Revolution. It said: "In the epoch of the incipient socialisation of the means of production expropriated from the capitalists, the government ceases to be a parasitic apparatus standing over and above the production process; it begins to turn into an organisation directly fulfilling the functions of managing the country's economy."¹

There must be a single economic centre as a necessary element in organising planned-and-balanced production. The institution of such a centre is not something arbitrary, but an objective requirement of the economic development attained. Large-scale machine industry leads to growing socialisation of production and requires agreed and coordinated conduct of production processes on the scale of the society as a whole, i.e., coherent economic activity which is inconceivable without one economic centre.

The formation of such a centre raises the question of whether it should exist separately from the political centre as represented by the state or whether these two centres should make up a single whole. In the early years of the Soviet power, that was an issue of special debate. The so-called "workers' opposition" believed that administration of the national economy should be organised by an all-Russia congress of producers united in production trade unions, which would elect a central organ to run the whole national economy. That proposal implied a separation of the economic centre from the political centre, from the state, and that was qualified as erroneous. With the means of production at its disposal, the state can realise itself as a proprietor in practice solely by ensuring the functioning of all these means of production, i.e., through economic

¹ *The CPSU in the Resolutions....*, Vol. 2, p. 56.

administration and management. Moreover, so long as objective possibilities remain for violating plan discipline, such discipline cannot be ensured without the authority of the state, so that the state here performs the functions not only of a political, but also of an economic centre. The latter assumes a state form, that is, both centres necessarily make up a unity.

Naturally, the state's conversion into an economic subject does not relieve it of its functions in influencing the economy as a political organ. Moreover, the state's new economic functions pave the way for an even more significant development of its superstructural functions in regulating the economy.

So, in the period of transition from capitalism to socialism, the state plays a dual economic role. On the one hand, it already acts as a single economic centre, performing its functions and operating as an economic subject, but on the other, the socialist state, just as any other state, plays the role of a superstructural, political and coercive organ with regard to the economy, an organ which regulates economic processes.

In bourgeois revolutions, the working masses were used for destructive purposes in eliminating the feudal order, whereas the positive work in organising the new society was done by the bourgeois minority. In a socialist revolution, things are quite different. No minority can introduce socialism, which is built for the working people and by the working people. The tasks of such construction are so majestic that they can be successfully fulfilled solely with the broadest involvement of the working people. The socialist state is intrinsically democratic. From the earliest days of its existence, the Soviet power saw one of its main tasks in getting all the working people to take part in running the country, including production. According to Marx's well-known tenet, "together with the thoroughness of the historical action, the size of the mass whose action it is will ... increase".¹

Economic laws apply to the whole of social production, so that their conscious use implies concerted action by all members of the society. Such action becomes possible in principle only when the society as represented by the state takes the crucial means of production into its own hands and arranges planned-and-balanced organisation of social production, that is, in the course of a socialist rev-

¹ Karl Marx and Frederick Engels, "The Holy Family", in: Karl Marx, Frederick Engels, *Collected Works*, Vol. 4, 1975, p. 82.

olution. The socialist state's economic and social policy is meant to ensure the use of objective economic laws. Hence it is clear that its success largely depends on how well these laws have been cognised.

That circumstance leads up to the question about the role of the working-class party in a socialist society. The whole record of socialist and communist construction in the Soviet Union shows that it is the party which projects the perspectives of development, elaborates an economic strategy, and rallies and organises the working masses for the solution of arising problems, doing that on the basis of an all-round and comprehensive Marxist-Leninist analysis of political, socio-economic and ideological processes. The party's strategic line is at the root of the whole activity of the socialist state, taking concrete shape in that activity and so putting it on a scientific basis.

The socialist state's qualitatively new role in economic life implies, on the one hand, an increase in the potentialities of economic policy from the standpoint of accelerating economic development and, on the other, an increase in the adverse effects of each erroneous step in the state's economic activity. In other words, the state's greater economic role means a correspondingly greater responsibility for each decision in the sphere of economic policy.

Whenever policy is out of touch with the objective economic requirements, there is a drift towards subjectivism and voluntarism. These are induced by a number of factors.

Hardly any violation of the laws of social development is evident right away. This creates an illusion that objective economic laws can be broken with impunity and that there is no need to meet their demands. History shows, however, that neglect of these demands is ultimately penalised.

In the specific setting of the transition period, that illusion is further reinforced. The point is that so long as the economic organism of socialism has yet to take full shape and to begin developing on its own basis, the state plays a special role: it takes non-economic steps to eliminate the exploitive relations and arrange a new economic system. Naturally, such activity by the state is no substitute for economic laws and processes. It relies on the objective needs of the economy, but at first glance the state appears to be "omnipotent".

No wonder many Soviet economists in the 1920s and the first half of the 1930s believed that the plan, and ultimately the dictatorship of the proletariat, was the regulator of the transition-period economy and lay at the basis of its functioning. That conception led to a subjectivist interpretation

of economic laws, to a denial of their objective nature. It could not, of course, do away with the basic scientific principles of the Soviet state's economic policy, but the subjectivist ideas about the development laws of the Soviet economy were bound to have an adverse effect.

From the height of the present-day science of socialism, that conception is clearly seen to be erroneous. But it was not simply a delusion, a dizzy feeling caused by the country's successes in planning, but was rooted in the realities of the day. First of all, that conception was a response to the essentially bourgeois trend in economic thought which advocated, in the name of objectivity, the law of value as the regulator of the whole of social production, something that would have assigned a passive role to the socialist state and led to a restoration of prerevolutionary economic proportions, so favouring the capitalist forms of economic activity. (True, critics of that trend also tended to identify objectivity and spontaneity and to confine the operation of objective economic laws to the framework of commodity production. That subtlety, however, could for the time being be discounted, for the main thing was that a line of development which posed a threat to socialist construction was being rejected.)

Second, the conception that regarded the dictatorship of the proletariat as the basis of the movement of the transition-period economy was a reflection, however distorted, of a real fact, namely, the socialist state's active role in the emergence and expanded reproduction of socialist production relations, emphasising the creative aspect of coercion.

The special role of the state in the formation of socialism does not, of course, substitute for economic laws and processes, merely creating the conditions for their operation. Without the "merely", however, socialism can neither originate nor win out.

III

Economic laws in the transition period are difficult to apply because the economy in that period for a time remains multisectoral, with two opposite and conflicting tendencies: socialist and capitalist. Although the private sectors are on the whole subordinate to and regulated by the socialist state, the bourgeois and petty-bourgeois elements resist its regulating activity and in some areas can frustrate it from time to time. That is why a major question of economic policy in the transition period is that of the limits of private sectors and the forms these may be allowed to

take, and also the forms of control over their activity and their subsequent transformation.

Two kinds of mistakes could be made in this matter with regard to the private-capitalist sector. On the one hand, there could be an attempt to ban private economic activity even before the necessary prerequisites for that have been created. Even where the right to the existence of private-capitalist elements is nominally recognised, it could happen that no steps are taken to ensure their existence in practice. Thus, commodity-money relations and a free market are known to be among the necessary conditions for the existence of capitalist elements. The time factor is also highly important: the private proprietor will invest his funds in this or that branch of the economy only when he is confident that his activity will not be banned for a sufficiently long period of time.

On the other hand, it would also be a mistake to legalise the existence of private-capitalist elements for an indefinite period, for that could reinforce the illusions about the possibility of enrichment for all through private-capitalist activity, about the legitimacy (or, rather, the fairness) of unearned income, and so on. The inevitable ideological and political consequences of such illusions are quite obvious.

Lenin's interpretation of the New Economic Policy rejects both these approaches. The idea behind the NEP was not to form a sort of symbiosis of socialist and capitalist elements, but to use the latter so as to gain the time necessary to strengthen and fine-tune the new economic system, and on that basis to get rid of the private-capitalist elements. It is only natural that the word "nepman" has always had a negative connotation among the people.

The question of the state's attitude to peasants and other small producers is equally important. Marx, Engels and Lenin stressed the importance of winning as many peasants as possible to the side of the revolution while they are still peasants, that is, even before socialist transformations are carried out in the countryside, which implies assistance by the socialist state to the small producers.

Such assistance and the effort to free the peasants from landowner and private-capitalist oppression holds back the processes of differentiation and helps to strengthen small-scale production, which is now able to realise all its potentialities. As the experience of countries like Poland has shown (wherein lies its positive significance), these potentialities are fairly considerable.¹

¹ Thus, from 1950-1952, when agricultural production in Poland reached the prewar level, to 1981-1983 the volume of farm produce

None of that, however, serves to justify the so-called "law of stability of small-scale production", which Lenin criticised in detail. Evidently, some of the factors that sustain small-scale production are less and less acceptable for a developed country (overwork, failure to meet a number of social requirements, etc.).

It is also evident that certain factors in the transition period inevitably serve to undermine small-scale production. The crucial factor here is the ultimate need to get down (sooner or later) to the technical re-equipment of agriculture, while small producers differ in their capacity for such re-equipment.

The question ultimately boils down to this: who will get the machinery—the better-off private farmers, which will strengthen their positions, or the socially owned farms, which will strengthen socialism. In the USSR, that question took a particularly sharp turn at the time of industrialisation, raising the problem of mass collectivisation in agriculture.

One should also bear in mind the ideological and political consequences of petty production continuing on a massive scale for a long time. Of course, the question is not as simple as it seems. On the one hand, the existence of massive small-scale production does not necessarily lead to socio-political crises in the country. On the other hand, full collectivisation in itself is no guarantee against such crises.

In other words, the causes of a socio-political crisis could well have no direct connection with small-scale production. Moreover, small producers could refrain (at least initially) from supporting the opposition forces.

That is not to say, however, that small-scale production is socially and politically inert. It cultivates the private-property mentality and so inevitably helps to create a general atmosphere that is conducive to opposition. Small pro-

increased by 85 per cent, which means an annual growth rate of about 2 per cent. The share of commodity output in that period went up by 173 per cent (at an average annual rate of 3.3 per cent). In the five-year period from 1950 to 1955, yields averaged 12.6 centners per hectare for cereals, almost 120 centners for potatoes, almost 190 centners for sugar beet, and 27 centners for meadow hay, whereas in the second half of the 1970s the figures were roughly 25, 117.7, 280 and 57 centners, respectively, and in 1981-1983, 26, 163, 322 and 57 centners. In 1950, Poland's farmers were producing 65 kilograms of meat per 100 hectares of farmland, whereas in 1979 the figure was up to 172 kilograms (by 1983, meat production had gone down to 133 kilograms because of feed shortages). In 30 years, milk production doubled, as compared with the 1950 figure.

ducers come out in support of those economic measures by the state which agree with their interests, while their attitude to any possible or actual measures which do not agree with their interests is patently different. Small-scale production thus exerts a covert, if not an overt, pressure on the state's economic policy.

An indicative point to note is that the social sector in Poland's agriculture has tended to shrink sharply precisely in the years of political crises. Thus, in late 1956 and early 1957, almost 87 per cent of all cooperatives were disbanded. In the early 1980s, the process of their formation came to a virtual standstill. In 1976-1979, from 279 to 382 new farming cooperatives were being set up annually, whereas in 1983 there were only 10 new cooperatives, while the sowing area in the cooperative sector was even reduced by about 5.3 per cent, and is now under 4 per cent of the total sowing area.

The protracted existence of small-scale production has other important, though more specific, consequences. Thus, the prosperous stratum of the small producers gradually accumulates sizeable amounts of money, which exert an inflationary pressure on the market.

The question of the attitude to small producers is thus sufficiently dialectical. On the one hand, the state should offer them assistance, especially before they get down to mass cooperation, and on the other, it will not do to avoid the question about the perspectives of small-scale production in the transition period. With the passage of time (especially in the course of the technical re-equipment of agriculture), three strata will be ever more manifest among the peasantry. Some peasants for various reasons will be unable to earn a living from their own farms and will be obliged either to abandon them or to hold on to them while seeking employment in other spheres of the economy. Such a transitional type of producer is peculiar to the genesis of capitalism, but can also be more or less widespread in the course of the formation of socialism. The only prospect here is, apparently, a conversion of one-time smallscale production into personal subsidiary farms, and of the one-time peasant into a worker in socialist production.

As for the plots of land that are being abandoned, it is hard (and sometimes impossible) even for purely technical reasons to draw these into the economic turnover so long as petty production continues to exist on a massive scale. On the whole, as former producers to a greater or lesser extent turn into "eaters", the food problem is bound to be

complicated, raising the question of how to compensate for the decline in production.

The second stratum includes peasants who will continue to live from their own farms, but will be unable to effect their full technical re-equipment. The possibilities for an increase in commodity output here are limited.

The third stratum includes sturdy, prosperous farms, which will steadily increase their demand for farming machinery. If the use of wage-labour continues to be restricted, these could turn into family farms with intensive production. How long they will be able to ensure the necessary increase in commodity output without developing into large-scale production units (and large-scale machine production can be either capitalist or socialist, without any third alternative) is a special question, and the answer to it depends on the concrete conditions of each country. But it is clear that there are limits here as well.

The gradual three-way stratification of the small producers is no theoretical construct, but an objective process, whose reality is once again reaffirmed by Poland's experience. Thus, farms with an area of under two hectares make up about 30 per cent of the total, from 2 to 10 hectares—54.4 per cent, and over 10 hectares—nearly 16 per cent. From 1950 to 1982, the number of farms with an area of under two hectares and over 10 hectares increased by 225,000 (by 36 per cent) and 70,000 (19 per cent), respectively, while the number of farms with an area of 2 to 10 hectares was reduced by 422,000, or 21 per cent (with a total reduction in the number of individual farms by 127,000, i.e., by 4.3 per cent). There was also a steady increase in the number of so-called "two-trade" farms, whose owners work not only on their own farm, but also in the social sector. The number of such farms increased not only at the expense of the poorer but also the middle farms: the overall change in the situation in the country led to such an increase in requirements that these could no longer be met by farms in either category. At present, more than one-half of all individual farms operate on a "two-trade" basis.

The ever greater three-way stratification of the small producers will apparently lead to greater social tensions. Hence the need to consider well in advance the question of how to transform small-scale production on socialist lines, of the forms of such transformations (thus, it has yet to be clarified, even in theory, whether cooperation—at any rate, in its traditional forms—is still suitable for socialist transformation of family farms with intensive production), and to prepare public opinion for the cor-

responding measures.

One of the gravest mistakes of the former Polish leadership was that it lost sight of the perspective of socialist transformations, and especially that it lacked a clear-cut conception of how to restructure agriculture on socialist lines.

Stagnant "pluralism" in the economy provides an objective basis for pluralism in ideology and politics, which seeks to perpetuate the coexistence of socially diverse economic forms as inviolable, immutable and desirable. One expression of such an approach is the conception of the so-called "Polish model of socialism" or "Polish socialism" (a conception which is not shared by the Polish United Workers' Party), according to which such phenomena as petty-commodity and petty-capitalist production, the market mechanism in economic activity, and ideological pluralism should be regarded as inviolable and immutable.

The socio-political crises in some socialist countries, and especially the latest crisis in Poland, once again drew attention to the New Economic Policy, to the ways in which Soviet Russia overcame the crisis of 1921. In those conditions, such a retrospect is apparently inevitable and on the whole useful (in particular, it helps to specify the causes of possible crises in the socialist countries).

At the same time, present-day interpretations of the New Economic Policy (or, rather, the events of 1921) and the possibilities for applying its principles in the economic practice of the socialist countries sometimes contain significant inaccuracies.

Some authors maintain that the principles of a policy that differed from "war communism" were elaborated by Lenin only in 1921, under the influence of the socio-political crisis that had broken out in the country. Some even say that these principles were borrowed from the participants in the Kronstadt uprising¹ (just as the 1917 slogan of land allotment was borrowed from the Socialist Revolutionaries).

But the Bolsheviks' programme at the time of the Octo-

¹ A counter-revolutionary uprising which started on February 28, 1921, with the seizure of the Kronstadt city-fortress near Petrograd. In a resolution adopted at a rally they staged, the leaders of the uprising proclaimed diverse "freedoms" like freedom of trade, freedom of party activity, and so on. The uprising did not meet with support among the broad masses and was soon suppressed. At the same time, the R.C.P.(B) saw it as an expression of peasant discontent with the policy of "war communism".

ber Revolution was not one of "war communism"; it was a different programme, whose principles were eventually developed and specified in the New Economic Policy. None other than Lenin saw the NEP as a direct continuation of the economic programme of socialist construction drawn up by the Bolsheviks on the eve of the October Revolution.

To regard the NEP as a product of the crisis is to regard it, first and foremost, as an instrument for overcoming any crises that may occur in the socialist countries, with an accent on the ability to retreat. But, first, the NEP principles, as it will be shown below, cannot be recommended as such an instrument for any conditions whatsoever. And second, one should, of course, know how to retreat, for, as Lenin put it, no one has ever been able to win a war without retreats. But these can be general and partial. The latter cannot be avoided, whereas the former apparently can, since they are objectively caused by extraordinary circumstances (in Soviet Russia, these were the Civil War and intervention, which obliged the Soviet state to introduce new forms of economic activity even where the necessary conditions for these were lacking, something that was bound to modify the forms themselves).

Moreover, retreat is never an end in itself. That is why in 1921 Lenin saw it solely as an element of the NEP, whose purpose was to prepare and carry out an offensive against private elements. Both "war communism" and the NEP imply an offensive, while the difference lies solely in the forms of that offensive.

The view that the NEP, as it was in 1921, can be used as an instrument to overcome a crisis in virtually any conditions is non-historical and, therefore, incorrect. In 1921, Soviet Russia was at the initial stage of the transition period, and that was largely why the economic forms that were introduced at the time were so peculiar. In that sense, they are historically concrete and cannot be automatically applied to other stages of development.

One should also bear in mind that Soviet Russia's economy in 1921 was in a state of dislocation. The task at the time was to feed the working class by any means whatsoever, and so to preserve it. In other conditions, the question of means should apparently be resolved in other ways.

In short, the economic policy of the transition period should not be identified with Soviet Russia's New Economic Policy as it was effected in the early 1920s: apart from containing elements that are common to all transition-period policies, the NEP was also marked by concrete historical peculiarities.

At the same time, the question of the state's role in regulating intersectoral relations is sufficiently dialectical. On the one hand, when private sectors are allowed and used in socialist construction, this implies the need for state assistance to these sectors (the small producers above all). Besides, wider benefits to socialist enterprises and unearned funds placed at their disposal could engender, beyond a certain point, parasitic tendencies among their management, which would have an adverse effect on the arrangement of the new economic system and on the efficiency of socialist production. Indeed, competition between the sectors can and must be used as an additional incentive in perfecting the socialist economic system.

On the other hand, the socialist state cannot be a mere onlooker or act as a sort of umpire in the mutual relations between the sectors. A nominally even-handed attitude by the state to different sectors would in effect go to benefit the private sectors. The natural question then would be whose interests the state actually expresses.

In other words, the problem in the state's relations with different sectors is so to balance out these relations with due account for all the complicating circumstances as to give priority to socialist enterprises.

As the private sectors are crowded out and transformed and as the system of socialist relations of production matures, the latter is ever more capable of self-reproduction and is less in need of extra-economic support. The state relaxes its extra-economic regulation of economic processes, in particular, by lifting some of the restrictions on commodity-money relations: planned-and-balanced elements now increasingly prevail over the commodity elements simply in virtue of the objective state of things. That is why in practice one often comes across this paradox: although the objective foundations of commodity-money relations under socialism are narrower than in the transition-period economy, these relations can play a greater role in the activity of socialist enterprises.

The extra-economic support on the part of the state increasingly takes the form of control and juridical formalisation of economic processes, while the emphasis in the state's economic activity shifts to the functions of a single economic centre. The role of extra-economic factors in reproduction to some extent indicates how developed a given system of production relations is in depth and in breadth: the greater the role of such factors, the lower is that development level.

CHAPTER TEN

THE GENERAL AND THE SPECIFIC IN THE FORMATION OF THE SOCIALIST ECONOMIC SYSTEM

1. The main factors behind the specific features in the formation of the socialist economic system

All countries going over to socialism had some common features in their initial conditions, in the direction of the movement and its content, which consists in overcoming definite types of economic activity (capitalist and precapitalist) and in introducing a new and equally definite (socialist) type of such activity. Hence the general uniformities in the transition to socialism.

While saying that socialist construction in Russia was bound to have its own peculiarities, Lenin at the same time emphasised: "But the basic forces—and the basic forms of social economy—are the same in Russia as in any capitalist country, so that the peculiarities can apply only to what is of lesser importance."¹ The success of the state's economic policy in the transition period crucially depends on the extent to which it takes these general uniformities into account.

At the same time, the formation of a new mode of production, just as its development in the mature state, depends not only on the crucial, fundamental laws, but also on a host of other factors. Common features are only evident in what is basic, whereas in all other matters history does not repeat itself. Each country has its own peculiar conditions and, consequently, its own peculiarities in the way the general uniformities are realised. Hence the infinite variations and gradations in the details of economic development. The whole point is to apply the general uniformities to the concrete conditions of a given country with due skill and mastery.

A study of the experience of other countries which have

¹ V. I. Lenin, "Economics and Politics in the Era of the Dictatorship of the Proletariat", *Collected Works*, Vol. 30, p. 108.

already travelled a similar road, with all their mistakes as well as their achievements, is always useful and necessary. But studying does not mean imitating. No country can provide ready-made solutions for all epochs and peoples. It is wrong to think that success can be achieved simply by studying some country's planning experience and borrowing the forms that have justified themselves, because the forms of planning, just as of any other economic process, should reflect the peculiarities of each particular country. A solution of the problems of socialist construction always implies a creative quest, and politics is always an art, as well as a science.

History shows that both attempts to ignore the general uniformities in socio-economic policy and disregard of each country's specific situation have an adverse effect on social development. The purpose of studying international experience and bringing out general uniformities is not to elaborate some kind of stereotypes to be copied by all, but to obtain scientifically grounded and well-tested pointers that would help to find correct solutions for complicated problems arising in the course of socialist construction in the concrete conditions of different countries.

The more specific this or that detail in the social development of a given country, the harder (and often impossible) it is to foresee it in advance. Its existence can be explained solely in the course of an analysis of the country's concrete conditions. The problem goes beyond the framework of political economy and reaches out into the sphere of the science which studies the economic history of individual countries, while the task of political economy is only to bring out, along with the general uniformities, the basic varieties of the given type of economic development.

A similar approach was taken by Lenin, for instance, in distinguishing between two ways of capitalist genesis in agriculture (Prussian and American), and also in determining the basic types of imperialism (American, British, French, and Russian).

At first glance, that approach may appear to relate to regional studies. In actual fact, this or that country is taken simply because a particular type of development is manifested in it in its purest form and that form is subjected to analysis.

I

The succession of the modes of production cannot be reduced to the self-movement of one of these, but is en-

sured by extra-economic intervention in the ruling system of production relations on the basis of the objective prerequisites of the new mode of production. That provides an objective basis for distinguishing between the main varieties of the formation of a new mode of production depending on two circumstances: a) the maturity of its objective prerequisites (both internal and external), and b) the intensity of extra-economic intervention in the obsolete system of production relations (its break-up can be either abrupt or gradual). These two factors are not, of course, entirely independent. Thus, the intensity of extra-economic intervention in the system of capitalist production relations depends on many factors, but crucially on the balance of class forces: the more manifest is the superiority of the working class, the greater (all other conditions being equal) is the bourgeoisie's inclination to compromise and, consequently, the more opportunities there are for a more gradual transformation of capitalist production relations. The balance of class forces, for its part, to some extent depends on the maturity of the objective prerequisites for socialism.

Another point to note is that some economic forms (small-scale production in the first place) cannot be directly transformed on socialist lines, whereas between other forms and socialism there are no intermediate stages (thus, state-monopoly capital becomes part of the socialist sector as soon as the working class comes to power, although certain transformations here are necessary as well).

But at any level of maturity of the objective prerequisites for socialism there are economic forms whose socialist transformation can in principle be either more or less gradual. That is why the maturity of the objective prerequisites for the new mode of production and the intensity of extra-economic intervention in the production relations system are relatively independent factors.

Whereas the minimum number of capitalist enterprises that need to be nationalised in order to ensure a leading position for the socialist sector in the economy is predetermined by the maturity of the objective prerequisites for socialism, any extra volume of socialist nationalisation at its initial stage over and above that minimum depends on how gradual the socialist transformations are. The balance between such forms of socialist nationalisation as confiscation and redemption depends on that as well.

Socialist nationalisation of the means of production signifies that the material results of the working people's unpaid labour are put at their disposal. The fact that capital is accumulated surplus-value justifies not only so-

cialist nationalisation as such, but also confiscation as one of its forms.

Confiscation is not the only form of nationalisation, and Marxists have never in principle ruled out the possibility of a partial redemption of the capital being nationalised.

Nationalisation is no end in itself. It is necessary to organise production on new lines, to boost its efficiency and, on that basis, to raise the living standards of all the working people. The working class is therefore interested in taking over production "in running order", with the least possible losses. Redemption of nationalised capital is necessary precisely in order to induce the bourgeoisie to continue production without any stoppages, without concealing or squandering material values.

Of course, redemption is a tribute to the bourgeoisie paid by the working people. But confiscation could lead to sabotage by the bourgeoisie and so inflict even greater damage. As Lenin wrote, "...Marx was profoundly right when he taught the workers the importance of preserving the organisation of large-scale production, precisely for the purpose of facilitating the transition to socialism. Marx taught that ... the idea was conceivable of *paying the capitalists well*, of buying them out, if the circumstances were such as to compel the capitalists to submit peacefully and to come over to socialism in a cultured and organised fashion, provided they were paid well."¹

Where the state nationalises foreign capital, redemption makes it easier to establish normal economic relations with the capitalist countries, which is also of considerable importance for developing production.

Redemption can also have favourable political consequences. It offers the bourgeoisie a choice: either to come out against the new power and so to run the risk of losing its entire accumulated wealth, or to take a neutral stand and so to obtain some compensation for the nationalised capital. The two options lead to wavering among the bourgeoisie, helping to split its ranks and so to weaken its resistance.

In order to intensify the split among the bourgeoisie, the terms of redemption should be differentiated with regard to its different groups, primarily depending on their predisposition to compromise. When compensation is paid out to the shareholders of nationalised enterprises, it is also necessary to draw a distinction between big, small

¹ V. I. Lenin, "The Tax in Kind", *Collected Works*, Vol. 32, pp. 338-39.

and medium shareholders.

But where the bourgeoisie refuses to compromise with the working class and seeks to sabotage all the measures taken by the latter, there is no point in resorting to redemption. Such was the case in Soviet Russia, where in response to the proletarian power's efforts "to pass, as gradually as possible, breaking up as little of the old as possible, to the new social relations while adapting itself, as much as possible, one may say, to the conditions then prevailing",¹ the bourgeoisie unleashed a civil war.

The use of one method of socialist nationalisation or another thus depends on the concrete situation, and primarily on the bourgeoisie's inclination to compromise, on the extent of its resistance to the socialist transformations.

The nature of nationalisation is not determined by the size of the redemption, if any, but by who comes to stand at the helm of nationalised production and whose interests it begins to serve. That is why the extent of redemption, its terms, and so on, could in principle differ significantly from one country building socialism to another, depending on the pace of socialist transformations in each country.

The existence of transitional economic forms during initial socialist socialisation of production is objectively conditioned and obligatory for all countries going over to socialism. But the spread of these forms and their role in the socialist transformation of the private sectors largely depends on the intensity of extra-economic intervention in the system of pre-socialist production relations.

Since a number of capitalist countries entered the stage of imperialism, the whole capitalist world has fallen into three groups of countries in terms of the maturity of the material (economic) prerequisites for socialism: 1) countries with highly developed capitalism, which are economically mature for a transition to socialism; 2) countries with medium-developed capitalism, which have less mature objective prerequisites for socialism; and 3) countries with prevailing pre-capitalist forms of economic activity, in which the material (economic) prerequisites for socialism are either nonexistent or are just beginning to take shape.²

Since vestiges of pre-capitalist economic forms usually

¹ V. I. Lenin, "Seventh Moscow Gubernia Conference of the Russian Communist Party, October 29-31, 1921. Report on the New Economic Policy, October 29", *Collected Works*, Vol. 33, p. 91.

² Marxists have traditionally divided the world capitalist system into groups of countries with different development levels. Thus, the Programme of the Communist International distinguished between

remain, to a greater or lesser extent, at the time of a socialist revolution, the countries building socialism have a different correlation between the processes engendered by the actual change-over from capitalism to socialism and the processes which accompany the change-over and which are caused by the need to continue the work started but not completed by capitalism. That correlation largely depends on whether the socialist revolution was preceded by a democratic revolution and on whether any significant transformations were carried out at that stage. On the whole, there is no doubt that the existence of such a stage creates favourable opportunities for resolving some of the tasks involved in the change-over from capitalism to socialism even before the start of the actual transition to socialism.

Since social development depends on external factors as well, there is yet another set of conditions influencing the forms of socialist construction: 1) the existence of one socialist country; 2) the emergence and development of the world socialist system; and 3) the development of the world socialist system into a crucial economic, as well as political, force.

Once the socialist countries surpass the capitalist states in the share of world production, this will open up new perspectives for the peoples' advance to socialism.

The concrete varieties of the formation of socialism take shape under the impact of both sets of circumstances. True, not all of the theoretically possible combinations are actually possible in practice. Thus, it was always highly unlikely in view of many well-known factors that the emergence of a weak link in the chain of imperialism and history's first breakthrough there could occur in one developed capitalist country,¹ and in a country with prevailing precap-

three main types of countries: a) countries with highly developed capitalism; b) countries with medium-developed capitalism; and c) colonial and semi-colonial countries. (See, *The Communist International. Documents, 1919-1932*, Moscow, 1933, p. 29, in Russian.) Among the countries which took the socialist road in different periods, Germany and Czechoslovakia on the eve of the revolution belonged to the first group of countries; Bulgaria, Hungary, Poland, Romania, Russia and Yugoslavia to the second, and Albania, China, Cuba, Vietnam, Korea and Mongolia to the third. (See, *World Marxist Review*, No. 9.)

¹ See, V. I. Lenin, "Session of the All-Russia C.E.C., April 29, 1918. Report on the Immediate Tasks of the Soviet Government", *Collected Works*, Vol. 27, p. 291; "The Third International and Its Place in History", *Collected Works*, Vol. 29, pp. 310, 311; "Left-Wing' Communism—an Infantile Disorder", *Collected Works*, Vol. 31, pp. 63-64.

italist forms of economic activity it was ruled out altogether. It is no accident, therefore, that the first socialist revolution actually took place and won out in a country with medium-developed capitalism.

The peculiarities of socialist construction in Soviet Russia were due to the following circumstances. First, on the eve of the revolution the country was in the group of medium-developed capitalist states, with strong feudal survivals. Second, it had to build socialism on its own, in a capitalist surrounding. And third, the local exploiter classes were not inclined to compromise, but tried to put the new power to the test by force of arms. The last two circumstances predetermined the wide use of intensive forms of economic reconstruction.

In the presence of a world socialist system it is evidently easier to build socialism. Some draw the conclusion that "easier means faster". In reality, however, such formal logic does not work: "easier" could well mean slower, for the existence of the world socialist system makes it possible to carry out socialist transformations in a more gradual way, in greater accord with the concrete conditions.

Countries taking the socialist road in different periods represented all the three main states of objective prerequisites for socialism. But only two of these countries (the GDR and Czechoslovakia) belonged on the eve of the socialist revolution to the group of countries with developed economic prerequisites for socialism. Moreover, production in these countries had suffered heavy losses during the war, and the disruption of the historically formed economic ties between the Eastern and Western economic regions of Germany led to serious disproportions in the economy of the GDR. The gap was particularly wide between mining and metal-working, and also between industry and agriculture. The ratio of mining to metal-working there was 1 to 4.1, as against 1 to 2.1 in the FRG. Steelmaking and metal rolling facilities in the GDR were totally absent. Germany's Eastern regions, which had a developed agriculture, had neither a tractor industry, nor sufficient industrial capacities for producing farming machines and some types of fertilizers (phosphates, in the first place).¹

Under capitalism, Czechoslovakia specialised in textiles, footwear, ceramics, glass and haberdashery, while the heavy industry was developed well below the existing possibilities and requirements, so that after the revolution it was also

¹ *Political Economy of Socialism and Its Use in the GDR*, Moscow, 1970, pp. 136, 137 (in Russian).

necessary to develop new industries in order to correct that imbalance in industrial development.

So, the material and technical base of socialism in the technically developed socialist countries was also shaped along the lines of industrialisation. In view of that, the magnitude of the effort to shape the material and technical base of socialism and the methods of socialist construction in these countries were quite comparable to those that were in evidence in countries which had before the revolution belonged to the group with medium-developed capitalism.

All the countries within the world socialist system have gone or are still going through socialist industrialisation, although its volume differs from one country to another. In contrast to the Soviet Union, however, all the other countries of this system have two major peculiarities in shaping the material and technical base of socialism: this process is now unfolding, first, in the presence of the world socialist system and, second, against the background of the scientific and technical revolution.

The existence of the world socialist system means that the experience and assistance of some socialist countries are used in the course of socialist construction by other socialist countries, doing much to help them tackle the tasks of transition to socialism, including the build-up of the material and technical base of socialism. The ever deepening international socialist division of labour enables each individual socialist country to concentrate its efforts on the development of certain branches of heavy industry, instead of developing the whole range of them.

Under the STR, the international division of labour and international economic relations exert a growing influence on the national economies of the socialist countries. In practice, that is connected with socialist integration, based on the interpenetration of the national economies and the formation of an international production complex through the development of the socialist countries' national economic complexes. One should not think, however, that it is first possible to develop perfect national economic complexes and then to bring these together into a no less perfect international production complex. The national complexes are not isolated from each other, but develop in close unity, so that any decision on internal economic proportions can be effective only when it takes due account of the proportions emerging in the world socialist economy. That has a significant effect on the shaping and further development of the material and technical base of socialism.

The economic structure in countries shaping such a base

in STR conditions cannot be similar to the economic structure that existed in countries which had completed the process before the start of the STR. In shaping the material and technical base of socialism, each socialist country, irrespective of the initial level of its productive forces, should now make use of STR achievements. That is one of the reasons why the concrete characteristics of the productive forces in the course of socialist construction differ from one socialist country to another.

II

The group of countries in which precapitalist economic forms prevailed before the revolution is larger than the group of countries which joined the world socialist system when they were at the stage of developed capitalism. But, for various concrete historical reasons, the forms of socialist transformations in the second group largely coincided with the forms of such transformations carried out after the revolution in countries with medium-developed capitalism. As for the group of countries with mostly precapitalist economic forms, none of these has yet completed its road to socialism. All of that indicates that the practical alternatives in the formation of socialism are far from being exhausted.

Meanwhile, the importance of this problem in the present conditions tends to increase, since over the past few decades the differences between the countries of the world capitalist system as regards the maturity of the objective prerequisites for socialism have further increased: whereas in most countries of that system such prerequisites are still either absent or are just beginning to emerge, in the developed capitalist countries they are not only mature, but have developed into a *system*.

Now that the developed capitalist countries have attained the highest forms of production socialisation that are possible under capitalism, this should objectively make it easier to arrange a socialist economic system, on the one hand, and presupposes a certain adjustment of the forms and methods of socialist economic transformations, on the other.

Development of the state sector under imperialism and especially in the course of a democratic revolution narrows down the sphere of possible nationalisation. But since no democratic revolution, let alone imperialism, presupposes complete etatisation of production, transition to socialism

in any country always involves nationalisation of the means of production that used to belong to the capitalists, although its scale can differ significantly from one country to another, depending on the development level of state-monopoly capitalism before the socialist revolution; on whether that revolution was preceded by a democratic revolution; on the scope of the changes at the democratic stage of the revolution, and so on. These circumstances are also bound to affect the balance between the various forms of socialist nationalisation. In countries where a socialist revolution is preceded by a protracted stage of democratic transformations, wide use will apparently be made of redemption, because at the democratic stage of the revolution the working class is in alliance with broad anti-monopoly strata of the population. In such conditions, transition to socialist transformations implies the use of compromise forms.

The level of production socialisation attained in the developed capitalist countries, on the one hand, reduces the "material" fit for a gradual transfer to socialist lines. On the other hand, further socialisation of production leads to a situation where control established by the working people solely over state-monopoly and monopoly capital could be sufficient to put the working class in control of the commanding heights of the economy. So, in some countries it is possible, in principle, to confine direct socialist nationalisation to monopoly enterprises, switching the other private-capitalist enterprises to socialist lines gradually, through transitional economic forms.

As the highest forms of production socialisation possible under capitalism spread to virtually all the key units of the economy in the developed capitalist countries, socialist economic transformations in these countries are bound to run into certain problems unknown in countries which took the socialist road while such forms of production socialisation in their economies were either absent or were just beginning to take shape. It is particularly important in the new conditions to preserve all the economic methods and direct economic ties engendered by capitalism's highest forms of production socialisation: it is perfectly obvious that the lower the development level of such forms of socialisation before the revolution, the less significant are the negative consequences of a possible disruption of the economic ties in which these forms are realised. The level of production socialisation attained in the developed capitalist countries has thus made the peaceful forms of socialist revolution even more preferable in economic terms,

and these forms make it possible to carry out socialist economic transformations fairly gradually.

The feasibility of that kind of socialist transformations is also enhanced by the ongoing changes in the balance of class forces: the balance of forces between imperialism and socialism has been changing steadily in favour of the latter as a result of the consolidation of the world socialist system, the whole working-class and communist movement, and the anti-imperialist trends in the national liberation movement.

Hence the assumption that in countries where the socialist stage of the revolution is preceded by a democratic stage, and where the revolution is largely peaceful, wide use will be made of transitional economic forms in the process of socialist transformations. These will apparently be the main forms applied to the petty and middle bourgeoisie which supports the revolutionary process or is neutral to it.

In making that assumption, one should at the same time bear in mind that the concrete forms of socialist transformations in a particular country cannot be fully guaranteed in advance. The working people should therefore master all possible forms of such transformations and be prepared for the most rapid and unexpected switch from one of them to another depending on the situation.

In examining the peculiarities in the operation of general laws, analysts usually point out differences in the form of that operation. That is true but not enough, for in actual fact there are two kinds of peculiarities. Lenin wrote: "...While the development of world history as a whole follows general laws it is by no means precluded, but, on the contrary, presumed, that certain periods of development may display peculiarities in either the form or the sequence of this development."¹

If one is to understand the processes involved in the formation of the socialist economic system, it is most important to bring out the peculiarities connected with differences in the "sequence of development". As it was noted in the chapter on the objective prerequisites for socialism, the emergence of a weak link in the world capitalist system and a socialist revolution in it do not necessarily require that the objective prerequisites for socialism in that link should reach maturity and develop into a system. The maturity of these prerequisites could well be enhanced and the lacking prerequisites created even after the working people

¹ V. I. Lenin, "Our Revolution", *Collected Works*, Vol. 33, p. 477.

come to power and start carrying out socialist transformations. That possibility has been confirmed by the experience of the USSR and other socialist countries.

In the presence of the world socialist system, the advance to socialism could begin in conditions when the objective prerequisites for such an advance have yet to take shape, when they are absent or nearly absent. This new possibility does not refute the Marxist conclusion that definite objective prerequisites are necessary for a transition to socialism. Nothing can eliminate the need for such prerequisites, but here again these are not created within the framework of the capitalist economic system, but after the working people come to power.

The sequence of the various processes involved in the initial socialist socialisation of production also differs from one country to another. Thus, sometimes the point at issue is where to begin socialist industrialisation, with which branch of the economy to start. In the Soviet Union, once the period of economic rehabilitation was over, priority was given to heavy industry, and subsequent historical development showed that to have been the only correct decision. But now that there is a world socialist system, the sequence of socialist industrialisation in countries with an undeveloped economy could be different. The point is that the working people's consumption in these countries is at an extremely low level, and there is a food shortage. The grave shortage of farm produce is due to the archaic structure of agriculture, whose commodity surplus is small. Marx said that food production was production of the necessary product in the sense that without its reaching certain dimensions it was impossible to feed the working people in other branches or, consequently, to develop these branches at all.

It has often been debated whether socialist industrialisation should precede mass cooperation of small producers or vice versa. Growing supplies of machinery, fertilizers and electric power to agriculture are, of course, an effective level of mass cooperation. In that sense, the successes of socialist industrialisation are important for transforming small-scale production. It was only natural that the USSR started out with socialist industrialisation and then went on to mass cooperation of peasants; later on, the two processes unfolded simultaneously.

But the two processes can also start out simultaneously and run parallel from the very beginning. It is also possible for mass cooperation to precede socialist industrialisation. That primarily applies to countries where most of the peas-

ants are very poor, so that they have nothing to lose and hope to benefit from any change. That is why they could agree to producer cooperation even before the state is able to switch agriculture to a new technical base.

The list of alternative development sequences could be continued. But in changing the sequence of development one should realise, first, that for certain reasons there has actually been a departure from the natural sequence and, second, that such a departure is a temporary measure, i.e., that the tasks postponed will have to be tackled anyway. In that sense, the final goals remain the same. Thus, in starting out with agriculture and the light industry, one should bear in mind that without large-scale machine production socialism cannot be built anyway.

Another thing to remember in launching mass cooperation of the peasantry before socialist industrialisation is that the cooperatives cannot become truly socialist enterprises unless they are strengthened in organisational and technical terms, that is, unless they are given a new technical base.

In examining the peculiarities of the operation of general laws, one should bear in mind not only the specific conditions in the country as a whole, but also those of separate regions. Although the transformations have a common purpose, stereotypes in regional policy are inadmissible and even dangerous. Socialist construction implies the possibility of full and unimpeded development of local peculiarities and local initiative, with a diversity of ways, methods and means used in advancing to the common goal.¹

That is particularly important for countries where the economic and social situation differs markedly from one region to another, as it did in Russia on the eve of the October Revolution, when capitalism prevailed in its central regions and pre-capitalist relations in its national outskirts. In view of that, the 10th Congress of the RCP(B) resolutely emphasised: "It is necessary to warn against any blind imitation of the example of central Soviet Russia... Any mechanical transplant to the eastern regions of economic measures used in central Russia and suitable only for a higher stage of economic development should be rejected."²

¹ See, V. I. Lenin, "Original Version of the Article 'The Immediate Tasks of the Soviet Government' ", *Collected Works*, Vol. 27, p. 208.

² *The CPSU in the Resolutions...*, Vol. 2, p. 254.

2. On some specific features of the movement to socialism bypassing capitalism

The peoples have already gained considerable experience in the movement to socialism bypassing capitalism. That road has been travelled by the peoples of the national outskirts of former tsarist Russia and Mongolia, and a whole group of countries has been advancing along that road for several years. Past experience extends our knowledge about the essence of the non-capitalist way of development, its uniformities and contradictions, and the forms of resolving these contradictions. Essentially, it is a transition to socialism from precapitalist relations instead of capitalism itself. A host of questions arise in this context: are there more similarities or distinctions between the two ways of transition to socialism? Are they governed by common laws? Do these laws apply (with certain peculiarities) to economically less developed countries or is it necessary to develop a special theory for these countries, a theory that would merely take into account but would not rely on the general theory of transition from capitalism to socialism?

These questions are obviously of essential importance. Different analysts, however, come up with diametrically opposite answers to them. In our quest for the true answer, let us first of all note that in both instances the goal of the movement is one and the same: socialism. And the goal is what largely determines the means for its attainment.

The main question for economically less developed countries is, of course, that of invigorating and boosting production. But the socio-economic forms of production growth are never (including this case) a matter of indifference to the direction of social development. The main problem of the advance to socialism bypassing capitalism is to boost the economy on the basis of forms and methods that approximate and merge into the forms and methods characteristic of socialist society, without reliance on capitalism, on private enterprise.¹ The non-capitalist way of development is the way of consistent anti-imperialist, anti-feudal and national-democratic revolution in forms that open up the socialist perspective.

Each country following the non-capitalist road should implement its own specific set of measures, depending on the concrete conditions. Still, they advance along similar lines, taking steps gradually to eliminate the positions of

¹ Without reliance on private enterprise, but with broad use of its forms and methods.

the imperialist monopolies, the tribal elite, the feudal lords and the reactionary bourgeoisie, to strengthen the state sector in the economy, and encourage the cooperative movement in the countryside; to increase the working people's role in social life, consolidate the progressive forces, and strengthen the vanguard role of revolutionary parties voicing the interests of the working masses; to pursue an anti-imperialist foreign policy and extend cooperation with the socialist countries. All these measures fully or in large degree reflect the general laws of the transition from capitalism to socialism. At any rate, none of these measures is in contradiction with any of these laws.

If the positions of the imperialist monopolies and the local reactionary bourgeoisie are not eliminated and no steps are taken to build up and strengthen the state sector in the economy or to encourage the cooperative movement, the country will not be able to advance towards socialism. Objective (though only partial) guarantees of such an advance are created solely as a result of the above-listed measures, for otherwise the new power will remain without an appropriate socio-economic basis and, regardless of the leaders' subjective wishes, the country's advance to socialism will be in jeopardy.

Hence, it is clear that a denial of common laws governing the transition to socialism both from capitalism and from pre-capitalist relations in effect amounts to creating prerequisites for socialism on the strength of private enterprise, which is natural under a capitalist orientation but is highly doubtful under a socialist orientation.

The basic principles of the theory of the movement to socialism bypassing capitalism were formulated by Marx, Engels and Lenin. None of them ever asserted, however, that the transition to socialism from capitalism and the transition to socialism from pre-capitalist relations were governed by fundamentally different laws. On the contrary, Lenin emphasised that the questions of an advance to socialism bypassing capitalism should be resolved "relying upon (and not taking into account.—V.K.) the general theory and practice of communism". Here is how he addressed the Second All-Russia Congress of Communist Organisations of the Peoples of the East: "In this respect you are confronted with a task which has not previously confronted the Communists of the world: relying upon the general theory and practice of communism, you must adapt yourselves to specific conditions such as do not exist in the European countries; you must be able to apply that theory

and practice to conditions in which the bulk of the population are peasants, and in which the task is to wage a struggle against medieval survivals and not against capitalism. That is a difficult and specific task, but a very thankful one..."¹ So, it was a matter of applying general theory and practice to specific conditions.

In the course of socialist transformations in Russia's national outskirts and Mongolia, the general laws of transition to socialism were never in doubt. Moreover, practice confirmed the existence of general laws in the transition to socialism. A similar conclusion can be drawn with regard to the experience of Vietnam, Cuba and Laos.

At the same time, the specifics here are undoubtedly greater than in the transition from capitalism to socialism, and it is extremely difficult to determine these specifics and find ways of applying the general laws of the movement to socialism to countries with an undeveloped economy. The specific conditions in these countries are due to the fact that they have either none or very few objective prerequisites for socialism. Hence the particularly contradictory nature of the movement to socialism bypassing capitalism.

In contrast to countries going over to socialism from capitalism, the economy in countries with poorly developed production is not simply multisectoral, but is multisectoral in a specific way, with weak links between the sectors, and a disintegrated economy. There is no leading sector which would increasingly regulate the other sectors. So, countries with poorly developed production have yet to create an integral economy, which is characteristic of countries advancing to socialism from capitalism.

If the economic backwardness is to be overcome, there should be purposeful and organised action by the society, and that is in contradiction with the checkered and poorly integrated economic structure. The way to resolve that contradiction is to extend and strengthen the economic functions of the state, which in these conditions is a real integrating factor of the society. That is expressed in measures to set up and strengthen the state sector in the economy, in the development of state planning, concentration in the hands of the state of sizeable funds from all sectors of the economy (notably, through taxation), and vigorous action by the state to develop the productive

¹ V. I. Lenin, "Address to the Second All-Russia Congress of Communist Organisations of the Peoples of the East, November 22, 1919", *Collected Works*, Vol. 30, p. 161.

forces and transform the relations of production. At the same time, it is clear that the techno-economic and organisational foundations for planned administration of social production are still lacking or nearly lacking. That is why it is important to find just the right measure of planned administration at each successive stage, for otherwise this could result in voluntarism, in administration by injunction.

Besides, concentration of sizeable funds in the hands of the state before the objective mechanism of expanded reproduction has been arranged is fraught with danger: these funds could be used either for ostentatious projects (like gigantic airports, highways or stadiums) which do not contribute anything to economic development, or for excessive military expenditures, or else for personal enrichment of government officials. Clearly, such a course of events would endanger the socialist line. That is why it is particularly important in due time to arrange a mechanism for preventing bureaucratisation, corruption and degeneration.

Cooperation of small producers is a well-tryed way to ease the lot of the working peasantry (especially its poorest strata). At the same time, wherever primitive implements and subsistence relations prevail in agriculture, cooperation does not always provide due incentives to the development of production. In order to resolve the contradictions involved, it is necessary to master the whole diversity of socialisation forms, starting with the lowest ones (including family contract); to tap all the potentialities of small-scale production by giving it assistance; and to use commodity-money relations so as to further integrate the economy and create additional incentives to its development.

Special care should also be taken of traditional forms of economic activity: their destruction without an effective substitute could have a grave effect on the economy. At the same time, some of these forms could be used to socialize small-scale production. This primarily applies to communal forms, for ancient communal traditions are still strong in many countries with an undeveloped economy, and the commune is the main traditional institution.

When the commune is regarded from the standpoint of its possible socialist perspective, attitudes to it range between two extremes. On the one hand, there is the idea (which goes back to the days of the Narodniks, or the Russian populists of the 19th century) that the commune is an almost ready form of socialist organisation of production, and that communal collectivism is all but socialist collectivism.

On the other hand, some say that the commune is anti-

thetical to the socialist organisation of production, and that attempts to use it in the interests of socialist development did not lead forward to socialism but back to the extremes of primitive communism, and helped to conserve the low level of the productive forces.

Indeed, communal collectivism and socialist collectivism rest on different foundations: on the individual's belonging to a given local entity in the first case, and on voluntary association of free individuals in the second. Whereas the communal economy is carried on within a narrow framework, is largely of a subsistence nature, and is oriented towards self-sufficiency, which conserves production and requirements, the socialist economy is conducted on the scale of the whole society and presupposes fairly developed social division of labour, multifaceted economic ties, dynamic production and requirements.

Nor can one deny that unsuccessful attempts have been made to use the commune under the slogans of socialist development. All of that goes to show once again that Narodnik ideas about the commune are erroneous.

Still, the question about the future of the commune is not as simple as it is presented by those who reject it altogether.¹ If the commune is to be turned into a socialist form of socialisation, much within it has to be overcome and restructured, but that does not mean that its intrinsic collectivism cannot be used in the socialist transformation of the society.

The classics of Marxism-Leninism did a great deal to dispel the illusions as regards the commune. But they never denied the possibility of using it in the interests of the socialist movement. Thus, Engels wrote: "It is not only possible but inescapable that once the proletariat wins out and the means of production pass into common ownership among the West-European nations, the countries which have just managed to make a start on capitalist production, and where tribal institutions or relics of them are still intact, will be able to use these relics of communal ownership and the corresponding popular customs as a powerful means of considerably shortening their advance to so-

¹ Here is how researchers note the contradictory nature of the African commune: "The only thing that is certain is that ancient communal traditions are bound to affect many aspects of the new society's development, and that their influence will be both positive and negative, in view of the complicated and contradictory nature of these traditions themselves" (L. V. Danilova, V. P. Danilov, *The Commune in Africa: Typology Problems*, Moscow, 1978, p. 277, in Russian.)

cialist society..."¹

The mistake, apparently, was not that attempts were made to use the commune in transformations under socialist slogans, but that it had not been decided what aspects of the communal structure should be transformed and how.

On the whole, the movement to socialism from pre-capitalist relations is more mediated than that from capitalism to socialism. Lenin emphasised: "We must understand what *intermediary* paths, methods, means and instruments are required for the transition from *pre-capitalist* relations to socialism."²

In order to overcome the economic backwardness and create material and technical prerequisites for socialism, the economy should be put on a machine basis. But that demands large capital investments, a market and sufficient amounts of skilled labour. These demands are in contradiction with the conditions characteristic of the given group of countries: limited food stocks, which are often inadequate to meet the people's minimum requirements; an acute shortage of funds for accumulation; a narrow market, and a deficit of skilled labour. The higher the technical level of production, the less labour is required to produce a certain volume of output, which often clashes with the need to eliminate unemployment.

In preparing and launching industrialisation in such conditions, measures should be taken in due time to strengthen agriculture; big and small enterprises should be built in just the right proportion, and sophisticated lines of production should be combined with simpler ones.

Industrialisation, restructuring of agriculture and acceleration of economic development on that basis require sizeable capital investments. To attain the UN-recommended production growth rate of 5 per cent a year (a fairly modest figure), it is necessary to invest no less than 15-20 per cent of the gross national product. All of that makes the problem of accumulation sources exceptionally important for the LDCs. Its solution involves many difficulties. The rate and mass of accumulation there are tightly limited by a number of objective circumstances: low labour productivity and a most limited volume of national production; insufficient accumulation in pre-capitalist sectors; the

¹ Frederick Engels, "On Social Relations in Russia", in Karl Marx and Frederick Engels, *Selected Works* in Three volumes, Vol. 2, p. 403.

² V. I. Lenin, "The Tax in Kind", *Collected Works*, Vol. 32, p. 349.

weakness of national capital; and continued exploitation by monopoly capital.

So long as the objective foundations of socialised forms of production are weak, these forms cannot replace private enterprise (including bourgeois elements) in many spheres of the economy. Such are the contradictions of reality, which dictates the need to combine different forms in town and country so as to strengthen the positions of state and cooperative enterprises and to ensure that private enterprise, still extant and to some degree supported, should not jeopardise the revolutionary process.

Lenin accentuated the need for a particularly gradual advance from pre-capitalist relations to socialism. He wrote: "What the Republics of the Caucasus can and must do, as distinct from the RSFSR, is to effect a slower, more cautious and more systematic transition to socialism."¹

On the whole, in going over from pre-capitalist relations to socialism it is particularly important to combine resolute action by the state to cut short any attempts by private sectors to exceed their limits with caution in transforming these sectors.

To carry out successful revolutionary transformations, the state requires broad social support. It is extremely difficult to strengthen such support while the working class is still weak; while the bulk of the population is illiterate; while people continue to think that all problems should be solved either by the government, the army, or the religious elite, and while an extension of democracy can still be used by the counter-revolutionary forces. In that situation, it is equally dangerous for the ruling political bodies to take a passive stand, merely following in the wake of the masses and delaying transformations in various spheres, and to forestall events by proclaiming more revolutionary measures, while the necessary prerequisites for their implementation are still lacking.

¹ V. I. Lenin, "To the Comrades Communists of Azerbaijan, Georgia, Armenia, Daghestan, and the Mountaineer Republic", *Collected Works*, Vol. 32, p. 317.

CHAPTER ELEVEN

THE STAGES OF THE FORMATION OF THE SOCIALIST ECONOMIC SYSTEM. THE CRITERIA OF THE BEGINNING AND END OF THE TRANSITION PERIOD

The classics of Marxism-Leninism repeatedly emphasised that the society's transition from capitalism to communism would include several stages. In the past few years, when socialism has come to be regarded as a developing organism with different stages of maturity, research along these lines has been invigorated. Scientists have been debating the problems of how to demarcate not only the major stages in the development of socialism, but also the minor stages that constitute the major stages. Research along these lines is of essential importance both for the theory and the practice of socialist development. That is the only way to understand that the advance towards socialism described in the works of the classics of Marxism-Leninism is a gradual process and will take a long time.

The formation of the socialist economic system is a major stage in its development. Its duration and the intensity of the changes in social relations in that period make it necessary to divide it into smaller stages: "At best this transition (the transition from capitalism to socialism.—*Ed.*) will take many years, in the course of which our policy will be divided into a number of even smaller stages. And the whole difficulty of the task which falls to our lot, the whole difficulty of politics and the art of politics, lies in the ability to take into account the specific tasks of each of these transitions."¹

The periodisation of social development is of essential

¹ V. I. Lenin, "Report on the Work of the All-Russia Central Executive Committee and the Council of People's Commissars Delivered at the First Session of the All-Russia Central Executive Committee, Seventh Convocation. February 2, 1920", *Collected Works*, Vol. 30, p. 331.

theoretical and practical importance, helping to bring out its crucial factors and direction at each particular stage, to pinpoint the peculiarity of that stage.

In determining the stage attained in the course of development, one faces two kinds of pitfalls: one could either exaggerate the achievements and forestall events in assessments and actions, or overlook the ongoing qualitative changes and fail to draw the necessary conclusions from these changes. Both alternatives make one lose touch with reality, which is fraught with grave consequences. These include both a possible loss of confidence in the propaganda estimates of the state of affairs and an inevitable retreat along the lines where events have been forestalled.

In that context, essential importance attaches both to the question about the stages of the formation of socialism and the criteria of the beginning and end of the transition period.

1. The stages of initial socialist socialisation of production

Socialist construction can be divided into periods in accordance with either general or specific tasks. Thus, it is possible in principle to adopt different criteria for such periodisation. These criteria can reflect either the main lines of social development or various side events. In the latter instance, the periodisation is connected with the development peculiarities of this or that country and has no general significance. Thus, the transition period in our country is usually said to include the stage of civil war and the fight against the interventionists. It is necessary to single out such a stage because war injects many peculiar elements into social life. It is quite clear, however, that this stage did not stem from the nature of socialist construction, but was connected with the concrete historical situation in the country.

But since socialist construction has its general laws and common tasks, it has *common stages* as well.

Periodisation of the formation of socialist production relations is a particular case of the periodisation of the development of socialism, and the latter, for its part, is a particular case of the periodisation of social development in general. In demarcating the stages of socialist construction, one should thus be guided by the general principles of the periodisation of social development, with due regard for the specific features of socialism.

Social development in general, and in the transition

period in particular, is a complex phenomenon embracing the whole totality of social relations (both the basis and the superstructure) and the sphere of the productive forces. Hence the *multiple* criteria of social development. But these multiple criteria have a certain hierarchy: in the final count, the crucial ones are those which directly express the development of *the productive forces and the relations of production*.

That is true both for the most general periodisation of social development (by social formations) and for demarcating its particular stages. The crucial importance of the economic criterion is due to the fact that production relations lie at the root of the whole system of social relations.

In dividing social development into periods, priority should be given to the economic factor also because changes in the economy are more pronounced than changes in the superstructure because they are easier to quantify and characterise. On the strength of economic criteria, the stages of social development can be determined with greater precision, whereas a departure from such criteria blurs the demarcation lines between the various stages of social development and so hinders its periodisation.

But the economy is complicated, it has many aspects, so that the periodisation of economic development can have more than one criterion. Hence the question: which one of these criteria should be used in the first place to assess the stage of economic development that has been attained?

In the course of the debate on the criteria of developed socialism, it has been suggested that the maturity of socialist production relations should be judged from the state of socialist socialisation of production. That idea seems to be well-grounded. Orientation towards the state of production socialisation makes it possible to examine the relations of production in unity with the productive forces. Another important point is that socialism emerges and develops on the basis of ever greater socialisation of production. The system of socialist production relations is also formed in the course of the work being done to socialise production on socialist lines. The stage of that work largely determines the relations taking shape between socialist and private sectors, and the role of different sectors in the economy. The sequence of the tasks being solved in the course of socialist socialisation of production and the stages of resolving the contradictions of such socialisation also determine the stages of economic development in the transition period,

the stages of the formation of the socialist production relations system.

In the light of present-day knowledge, the process is divided into three stages.

The priority tasks of socialist construction are aimed to establish a socialist sector, and their fulfilment constitutes the content of the *first stage* in the formation of the socialist production relations system. That stage begins with the working people's rise to power and the socialist nationalisation of a number of private enterprises. At that stage, the socialist sector in the economy is formed and expanded largely through *extra-economic intervention* in production. Within the socialist sector, priority is given to the tasks of organising a system to run production in that sector and gear it to socialist goals. Centralised coordination of the activity of state enterprises is still largely approximate, with emphasis on administrative methods. All of that indicates that socialisation of production in practice is only just beginning.

The first stage of socialist construction is also usually marked by agrarian transformations. The socialist sector begins to take shape in agriculture as well.

That stage is completed when the socialist state, having gained control of the commanding heights in the economy, has created a new system for running state enterprises in its initial form. In this country, that had been done by 1923-1924. At that time, such central economic organs as the All-Russia National Economic Council and the State Planning Committee were already operating on a large scale. In 1923-1924, the formation of trusts in socialist industry was in the main completed, and syndication, started in February-May 1922, covered 51 per cent of all trusts (185 out of 360). That was also when most of the trusts were switched to economic calculus. The successful money reform of 1922-1924 was also important for arranging the new system of production administration.

The period of "war communism" in this country should apparently be included in the first stage of the formation of the socialist production relations system, for that was when a number of elements of the new production administration system were set up in the socialist sector, and when proletarian cadres gained some experience in running the economy.

In the European people's democracies, the first stage of socialist construction took about three or four years and was completed in 1947-1949. In Bulgaria, for instance, all the commanding heights of the economy in 1947 were

already in the hands of the state. In April 1947, the Bulgarian people began implementing a two-year economic plan. In March 1947 the state carried out a successful money reform, and in September 1948 it completed the transfer of industrial enterprises to economic calculus.

In 1949, the share of the socialist sector in GDR industry was 68 per cent, and for such major branches as electric-power engineering, mining, metallurgy, the chemical industry and mechanical engineering, the figure was 78.99 per cent. In early 1948, a German Economic Commission was set up to elaborate plans. The first two-year plan for economic development was approved in June 1948.

In Romania, the law on the establishment of state administrations in the basic industries was adopted in 1947. By mid-1948, 90 per cent of the country's industrial enterprises had been nationalised. A plan for 1949 was approved in December 1948, and a money reform was carried out under the decree of August 15, 1947.

In 1949, Czechoslovakia launched its first five-year plan (1949-1953). In 1948-1949, state enterprises were switched to economic calculus, and from 1947 onwards there was every sign of stabilisation in the monetary system.

The fact that the first stage of socialist construction in the European people's democracies was shorter than in the USSR is due to the more favourable conditions in these countries. They could draw on the experience and assistance of the Soviet Union and the support of other fraternal countries. People's power in these countries was established without any civil war. All of that served to accelerate the development of the socialist sector in each of these countries.

At the *second stage* in the formation of the socialist economic system, priority is given to a qualitative improvement of the production administration system, to greater efficiency of the socialist sector in the economy, and an increase in its share of social production on that basis. That stage is completed when socialist economic forms gain absolute preponderance in all branches of the economy, with tangible successes in arranging the new economic system and shaping the material and technical base of socialism.

In countries with massive small-scale production, the socialist sector at the second stage of socialist construction is mostly expanded through socialist transformations of small-scale production. In countries which undergo socialist industrialisation, there is also a drive to lay the groundwork for industry. So, the completion of the second stage

of socialist construction in the existing socialist countries is directly connected with mass cooperation in agriculture and the build-up of an industrial base for the economy.

In party documents and in economic writings, that stage is known as the stage of laying the foundations of socialism.¹

In the USSR, that stage of socialist construction was completed in the early 1930s. The country's first five-year economic plan was successfully fulfilled. Towards the end of 1930, unemployment in this country was eliminated once and for all for the first time in world history. By 1933, 65 per cent of all peasant households had already joined collective farms, which now accounted for 73.9 per cent of the country's sowing area. The share of industry in the gross output of the country's economy was 70.4 per cent, and Group A accounted for 58 per cent of the total output turned out by the country's big industry. In summing up the changes that had taken place in the country, the 17th Congress of the AUCP(B), held in January and February 1934, came to the conclusion that the foundation of a socialist economy had been built in the USSR.

In Bulgaria, a similar conclusion was drawn by the 6th Congress of the Bulgarian Communist Party in 1954. By that time, 52.3 per cent of all peasant households had joined cooperatives, which owned 60.5 per cent of the country's farmland. In 1952, the share of industry in Bulgaria's gross output was already up to 66.6 per cent, and in 1953 the share of producer goods in industrial output was 40.6 per cent.

A similar conclusion was formulated in Romania at the Third Congress of the Romanian Workers' Party in 1960. The Central Committee's report to the Congress said: "Cooperation of agriculture has in the main been completed. The *kulaks*—the last exploiter class—have been eliminated... So, an economic base for socialism has been created in the Romanian People's Republic."² At that time, 81.9 per cent of all farmland was in the hands of cooperative and

¹ In the 1970s, the term "laying the foundations of socialism" came to be used to designate the end of the transition period, while the "foundations" themselves came to be regarded in a broader sense: not only as the existence of large-scale machine production, but also as the assertion of the full sway of social property in the means of production (the basis of the socialist economic system), with the consolidation of socialist statehood as the basis of the political system of socialism.

² *The Third Congress of the Romanian Workers' Party*, Moscow, 1961, p. 4 (in Russian).

state farms, which yielded 64.6 per cent of the country's gross agricultural output.

The time when the "foundations of socialism had in the main" been laid was also recorded in the official documents of the GDR and Czechoslovakia.

But regardless of whether or not the point when the socialist sector gains absolute preponderance in all branches of the economy is specially recorded, such a point is passed by each of the countries building socialism.

At the *third stage*, there is a further build-up of the material and technical base of socialism, improvement of socialist organisation of production in town and country, and strengthening of the cooperatives in organisational and technical terms. Socialist production relations come to have full sway in the economy. The end of that stage coincides with the end of the transition period, that is, with the building of socialism in the main, with the attainment of a socially homogeneous economy. In the USSR, which became the world's first country of triumphant socialism, that took place in the second half of the 1930s.

In Bulgaria, the conclusion that socialism had full sway in the country's national economy and that the transition from capitalism to socialism had been completed was formulated by the 7th Congress of the Bulgarian Communist Party in 1958. In the 1960s and early 1970s, the socialist production relations system in effect became fully predominant in the GDR, Hungary, Romania and Czechoslovakia.

The periodisation of social development, including that of socialist construction, includes *tentative elements*. There are many reasons for that.

Transition from one stage of social development to another cannot be effected overnight. It is impossible to point out a day which marks the emergence of a new quality instead of the old one. The transition itself is a process and takes some time.

That circumstance was repeatedly pointed out by the classics of Marxism-Leninism. Thus, in examining the transition to machine production, Marx made this reservation: "We are only concerned here with striking and general characteristics; for epochs in the history of society are no more separated from each other by hard and fast lines of demarcation, than are geological epochs."¹

In examining the evolution of free-competition capitalism

¹ Karl Marx, *Capital*, Vol. I, Progress Publishers, Moscow, 1974, p. 351.

into imperialism, Lenin wrote in a similar vein: "Needless to say, of course, all boundaries in nature and in society are conventional and changeable, and it would be absurd to argue, for example, about the particular year or decade in which imperialism 'definitely' became established."¹

The tenet that the transition from one stage of development to another is not instantaneous holds true even when development is periodised on the strength of one criterion. It is even truer when the whole complex of social development criteria is taken into account. In this case, it turns out that the development of different aspects of social life does not fully synchronise. Within certain limits, production relations can lag behind the development of the productive forces or outstrip them. The superstructure is also relatively independent. Some economic relations of a given system emerge and mature later than others, so that it may turn out that from the standpoint of some criteria the new stage of development has already arrived, whereas from the standpoint of others it has not.

The stages of the formation of the socialist production relations system are most pronounced in the expansion of the sphere of operation of such relations. Their development in breadth passes *three* stages: first, the emergence of a socialist sector; second, the absolute preponderance of socialist economic forms in all branches of social production; and third, the full sway of socialist production relations and the attainment of a socially homogeneous economy.² Depending on which of these stages has been passed by a country building socialism, one can judge with some degree of accuracy about the stage it has attained in the formation of the socialist production relations system. That is so because the development of these relations in breadth is predetermined by their development in depth. Still, there is no complete correspondence between the two kinds of development, primarily because the development of socialist production relations in breadth depends not only on their development in depth, but also on other circumstances, including political ones. If the class struggle takes a sharp turn, the state could step up its drive to

¹ V. I. Lenin, "Imperialism, the Highest Stage of Capitalism", *Collected Works*, Vol. 22, p. 267.

² Economists usually distinguish *two* stages in the formation of socialist production relations, which coincide with the second and third stages as designated in this book. Evidently, there are three of them, for the emergence of the socialist sector takes some time and has its own content, which is distinct from the content of subsequent stages in the formation of socialist production relations.

squeeze out the private sectors. In that case, the development of socialist production relations in breadth would markedly outstrip their development in depth. So, if the former is taken as a criterion, it will indicate a higher stage in the development of socialist production relations than the one actually attained.

Once socialist production relations are extended to a new branch of the economy, it takes some time to consolidate them. In the course of that time, the development of these relations in breadth also to some extent outstrips their development in depth.

The rate at which socialist production relations mature in the transition period crucially depends on the degree of the maturity of the economic prerequisites for socialism. If these prerequisites are developed, the socialist economic system is arranged and strengthened at a faster pace. In that case, the development of socialist production relations in breadth can lag behind their development in depth.

If, on the contrary, the economic prerequisites for socialism are undeveloped, socialist production relations tend to mature slower, and their development in breadth can outpace their development in depth. In other words, even with an equal share of the socialist sector in the economy, the degree of its maturity can vary.

The possibility of some asynchrony in the development of the economic system in breadth and in depth should always be taken into account in determining the stage attained in the development of socialism. Thus, the record of socialist construction in the USSR and some other countries showed that the development of socialist relations in breadth can indeed outpace their development in depth. Where the gap is more or less significant, it turns out that from the standpoint of some criteria (development in breadth) the new stage in the formation of the socialist economic system has already been reached, whereas from the standpoint of others (development in depth) it has not.

To decide whether a country has entered the next stage of socialist construction, it is important to bear in mind not only the spread of socialist economic forms across social production, but also the degree of their maturity. So, the importance of the share of the socialist sector in the economy should never be absolutised.

That applies to determining not only the stages of socialist construction, but also the time of its completion.

The socialist countries' record shows that socialist economic forms can spread to virtually the whole of social production even before the material and technical base of

socialism has in the main been created. But if large-scale machine production has not as yet become predominant, the possibilities for realising the economic laws of socialism are markedly limited. All of that indicates that although the economy in this case is no longer multisectoral, the tasks of the transition period have not as yet been duly fulfilled, i.e., that the transition period is still in progress, although in covert form. In that case, the nominal socialisation of production has not as yet been duly backed up with its socialisation in practice.

Such a situation was in evidence for some time in this country as well. The 18th Congress of the AUCP(B) singled out two phases in the country's development after the October Revolution: phase one—the period from the October Revolution to the elimination of the exploiter classes; and phase two—the period from the elimination of capitalist elements in town and country to the full victory of the socialist economic system and the adoption of the Constitution in 1936. The main task of the second phase was to strengthen the new economic system and complete the cultural revolution. So, entry into the socialist phase implies not only full sway of socialist economic forms, but also a certain development level of the productive forces and degree of maturity of socialist production relations, that is, resolution in the main of the whole complex of contradictions intrinsic to initial socialist socialisation of production.

The level of the productive forces does not in itself determine the stage of social development. But a definite level of the productive forces is a *necessary* condition of the victory of socialism. At the same time, the practice of socialist construction has known situations when the general development level of the productive forces is high enough and when socialist economic forms, having spread to most of the economy, have reached a fairly high stage of maturity. Such a situation invites the conclusion that the transition period is in the main complete.

In actual fact, however, such a situation is peculiar in that the development of the socialist economic system in depth has outpaced its development in breadth. Let us emphasise once again that the transition period is complete when both kinds of development have reached a certain point as a *unity*.

So, it is equally erroneous to overlook the necessity of a definite material and technical base for the assertion of the new economic system, and to lapse into a kind of technological determinism, which questions the need to assert socialist forms in all spheres of the economy in the

presence of developed productive forces and a considerable degree of maturity of the socialist economic system.

2. Criteria of the beginning and end of the transition period. Its historical place

The limits of the transition period are in principle fairly distinct: it starts with the working people's rise to power and the first socialist transformations, and ends with the building of socialism. These criteria are of general, essential importance, and need to be specified in application to the actual process of the formation of socialism in this or that country.

I

The main difficulty in determining the beginning of the transition period is apparently connected with the fact that history has not known any "pure" social revolutions. In the struggle against feudalism, the bourgeoisie was obliged to draw the popular masses into the revolutionary movement, and that left a more or less pronounced proletarian-peasant imprint on the bourgeois revolutions. At the same time, socialist revolutions also have to tackle bourgeois-democratic tasks in order to eliminate the feudal vestiges remaining in the economy of the capitalist countries. Lenin wrote in 1905: "...Can it be denied that in the course of history individual, particular elements of the two revolutions (bourgeois and socialist.—*Ed.*) become interwoven? Has the period of democratic revolutions in Europe not been familiar with a number of socialist movements and attempts to establish socialism? And will not the future socialist revolution in Europe still have to complete a great deal left undone in the field of democratism?"¹

In all countries that are now part of the world socialist system, the share of democratic transformations at the first stage of the revolution was considerable. In some of these countries, such transformations even constituted a relatively independent stage of development, but it was usually a short one and was thus included in the socialist revolution.

Another version of development is when a democratic

¹ V. I. Lenin, "Two Tactics of Social-Democracy in the Democratic Revolution", *Collected Works*, Vol. 9, p. 85.

revolution led by the working class develops into a socialist revolution only gradually, so that democratic transformations take several years, constituting an entire historical period. Lenin pointed out the possibility of such an alternative on the eve of the Revolution of 1905, and then on the eve of the October Revolution.

For present-day capitalist countries and especially for developed capitalist countries, the likelihood of such a development pattern has increased. "The antagonism between the monopolies and the overwhelming majority of the population is deepening in capitalist countries,"¹ says the CPSU Programme (new edition). The monopolies have so tightened their hold over all social strata that objective conditions have taken shape for uniting broad strata of the population round the working class on an anti-monopoly basis. Anti-monopoly tasks in these countries have become paramount among the democratic tasks.

Democratic transformations on a broad social basis and with due account for diverse social forces are bound to take several years. Since that is so, and also since these transformations are to be effected in the presence of mature objective prerequisites for socialism, it is necessary to examine the economic peculiarities to which such transformations could lead. That can be done solely by way of prognostication, for there is no or very little historical experience of such development.

The programme of a popular anti-monopoly movement consists of three sets of measures. First, nationalisation of the monopolies and hence a gradual takeover by the state of the financial system, the crucial means of production, and the key branches of the economy; second, a radical agrarian reform; and third, improvement of living conditions for all the working people.

Nationalisation of the monopolies meets the interests not only of the working class, but also of small and medium producers in industry and agriculture, for it makes them independent of monopoly capital and removes the present constant threat of being swallowed up or ruined by the monopolies. Nationalisation of the monopolies does not affect the petty and middle bourgeoisie, leaving intact a large private sector in the economy.

So, nationalisation of the monopolies does not eliminate the *foundations* of capitalism. This bears out Lenin's important idea that although the monopolies are a powerful eco-

¹ *The Programme of the Communist Party of the Soviet Union*, p. 20.

conomic force, they are only the *superstructure* over old capitalism. In explaining that idea, Lenin said at the 8th Congress of the RCP(B): "If its top (the top of modern capitalism.—V.K.) is destroyed, the old capitalism is exposed... *Imperialism is a superstructure on capitalism*. When it collapses, we find ourselves dealing with the destruction of the top and the exposure of the foundation."¹

In order to win the support of the middle strata, the programme for a united popular front envisages not only the retention of a large private sector, but also state assistance to that sector.

Measures to raise the working people's living standards do not eliminate capitalism either. These measures in themselves, without any changes in the overall economic situation, reduce the workers' unpaid labour, but do not eliminate the foundations of the capitalist system. Nor is that the aim of agrarian transformations.

In view of all that, the social measures examined above are on the whole *democratic rather than socialist*.

All of that shows once again that the existing system of production relations is *stable and complicated*. It can adapt to changing conditions and undergo qualitative changes in some of its spheres, while retaining its foundations.

All of that also shows the absurdity of any claims that capitalism can be transformed in the developed capitalist countries: considering that even serious and profound transformations do not lead to a revolution in the economy, the state regulation and partial concessions to the working class to which the bourgeoisie has been obliged to resort in a number of countries are even less capable of changing capitalism at root.

The above-listed transformations are so significant, and their chief opponent—monopoly capital—is so strong that they cannot be carried out without the working class or in defiance of its interests. Moreover, they are conceivable only if the working class is the *chief* motive force of the whole democratic anti-imperialist movement.

Agrarian transformations and measures to raise the working people's living standards will undoubtedly *infringe* upon the interests of the bourgeoisie, and nationalisation of the monopolies—the main bulwark of present-day capitalism—will sharply *weaken* its entire system.

Once the anti-imperialist forces led by the working class

¹ V. I. Lenin, "Eighth Congress of the R.C.P.(B)", *Collected Works*, Vol. 29, Progress Publishers, Moscow, 1974, p. 168.

come to power, the working people will be able to put more pressure from below on production administration and the organs of power, and also to take part in running state enterprises, which will to some extent reorient the expanding state sector towards meeting the requirements of all the working people. In using and developing the existing mechanism of state-monopoly regulation and programming, the state can influence the country's economy as a whole. It will also be possible to democratise the education system: to give all children of the working people access to secondary education, eliminate social privileges and barriers in entering institutions of higher learning and other specialised educational establishments, switch to full state financing of the whole education system, and so on.

It will also be possible to carry out democratic measures to amalgamate small and medium-scale production and strengthen its ties with the state sector. Once the monopoly growth is removed from the cooperative movement, democratic transformations will also make it possible to expand that movement, to make it massive and give free scope to the working people's initiative within it.

Consistent implementation of a democratic, anti-imperialist programme thus creates a most peculiar political and economic situation. The state is no longer bourgeois, for the anti-imperialist forces in power are led by the working class. Nor is it a dictatorship of the proletariat, if only because it relies on a broad social base and carries out certain measures in the interests of some non-working strata. Lenin called that type of state a *revolutionary-democratic dictatorship*.

The economy still retains its *capitalist foundations* and thus cannot be regarded as socialist. The state sector cannot as yet be described as socialist simply because it is run by a state which expresses the interests of diverse social forces.

But since the working people take part in running the state sector, and since that sector—and on its basis the whole economy—begins to be reoriented to meeting the needs of the working people, production relations acquire features that bring them closer to socialist relations.¹ Lenin emphasised: "...Given a really revolutionary-democratic state, state-monopoly capitalism inevitably and unavoidably implies a step, and more than one step, towards socialism!"²

In the matter of control, the main thing is who controls

¹ V. I. Lenin, "Impending Catastrophe and How to Combat It", *Collected Works*, Vol. 25, p. 360.

² *Ibid.*, pp. 361-62.

whom, in whose interests the state uses the resources at its disposal. Lenin explained: "Either in the interest of the landowners and capitalists, in which case we have not a revolutionary-democratic, but a reactionary-bureaucratic state, an imperialist republic. Or in the interest of revolutionary democracy—and then *it is a step towards socialism.*"¹

In short, the situation taking shape in the course of a democratic revolution "will *still not* be socialism, but it will *no longer* be capitalism".²

The actual orientation of the economy towards meeting the working people's needs, and development of state regulation and programming will call for corresponding changes not only in the subjective, but also in the material factors of the productive forces. These changes will be expressed in the development of technically lagging industries and regions, and in the build-up of an economic structure which would make it possible considerably to raise the working people's living standards and eliminate unemployment. Such development of the productive forces will mark yet another step towards socialism.

As the state sector is strengthened and the productive forces go on developing, it will become evident that the nationalisation should be extended beyond the framework of the former monopoly sector, and the change in the balance of class forces in favour of the working people will make it possible to do so. Broader nationalisation is ultimately bound to pose a threat to the very foundations of capitalism.

The natural line of development thus implies an evolution of democratic transformations into socialist ones. There is every condition for a democratic revolution in the fully capitalist countries to become an intermediate stage on the way to a socialist revolution. Palmiro Togliatti said at the 8th Congress of the Italian Communist Party in 1956: "Structural reforms are not socialism. But they represent such a transformation of the economic structure as opens the way to socialism."³ Consistent anti-monopoly transformations entail changes in the economy which make it impossible to reinstate monopoly rule without open violence against the popular masses on the part of reactionary bourgeois strata.

¹ Ibidem.

² Ibid., p. 364

³ Palmiro Togliatti, *Selected Speeches and Articles*, Vol. 2, Politizdat Publishers, Moscow, 1965, p. 42 (in Russian).

Democratic transformations are often close to and may evolve into socialist ones, and this makes it hard to distinguish between these two types of transformations. When the transition from one type to another is gradual, it is particularly difficult to determine the critical point at which one type of transformations turns into the other.

Although the distinction between the two types of transformations is difficult to make, it is both possible and necessary. The necessity is not due to academic or tactical considerations, but to those of principle.

The social base of democratic transformations is broader than that of socialist ones: the former type of transformations, in contrast to the latter, can be supported by all petty producers and some strata of the bourgeoisie. A confusion of these transformations can thus lead to a mistake in the choice of class allies. The mistake can either consist in the exclusion from the revolutionary process of some strata capable of supporting it at the given stage or in a failure to foresee or notice a regrouping of class forces in the anti-monopoly alliance and renunciation of that alliance by some strata.

By confusing democratic and socialist transformations, one could also lose one's bearings in the revolution. Such a confusion could turn out to be a camouflaged renunciation of socialist goals in the revolution, and could help certain forces to carry out far from socialist transformations under the banner of socialism.

So, one should clearly distinguish between the *perspectives* opened up by democratic transformations and the actual transformations themselves, and also between the stages (however revolutionary) that *lead up* to a socialist revolution and the actual beginning of such a revolution.

While distinguishing between democratic and socialist transformations, one should neither separate them altogether nor contrast them with each other. Although democratic transformations do not eliminate capitalism or imply socialist changes, they lead up to such changes and create favourable conditions for a struggle for socialism. Democratic transformations can evolve into socialist ones and intertwine with them. In the present conditions, the two types of transformations have been drawing closer together.

In the matter of the correlation between democratic and socialist transformations, both extremes are theoretically invalid and have an adverse effect on the working people's struggle: identification of the two types of transformations, and denial of their unity.

In examining the correlation between democratic and socialist transformations, one should also distinguish the question about the nature of the contradiction between the working class and the bourgeoisie and the purpose of its resolution, from the question about the mode of its resolution. Depending on the actual conditions, that contradiction is resolved either peacefully or non-peacefully, more gradually or less gradually. But so long as the bourgeoisie exists, it exploits the working class, so that the antagonistic contradiction between them cannot turn into a non-antagonistic one. The purpose of its resolution does not depend on the mode of its resolution either: it is simply to eliminate the bourgeoisie and put an end to the society's division into antagonistic classes.

II

As it was pointed out above, a confusion of general democratic and socialist transformations and the resultant lack of clarity as regards the beginning of the transition period could lead to grave mistakes. A blurring of the boundary between the transition period and triumphant socialism could have equally serious effects.

The advance to socialism is determined by the successes in resolving the contradictions of initial socialist socialisation of production. So, resolution of the whole set of such contradictions serves as a criterion of the end of the transition period. Since it is necessary to resolve each contradiction within that set, the criteria of the transition period's end constitute a corresponding complex or system. In the sphere of the *productive forces*, it is a matter of completing in the main their adjustment to the needs of the socialist production relations system, that is, of completing in the main the build-up of the material and technical base of socialism and the cultural revolution. In the sphere of *production socialisation*, it is a matter of attaining in the main such a level of socialisation as would make it possible in principle to strengthen the planned-and-balanced organisation of production and orient the economy towards the consumer. In the sphere of *production relations* proper, it is a matter of social property in the means of production gaining full sway and economic laws specific to it taking effect throughout the economy.

In other words, it is a matter of a significant advance in actual socialist socialisation of production, or socialisation of production in practice.

In formulating the criteria of the end of the transition period, one should not omit the words "in the main". Thus, large-scale machine production could embrace the basic elements of the economy instead of all its elements. In that case, further work along this line, including the work to complete the industrialisation of agriculture, will continue at the initial stage of triumphant socialism.

The thesis on the full sway of social property in the means of production should not be simplified either: it does not mean that social economic forms are the only ones to remain. The experience of the socialist countries has shown that even at fairly high stages in the development of socialism, individual forms of labour activity can play a noticeable role in the economy. That primarily applies to some industries producing consumer goods and the services. But these forms do not constitute any special sector and are increasingly integrated into socialised production.

In formulating the criteria of the beginning and end of the transition period, it is also necessary to determine its historical place, i.e., how it relates to the preceding and subsequent stages of development.

As for the first part of the problem, one could say that the period of transition from capitalism to socialism is a revolutionary transformation of the capitalist society into a socialist one.

As for the second part of the problem, it could be formulated as follows: can the transition period be regarded as an intermediate period that does not belong to any formation, or is it part of the communist formation, the initial stage in its emergence? Both views are represented in contemporary writings.

The problem is complicated in view of three circumstances.

First, in contrast to the initial stages in the development of all earlier socio-economic formations, socialism takes shape beyond the framework of the preceding socio-economic system.

Second, emergent socialist production relations immediately lay claim to the leading positions in the economy, which is expressed in the emergence of a definitive, directing sector: the socialist sector.

Third, the leap from one social system (capitalism) to another (socialism) takes a long time.

The system that takes shape as a result of the revolution can no longer be called capitalism, for the latter has lost its leading position and does not determine the crucial tendency of development. At the same time, it is not yet socialism, for it has not taken full shape or gained full sway.

What we find here is indeed a process of one formation being transformed into another.

At the same time, there is no doubt that since socialist relations (i.e., communist relations in their initial form) have already emerged, the conclusion on the origination of the communist formation is perfectly valid.

Lenin wrote: "The abolition of capitalism and its vestiges, and the establishment of the fundamentals of the communist order comprise the content of the new era of world history that has set in."¹

The dialectical approach to that question apparently implies the need, first, to make it clear in what sense each of the possible answers to that question is legitimate and, second, to foresee the possible consequences of the absolutisation of either of these two answers. Thus, if the tenet that the transition period lies between two formations is taken as an absolute, the question of when the communist formation begins to take shape tends to blur, and the essential conclusion that the movement to communism starts with a socialist revolution remains in the background.

When the other tenet—on the transition period as the initial stage in the emergence of the communist formation—is taken as an absolute, this tends to obscure the essential character of the dividing line between the transition period and triumphant socialism. That dividing line is blurred, and the transition period appears as being of the same order as the maturity stages of triumphant socialism.

Meanwhile, the transition period directly relates not to one of the stages of socialism, but to the socialist phase as a whole. It amounts to the formation of socialism.

The various stages within the socialist phase of development and the transition period are phenomena of a different order. When the transition-period economy gives way to the economy of triumphant socialism, the totality of laws regulating social production is radically altered: the laws intrinsic to the private-property sectors no longer apply. As for the changeover from one maturity stage of triumphant socialism to another, it does not involve such a restructuring of the system of economic laws.

The transition period is marked by two conflicting tendencies: socialist and capitalist, whereas none of the stages of the socialist development phase is marked by any antagonistic tendencies.

If the transition period is not duly demarcated from the

¹ V. I. Lenin, "On the Struggle Within the Italian Socialist Party", *Collected Works*, Vol. 31, p. 392.

socialist phase of development, theoretical prerequisites are created for confusing the laws of socialist construction with those of triumphant socialism. An indicative point to note is that both right and "left" revisionists are inclined to identify socialism with the transition period. Such paradoxical unanimity is in actual fact quite natural (extremes meet), for underrating of the distinctions between the transition period and socialism theoretically paves the way, in particular, for applying specifically transition-period economic methods to socialism itself.

The only difference is that the "left" revisionists advocate large-scale use of extra-economic influence on the economy, while the right revisionists favour spontaneous operation of the laws of commodity production.

The existence of the world socialist system is known to guarantee socialist gains even in countries where the socialist transformations have yet to be completed. In these conditions, it may appear that there is no essential difference between the full sway of socialist relations and their absolute preponderance, i.e., that there is no particular need to decide where the transition period ends. In actual fact, however, that is not so. Oblivion of the classical propositions on qualitative distinctions between the transition period and triumphant socialism was one of the theoretical sources of the erroneous tenets of the former Polish leadership, which proclaimed the country's entry upon the stage of building developed socialism, although socialist construction in Poland has not as yet been completed and some of the transition-period tasks have yet to be resolved. The 1980-1982 events in Poland clearly showed these tenets to be erroneous. That indicates the importance of determining development stages on a solid Marxist-Leninist basis.

* * *

Elaboration of the ideas of the classics of Marxism-Leninism on the duration and dynamism of socialism showed that the end of the transition period does not coincide with the attainment of maturity by the socialist society. Science was faced with the question about the distinctive features of the initial stage of socialism, about its own content. That question, however, has not been analysed in detail. The stage that immediately precedes developed socialism is usually characterised in passing, in the context of the criteria and historical place of a mature socialist society.

That initial stage of socialism is presented as a stage whose only purpose is to complete that which was not completed in the transition period.

That stand is, of course, to some extent justified, for something is usually left over from the preceding stage to be completed at the following stage. The period that followed the transition period is no exception. In that light, however, the initial stage of socialism appears to be not very necessary: it seems that if all the tasks of the transition period were fully resolved within its framework, developed socialism would set in as soon as that period was over. In actual fact that is not so for various objective reasons, which should be examined.

The transition period serves to lay the foundations of socialism. That task may not be fulfilled in all its details, but the whole point is that the foundations of socialism should be built in the main. The existence of these foundations means that the system of socialist production relations has taken root and socialism has won out.

At the same time, the initial stage is marked by its own, specific tasks. In the economic field, the task is to bring all the elements of the economic system into accord with the new foundations and to add the missing elements. It is only when this task is fulfilled that the socialist production relations system takes full shape, giving free scope for the operation of specifically socialist laws.

Some interpreters of developed socialism had facile ideas about the ways of its attainment and the tasks that had to be tackled in the process. They tended to obscure the arising difficulties and contradictions, achievements were overestimated, and pressing problems were put off. There was inadequate awareness of the need for urgent qualitative changes both in the productive forces and in the whole system of social relations.

An all-round analysis made in the course of the preparation for the 27th Congress of the CPSU and at the Congress itself resulted in a short but meaningful formula which best reflects the specific dialectics of the development stage attained. It says: "The Soviet people's persistent work, great achievements in the economic, social and political spheres, science and culture have brought our country to new historical frontiers that marked the beginning of the stage of developed socialism... At the new stage of historical development, our Party and the Soviet people are faced with the task in all its magnitude of the all-round perfection of socialist society and a fuller and more effective utilisation of its possibilities and advantages for further ad-

vance towards communism."¹ This brief but realistic formula summing up past achievements and outlining perspectives is directed against the one-time notions about the brevity of the socialist phase and the possibility of speeding it up, against any premature conclusions on what has been achieved, and also against any attempts to postpone the tasks of communist construction for an indefinite period. The Soviet society has entered upon the stage of developed socialism, but a great deal has yet to be done to attain a qualitatively new state of the society that would fully reveal the immense advantages of the new system in every sphere of life. Here is how the CPSU Programme (new edition) formulates the essence of the Party's strategy at the present stage: "To achieve a qualitatively new state of society by substantially accelerating socio-economic progress."² Fulfilment of that task will mark a historic stride forward towards the higher phase of communism.

¹ *The Programme of the Communist Party of the Soviet Union*, pp. 10, 12.

² *Ibid.*, p. 86.

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Formation of the Socialist Economic System

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