

THE CRISIS OF WORLD CAPITALISM: WORLD ECONOMIC SITUATION

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I. Marxist-Leninist Theory of the Crisis of World Capitalism

A. Lenin on the era of imperialism (the eve of proletarian revolution), as laid out in Imperialism, the Highest Stage of Capitalism (1916). Some other works will be referred to as well.

1. Bearing in mind "basic, purely economic concepts" (Imperialism, FLP, p. 106), imperialism displays five features:

1) the concentration of production and capital has developed to such a high stage that it has created monopolies which play a decisive role in economic life; 2) the merging of bank capital with industrial capital, and the creation, on the basis of this 'finance capital,' of a financial oligarchy; 3) the export of capital as distinguished from the export of commodities acquires exceptional importance; 4) the formation of international monopolist capitalist combines which share the world among the biggest capitalist powers is completed. Imperialism is capitalism in that stage of development in which the dominance of monopolies and finance capital has established itself; in which the export of capital has acquired pronounced importance; in which the division of all territories of the globe among the biggest capitalist powers has been completed. (Imperialism, p. 106)

2. Lenin notes that "in its economic essence imperialism is monopoly capitalism." (Imperialism, p. 148)

3. Monopoly capitalism (imperialism) has grown out of competitive capitalism. (Imperialism, p. 148)

4. One of the main features of this transformation has been that one-owner factories of competitive capitalism have given way to joint-stock companies, or corporations, which form cartels, syndicates, and trusts. (Today we would add the conglomerate or ramified trans-national corporation.) In his Political Economy (c. 1935), Leontiev distinguished among three of these as follows:

cartel: enterprises remain independent of one another and come to agreements on prices, so as not to be adversely affected by competition

syndicate: production is carried on separately, but quotas are set and sales are handled through the general office of the syndicate

trust: the enterprises merge completely; owners of individual enterprises become shareholders in the trust.

5. These various forms of capitalist association which arise do not eliminate competition; we observe

the displacement of capitalist free competition by capitalist monopoly. Free competition is the fundamental characteristic of capitalism, and of commodity production generally; monopoly is the exact opposite of free competition . . . the monopolies, which have grown out of free competition, do not eliminate the latter, but exist over it and alongside of it, and thereby give rise to a number of very acute, intense antagonisms, frictions and conflicts. (Imperialism, pp. 104-05)

6. In terms of dialectics, it is the coexistence of two contradictory principles, monopoly and capitalism, that lends to monopoly capital its highly self-contradictory, unstable, explosive nature: "monopoly is the exact opposite of free competition." (Cf. Leontiev, p. 226)

7. The intense antagonisms of monopoly capital manifest themselves in rivalry for markets on a national and an international scale, involving the struggle for control of raw materials, cheap labor, and currencies and gold. These economic struggles for the redivision of the world market form the basis for imperialist world war, war unprecedented in geographical scope and destruction.

8. Despite its terrible results in warfare, monopoly capital is not, economically speaking, a step backward compared with competitive capitalism:

. . . . monopoly that grows out of the soil of free competition, and precisely out of free competition, is the transition from the capitalist system to a higher social-economic order. (Imperialism, p. 148)

It is in this vein that Marx took note of the change from one-man (or family) ownership to joint-stock companies and viewed it as "the abolition of capital as private property within the framework of capitalist production itself." (Capital, 3.436)

Monopoly capitalism brings about increased "socialization of production," in other words. (Cf. Imperialism, pp. 153-54)

9. The above points outline some of the main economic features in the transition from competitive to monopoly capitalism. Lenin draws a number of conclusions as to political changes under imperialism, the most general of which is that "the specific political features of imperialism are reaction all along the line and increased national oppression." (Imperialism, p. 133) He notes:

Imperialism--the era of bank capital, the era of gigantic capitalist monopolies, the era of the development of monopoly capitalism into state-monopoly capitalism--has demonstrated with particular force an extraordinary strengthening of the 'state machine' and an unprecedented growth of its bureaucratic and military apparatus, in connection with the intensification of repressive measures against the proletariat both in the monarchial and in the freest, republican countries. (State and Revolution, Peking ed., p. 38)

As far as the U.S. is concerned, Lenin notes that it (along with England) was previously not burdened with a bureaucracy or a military apparatus but that in 1914-1917 the U.S. perfected its state machinery. (State and Revolution, p. 45)

## B. The General Crisis of Capitalism

1. In the "Introduction" to the 1928 Programme of the Comintern, an overview of the "general crisis of capitalism" is given:

The epoch of imperialism is the epoch of dying capitalism. The world war

of 1914-18 and the general crisis of capitalism which it unleashed, being the direct outcome of the profound contradiction between the growing productive forces of world economy and national barriers, prove that the material prerequisites for socialism have already matured in the womb of capitalist society; they prove that the capitalist shell has become an intolerable restraint on the further development of mankind, and that history has put on the order of the day the revolutionary overthrow of the capitalist yoke.

From the centres of capitalist power to the most remote corners of the colonial world, imperialism subjects the great mass of proletarians in all countries to the dictatorship of the finance-capitalist plutocracy. With elemental force it exposes and deepens all the contradictions of capitalist society, intensifies to the utmost the oppression of the exploited classes, and brings to a head the struggle between capitalist States. In so doing it gives rise to inexorable world-wide imperialist wars which shake the entire prevailing regime to its foundations, and leads with iron necessity to the proletarian world revolution. (Jane Degras, Communist International: Documents, vol. 2, p. 472) (See also, pp. 481-82) (Cf. Leontiev, p. 239)

2. Some aspects of economic developments in the general crisis of capitalism are gone into further in another work from this period, R. Palme Dutt's Fascism and Social Revolution (c. 1934):

The world war was the beginning of the violent explosion of this conflict, of the conflict between the ever-growing productive forces and the limits of existing property-society. Since 1914 we have entered into a new era, the era of the general crisis of capitalism and of the advance of the world socialist revolution.

The world economic crisis which opened in 1929 has brought these issues of the present stage of society, and of the basic economic contradictions underlying them, more sharply to the general consciousness than ever before. But the significance of this world economic crisis is commonly seen through too narrow spectacles. It is seen as a special temporary disorganisation breaking in on an otherwise harmonious and smoothly working economic mechanism. Alike in the pessimistic and the optimistic readings of its significance the proportions have tended to be lost. Just as the extreme low depths of depression produced almost universal utterances of pessimism and apocalyptic gloom from the leaders and professors of capitalism, so the first signs of an upward movement produced a universal sigh of relief and reprieve, as if the worst were over and all might yet be well again. In fact, "the devil was sick."

But the real significance of the world economic crisis, which has so greatly exceeded in its scope all previous economic crises, can only be correctly understood in relation to the whole development of capitalism, and in particular the development of capitalism during the last two decades--that is, in relation to the general crisis of capitalism, which opened in 1914.

The general crisis of capitalism should not be confused with the old cyclical crises of capitalism which, although demonstrating the inherent contradictions of capitalist relations, nevertheless constituted an integral part and direct factor in the ascent of capitalism. The cyclical crises, as illustrated in 1920-1 and 1929, continue, but take on a new and intensified character in the period of the general crisis.



The old cyclical crises were, according to Marx, 'always but momentary and forcible solutions of the existing contradictions, violent eruptions, which restore the disturbed equilibrium for a while' (Capital III, p. 292). Their characteristic feature was to solve the contradictions, albeit by anarchically violent and destructive means, to restore the equilibrium, and permit of the resumption of production on a higher plane. They weeded out the smaller and less efficient concerns; they wiped out a portion of capital values in order to save the remainder; they effected a concentration of capital; they compelled a drive to open up new markets. On this basis they permitted, after a relatively short period, the resumption of capitalist production at a higher level.

Elements of this character can also be traced in the post-war world economic crisis; but these 'progressive' elements are overshadowed by the major, negative effects of the whole process of the development of the cyclical crisis on the basis of the general crisis of capitalism, in the consequent destruction of stabilisation and hastening of revolutionising processes.

For the general crisis of capitalism admits of no such solution. The domination of the imperialist Powers has already been expanded to its maximum extent throughout the world; monopoly capitalism, which had already divided up the greater part of the world by the beginning of the twentieth century, and by 1914 was at war over its re-division, is now faced with a still sharper situation of contradictions, not only between the imperialist Powers, but also between imperialism and socialism. So far from there being available new regions to open up, one sixth of the world has passed out of the sphere of capitalism into that of the social revolution; the colonial peoples are rising in revolt; the world available for capitalist exploitation has begun to contract. At the same time the growth of productive power is greater than ever, the extreme crisis, competition and war forcing forward technical development at an unheard of pace. Under these conditions there is no room for a harmonious solution, but only for ever more violent conflict. The upward movements within the general crisis become ever shorter; depression becomes the normal, broken by short upward movements and violent social and political explosions; the recurrence of the old cyclical crisis within the general crisis takes on a new intensity. (Dutt, Fascism and Social Revolution, Proletarian Publishers, pp. 29-31)

### C. Three periods in the general crisis of capitalism

#### a. The view of the Comintern in its "Theses on the International Situation and the Tasks of the Communist International" (1928):

After the first imperialist world war, the international labour movement passed through a series of phases of development, reflecting the various phases of the general crisis of the capitalist system.

The first was the period of extremely acute crisis of the capitalist system, and of the direct revolutionary action on the part of the proletariat. This period reached its highest point in 1921, culminating on the one hand in the victory of the USSR over the forces of intervention and internal counterrevolution, and in the consolidation of the proletarian dictatorship and the establishment of the Communist International; and on the other, in a series of severe defeats for the Western European proletariat and the beginning of the general capitalist offensive. This

period ended with the defeat of the German proletariat in 1923. This defeat marked the starting-point of the second period, a period of gradual and partial stabilization of the capitalist system, of the 'restoration' of capitalist economy, of the development and expansion of the capitalist offensive, and of the continuation of the defensive battles fought by the proletarian army weakened by severe defeats. On the other hand, this period was a period of rapid restoration in the Soviet Union, of important successes in the work of building socialism, and also of the growth of the political influence of the communist parties over the broad masses of the proletariat.

Finally came the third period, the period in which capitalist economy and the economy of the USSR began almost simultaneously to exceed their pre-war levels (the beginning of the so-called 'reconstruction period' in the Soviet Union, the further growth of socialist forms of economy on a new technological basis).

For the capitalist world, this is a period of rapid technical development, and of the accelerated growth of cartels and trusts, one in which a trend towards State capitalism can be observed. At the same time it is a period of intense development of the contradictions in the world economy, operating in forms determined by the entire prior course of the general crisis of capitalism (contraction of markets, the USSR, colonial movements, growth of the inherent contradictions of imperialism). This third period, in which the contradiction between the growth of the productive forces and the contraction of markets becomes particularly accentuated, will inevitably give rise to a fresh era of imperialist wars among the imperialist States themselves; wars of the imperialist States against the USSR; wars of national liberation against imperialism; wars of imperialist intervention and gigantic class battles. This period, in which all imperialist antagonisms grow sharper (antagonisms between the capitalist States and the Soviet Union, the military occupation of North China as the beginning of the partition of China, the mutual struggles between the imperialists, etc.), and the contradictions in capitalist countries become more acute (the swing to the left of the masses of the working class, growing acuteness of the class struggle), and colonial movements of revolt are launched (China, Egypt, and Syria)--this period will, through the further development of the contradictions of capitalist stabilization, increasingly shake that stability and lead inevitably to the most severe intensification of the general capitalist crisis . . . (Degras, vol. 2, pp. 455-57)

2. In his work from this period, Leontiev, Political Economy, (c. 1935), also outlines the three periods and from his vantage point about 6-7 years after the Sixth Congress of the Comintern goes further into economic aspects of developments in the third period:

The third period of the post-war general crisis of capitalism arrives. This period is characterized by the sharpening of the basic contradictions of contemporary capitalism. In 1927 as compared with 1913, world economy produced: oil--300 percent, iron--102 percent, steel--127 percent, cotton--125 percent, wheat--110 percent, rye--95 percent. The following year, 1928, resulted in a further increase in production for many commodities. Capitalism, about ten years after the war, exceeded its pre-war limits. Simultaneously, an exceptional increase in capitalist contradictions resulted both within individual countries and between them. The third period in the development of the general crisis of capitalism is

the period of the shattering of the partial and temporary stabilization of capitalism; under the circumstances of the world economic crisis that began in 1929 and shook the entire economy of the capitalist countries to its very foundations, the end of capitalist stabilization finally arrives, as was pointed out in the resolution of the Twelfth Plenum of the ECCI, held in the autumn of 1932.

Capitalist rationalization brings with it an unprecedented increase in the exploitation of the working class by the bourgeoisie. Rationalization sharpens the class contradictions to their extreme limits. Rationalization under conditions of capitalism results in the shutting down of a number of antiquated enterprises and a reduction in the number of workers employed at the remaining plants and factories. Chronic unemployment sets in. The condition of the working class becomes worse even in a number of the most highly developed capitalist countries.

(Leontiev next devotes several paragraphs to unemployment in the U.S., Germany, and the world.)

The impoverishment of the working class proceeds apace with the growth of technical improvement, throwing workers out of employment and at the same time enormously increasing the quantity of commodities produced. Together with the tremendous increase in the quantity of commodities produced, the internal market contracts, as it depends on the well-being of the broad masses. The increase in production conflicts with the decreased consumption of the masses. The difficulties of selling increase and compel the capitalists of the various countries to conduct a savage struggle for external markets.

In the third period the contradiction between the development of the productive forces and the contraction of the markets becomes particularly acute. The internal as well as the external contradictions grow, rending the capitalist countries asunder under the conditions of a general crisis and the ever growing danger of new imperialist wars. (Leontiev, Proletarian Publishers edition, pp. 245-47)

#### D. The nature of the world economic crisis

1. A crisis of overproduction. Leontiev asserts that "Like all crises under the capitalist system, the contemporary crisis is one of overproduction." (Political Economy, p. 253) He continues, after quoting Stalin:

A crisis of overproduction means a lack of sales, the contraction of markets, the closing of factories and plants, a curtailment of production. Tremendous quantities of commodities cannot be sold. This leads to an accumulation of reserves of all kinds. Tremendous stores of raw material, industrial goods and agricultural products are accumulated. These stores exert pressure on the market. In order to maintain prices, a considerable part of these stores of goods is destroyed by the capitalists. For this purpose also, production is curtailed. By means of these measures the capitalists maintain the prices of some commodities at a comparatively high level for a short time, but the force of the crisis proves stronger than all the measures they adopt. The curtailment of sales, the contraction of markets, the accumulation of reserves of commodities inevitably lead to a decline in prices. Under contemporary monopoly capitalism the more powerful monopoly corporations do all in their power to maintain high prices on their commodities. Hence, there is a great lack of uniformity in the decline of prices. While the more powerful trusts and cartels

maintain fairly high prices on their commodities, prices of all other commodities fall rapidly.

The lack of sales, the accumulation of reserves and the decline in prices lead to a curtailment of production. The decline in production has a number of serious consequences. The army of unemployed grows catastrophically. There is a progressive underemployment of the working capacity of enterprises. As a result the cost of production rises, while the sales prices of commodities sink. The weaker links of capitalist economy snap. Bankruptcies multiply. A credit and financial crisis breaks out. (pp. 253-54)

Stalin also explains the crisis as one of overproduction in his "Political Report of the Central Committee to the Sixteenth Congress of the CPSU (B)" made in June 1930. (Works 12.250-52)

## 2. Background: realization under capitalism.

Leontiev outlines the positions Marx arrived at to explain the crises under capitalism on pages 172-180 of his Political Economy. Marx dealt with the subject primarily in Volume 2 of Capital. Lenin indicates the importance of the subject when he notes that "The scientific value of Marx's theory consists in its having explained the process of reproduction and circulation of the total social capital." (quoted in Leontiev, p. 173)

Leontiev's outline is too brief to provide much understanding of a very complicated subject (or perhaps, rather, a very unfamiliar subject) and Marx's treatment is too long to be cited here. Using Leontiev I'll try to give a rough idea of the areas discussed, without actually going into a presentation of the workings of the argument. (I think a separate study is needed for that.)

As Leontiev notes, "a crisis of overproduction means a lack of sales." Too many goods produced; not enough 'purchasing power'. What Marx calls the "circulation of capital" has been hindered, run into a barrier. What is the circulation of capital?

In order to answer this question we have to note that for Marx capital assumes different forms: money capital, productive capital, commodity capital. These are the three basic forms. A capitalist takes his money capital and buys means of production. With further outlays for wages and raw materials, the capitalist's capital has entered the phase of production proper. His capital now has taken the form of productive capital. In the process of production, commodities are produced. These must be sold. When the commodities are sold (in sufficient numbers) we have reached the point at which commodity capital is converted back to money capital. This is the third phase in the circulation of capital. It is in this phase that surplus value is realized, that the increment in the capitalist's capital takes place.

Marx indicates this entire process of circulation in the formula:

M-C . . . P . . . C'-M' (Capital, vol. 2, p. 47)

Without going into this in any detail, M-C stands for the initial investment, the conversion of money capital into productive capital. P stands for the pro-



ductive process itself. C'-M' stands for the sale of commodities, with the prime (') indicating that increment takes place.

Marx notes that it is the goal of the capitalist to accumulate as much capital as possible. Actually, he speaks of it as a drive of capital itself. The faster the circulation of capital, the more accumulation. Any hindrance in the circulation reduces the amount of the "pay off," the amount of surplus value realized.

The merger of bank and industrial capital into finance capital, which Lenin speaks of as a characteristic of imperialism or monopoly capital, represents an attempt "by capital" to speed up the circulation of capital. The growth of credit and of installment buying under monopoly capitalism is another "attempt by capital" to speed up its circulation. Without mentioning either of these phenomena in their monopoly capitalist flowering (Marx observed both in rudimentary form under competitive capitalism), Marx shows that however capital tries to increase its circulation, capital can never eliminate the barriers that hinder it, for capital is itself its own greatest barrier. Thus contradiction is built into capital and capitalism; ever greater crises will occur as capitalism develops; and some day capitalism itself will disappear, which means that capital in all its forms will disappear. (Marx, Grundrisse [notebooks for Capital] Vintage, p. 543)

Returning to the starting point of the discussion (realization), Leontiev presents the subject as follows, using the word "circulation" in a more restricted meaning:

We have seen that every capitalist, on starting production, buys the means of production (raw material, fuel) on the market and hires workers (i.e. buys labour power). But now the capitalist has completed his annual production. The raw material and fuel have been spent, the workers have expended their year's labour, a great amount of finished commodities, shoes, let us say, lies in the manufacturer's warehouse. What is needed for the renewal of production? What is needed in order to continue the production of shoes?

It is perfectly evident that it is necessary for the manufacturer to purchase a new lot of raw material and fuel, to hire his workers again for the next year. But for this purpose he needs money. Where will the manufacturer obtain money? He may borrow it, but this only means that he will finally have to repay it. The manufacturer must obtain his money from the sale of (or, as is sometimes said, he must realize) his finished commodities. Upon selling his products the manufacturer again buys labour power and means of production and begins his next cycle of production. Thus the realization of the finished products is a necessary condition for renewal of production, a necessary condition for reproduction. We see therefore that the process of reproduction for the individual capitalist has three stages: 1) the purchase of means of production and labour power; 2) the process of production itself; 3) the sale of the finished products. It is easy to note that the second stage is the direct process of production, during which the workers produce surplus value for the capitalist. The first and last stages refer to the process of circulation: in the first stage the capitalist converts his money into commodities, in the last, on the contrary, he sells his commodities and realizes money for them. He needs this money, however, principally in order to buy the things



that are necessary to continue production, for continuous production, for reproduction. Thus capital goes through cycles.

. . . The entire mass of individual capitals, taken together, constitute the social capital as a whole. It is in this intermingling of the movements of separate, independent capitals, which at the same time constitute parts of the social capital as a whole, that reproduction under capitalism takes place. For reproduction to be effected, it is necessary for not only the individual capitalist, but for the entire mass of capitalists to be able to realize the products of their enterprises. . .

Explaining the process of reproduction and circulation of the total social capital, the Marxist-Leninist theory also discloses the deepest contradictions which appear in the process of capitalist reproduction. The theory of reproduction makes clear the complex conditions which are required for the realization of the entire mass of commodities produced under capitalism. The theory of reproduction shows how the very process of capitalist development constantly infringes upon these conditions and calls forth a breach in the entire process of reproduction, leading to shocks and crises.

Let us examine more closely the conditions in which realization of commodities takes place under capitalist reproduction. The value of the entire output of a capitalist country, like that of a single commodity, is made up of the following three parts: 1) constant capital; 2) variable capital; 3) surplus value. We know further that the entire mass of the various enterprises can be divided into two large groups: 1) enterprises producing means of production (machinery, raw material, fuel, etc.) and 2) enterprises producing articles of consumption. (Note: Marx calls these Department I and Department II, respectively. SG)

Leontiev then quotes Lenin:

'The problem of realization consists in finding on the market for every part of the capitalist product another part of the product that will be an equivalent of it, in terms of value (constant capital, variable capital, and surplus value) and in terms of its material form (means of production, articles of consumption, particularly articles of necessity and objects of luxury).' (Leontiev, Political Economy, pp. 172-74)

Leontiev then outlines the equivalences, or exchanges, that must occur between Departments I and II under two sets of conditions. The first set is "simple reproduction" and the second is "extended reproduction." The first is an abstraction. The second, which implies accumulation, more accurately represents what actually takes place under capitalism.

Leontiev's conclusion is

The Marxian theory makes clear what conditions are requisite for the realization of commodities under simple and extended capitalist reproduction. But it does not at all assert that these conditions exist. On the contrary, the entire movement of the capitalist system proceeds by means of continuous variations and deviations, by means of a constant infringement of those mutual relations which should exist between the various branches of industry. (Leontiev, p. 177)

## II. Comintern Views (especially Stalin's) on the Approach and Development of the Capitalist Economic Crisis

### A. Sources

Some of the sources used for this section of the report are

- a. 1928:
  1. Stalin, speech of Jul 13 on prospects of VI Cong CI; Works 11.206
  2. Comintern, Programme; ATM reprint and Degras
  3. Comintern Theses on the International Situation; Degras 2.455
  4. Stalin, speech on German CP at ECCI Dec. 19; Works 11.307f
- b. 1929:
  1. Stalin, speech on Bukharin's errors, April; Works 12.21
  2. X Plenum ECCI, Theses on the International Situation; Degras 3.39
- c. 1930:
  1. ECCI Plenum on the development of the crisis, Feb.; Degras 2.102
  2. Stalin, Report to the 16th Cong CPSU, June; Works 12.242
- d. 1931: XI Plenum ECCI, Theses, April; Degras 3.151
- e. 1932: XII Plenum ECCI, Theses and Resolution, September; Degras 3.210,230
- f. 1934: Stalin, Report to the 17th Cong CPSU, Jan.; Works 13.208
- g. 1939: Stalin, Report to the 18th Cong CPSU, Mar.; Problems of Leninism, Peking edition, 874

### B. The approach of the capitalist economic crisis

Unlike the bourgeois economists in the capitalist countries, the Comintern had a theory which could make sense of the worldwide economic crisis that developed. While the spokesmen for capitalism were crowing about the 'revival' of capitalism in the 1920's, especially in America, the Comintern utilized the theory of Marxism to predict that a new and larger catastrophe for the capitalist countries was inevitable. The repetition of these views by the Comintern in the 1920's has led many bourgeois commentators to dismiss the 'foresight' of the Comintern as simply the repetition of "rhetoric" or "communist dogma." But while there was undoubtedly some unjustified optimism about the collapse of capitalism in the very early 1920's in the Comintern and also expectations of an earlier renewal of severe capitalist crisis than actually occurred, the fact is that a new and unprecedented economic crisis in the capitalist world did occur in the 1930's and the communists were the only ones who could discern the factors that actually brought it about.

Even in retrospect the bourgeois theoreticians are quite lame in discussing the causes of the crisis. Since they cannot take an integral view of economic development, each tries to create a niche for himself in academia or government with a pet theory: Friedman claims that U.S. monetary policy was the main villain in the crash. Keynes emphasizes mistaken deflation. Robbins, misuse of the gold standard. Hansen: "secular stagnation" (long-term stagnation). Svernilson: "structural disequilibrium." Galbraith distinguishes between causes of the crash (the market and the mood to invest--the 'subjective factor') and causes of the length, depth, and severity of the de-

pression: an inventory recession in 1929, unsoundness of the economy: income not well distributed, corporate structure had flaws, similarly with the banking system, poor economic intelligence, etc. In Galbraith's eclecticism--and that of other professors, e.g., H. U. Faulkner, American Economic History and R. M. Robertson, History of the American Economy--we see emphasis on imbalances or weaknesses in the American (and world) economy. In Kindleberger (The World in Depression: 1929-1939), who according to Galbraith has written the best book on the subject, we even find echoes of Stalin. This belated "recognition" of the accuracy of Comintern views occurs, for example, when Kindleberger writes that Britain couldn't and the U.S. wouldn't "stabilize" the "international economic system." Kindleberger even ventures the view that the "world economic system" was unstable, and other writers will admit various imbalances, weaknesses, etc., none of the bourgeois writers then or now are willing to concede that such crises as the Great Depression are essential and characteristic features of capitalist production, and that they won't disappear until that mode of production does. This doesn't prevent these same writers, chiefly professors, from ignoring communist explanations then and now, for the most part, and from maintaining that calm, self-assured hauteur that merits all the hatred it creates.

The Comintern, then, did have a theory of the crisis. (This has been presented briefly in the first part of the report.)

Some questions that suggest themselves are: How well did the Comintern apply the theory of Marx on capitalist crises? Did the CI identify the major contradictions in this period? Did the CI note the approach of the crisis in good time, so as to be able to modify tactics accordingly? (The question that will be focussed on here is the third.)

The nearing approach of the next capitalist economic crisis on a large scale is indicated in the thesis of the Comintern that the post-war capitalist world had entered on "the third period." (The "third period" is reviewed earlier in this report.) There the conclusion is that "the further development of the contradictions of capitalist stabilization (will) increasingly shake that stability and lead inevitably to the most severe intensifications of the general capitalist crisis." This seems a correct, if general, appraisal. Here the CI devotes a good deal of space to the potential military conflicts arising from this situation: inter-imperialist war and wars of national liberation. Little attention is given here to the purely economic aspects of the antagonisms among the imperialist countries and between them and the colonies.

Another CI statement from 1928 is in the Programme. This presents a fuller statement of the CI's views on the economic situation. One section of the Programme is devoted to "The Contradictions of Capitalist Stabilization and the Inevitability of the Revolutionary Collapse of Capitalism." The CI says:

Experience since the war shows that the stabilization of capitalism, which was achieved by the defeat of the working class and the systematic depression of its living standards, can only be partial, temporary, and rotten.

The rapid and feverish development of technology, verging in some countries on a new technical revolution, the acceleration of capital concentration

and centralization, the formation of giant trusts, of 'national' and 'international' monopolies, the merging of the trusts and the State, the growth of capitalist world economy--all this cannot overcome the general crisis of the capitalist system. The breakdown of world economy into a capitalist section and a socialist section, the shrinking of markets, and the anti-imperialist movement in the colonies intensify to the utmost all capitalist contradictions, developing on new, post-war foundations. The reverse side of technical progress and of the rationalization of industry is the closing down and liquidation of a series of enterprises, the restriction of output, the ruthless exploitation of labour power, all leading to vast and unprecedented chronic unemployment. In a number of highly developed capitalist countries the position of the workers has deteriorated absolutely. Greater competition between imperialist States and the constant danger of war, the ever heightening tension of class conflicts are creating conditions in which the general capitalist crisis and the proletarian world revolution will reach a new and higher stage of development. (Degras, 2.485-86)

Here too we find the CI's conclusions about the intensification of world economic (and political) contradictions that provided the basis for the shift in tactics of the third period. (This shift will be examined later on in A's report and mine. A major theme is that the increasing radicalization of the workers in the late 1920's meant there should be a shift to a policy of the united front (of workers) from below in the major capitalist countries, i.e. basically, winning over the masses of workers who were under the sway of social-democracy, by exposing and isolating their "social-fascist" leaders.)

The above conclusions of the Comintern, in what are the two major CI documents on the subject in this period (1928), show that the Comintern was aware of an approaching crisis in the capitalist world, that it had detected certain signs which were sufficiently strong so that the CI was ready in 1928 to claim that a new period had arrived--and it did this before the crisis broke out for all to see, e.g. well before "Black Friday" in the fall of 1929. (It could be argued that the Comintern began proclaiming the change in periods earlier than 1928. For example, Gruber in Soviet Russia Masters the Comintern suggests 1927-28. But in my opinion these two major documents of the CI in 1928 should be seen as the first full, definitive statement of the new Comintern position on the change of periods.)

Stalin's July 13 speech from the same year (1928) gives further evidence of the strength, and also of a prominent weakness, in the Comintern's appraisal of the situation.

The topic of the first part of the speech is the Comintern, and specifically the major problems to be addressed at the Sixth Congress of the CI, which was held shortly afterward. Stalin looks over the previous four years (1924-28) and addresses himself to the "contradictions which have ripened in this interval within the imperialist camp." (Works 11.207) Stalin adopts the line, common to CI documents from 1928 and later, that the "principal contradiction" is between American capitalism and British capitalism, and that this contradiction is "very likely fraught with war" (p. 208). Stalin also points to the development or intensification of the contradiction between imperialism and the colonies and notes that this contradiction is "fraught with national wars of liberation in the colonies and with intervention



on the part of imperialism." Further, Stalin names a third contradiction, that between the capitalist world and the USSR, which was said to be growing "more acute." "It goes without saying that the growth of this contradiction cannot fail to be fraught with the danger of armed intervention." (p. 209)

The identification of the principal contradiction seems to me to be wrong. (This will be gone into shortly.) The identification of the second and third contradictions seems right on target, including the placing of the second (imperialism vs. the colonies) above the third (imperialism vs. USSR) at that time. In this speech Stalin doesn't address himself primarily to economic developments; when he does mention them he gives no sign that there is an impending crisis of the first order calling for a radical change in strategy and tactics. In this respect, the documents cited earlier from the VI Congress CI (July-September 1928) take a more definite stand than does Stalin prior to the Congress, on the immediacy of a economic crisis and its implications.

In conclusion, the 1928 Comintern materials cited generally do not devote much attention to factors that bourgeois scholars now make much of, e.g. the catalytic role of the stock market in bringing about the crash, the prolonged weakness in American agriculture, etc. Within a few years, as we'll see, the CI does take more note of salient surface and structural features of the crash. But the CI was correct, I think, to point out the fundamental unsoundness of the entire edifice, identifying the primary underlying economic and political contradictions. It was these that would bring about the crisis, in fact. Where and how a crisis will break out or reveal itself are not questions that Marxist theory tries to resolve. It is enough to know the direction of the underlying forces and their ripening. The precise timing of an outbreak and in what field of the complicated world capitalist financial-productive-trade mechanism breakdown will first occur are not, in most cases, foreseeable. In this regard, the CI proceeded soundly, I think, and with the exception of the Anglo-American contradiction, had a generally valid appraisal of economic developments during the approach of the crisis.

#### C. Stalin vs. Humbert-Droz and Bukharin on "capitalist stabilization"

It was natural that differences would develop withing the Comintern on the question of "capitalist stabilization" and its weakening in this period. The Comintern found it necessary, for example, to revise the 1925 views of its former President, Zinoviev, on the nature of the "third period," presenting the revised version at the VI Congress in 1928. Other differences arose between 1925 and 1928 on the nature and direction of the "partial stabilization" of capitalism. Following the VI Congress in the summer of 1928, further differences came more into prominence, and Stalin set about combatting the wrong views of Bukharin and Humbert-Droz, who were leading spokesmen of the Rightist view of "stabilization."

In his speech to the Presidium of the ECCI on "The Right Danger in the German Communist Party," Stalin analyzed Humbert-Droz's views in this way:

I said that Humbert-Droz and Serra have landed in the quagmire of craven opportunism. What does that mean? It means that, besides overt opportunism, there is also covert opportunism, which fears to show its true face. And this is precisely the opportunism of conciliation towards the Right deviation. Conciliation is craven opportunism. I must, I repeat, note



with regret that both these comrades have landed in the quagmire of craven opportunism.

Permit me to demonstrate this by a few facts. . .

The Comintern holds that the present capitalist stabilisation is a temporary, insecure, shaky and decaying stabilisation which will become more and more shaken as the capitalist crisis develops.

This by no means contradicts the generally known fact that capitalist technology and rationalisation are advancing. More, it is just because they are advancing that the inherent unsoundness and decay of the stabilisation is developing.

Yet what did Humbert-Droz say in his speech in the Political Secretariat of the ECCI? He flatly denied the shakiness and insecurity of the stabilisation. He bluntly declared in his speech that 'the Sixth World Congress virtually condemned the vague general formula that the stabilisation is unsound, shaky, etc.' He bluntly declared that the Sixth Congress thesis on the third period says nothing about the stabilisation being shaky. Can it be considered that Humbert-Droz is correct in making this assertion? No, it cannot. It cannot, because the Sixth Congress of the Comintern said the very opposite of what Humbert-Droz claimed in his speech. In the paragraph on the third period, the Sixth Congress of the Comintern plainly states that:

'this period (i.e. the third period--J. St.) inevitably leads through the further development of the contradictions of the capitalist stabilisation, to a further shaking of the capitalist stabilisation and to a sharp accentuation of the general crisis of capitalism.'

Mark, 'a further shaking of the stabilisation'. . . (Stalin's omission) What does that mean? It means that the stabilisation is already shaky and insecure, and that in the third period it will become further shaken. Yet Humbert-Droz permits himself to scoff at all, including the German Communist Party, who say that the stabilisation is shaky and decaying, who say that the present struggle of the working class is undermining and disintegrating the capitalist stabilisation. Whom is Humbert-Droz scoffing at? Obviously, at the decisions of the Sixth Congress.

It follows that, under the guise of upholding the decisions of the Sixth Congress of the Comintern, Humbert-Droz is actually revising them, and is thereby sliding into an opportunist conception of the stabilisation.

So much for the formal side of the matter.

Let us now examine the substance of the matter. If it cannot be said that the present stabilisation is shaky, or unsound, or insecure, then, after all, what is it? Only one thing remains, and that is to declare that the stabilisation is secure, and at any rate is growing firmer. But if we are faced by a capitalist stabilisation that is growing firmer, what can be meant by saying that the crisis of world capitalism is growing sharper and deeper? Is it not clear that that Humbert-Droz has become entangled in his own contradictions?

Further. Lenin said that, under imperialism, the development of capitalism is a double process: a growth of capitalism in some countries, on the one hand, and a decay of capitalism in other countries, on the other hand. Is this thesis of Lenin's correct? And if it is correct, is it not clear that the capitalist stabilisation cannot be other than decaying?

Lastly, a few words about some generally known facts.

We have such facts as the desperate conflicts between imperialist groups for markets and fields of capital export.

We have such facts as the frenzied growth of armaments in the capitalist countries, the formation of new military alliances and the manifest preparations for new imperialist wars.

We have such facts as the growing acuteness of the contradictions between the two imperialist giants, America and Britain, each of which is trying to draw all other countries into its orbit.

We have, lastly, such facts as the existence of the Soviet Union and its progress and success in all fields of development, in the economic field and in the cultural and political field--the Soviet Union, whose existence alone, not to speak of its progress, is shaking and disintegrating the very foundations of world capitalism.

How, after this, can Marxists, Leninists, Communists assert that the capitalist stabilisation is not shaky and decaying, that it is not being shaken by the very course of things from year to year and from day to day? Does Humbert-Droz, and Serra with him, realise into what a quagmire they are landing?

From this error spring the other errors of Humbert-Droz and Serra. (End of Stalin quote. Stalin, Works 11.308-11)

Humbert-Droz's views as presented by Stalin seem definitely to conflict with the decisions of the VI Congress CI and to be wrong. (I haven't seen Humbert-Droz's reply, if there is one.) In substance, Stalin seems faultless in his clear, methodical demolition of Humbert-Droz's position. But, and I think it's worth mentioning here though it's not on my topic, in my opinion Stalin's characterization of his opponent's stance--"in the quagmire of craven opportunism" and, later, "craven, pettifogging defence of the Rights against the German Communist Party and the Comintern" (11.320)--is representative of Stalin's developing contempt for other communists in error and his developing overconfidence in his own leadership. Stalin was faced with the onerous job of defeating repeated and flagrant opportunism within the Comintern and the CPSU--Trotsky's, Zinoviev's, and Bukharin's, for example--and he did the job. But in the process, I think, he also began to lose his own bearings about how struggle should be conducted in a Leninist party, about the functioning of democratic centralism, about contradictions under socialism, about his own capacities as a theoretician and leader. The one-sidedness in Stalin on these points did not mature, however, until some later, probably not until the mid- or late 1930's.

Shortly afterward, in April 1929, Stalin criticizes the opinions of Bukharin on capitalist stabilisation, as part of an all-round criticism of "The Right deviation in the CPSU" (title of the speech). Stalin says:

The first question is that of the character of the stabilisation of capitalism. According to Bukharin's theses (on the international situation, distributed by Bukharin to rest of CPSU and other delegations to the VI Congress CI without examination or approval of CPSU--SG) it appeared that nothing new is taking place at the present time to shake capitalist stabilisation, but that, on the contrary, capitalism is reconstructing itself and that, on the whole, it is maintaining itself more or less securely. Obviously, the delegation of the CPSU (B) could not agree with such a characterisation of what is called the third period, i.e. the period through which we are now passing. The delegation could not agree with it because to retain such a characterisation of the third period might give our critics grounds for saying that we have adopted the point

of view of so-called capitalist 'recovery,' i.e. the point of view of Hilferding, a point of view which we Communists cannot adopt. Owing to this, the delegation of the CPSU(B) introduced an amendment which makes it evident that capitalist stabilisation is not and cannot be secure, that it is being shaken and will continue to be shaken by the march of events, owing to the aggravation of the crisis of world capitalism.

This question, comrades, is of decisive importance for the Sections of the Comintern. Is capitalist stabilisation being shaken or is it becoming more secure? It is on this that the whole line of the Communist Parties in their day-to-day political work depends. Are we passing through a period when the conditions are maturing for a new revolutionary upsurge, a period of preparation of the working class for future class battles? It is on this that the tactical line of the Communist Parties depends. The amendment of the delegation of the CPSU(B), subsequently adopted by the Congress, is a good one for the very reason that it gives a clear line based on the latter prospect, the prospect, the prospect of maturing conditions for a new revolutionary upsurge. (Stalin, Works, 12.22-23)

Here Stalin seems correct in both substance and attitude. (For the Comintern resolution on Bukharin, see Degras 3.67-70 or Gruber, 237-38.)

#### D. The course of the capitalist economic crisis

Stalin's report to the 16th, 17th, and 18th congresses of the CPSU, delivered in 1930, 1934, and 1939, are the most systematic, detailed, and authoritative source for the views of the Comintern (the dominant sections, at any rate) on the development of the capitalist economic crisis of the late 1920's and 1930's. I'll give a summary of each of the reports, a selective summary, with some interpretation as well.

1. 1930. In his "Political Report" to the 16th Congress CPSU, Stalin begins by characterizing the past two and one-half years (1928-1930) as a "turning point," not only for the capitalist countries, but also for the USSR. There has developed "a turn in the direction of a new and bigger economic up-swing" for the USSR and "a turn towards economic decline" for the capitalist countries.

Stalin notes that two and one-half years ago, the capitalist world was growing on the industrial front and there was a mood of optimism: "a halo around the U.S." and "grovelling to the dollar." Now the illusions are collapsing, "the triumphant hymns in honour of the dollar and of capitalist nationalization are becoming fainter and fainter." This turn justifies the Bolsheviki "forecasts" of "inevitable" capitalist crisis.

Stalin then proceeds to outline the main features of the "world economic crisis." First, it is a crisis of overproduction. Second, it is the "first post-war world economic crisis." Third, the crisis is "developing unevenly, notwithstanding its universal character." Stalin traces its development:

The industrial crisis began first of all in Poland, Rumania and the Balkans. It developed there throughout the whole of last year (1929). Obvious symptoms of an incipient agricultural crisis were already visible at the end of 1928 in Canada, the United States, the Argentine, Brazil and Australia. During the whole of this period United States industry

showed an upward trend. By the middle of 1929 industrial production in the United States had reached an almost record level. A break began only in the latter half of 1929, and then a crisis in industrial production swiftly developed, which threw the United States back to the level of 1927. This was followed by an industrial crisis in Canada and Japan. Then came bankruptcies and crisis in China and in the colonial countries, where the crisis was aggravated by the drop in the price of silver, and where the crisis of overproduction was combined with the ruination of the peasant farms, which were reduced to utter exhaustion by feudal exploitation and unbearable taxation. As regards Western Europe, there the crisis began to gain force only at the beginning of this year, but not everywhere to the same degree, and even in that period France still showed an increase in industrial production. (Works 12.245-6)

This account is relatively specific in terms of years and countries, but it says almost nothing about the interaction of specific economic factors (excess inventory, dumping, tariffs, stock market speculation) as the crisis came into existence. Stalin does get more specific on this later, in his 1934 report to the CPSU.

Stalin next reproduces a "characteristic table" published by the German Institute of Economic Research:

Year	USSR	USA	Britain	Germany	France	Poland
1927	82.4	95.5	105.5	100.1	86.6	88.5
1928	100	100	100	100	100	100
1929	123.5	106.3	107.9	101.8	109.4	99.8
1930 (first quarter)	171.4	95.5	107.4	93.4	113.1	84.6

The table "depicts the development of the mining industry and the chief branches of large-scale manufacturing industry" in the given countries. The 1928 level of production is taken as 100. Stalin derives some general conclusions from the table: "sharply expressed crisis" in U.S., Germany, and Poland; stagnation in Britain; descending curve of growth in France; rapid advance in the USSR. Stalin goes on to note that things are getting even worse, in the second quarter of 1930: a "further drop in share prices on the New York Stock Exchange and a new wave of bankruptcies in the U.S."; decline in production, reduction in wages, growth of unemployment in the chief capitalist countries; further intensification of the agricultural crisis, "which is ruining millions of farmers and laboring peasants."

This is "the general picture of the developing world economic crisis."

After a section on inevitable crises of overproduction under capitalism, Stalin goes on to point out the "special circumstances" of the "present crisis." There are four. First, the crisis has "most severely affected the principal country of capitalism, its citadel, the United States, in which is concentrated not less than half the total production and consumption of all countries in the world." Second, "the industrial crisis in the chief capitalist countries did not merely coincide but became interwoven with the agricultural crisis in the agrarian countries. Third, the existence of monopoly



capitalism means the combines fight to maintain high prices, "which make the crisis particularly painful and ruinous for the masses of the people who constitute the main consumers of goods." Fourth, this crisis is "developing on the basis of the general crisis of capitalism." (The third and fourth points have been looked at elsewhere in this report.)

In summing up some of the specific features of the crisis, Stalin notes that the imperialist war and the emergence of the USSR have "shaken the foundations of imperialism in the colonial and dependent countries," and he makes the point that after World War I, "a young native capitalism appeared" in the colonial and dependent countries, a capitalism which "is successfully competing in the markets with the old capitalist countries, intensifying and complicating the struggle for markets." (Works 12.254)

Stalin concludes the first section of his report by noting that "the present economic crisis is the gravest and most profound world economic crisis that has ever occurred."

In a second section, "The Intensification of the Contradictions of Capitalism," Stalin gives prominence to the view that "the chief contradiction here (economically, between the major imperialist countries--SG) is that between the United States and Britain)." This point was mentioned earlier and will be considered separately. Secondly, Stalin cites the contradictions between the victor countries and the vanquished in World War I:

Undoubtedly, in view of the crisis and the aggravation of the problem of markets, increased pressure will be brought to bear upon Germany, which is not only a debtor, but also a very big exporting country. The peculiar relations that have developed between the victor countries and Germany could be depicted in the form of a pyramid at the apex of which America, France, Britain and the others are seated in lordly fashion, holding in their hands the Young Plan with the inscription: 'Pay up!'; while underneath lies Germany, flattened out, exhausting herself and compelled to exert all her efforts to obey the order to pay thousands of millions in indemnities. You wish to know what this is? It is 'the spirit of Locarno.' To think that such a situation will have no effect upon world capitalism means not to understand anything in life. To think that the German bourgeoisie will be able to pay 20,000 million marks within the next ten years and that the German proletariat, which is living under the double yoke of 'its own' and the 'foreign' bourgeoisie, will allow the German bourgeoisie to squeeze these 20,000 million marks out of it without serious battles and convulsions, means to go out of one's mind. Let the German and French politicians pretend that they believe in this miracle. We Bolsheviks do not believe in miracles.

In footnotes to the text, both the Young Plan and the Locarno conference are described. The Young Plan was proposed by an American banker and endorsed by a Hague conference on January 30, 1930. It was a revision of reparations payments:

The plan fixed total German reparations at 113,900 million marks (in foreign currency), to be paid over a period of 59 years. All reparations receipts and payments were to be handled by the Bank for International Settlements, in which the U.S.A. occupied a dominant position. The estab-



lishment of this bank was one of the cardinal points of the Young Plan and was a means by which American monopoly capital could control the trade and currencies of the European countries. The plan relieved German industry of contributions to reparations, the whole burden of which was laid upon the working people. The Young Plan made it possible to speed up the rebuilding of Germany's industrial war potential, which the U.S. imperialists were seeking to achieve with a view to launching aggression against the U.S.S.R. (in Stalin, Works, 12.394-95)

The Locarno conference was held October 5-16, 1925: "The Locarno agreements were designed to strengthen the post-war system established in Europe by the Treaty of Versailles, but their effect was to sharpen still more the contradictions between the chief imperialist countries and to stimulate preparations for new wars." Stalin gives his views on the conference in Works 7.277-83. This conference will be referred to in another report, the one on the danger of war.

In the above passage from Stalin, what turns out during the course of the decade to be the most critical contradiction in the capitalist world (victor vs. vanquished countries of WWI) is spoken of, noted, but given second place to what was considered more dangerous at the time, the Anglo-American contradiction (economic and political). In this 1930 report, Stalin does mention "further fascization" by the bourgeoisie, but it is only a bare mention.

2. 1934. In the first section of his report to the 17th Congress CPSU (Works 13.288f), Stalin identifies five reasons why the current crisis has been "the longest and most protracted yet." He repeats earlier assertions about the "chief thing," which is the breaking out of the crisis in conditions of the general crisis of capitalism; about the interweaving of the industrial and agrarian crisis; and also about "monopoly cartels" striving to maintain high prices. New factors mentioned are that the crisis has affected every capitalist country and that the agrarian crisis has grown more acute and has affected all branches of agriculture. Stalin then presents an outline of the course of the crisis to date:

. . . the crisis has not been confined to the sphere of production and trade, but has also affected the credit system, foreign exchange, the debt settlements, etc., and has broken down the traditionally established relations both between countries and between social groups in the various countries (my emphasis-SG).

An important part was played by the fall in commodity prices. In spite of the resistance of the monopolist cartels, the fall in prices increased with elemental force, affecting primarily and mainly the commodities of the unorganised commodity owners--peasants, artisans, small capitalists--and only gradually and to a smaller degree those of the organised commodity owners--the capitalists united in cartels. The fall in prices made the position of debtors (manufacturers, artisans, peasants, etc.) intolerable, while, on the other hand, it placed creditors in an unprecedentedly privileged position. Such a situation was bound to lead, and actually did lead, to the mass bankruptcy of firms and individual capitalists. As a result, tens of thousands of joint-stock companies have failed in the United States, Germany, Britain and France during the past three years. The bankruptcy of joint-stock companies was followed by a depreciation of currency, which slightly alleviated the position of debtors. The depreciation of currency

was followed by the non-payment of debts, both foreign and internal, legalised by the state. The collapse of such banks as the Darmstadt and Dresden banks in Germany and the Kreditanstalt in Austria, and of concerns like Kreuger's in Sweden, the Insull corporation in the United States, etc., is well known to all.

Naturally, these phenomena, which shook the foundations of the credit system, were bound to be followed, and actually were followed, by the cessation of payments on credits and foreign loans, the cessation of payments on inter-Allied debts, the cessation of export of capital, a further decline in foreign trade, a further decline in the export of commodities, an intensification of the struggle for foreign markets, trade war between countries, and--dumping . . .

Naturally, also, these destructive phenomena accompanying the industrial crisis, which took place outside the sphere of production, could not but in their turn influence the course of the industrial crisis, aggravating it and complicating the situation still further. (Works 13.291-93)

Some points on the above:

a. 1934 was the year of the turn toward popular front tactics by the Comintern. It seems to me Stalin is in fact providing, though he doesn't spell it out, an economic basis for this turn when he notes the breaking down of "traditionally established relations" between countries and social strata.

b. Dumping. This is the practice of selling commodities abroad at prices below production costs. The capitalists did so during the crisis to liquidate surplus inventory, undermine other capitalists, and start the production cycle again in their own countries. The capitalist press was very quiet about the dumping practised by its bourgeoisie and devoted most of its venom to Soviet sales abroad, which it termed "dumping." As Maurice Dobb notes in Soviet Economic Development Since 1917: "Even to expand exports with which to pay for additional imports was apt to provoke a political boycott campaign, as with the Press campaigns against Soviet timber and oil and Siberian butter and Soviet 'dumping' generally." (p. 180)

c. "The bankruptcy of joint-stock companies was followed by a depreciation of currency, which slightly alleviated the position of debtors." According to Samuelson, semi-official bourgeois economist, "The term 'devaluation' is often confused with the term 'depreciation'." (Economics, seventh edition, p. 629) He defines devaluation as the rise of the price of gold in relation to a given currency and depreciation as the rise of the price of another ('foreign') currency in relation to the given currency. However, other bourgeois economists do not maintain this distinction. The two phenomena are related: if a given currency is devalued (in relation to gold), it will depreciate in relation to other currencies, other things being equal. In 1931, Britain took the pound sterling off the gold standard, and this devaluation was followed by twenty-five other countries taking their currency off the gold standard, according to Kindleberger. Victor Perlo, main economist of the CPUSA, explains how devaluation worked after World War II:

The currencies of almost all capitalist countries were devalued after World War II, most of them several times. The most severe devaluations hit some of the developing countries. Devaluations provide temporary relief to a deficit in the payments balance. When the home currency becomes

worth less than before, residents can buy fewer imported goods. On the other hand, prices that stay the same in the home currency become cheaper in foreign currencies, so the manufacturer can export more goods." (The Unstable Economy, p. 176)

d. "The depreciation of currency, was followed by the non-payment of debts, both foreign and internal, legalised by the state." "These phenomena . . . were followed by the cessation of payments on credits and foreign loans, the cessation of payments on inter-Allied debts," etc. One bourgeois commentator, Easton in his The World Since 1918 looks at some of these phenomena as follows:

The Great Depression that followed hit Germany harder than it hit any other country. The transfer of funds had at all times been difficult since every country but Britain had high tariff walls, making difficult the earning of foreign currency through exports. It was especially difficult to transfer money to the United States, who by this time had the highest tariffs of all, so that dollars were an extremely scarce currency and reached Europe mostly in the form of American investments, not in payment for European goods. When Germany stated that she could no longer pay, President Hoover proposed a one-year moratorium on all debts (1931), whether owed to the United States in the form of war debts or to the allies in the form of reparations--with the single exception of the irreducible one-third of Germany's annual reparation payment. Even this would be immediately returned to Germany for investment in her economic recovery.

The moratorium, which was soon accepted by all parties, did not, however, greatly help Germany. Her economic problems were not in the main caused by reparation payments but by the aftermath of the ruinous inflation of the early 1920's, by the economic nationalism of all the industrial and would-be industrial nations which made ordinary commercial exports extremely difficult, and by the domestic unrest engendered by the growth of National Socialism and Communism. A conference held in Lausanne in June and July, 1932, decided that Germany's reparations bill should be reduced by approximately 90 percent, but made this reduction conditional on the waiving of the war debts owed to the United States. When President Hoover refused to agree, the Germans defaulted and paid no more reparations, while the French and Belgians defaulted on their war debts. The British paid one more installment on their debt to the United States in 1932, but in 1933 they made only the token payment of 8 percent of the due sum. With it they sent a remarkable note to the United States government, explaining the impossibility of making payments in the existing world-wide economic situation and over the high American tariff wall. The United States Congress, however, furious at the defaults and token payments, in 1934 passed the Johnson Act, cutting off the American money market from all European nations who were in default, thus making European (and perhaps American) recovery difficult. Only Finland of all the war debtors continued to pay her small annual installment and retained the right to borrow in the United States. (pp. 25-26)

Returning to Stalin's report, Stalin continues by giving an update of his table for 1930:

Volume of Industrial Output  
(Percent of 1929)

	1929	1930	1931	1932	1933
USSR	100	129.7	161.9	184.7	201.6
USA	100	80.7	68.1	53.8	64.9
Britain	100	92.4	83.8	83.8	86.1
Germany	100	88.3	71.7	59.8	66.8
France	100	100.7	89.2	69.1	77.4

Stalin concludes from this table, and other data, that "what we are witnessing is a transition from the lowest point of decline of industry, from the lowest point of the industrial crisis, to a depression--not an ordinary depression, but a depression of a special kind, which does not lead to a new upswing and flourishing of industry, but which, on the other hand, does not force industry back to the lowest point of decline." (Works 13.297) On the possibility of an upswing, Stalin says:

At the present time there is no evidence, direct or indirect, to indicate the approach of an upswing of industry in the capitalist countries. More than that, judging by all things, there can be no such evidence, at least in the near future. There can be no such evidence, because all the unfavourable conditions which prevent industry in the capitalist countries from making any considerable advance continue to operate. I have in mind the continuing general crisis of capitalism, in the circumstances of which the economic crisis is proceeding; the chronic under-capacity operation of the enterprises; chronic mass unemployment; the interweaving of the industrial crisis with an agricultural crisis; the absence of tendencies towards a more or less serious renewal of fixed capital, which usually heralds the approach of a boom, etc., etc.

Made in the middle of the decade, this opinion on the course of the economic crisis in the capitalist world seems to have been quite accurate. (In his 1939 report, to be looked at shortly, Stalin surveys "recovery" and renewed crisis in the rest of the decade in relation to intensified preparation for war.)

In the second section of the 1934 report, which corresponds to the second section in the 1930 report, Stalin no longer identifies the United States-Great Britain contradiction as primary. Instead, he points to increased nationalism in the economic policy of the capitalist states, contradictions centering around Japan (especially war in China), and gives much more attention to fascism ("the victory of fascism in Germany"), Hitler by then having come into power (January 1933).

3. 1939. In his report to the 18th Congress of the CPSU, March 10, 1939, Stalin outlines ten years of economic crisis in the capitalist countries:

The economic crisis which broke out in the capitalist countries in the latter half of 1929 lasted until the end of 1933. After that the crisis passed into a depression, and was then followed by a certain revival, a certain upward trend of industry. But this upward trend of industry did not develop into a boom, as is usually the case in a period of revival.



On the contrary, in the latter half of 1937 a new economic crisis began which seized first of all the United States and then Britain, France and a number of other countries. (Stalin, Problems of Leninism, Peking edition, p. 875)

Stalin then goes on to discuss the new crisis, differences between on the one hand Japan, Italy and Germany and on the other hand the "economically powerful non-aggressive countries" (by which he means USA, Britain, France, etc.), and the renewed danger of war. He continues by updating once more his table of industrial production:

Volume of Industrial Output Compared with 1929  
(1929 = 100)

	1934	1935	1936	1937	1938
USA	66.4	75.6	88.1	92.2	72.0
Britain	98.8	105.8	115.9	123.7	112.0
France	71.0	67.4	79.3	82.8	70.0
Italy	80.0	93.8	87.5	99.6	96.0
Germany	79.8	94.0	106.3	117.2	125.0
Japan	128.7	141.8	151.1	170.8	165.0
USSR	238.3	293.4	382.3	424.0	477.0

Stalin interprets the table as follows:

This table shows that the Soviet Union is the only country in the world where crises are unknown and where industry is continuously on the upgrade. This table also shows that a serious economic crisis has already begun and is developing in the United States, Britain, and France.

Further, this table shows that in Italy and Japan, who placed their national economies on a war footing earlier than Germany, the downward course of industry already began in 1938.

Lastly, this table shows that in Germany, which reorganized its economy on a war footing later than Italy and Japan, industry is still experiencing a certain upward trend--although a small one, it is true--as was the case in Japan and Italy until recently. (pp 878-79)

#### 4. Some comments on the three reports by Stalin

In terms of industrial production, all three reports give strong evidence of production barriers, dislocations, crises in the capitalist countries and a steady and rapid rise of industrial production in the Soviet Union. A great deal of respect and prestige devolved on the Soviet Union throughout the world on the basis of this stark contrast.

The CPSU, on the whole, seems to have "mapped" the development of the capitalist economic crisis quite well. Especially noteworthy is the treatment of the "levelling off" of the crisis in the mid-1930's, neither boom nor bust (complete bust, the lowest point of the cycle), prolonged depression, and stagnation in the major capitalist countries relieved--and only temporarily--by those countries that went relatively soon into putting their economies on a war footing (Japan, Italy, Germany).



There was an enormous amount of emphasis in the Soviet Union on industrial production, and there should have been: it was necessary to convert the Soviet Union from a largely peasant country to a largely working class one, to build heavy and light industry rapidly, to construct the economic foundations of "socialism in one country." Whether this led to distortions in the political sphere in the Soviet Union, whether there was one-sided emphasis on production will be looked at in the next section of the report.

The few tables cited are with one exception the only ones given by Stalin in his reports on the international situation. While they tell a great deal, it seems to me it would have been helpful to have provided more, "even" in a report to the CPSU (that, not to the Comintern), such as on the development of the agrarian crisis from 1929 on, more data on the situation in the colonies. No doubt the Comintern had such data, and probably made it available to the CI sections--though there were complaints in this period about the timing, quantity, and quality of data being provided to the sections--however, I haven't come across very much data at all in Degras or other sources.

E. Was the Comintern "Leftist" in its appraisal of the world economic crisis?

The criticism has been made by a number of sources that members of the Comintern took a "Leftist" view of the capitalist economic crisis in the 1930's, that they believed it would be "the final crisis" of capitalism. This criticism is generally levelled in connection with the alleged "Leftism" of the "third period," for example the prevailing tactics of the CI in the years following 1928 when the "united front from below" was stressed and the related thesis of social democracy as "social fascism." A view of the Comintern appraisal of fascism is in the report "The Concept of 'Social Fascism' and the Relationship Between Social Democracy and Fascism," and in a number of other reports the tactics of the CI will be gone into. Here the question is whether or not the Comintern made errors in its economic analyses of the capitalist crisis, errors tending to view the crisis as the last stand of capitalism.

The revisionist Outline History of the Communist International has this to say on the point:

Many Communists had for a long time overestimated the destructive nature of the economic crisis, which they considered as 'the last crisis, which the bourgeoisie could not survive and which was bound to end in the victory of the proletarian revolution.' This stand often did service in lieu of a sober analysis which, on the basis of the development of class contradictions in the given country, assessed the extent to which the revolutionary situation had ripened. The objective and subjective preconditions for a socialist revolution were often exaggerated in the communist press.

Socio-economic conditions, however, and the whole class struggle during the years of the crisis developed by complex and contradictory ways.  
(p. 309)

The Soviet revisionists do not give the specific source for their quote, simply noting that it comes from the Central Party Archives, Institute of Marxism-Leninism, but there is very likely some truth to what they say.

Another source from the Soviet Union (1965) is cited by Fernando

Claudin in his The Communist Movement: From Comintern to Cominform. B. M. Leibzon and K. K. Shirinya are quoted as saying in "The Turn in the Policy of the Comintern":

For a long time, as Dimitrov was subsequently to point out, the Communists persisted in the mistake of regarding the world economic crisis that opened in 1929 as the final crisis from which the bourgeoisie could find no way out, and the necessary result of which must be the triumph of the proletarian revolution. This thesis often took the place of a rigorous analysis of the extent to which the revolution had matured, on the basis of the development of class contradictions in each country.  
(Claudin, footnotes, p. 41)

Claudin "reveals the cloven hoof," as Marx used to say, in his comment on this passage:

But these writers, whose book is probably the most important of those so far written by Soviet historians about this period of the Comintern, confine themselves to noting the fact. They do not see (or, more probably, it is not permitted to them to see) the organic connection between this mistake and the whole conception of the state of capitalism that prevailed in the Comintern from its very foundation. (Claudin, footnotes, p. 41)

For Claudin, the Comintern was flawed at its inception because capitalism wasn't ready to fall as a world system. He directly criticizes Lenin for his "lack of understanding" on this point. But there is a great deal of evidence that capitalism was in serious trouble in many countries following the first imperialist war, that revolution was possible in some, and that where the doubt lay was more in the subjective conditions, not the objective ones. As Lenin noted, Europe's great misfortune was that it lacked genuine Communist parties, that its parties had not broken with the Second International soon enough. The Bolshevik revolution itself is enough to refute Claudin's viewpoint. Also in the 1930's there were viable chances for revolution in some countries: Spain in the late 1930's, the national liberation struggles in China and other Eastern countries, possibly Germany before the Nazis gained power. There was certainly understanding among "many communists" also that capitalism would not fall of its own accord, that it had to be brought down, and that this would not happen to the system as a whole, necessarily, but more likely country by country. The main point against Claudin is that in the period 1917-1923 or so and in the 1930's capitalist countries and semi-feudal, semi-capitalist countries were sufficiently weakened for there to be viable struggles against them, struggles leading to the overthrow of capitalist rule in some countries; that this in fact took place; that he who counsels against the broad possibility and denies the necessity for a world communist organization to coordinate these struggles is, as A said, a renegade.

Returning to the two Soviet criticisms, as I noted, I think there is something to what they say, though I haven't encountered such views myself given very limited research. (Sources like Foster, History of the Three Internationals and the social-democrat Braunthal's History of the International make no comment on this. Foster, as usual, sidesteps the critical issues.) But, as the preceding sections of this report make clear, I think, major CI

and Soviet documents and reports from this period take on the whole quite an accurate view of the development of the economic crisis of capitalism. Nowhere is the "final crisis of capitalism" postulated. The leadership of the Comintern in this period, it seems, did not have the illusions ascribed by its critics. But this is not to say that various sections and perhaps large numbers of communists did not tend toward apocalyptic views. After all, it was an apocalyptic situation in individual countries, and such views could have been overgeneralized or read into the wrong situation (a country not in a revolutionary situation). It is hard to conceive of communist propaganda in such a period, though, that doesn't point out the great economic crisis of a country, show the crisis of the capitalist class, proclaim that the only real solution lies in socialism, and stand by those slogans that will move the working class and its allies along the path of revolution, to the overthrow of bourgeois rule. Then, too, there is a difference (as Stalin made clear), between a long-range slogan and one for immediate action. The cry "All Power to the Soviets" had a different function in the period April-September 1917 from its function in October. Without the long-range perspective (of education and agitation) the immediate prospect of seizure of power never arrives.

F. The contradiction between the United States and Britain as the "chief contradiction" in the capitalist world

As has been mentioned, this view was widely held in this period within the Comintern. It was put forward, for example, in Stalin's July 13, 1928 speech on the prospects of the VI Congress CI; in the 1928 Programme of the Comintern; in the 1928 CI Theses on the International Situation; in the 1930 ECCI Plenum views on the development of the economic crisis; in Stalin's 1930 report to the 16th Congress CPSU; and in 1931 in the XI Plenum ECCI Theses.

This contradiction was finally included as one among others, and not given first place, in the 1932 XII Plenum Theses and Resolution. By 1934, in Stalin's report to the 17th Congress CPSU, in January, the Anglo-American contradiction has receded into the background.

The most detailed reasons for this assertion are given by Stalin in his July 13, 1928 speech:

At the time of the Fifth Congress (1924) very little was said about the Anglo-American contradiction as the principal one. It was even the custom at that time to speak of an Anglo-American alliance. On the other hand quite a lot was said about contradictions between Britain and France, between America and Japan, between the victors and the vanquished. The difference between that period and the present period is that, of the contradictions in the capitalist camp, that between American capitalism and British capitalism has become the principal one. Whether you take the question of oil, which is of decisive importance both for the development of the capitalist economy and for purposes of war; whether you take the question of markets, which are of the utmost importance for the life and development of world capitalism, because goods cannot be produced if there is no assured sale for them; whether you take the question of sphere of capital export, which is one of the most characteristic features of the imperialist stage; or whether, lastly, you take the question of the lines of communication with markets or sources of raw material--you will find

that all these main questions drive towards one principal problem, the struggle between Britain and America for world hegemony. Wherever America, a country where capitalism is growing gigantically, tries to butt in--whether it be China, the colonies, South America, Africa--everywhere she encounters formidable obstacles in the shape of Britain's firmly established positions.

This, of course, does not do away with the other contradictions in the capitalist camp: between America and Japan, Britain and France, France and Italy, Germany and France and so on. But it does mean that these contradictions are linked in one way or another with the principal contradiction, that between capitalist Britain, whose star is declining, and capitalist America, whose star is rising.

With what is this principal contradiction fraught? It is very likely fraught with war. (Stalin, Works 11.207-08)

Evaluation: As I noted earlier, I don't think this view was correct. As it turned out, this contradiction was not as "fraught" with war as the contradictions between imperialist countries and the colonies (e.g. Japan invading China) and among imperialist countries (the vanquished vs. the victors of WWI). However, there may have been a basis for the emphasis on the prominence of the Anglo-American economic contradictions in this period. Stalin cites the areas in which he thinks this was plain. It is also clear that the "cooperation" that took place between England and the U.S. right after the war and in the early 1920's, centering around the attempt to rebuild the capitalist world system, make Europe a viable but subsidiary part of it--the Versailles system; that this cooperation faltered in the late 1920's as the arrangements made under Versailles and subsequent conferences began to disintegrate. Kindleberger and other bourgeois commentators note the growth of economic nationalism among the major capitalist countries in the late 1920's; Kindleberger mentions the inability of England to continue to provide "leadership" to the world capitalist economy and the refusal of the U.S. to take a "leadership" role (particularly in currency and trade arrangements). (E. H. Carr supports the idea that the U.S. declined a leadership role, while William Appleman Williams, in the minority, claims the U.S. did make a bid for it.)

But, it seems to me, the Comintern probably did not take some important factors into account, notably national factors, in its estimate over a four-five year period that Anglo-American war posed one of the gravest dangers. By national factors I mean, even between two imperialist countries, common language, an originally similar psychological make-up manifested in a common culture (for the dominant sectors of U.S. life), and "historical ties" (relatives, the "home country," etc.).

It may have been that the Anglo-American contradiction was the principal one at the time in terms of economic contradictions, but, based on very little study, I would guess that the principal economic contradiction lay between the victor countries on the one hand and the vanquished on the other (U.S., Britain, France vs. Germany, Italy, Japan); this certainly developed into the principal political contradiction, i.e. world war. And it is all right to identify the principal contradiction as lying between two groups of countries, rather than between two individual countries, because, broadly speaking, that was the way relations broke down or divided among the imperialist countries following WWI: the Versailles "pyramid".



### III. Soviet Economy in the Third Period

#### A. Background

1. On the relation between economics and politics, Lenin said: "the economy is primary, but in the epoch of the dictatorship of the proletariat, politics must take absolute priority over economy." (quoted in The National Conference of Social Studies, Tirana, 1971, p. 98)

The most sensitive, the most important, the most critical aspect of Bolshevik policy in the construction of a socialist economy was the attitude toward the peasantry. The smytchka or alliance between the proletariat and the peasantry was fundamental to the construction of socialism in a predominantly peasant country. This meant that at each stage of the revolution after 1917, policies of economic construction had to be based on and consistent with the task of gradually winning over the majority of the peasantry to socialist construction. Lenin went so far as to say that a correct policy toward the peasantry, maintained for several decades, would mean the construction of socialist foundations on a solid basis in the Soviet Union and the victory for socialism on an international scale.

The period 1928-1934 was one of the most critical, if not the most critical, in the application of this policy (maintaining the smytchka) and also in the construction of economic foundations of socialism in the USSR. The events of 1928-1934 in the USSR make sense only in relation to the developments that preceded them, so I'll try to give a capsule view of the major developments.

2. The earlier period can be divided roughly into three stages or sub-periods. War Communism (1928-1921), the New Economic Policy (1921-1923), recovery and reconstruction (1924-1927), the last being less well-defined than the other two.

a. Under War Communism the Bolshevik Party had to adopt measures which ruptured the smytchka in order to survive. Under attack by armies of the imperialists, the Russian economy was disrupted and became chaotic. Production was sharply curtailed in the industrial areas and agricultural production was so severely disrupted that it became a case of starvation in the cities and at the front. The Bolsheviks responded with a series of war measures, including forced collection of grain from the peasantry. Even though such measures were aimed at the well-to-do peasants (kulaks) and not at the impoverished peasants (bedniaks), large numbers of peasants, including the middle peasants, were affected by the requisitions and there was great danger of a total breakdown of the alliance between the proletariat and the peasantry, the basis of Soviet power. This period was also a severe test of the Russian (mainly the "Great Russian") proletariat, which in spite of the real prospect of going down with the Bolsheviks under the attacks of invading imperialist armies, largely stayed with the Bolshevik party and made possible the defeat of the interventionists. The proletariat was severely weakened in this period, as many of its best elements died in the fighting. Lenin made special note that in this period many who were not proletarians made their way into the factories and became workers, in order to escape the front. These "casual elements" were the working class only in a formal sense, Lenin says; they weren't the proletariat as Marx described it.

b. With the defeat of the intervention and the restoration of peace within the country, Lenin and other leaders of the party recognized that a retreat from the measures of War Communism was necessary. It was necessary to prevent internal rebellion, virtual war between sections of the peasantry and the proletariat, and to strengthen and rebuild the smytchka. Direct socialist construction was out of the question so long as the economy wasn't even functioning. The situation dictated that concessions be made to the countryside, that private trade in the countryside be allowed to increase, for example. The Bolsheviks understood that this policy would lead to a strengthening of capitalist tendencies in the countryside and that this would affect the cities to a degree as well. But there was no alternative.

In discussing the turn toward the NEP Lenin broke down the sectors of the economy as they existed in Russia at the time. Lenin is writing in 1922, citing his earlier (1918) presentation on the question whether "in the Soviet Republic state capitalism would be a step forward":

I then held the view that in relation to the economic situation then obtaining in the Soviet Republic state capitalism would be a step forward, and I explained my idea simply by enumerating the elements of the economic system of Russia. In my opinion these elements were the following: '(1) patriarchal, i.e. the most primitive form of agriculture; (2) small commodity production (this includes the majority of the peasants who trade in grain); (3) private capitalism; (4) state capitalism, and (5) socialism. (Lenin CW 33.419)

Lenin concluded in 1918 that state capitalism would be a step forward. In 1922 he says that some may consider this conclusion strange in a socialist republic, that the institution of a capitalist form could be seen as superior to the introduction of a socialist form. But Lenin argues that the main contradiction on the economic front did not lie, in either 1918 or 1922, between state capitalism and socialism (sectors 4 and 5), but between small commodity production and private capitalism on the one hand and socialism and state capitalism on the other. "In a small-peasant country, the petty-bourgeois element predominates." ("Left-wing' Childishness and Petty-Bourgeois Mentality") In this context, state capitalism would be a step forward, because it would help institute "national accounting and control of production and distribution," it would help curb small production, it would set the stage for "state socialism":

At present, petty-bourgeois capitalism prevails in Russia, and it is one and the same road that leads from it to both large-scale state capitalism and to socialism, though one and the same intermediary station called 'national accounting and control of production and distribution'. Those who fail to understand this are committing an unpardonable mistake in economics. Either they do not know the facts of life, do not see what actually exists and are unable to look the truth in the face, or they confine themselves to abstractly comparing 'capitalism' with 'socialism' and fail to study the concrete forms and stages of the transition that is taking place in our country. ("Left-wing' Childishness and Petty-Bourgeois Mentality")

Many communists, both in Russia and outside it, considered the fostering of capitalism in any form by communists to be a betrayal of Marxism.

Bukharin at first held that it was not theoretically possible for there to exist state capitalism in a state under the dictatorship of the proletariat. But "Left" purism and adventurism were defeated, and the New Economic Policy (NEP) was set in motion. Lenin considered it of such importance that he devoted his 1922 speech at the Comintern to the subject, though his topic was broader: "Five Years of the Russian Revolution and the Prospects of World Revolution." Soon there was a deviation in the other direction, with Zinoviev and others claiming that the experience of the CPSU (B) showed that every country would have to take the path of retreat and roundabout construction of socialist economy.

c. The following years (about 1924-1927) were years of recovery and reconstruction in the Soviet Union. The economic tasks included, firstly converting the country from an agricultural one to an industrial one and in the process bringing about the domination of socialist industry. The currency had been ruined during the civil war and the completion of its stabilization had to be undertaken. Progress in stabilization of the rouble had already taken place under NEP. Remnants of both War Communism and NEP had to be extirpated, first of all within the party itself, since turns in policy always find some comrades running ahead and others tailing behind. Those adhering to the commandist, forced communist policies of the civil war (War Communism) were likely to make "Left" errors in the new periods (both NEP and its aftermath). Those adhering to NEP policies were likely to make Rightist errors in the years during which it was time to restrict NEP and move forward directly toward socialist construction. Both kinds of errors did in fact occur. Such errors were likely to occur in the 1923 crisis called the "scissors crisis." The name derives from the shape that a graph of prices of products of industry set along side prices of agricultural products and raw materials makes, or rather, made in those conditions. There was a widening gap between industrial and agricultural prices, in favor of industrial prices. "Leftists" put too much stress on industry, even putting forward a slogan of the "dictatorship of industry." Rightists wanted to make too many concessions to the peasantry. The task in the years after 1923 was to prevent the scissors crisis from recurring by instituting a correct policy toward both industry and agriculture. There were a number of other tasks in the economic field other than the above, such as creating beginning forms of centralized planning and accounting, avoiding bureaucracy and waste and improving efficiency, becoming both red and expert, etc. These tasks received different emphases at different times, both up to 1928 and in the following years.

### 3. The lines of the opposition vs. Stalin's policies

As mentioned, two kinds of deviations arose in the party in the 1920's. Rightists held that further concessions to capitalism would have to be made. They saw NEP, in fact, not so much as a retreat as the path to socialist economy. On the other hand, the "Leftists" wanted to withdraw whatever concessions had been granted, curb capitalist elements, and move swiftly and directly towards socialist economy (though this was put in a context of a successful European revolution as a precondition, most notably by Trotsky).

As Maurice Dobb points out in his Soviet Economic Development Since 1917, which is the best single book on the subject I've come across, timing was critical in the inner-party disputes that wracked the party during the 1920's. What was insisted on as the best policy for the time might have in

fact been premature. This was Stalin's position on Trotsky's demand that an all-out offensive against the kulaks be launched in 1927-28. Stalin argued that the conditions for such an offensive and for the large-scale collectivization it implied were not mature in 1927-28 and didn't become so until 1930. One factor he cited, for example, was that the party itself was not convinced in 1927-28 of the necessity for the move. Without a great deal of study it isn't possible to have a grasp of the conditions in Russia during these various struggles, but based on the study I have done it seems to me Dobb is right to credit Stalin and other Bolshevik leaders with following a generally correct policy, definitely in relation to the opposition and probably in relation to any other policy that was practicable at the time. This holds for 1924-1927 and, with less certainty as regards possible major errors, for 1928-1929 and the '30's. (Mao has some vehement though undeveloped, sketchy criticisms of Soviet economic development, especially in relation to the peasantry. These will be mentioned later.)

According to Dobb, it was the "Left" tendencies that were more developed in the 1920's within the CPSU. The Right opposition around Bukharin and Rykov did not crystallize until the late 1920's, particularly when the party did decide to launch collectivization and a strong campaign against the kulaks. I think Dobb is correct here.

The central underlying issue dividing the party in the early 1920's was on the construction of socialism in the USSR. Trotsky at first denied that it would be possible to build a socialist society in the Soviet Union unless there were world or at least European-wide revolution to support it. Trotsky refused to see that the world revolution had been "delayed"--or its expectation had been misconceived--and to adapt himself to conditions within Russia. Later he conceded that socialist construction could be begun, but he denied that it could be completed. Stalin argued strongly against both positions, claiming that it was possible to "completely build the economic basis of socialism in the USSR." Stalin defined this task as follows:

To create the economic basis of socialism means welding agriculture and socialist industry into one integral economy, subordinating agriculture to the leadership of socialist industry, regulating relations between town and country on the basis of an exchange of the products of agriculture and industry, closing and eliminating all the channels which facilitate the birth of classes and, above all, of capital, and, in the long run, establishing such conditions of production and distribution as will lead directly and immediately to the abolition of classes. (On the Opposition, Peking, pp. 634-35)

As far as I know, Stalin never argued that the victory of socialism in Russia, the complete construction of the economic basis of socialism, would mean the "final" victory of socialism in Russia. He was quite aware of capitalist encirclement and that as long as capitalism existed in any strength on the globe, one couldn't speak of the "final victory" of socialism. (But he did later argue that the victory of socialism in Russia had brought about a situation in which there was no material basis within Russia for the restoration of capitalism. More on this later.)

By the time of the 13th Congress CPSU in 1924 an opposition group around Trotsky had formed which was putting forward the idea of the "dictator-



ship of industry." The most notable theoretician of this concept was Preobrazhensky. Preobrazhensky said that Russia had to practice "primitive socialist accumulation," by way of parallel with Marx's "primitive accumulation" of capital. Roughly this meant acquiring sufficient capital to reach a take-off stage, in the one case for capitalist development, in the other for socialist development. The only two sources for this accumulation in socialist Russia (since foreign help was precluded under the existing conditions) were the surplus generated within industrial production and by what Preobrazhensky called the "exploitation" of small-scale private economy. This latter would be accomplished through extracting from small-scale private economy a greater sum of values than was given to it in the form of industrial products (Dobb). That is, enlarge the scissors. Preobrazhensky claimed that the "State economic system" had to "exploit" the "colonies," which were those sectors of the economy surrounding the "metropolis," the state system. In this way socialist economy would be able to grow and eventually "engulf" petty private economy.

With such theories, the alliance between the proletariat and the peasantry is cast aside. The Central Committee, led by Stalin, Bukharin and Kamenev, successfully countered the opposition on this issue.

A "New Opposition" had crystallized by December 1925 when the 14th Congress CPSU was held. Here the leading spokesmen were Sokolnikov, Kamenev, and Zinoviev. In this instance, as in others, spokesmen of the opposition did not all hold the same views. In fact, the History of the CPSU(B) observes that, aside from Trotsky's socialism in all countries or none idea (his version of "permanent revolution") substantial differences of programme didn't fully develop until the late 1920's. Stalin found it necessary to speak against Sokolnikov on the question of imports. Sokolnikov, Stalin said, was for the "Dawesation" of the USSR because he made "a principle, a theory, a prospect of development" of the importing of equipment. Stalin explained:

What does the Dawes Plan demand? It demands that Germany should pump out money for the payment of reparations from markets, chiefly from our Soviet markets. What follows from this? From this it follows that Germany will supply us with equipment, we shall import it and export agricultural produce. We, i.e. our industry, will thus find itself tethered to Europe . . . (but) we have not the least desire to be converted into an agrarian country for the benefit of any other country whatsoever, including Germany." (On the Opposition, Peking, p. 232)

Stalin also spoke against certain conceptions of Kamenev and Zinoviev, as well as Krupskaya and Bukharin.

Briefly, to take one other point, Stalin chides Bukharin and Zinoviev for not seeing that state capitalism is no longer the "predominant form in our economy." It was in 1921, he says, but now "'state capitalism' and 'socialism' have already exchanged roles." He then goes on to criticize Sokolnikov for considering foreign trade, internal trading companies, and the state bank as state-capitalist enterprises. Stalin extrapolates to say "Perhaps our Soviet apparatus is also state capitalism and not a proletarian type of state, as Lenin declared it to be?" (The archness and the appeal to Lenin are very characteristic of Stalin.)

In the summer of 1926 the "Zinovievites" and the "Trotskyites" united to form an opposition bloc. This was not only because of opposition to the economic policies of Stalin, Bukharin and others but, it appears, to the personal leadership of Stalin. The split between Stalin and Trotsky that Lenin had warned of was taking new forms, as former opponents of Trotsky went over in opposition to Stalin.

By November of 1927 the opposition bloc had been clearly defeated. On a party vote, the Central Committee got 724,000 votes, the Opposition 4000. Trotsky, Zinoviev and others were expelled from the party. Many recanted.

As for the Rightist trend, there were only hints of this in the early years of the decade. Dobb cites the views of Krassin (1923), Medvediev (1924), and Smilga (1926). Perhaps most significant was Bukharin's "slip" of 1925, when he said in a speech that the peasants should "Enrich yourselves." This was at first taken as official policy, but the Central Committee repudiated it and Bukharin said the slogan was erroneous. But the idea really represented Bukharin's viewpoint, for a few years later he put forward an approach to the peasantry that differed little from it.

To get an idea of some of the other Rightist views, Krassin:

had urged a much more liberal concessions policy to attract foreign capital and the floating of a foreign loan of 300 to 500 million gold roubles; and at one time he had even advocated a relaxation of the State monopoly of foreign trade to facilitate a more rapid import of goods. (Dobb, p. 199)

Medvediev put forward that:

to conclude that we should be able to extract enough capital for the development of our extinct industry from taxation would be to console ourselves with hollow illusions. To flatter ourselves that we could raise this capital 'out of pennies' would be to add to the old delusion another . . . The Government should take energetic steps to raise the necessary means by foreign and internal State loans and by granting concessions with greater loss and greater sacrifice than the State is prepared to take on itself for granting credits. Great material sacrifices to international capital, which is prepared to build up our industry, would be a lesser evil than the condition into which we might drift in the next few years. (Dobb, p. 200)

Smilga had proposed, according to Dobb, "a large-scale import of consumers' goods from abroad to supplement the deficient supplies that home industry was able to furnish, and by placing them on village markets in particular to coax more products from the peasantry and thereby increase the trade turnover between village and town." (Dobb, pp. 200-201)

## B. The First Five-Year Plan (1928-1933)

1. Introduction. The History of the CPSU(B) summarizes the economic situation as follows:

By the end of 1927 the decisive success of the policy of Socialist indus-

trialization was unmistakable. Under the New Economic Policy industrialization had made considerable progress in a short space of time. The gross output of industry and agriculture (including the timber industry and fisheries) had reached and even surpassed the pre-war level. Industrial output had risen to 42 percent of the total output of the country, which was the pre-war ratio.

The Socialist sector of industry was rapidly growing at the expense of the private sector, its output having risen from 81 percent of the total output in 1924-25 to 86 percent in 1926-27, the output of the private sector dropping from 19 percent to 14 percent in the same period. This meant that industrialization in the USSR was of a pronounced Socialist character, that industry was developing towards the victory of the Socialist system of production, and that as far as industry was concerned, the question--"Who will win?"--had already been decided in favor of Socialism. No less rapid was the displacement of the private dealer in the sphere of trade, his share in the retail market having fallen from 42 percent in 1924-25 to 32 percent in 1926-27, not to mention the wholesale market, where the share of the private dealer had fallen from 9 percent to 5 percent in the same period.

Even more rapid was the rate of growth of large-scale Socialist industry, which in 1927, the first year after the restoration period, increased its output over the previous year by 18 percent. This was a record increase, one beyond the reach of the large-scale industry of even the most advanced capitalist countries.

But in agriculture, especially in grain growing, the picture was different. Although agriculture as a whole had passed the pre-war level, the gross yield of its most important branch--grain growing--was only 91 percent of pre-war, while the marketed share of the harvest, that is, the amount of grain sold for the supply of the towns, scarcely attained 37 percent of the pre-war figure. Furthermore, all the signs pointed to the danger of a further decline in the amount of marketable grain.

This meant that the process of splitting up of the large farms that used to produce for the market, into small farms, and of the small farms into dwarf farms, a process which had begun in 1918, was still going on; that these small and dwarf peasant farms were reverting practically to a natural form of economy and were able to supply only a negligible quantity of grain for the market; that while in the 1927 period the grain crop was only slightly below that of the pre-war period, the marketable surplus for the supply of the towns was only a little more than one-third of the pre-war marketable surplus.

There could be no doubt that if such a state of affairs in grain farming were to continue, the army and the urban population would be faced with chronic famine. (pp. 286-87)

(Note: the History dates the end of the restoration period as 1926. Because of the launching of the five-year plan, Dobb takes 1928 as the pivotal date, and this is followed here.)

At the 15th Congress CPSU, where the above situation was discussed, a decision was made to draw up a five-year plan:

in view of the fact that economic planning had taken firm root, and with the object of organizing a systematic offensive of Socialism against the capitalist elements along the entire economic front, the congress gave in-

structions to the proper bodies for the drawing up of the First Five-Year Plan for the development of the national economy. (History CPSU (B), p. 289)

This was in December 1927. At the 16th Conference of the CPSU, in April 1929, the "optimal variant" of the plan was adopted.

## 2. Agriculture.

In response to the critical situation that agriculture and socialist economic construction in general found itself, Stalin proposed the "way out":

The way out is to turn the small and scattered peasant farms into large united farms based on the common cultivation of the soil, to introduce collective cultivation of the soil on the basis of a new and higher technique. The way out is to unite the small and dwarf peasant farms gradually but surely, not by pressure, but by example and persuasion, into large farms based on common, cooperative, collective cultivation of the soil with the use of agricultural machines and tractors and scientific methods of intensive agriculture. There is no other way out.  
(History CPSU (B), p. 288; Dobb, p. 222)

This was a policy of collectivization and restriction of the activity of the kulaks.

The opposition at the 15th Congress CPSU, led by Trotsky, Kamenev, and Zinoviev, put forward "Counter-Theses." These called for a sharp attack on the kulaks, in particular a "compulsory grain loan of 200 million poods levied on the richest 10 per cent. of peasant farms." (Dobb, p. 197) Molotov countered:

The question is not whether it is necessary or not to make a 'sharper attack' on the kulak. It is obvious that we must, and there is nothing to dispute about here. What we are concerned with is the best method of conducting this attack. The Party must find a new answer to it.  
(Dobb, p. 198)

Dobb comments: "Here the Counter-Theses offered no solution: merely an emergency expedient of dubious practicality."

The year 1929 marked "A Year of Great Change," as Stalin titled one of his articles from that year. Progress in agriculture outstripped that in industry as the collective farm movement got under way with great speed:

In 1928 the total crop area of the collective farms was 1.39 million hectares, in 1929 it was 4.26 million hectares, while in 1930 the ploughing plan of the collective farms was already 15 million hectares.  
(History of the CPSU (B), p. 298)

Outlining the essential feature from the standpoint of classes, Stalin says:

What is the new feature of the present collective farm movement? The new and decisive feature of the present collective-farm movement is that the



peasants are joining the collective farms not in separate groups, as was formerly the case, but by whole villages, volosts, districts, and even okrugs.

And what does that mean? It means that the middle peasant is joining the collective farm. And that is the basis of that radical change in the development of agriculture that constitutes the most important achievement of the Soviet government during the past year.

Trotskyism's Menshevik 'conception' that the working class is incapable of securing the following of the main mass of the peasantry in the work of socialist construction is collapsing and being smashed to smithereens. Now even the blind can see that the middle peasant has turned towards the collective farm. (Stalin, Works 12.138)

In the next paragraph, Stalin indicates how this development is ensuring the triumph of socialism in the USSR:

The last hope of the capitalists of all countries, who are dreaming of restoring capitalism in the U.S.S.R.--'the sacred principle of private property'--is collapsing and crumbling to dust. The peasants, whom they regarded as material that fertilises the soil for capitalism, are abandoning en masse the lauded banner of 'private property' and are going over to the lines of collectivism, of socialism. The last hope for the restoration of capitalism is collapsing.

By early 1930, collectivization had proceeded on such a solid basis that the CPSU felt a turn could be made from the policy of restricting the kulaks as a class to one of "eliminating the kulaks as a class." (History of the CPSU (B), p. 303) The material basis for this change was that the collective farms and state farms now produced enough to replace the kulak grain output that would be lost. The new policy was adopted by the Central Committee of the CPSU on January 5, 1930 in the "historic resolution": "The Rate of Collectivization and State Measures to Assist the Development of Collective Farms." (See History of the CPSU (B), pp. 303-308)

Very quickly troubles arose in the implementation of the new policy of eliminating the kulaks as a class and in March 1930 Stalin published his article "Dizzy with Success." The History of the CPSU (B) gives the following evaluation of it (p. 308):

This article was a warning to all who had been so carried away by the success of collectivization as to commit gross mistakes and depart from the party line, to all who were trying to coerce the peasants to join the collective farms. The article laid the utmost emphasis on the principle that the formation of collective farms must be voluntary, and on the necessity of making allowances for the diversity of conditions in the various districts of the USSR when determining the pace and methods of collectivization. Comrade Stalin reiterated that the chief form of the collective-farm movement was the agricultural artel, in which only the principal means of production, chiefly those used in grain growing, are collectivized, while household land, dwellings, part of the dairy cattle, small livestock, poultry, etc., are not collectivized.

Comrade Stalin's article was of the utmost political moment. It helped the Party organizations to rectify their mistakes and dealt a severe blow to the enemies of the Soviet Government who had been hoping to take ad-

vantage of the distortions of policy to set the peasants against the Soviet Government. The broad mass of the peasants now saw that the line of the Bolshevik Party had nothing in common with the pigheaded 'Left' distortions of local authorities. The article set the minds of the peasants at rest.

The History, drafted under the personal supervision of Stalin, is uncritical of Stalin on this point. Dobb, who generally supports Stalin's economic policies in this period, remarks:

It has now become fairly clear that Stalin himself was responsible both for shortening the time-table of 'mass collectivisation' and, in part at least, for the measures of 'pressure from above', including violent and arbitrary police measures, at this time. (Dobb, p. 247)

As substantiation, Dobb cites in a footnote a December 22, 1929 commission meeting in which Stalin and Riskulov had pressed for amendments removing a report's emphasis on adhering to the principle of voluntariness in collectivization.

Dobb claims that "from this time onward the focus of attention was shifted towards a consolidation of what had been achieved . . ." (p. 248) This seems to have been a reasonable course, if true, since, as Stalin noted in the article above, by February 20 of 1930 fifty percent of the peasant farms in the USSR had been collectivized and the first five-year plan had been overfulfilled by more than 100 percent in this respect. (Works 12.197)

In "Dizzy with Success," Stalin dealt with the "Left" deviations in implementation of agricultural policy, those who refused to see the artel as the "main link" at the time and wanted to jump straight to socialist agriculture. But in this period too Stalin was waging struggle against a larger deviation that had developed, the Right danger, led by Bukharin. In November 1929 the plenum of the Central Committee had condemned Right opportunists in the party and removed Bukharin from the Central Committee.

This removal followed a long struggle by Stalin against Bukharin and his group. Stalin presents his arguments most extensively in his speech to a plenum of the Central Committee and the Central Control Commission in April 1929. The speech is titled "The Right Deviation in the CPSU (B)" and appears in volume 12 of Stalin's works. Some of the chief criticisms of Bukharin follow.

First, Stalin claims that the root of Bukharin's errors lies in his misconception of class struggle under the dictatorship of the proletariat.

Bukharin wrote in his book, "The Path to Socialism":

The main network of our co-operative peasant organisations will consist of cooperative units, not of a kulak, but of a 'toiler' type, units that grow into the system of our general state organs and thus become links in the single chain of socialist economy. On the other hand, the kulak co-operative nests will, similarly, through the banks, etc., grow into the same system; but they will be to a certain extent an alien body, similar, for instance, to the concession enterprises. (quoted in Stalin, Works, 12.30-31)

Stalin argues against this, as did other party members, that it presented a view of the kulaks (capitalist elements) growing into socialism. For Stalin this is inadmissible:

One thing or the other:

either Marx's theory of the class struggle, or the theory of the capitalists growing into socialism;

either an irreconcilable antagonism of class interests, or the theory of harmony of class interests. (Stalin, Works 12.33)

Stalin admits no qualifications. There can be no growing into socialism by capitalists (the bourgeoisie) under the dictatorship of the proletariat. (This point will be returned to later when some of Mao's views are noted.)

Related to this basic error is Bukharin's misconception of what has been happening in the USSR during the 1920's and what is about to happen, Stalin asserts. The facts are that socialist economy is growing, both in the industrial sphere and in the agricultural, and it is growing faster than capitalist elements, some of which are also growing. Under these conditions, when the capitalist elements are more and more being squeezed, feeling the pinch, there is bound to be an intensification of class struggle. But, Stalin observes, Bukharin ignores this basic truth and instead blames troubles on "the apparatus," the competence or incompetence of "our lower organisations."

Stalin goes on to show how these two basic misconceptions of class struggle reflect themselves in Bukharin's views on agricultural questions and the relationship between agriculture and industry.

In regard to the peasantry and its relationship with the working class, Bukharin, according to Stalin, finds that "the countryside" is very poor, is filled with paupers, so he "is in favor of any kind of alliance with the peasantry in general." (Works 12.43-44) Whereas the correct position, Stalin asserts, is to view the poor peasant as the support of the working class, the middle peasant as ally, and the kulak as the enemy.

Another disagreement relates to the "so-called tribute," the "super-tax paid by the peasantry." Stalin cites a February 1929 resolution of the party organs on the subject; he says:

What is said there is that, in addition to the usual taxes, direct and indirect, which the peasantry pays to the state, the peasantry also pays a certain surtax in the form of an over-payment for manufactured goods, and in the form of an under-payment received for agricultural produce. (Works 12.52)

Stalin goes on to say that this supertax is also called the "scissors," "the 'diversion' of resources from agriculture into industry for the purpose of speeding up our industrial development." As the discussion proceeds Bukharin interrupts to say he agrees with the idea of "diversion" "but 'tribute' is an unfortunate word." Stalin then goes on to cite several passages from Lenin where he speaks of a tribute paid by the working class in order to refute Bukharin as regards the use of the term. Stalin sums up:

The point is that it was no accident that Bukharin and his friends took

exception to the word 'tribute' and began to speak of a policy of military-feudal exploitation of the peasantry. Their outcry about military-feudal exploitation was undoubtedly meant to express their extreme dissatisfaction with the Party policy toward the kulaks that is being applied by our organisations. Dissatisfaction with the Leninist policy of the Party in its leadership of the peasantry, dissatisfaction with our grain-procurement policy, with our policy of developing collective farms and state farms to the utmost, and lastly, the desire to 'emancipate' the market and to establish complete freedom for private trade--that is what was expressed in Bukharin's howling about a policy of military-feudal exploitation of the peasantry. (Works 12.59)

A third disagreement has to do with the relationship between agriculture and industry: "Its importance lies in the fact that it is the converging point of all the threads of our practical disagreements about the economic policy of the Party." Stalin presents the differences by giving an outline of the CPSU's plan and that of Bukharin:

The Party's Plan:

1. We are re-equipping industry (reconstruction).
2. We are beginning seriously to re-equip agriculture (reconstruction).
3. For this we must expand the development of collective farms and state farms, employ on a mass scale the contract system and machine and tractor stations as means of establishing a bond between industry and agriculture in the sphere of production.
4. As for the present grain-procurement difficulties, we must admit the permissibility of temporary emergency measures that are backed by the popular support of the middle- and poor-peasant masses, as one of the means of breaking the resistance of the kulaks and of obtaining from them the maximum grain surpluses necessary for dispensing with imported grain and saving foreign currency for the development of industry.
5. Individual poor- and middle-peasant farming plays, and will continue to play, a predominant part in supplying the country with food and raw materials; but alone it is no longer adequate--the development of individual poor- and middle-peasant farming must therefore be supplemented by the development of collective farms and state farms, by the contract system on a mass scale, by accelerating the development of machine and tractor stations, in order to facilitate the ousting of the capitalist elements from agriculture and the gradual transfer of the individual peasant farms on to the lines of large-scale collective farming, on to the lines of collective labour.
6. But in order to achieve all this, it is necessary first of all to accelerate the development of industry, of the metallurgical, chemical and machine-building industries, tractor works, agricultural-machinery works, etc. Failing this it will be impossible to solve the grain problem just as it will be impossible to reconstruct agriculture.

Conclusion: the key to the reconstruction of agriculture is a rapid rate of development of our industry.

Bukharin's plan:

1. 'Normalise' the market; permit the free play of prices on the market and a rise in the price of grain, undeterred by the fact that this may lead to a rise in the price of manufactured goods, raw materials, and bread.
2. The utmost development of individual peasant farming accompanied by a



certain reduction of the rate of development of collective farms and state farms (Bukharin's theses in July and his speech at the July plenum).

3. Grain procurements to proceed automatically, excluding at any time or under any circumstances even a partial use of emergency measures against the kulaks, even though such measures are supported by the middle- and poor-peasant masses.

4. In the event of shortage of grain, to import about 100 million rubles' worth of grain.

5. And if there is not enough foreign currency to pay for grain imports and imports of equipment for industry, to reduce imports of equipment and, consequently, the rate of development of our industry--otherwise our agriculture will simply 'mark time', or even 'directly decline'.

Conclusion: the key to the reconstruction of agriculture is the development of individual peasant farming. (Stalin, Works 12.65-67)

Some statistics on agriculture.

In his report to the 17th and 18th party congresses, Stalin offered some tables on the progress of agriculture during the years 1928-1933 and afterwards. In contrast with achievements on the industrial front, which were described as "uninterrupted," agriculture presented a different picture. On the one hand, the collectivization of agriculture had been basically accomplished, and this was an enormous achievement, no less, it was claimed, than "that capitalist economy in the USSR has already been eliminated and that the individual peasant sector in the countryside has been relegated to a secondary position." (Works 13.315-16) On the other hand, the costs associated with collectivization had been high, as some of the tables indicate:

## USSR

	1913	1929	1930	1931	1932	1933	1934	1935	
1) Area under All Crops									
Total crop area	105.0	118.0	127.2	136.3	134.4	129.7	131.5	132.8	in mill. hect.
a) Grain crops	94.4	96.0	101.8	104.4	99.7	101.5	104.7	103.4	
b) Industrial crops	4.5	8.8	10.5	14.0	14.9	12.0	10.7	10.6	
c) Vegetables and melons	3.8	7.6	8.0	9.1	9.2	8.6	8.8	9.9	
d) Fodder crops	2.1	5.0	6.5	8.8	10.6	7.3	7.1	8.6	
2) Gross Output of Grain and Industrial Crops									in mill. cent.
a) Grain crops	801.0	717.4	835.4	694.8	698.7	898.0	894.0	901.0	
b) Raw cotton	7.4	8.6	11.1	12.9	12.7	13.2	11.8	17.2	
c) Flax fibre	3.3	3.6	4.4	5.5	5.0	5.6	5.3	5.5	
d) Sugar-beet	109.0	62.5	140.2	120.5	65.6	90.0	113.6	162.1	
e) Oil seeds	21.5	35.8	36.2	51.0	45.5	46.0	36.9	42.7	
3) Livestock									in mill. head
a) Horses	35.1	34.0	30.2	26.2	19.6	16.6	15.7	15.9	
b) Large cattle	58.9	68.1	52.5	47.9	40.7	38.6	42.4	49.2	
c) Sheep and goats	115.2	147.2	108.8	77.7	52.1	50.6	50.2	51.9	
d) Pigs	20.3	20.9	13.6	14.4	11.6	12.2	17.4	22.5	
5) Area under Grain Crops according to Sectors									Percent of total area in 1933
	---in million hectares---								
a) State farms		1.5	2.9	8.1	9.3	10.8	10.6		
b) Collective farms		3.4	29.7	61.0	69.1	75.0	73.9		
c) Individual peasant farms		91.1	69.2	35.3	21.3	15.7	15.5		
Total grain crop area		96.0	101.8	104.4	99.7	101.5	100.0		

Sources: Stalin, Works 13.324-329. Stalin, Problems of Leninism (Peking ed.). pp. 897-903.

Tables 4 and 5 show the great and rapid success of collectivization and the restriction of capitalist production in the countryside. Tables 1-3 outline some of the costs, particularly table 3, where the fall in the number of livestock was severe and recovery didn't occur for some time. About this Stalin writes in his 1934 report:

Evidently, the enormous difficulties of uniting the scattered small peasant farms into collective farms, the difficult task of creating a large number of big grain and livestock farms, starting almost from nothing, and, in general, the period of reorganisation, when individual agriculture was being remodelled and transferred to the new, collective-farm basis, which required much time and considerable outlay--these factors inevitably predetermined both the slow rate of progress of agriculture, and the relatively long period of decline in the number of livestock." (Works 13.324)

Dobb discusses the kulaks' role in the decline of livestock:

The gravest loss suffered by Soviet economy in the battle for the village was the widespread slaughter of livestock which so drastically reduced the number of draught animals and cattle. The kulaks had struck a damaging counter-blow against those who had decreed their 'elimination as a class,' and had won a considerable section of the 'middle peasantry' to their side in doing so, if only by virtue of deep-rooted peasant instinct which had no further use for property that was to be no longer in their own individual ownership. (Dobb, p. 246)

Mao is categorical in his opinion of the cause of the loss of livestock: "We must by all means avoid the mistake once made in the Soviet Union which led to the slaughtering of livestock in large numbers." (Mao Tse-tung, Selected Works, Volume 5, p. 221)

#### Criticisms by Mao Tse-tung

Until the recent publication of the fifth volume of Mao's selected works, there were only fragmentary passages readily available which put forward Mao's criticisms of Soviet agriculture and other aspects of Soviet experience. Even in Volume V we cannot say the criticisms are set forward fully and comprehensively, but there are an extensive number of them. (For those who want to look into it more, Mao's criticisms of the Soviet Union, not just on agriculture, are on pages 221, 285, 291, 292, 296, 301 [Stalin], 306, 316, 339, 356, 364, 366 [dialectics], 367 [Stalin], 376, 377, 380, 491, and 494. Through all these criticisms Mao gives it as his opinion that the Soviet Union is a socialist country [pages 155, 420]. The writings cover the years 1949-1957.) I'll outline some of Mao's criticisms, focussing on economic issues, especially on agricultural policy.

It's Mao's view that Stalin did not have an understanding of the contradictions between base and superstructure and forces of production/relations of production under socialism:

For a long time Stalin denied that contradictions between the relations of production and the productive forces and between the superstructure and the economic base exist under the socialist system. Not until the year before his death when he wrote Economic Problems of Socialism in the USSR did he hesitantly mention the contradiction between the relations of production and the productive forces under the socialist system and admit that incorrect policies and improper adjustments would lead to trouble. Even then he did not pose the question of the contradictions between the relations of production and the productive forces and between the superstructure and the economic base under the socialist system as a question

of over-all importance, nor did he realize that they are the basic contradictions which propel socialist society forward. He thought all was secure under his rule. We on our part mustn't presume that all is secure under our rule; it is secure and yet insecure. (Mao, SW 5.376-77)

To Mao, this was not an isolated subjectivist error: "Stalin had a fair amount of metaphysics in him and he taught many people to follow metaphysics." (SW 5.367)

In agricultural questions, Stalin's on-sidedness and that of the party as a whole, Mao claims, revealed itself in "lop-sided stress on heavy industry to the neglect of agriculture and light industry" which "results in a shortage of goods on the market and an unstable currency." (SW 5.285) Here Mao includes some East European countries and doesn't specify just what period these criticisms hold for. Chinese policy, by contrast, he says, has been to "attach more importance to agriculture and light industry." More fully:

The Soviet Union has adopted measures which squeeze the peasants very hard. It takes away too much from the peasants at too low a price through its system of so-called obligatory sales and other measures. This method of capital accumulation has seriously dampened the peasants' enthusiasm for production. You want the hen to lay more eggs and yet you don't feed it, you want the horse to run fast and yet you don't let it graze. What kind of logic is that!

Our policies towards the peasants differ from those of the Soviet Union and take into account the interests of both the state and the peasants. Our agricultural tax has always been relatively low. In the exchange of industrial and agricultural produces we follow a policy of narrowing the price scissors, a policy of exchanging equal or roughly equal values. The state buys agricultural products at standard prices while the peasants suffer no loss, and, what is more, our purchase prices are gradually being raised. In supplying the peasants with manufactured goods we follow a policy of larger sales at a small profit and of stabilizing or appropriately reducing their prices; in supplying grain to the peasants in grain-deficient areas we generally subsidize such sales to a certain extent. Even so, mistakes of one kind or another will occur if we are not careful. In view of the grave mistakes made by the Soviet Union on this question, we must take greater care and handle the relationships between the state and the peasants well. (SW 5.291, written in April 1956)

Mao's criticisms of Soviet (particularly Stalin's) policy on light industry and other matters are indicated in these remarks from a speech given in 1958 on Stalin's book, Economic Problems of Socialism in the USSR (1952):

The first three chapters contain much that is worth paying attention to, much that is correct, although there are places where perhaps Stalin himself did not make things clear enough. For example, in chapter 1 he says only a few things about objective laws and how to go about planning the economy, without unfolding his ideas; or, it may be that to his mind Soviet planning of the economy already reflected objective governing principles. On the question of heavy industry, light industry, and agriculture, the Soviet Union did not lay enough emphasis on the latter two and had losses



as a result. In addition, they did not do a good job of combining the immediate and the long-term interests of the people. In the main they walked on one leg. Comparing the planning, which of us after all had the better adapted "planned proportionate development?" Another point: Stalin emphasized only technology, technical cadre. He wanted nothing but technology, nothing but cadre; no politics, no masses. This too is walking on one leg! And in industry they walk on one leg when they pay attention to heavy industry but not to light industry. Furthermore, they did not point out the main aspects of the contradictions in the relationships among departments of heavy industry. They exaggerated the importance of heavy industry, claiming that steel was the foundation, machinery the heart and soul. Our position is that grain is the mainstay of agriculture, steel of industry, and that if steel is taken as the mainstay, then once we have the raw material the machine industry will follow along. (Mao TseTung, A Critique of Soviet Economics, pp. 129-30)

Further views by Stalin on the development of Soviet industry are gone into in the next section of the report. I do not have the space here to evaluate all or even most of Mao's criticisms, though I'll give a view on some of them at the end of the paper. What has become quite clear is that the differences between Mao and Stalin on these policies, as well as the basic policies for socialist construction in China and the Soviet Union, must now be critically reviewed against the background of enormous setbacks to the revolution in both countries, not just the Soviet Union.

### 3. Industry

#### a. Prospects and problems in industry.

In his June 1930 report to the 16th Congress of the CPSU Stalin laid out some of the prospects and problems in the development of heavy and light industry in the USSR. As was pointed out, industry was already "of a pronounced socialist character" by the end of 1927. With the advent of the first Five-Year Plan the prospect was for a rapid advance on the industrial front, deepening and consolidating that "pronounced socialist character." As Stalin put it, statistics showed that "we are on the eve of the transformation of our country from an agrarian into an industrial country." (Works 12.273) This was critical for many reasons--the transformation into an industrial country. As Lenin pointed out, socialism must rest on a foundation of large-scale industry. Lenin was emphatic on the point, implying that you couldn't build socialism on a firm foundation if the countryside, even a collectivized countryside, predominated over "the town".

In the plans for industrial development, heavy industry received the first priority: "The keynote of the development of our national economy is industrialization, the strengthening and development of our own heavy industry." (Stalin, Works 12.275) Substantial progress had already been made:

The most striking index of the growth of industrialisation must be considered to be the progressive growth of the relative importance of the output of instruments and means of production (heavy industry) in the total industrial output. In 1927-28, the share of output of instruments and means of production in the total output of all industry amounted to 27.2 percent

while that of the output of consumer goods was 72.8 percent. In 1928-29 however, the share of the output of instruments and means of production amounted to 28.7 percent as against 71.3 percent, and in 1929-30, the share of the output of instruments and means of production will, by all accounts, already amount to 32.7 percent as against 67.3 percent. (Works 12.274)

Stalin then cites a number of figures on the growth of industry and concludes:

- 1) the rate of development of industry must not be confused with its level of development;
- 2) we are damnably behind the advanced capitalist countries as regards level of development in industry;
- 3) only the further acceleration of the development of our industry will enable us to overtake and outstrip the advanced capitalist countries technically and economically;
- 4) people who talk about the necessity of reducing the rate of development of our industry are enemies of socialism, agents of our class enemies.

Thus, the slogan, "the five-year plan in four years", which had already been put forward, is considered by Stalin to be entirely in line with the needs and possibilities of the development of Soviet economy.

Later in his report Stalin goes into "the Next Tasks." Among the "General Tasks," the one Stalin singles out for industry is "the problem of the proper distribution of industry throughout the USSR." The Ukraine then served as the "fuel and metallurgical base" for the country and other bases had to be built. Of the specific tasks of industry, "The chief problem is to force the development of the iron and steel industry." (Works 12.341) Stalin adds:

That does not mean, of course, that we must abandon light industry. No, it does not mean that. Until now we have been economising in all things, including light industry, in order to restore heavy industry. But we have already restored heavy industry. Now it only needs to be developed further. Now we can turn to light industry and push it forward at an accelerated pace. One of the new features in the development of our industry is that we are now in a position to develop both heavy and light industry at an accelerated pace. The overfulfillment of the cotton, flax and sugar-beet crop plans this year, and the solution of the problem of kender and artificial silk, all this shows that we are in a position to push forward light industry.

The two other main tasks for industry are "The problem of rationalisation, reducing production costs and improving the quality of production" and "The problem of one-man management." On the latter, Stalin does not mean there is factory dictatorship by the managers; on the contrary:

Time and again the workers complain: 'There is nobody in control in the factory,' 'confusion reigns at work'. We can no longer allow our factories to be converted from organisms of production into parliaments. Our party and trade-union organisations must at last understand that unless we ensure one-man management and establish strict responsibility for the way the work proceeds we shall not be able to cope with the task of reconstructing industry. (Works 12.342)

b. Some aspects of labor and "management."

I will take up only a few topics here, those of particular importance at the time or which raised questions in later years (particularly, the thesis of the restoration of capitalism).

Dobb points to the importance of a speech Stalin gave in June 1931. Its full title is, "New Conditions--New tasks in Economic Construction. Speech Delivered at a Conference of Business Executives, June 23, 1931." Apparently, not only did one-man management gain favor, but so did conferences of "business executives." It seems to me entirely in order to question both "one-man management" as a principle and the attitude which views those workers with management responsibilities as "business executives." At least, in a society developing socialism. On the former point, was small-committee management entirely out of the question as the main form of management? Socialism is supposed to develop collective participation and leadership, on both economic and political fronts, not "one-man" leadership.

In the speech Stalin points out that there has been excessive "fluidity" of manpower, excessive turnover of the labor force. Whereas formerly in the period of restoration of the economy, this had been "tolerated," now "when the scale of production has become gigantic and technical equipment has become extremely complex, the fluidity of manpower has become a scourge of production and is disorganising our factories." (Works 13.58)

The cause of this fluidity, Stalin says, "is the wrong structure of wages, the wrong wage scales, the 'Leftist' practice of wage equalisation." According to Carr and Davies in "Foundations of a Planned Economy," the practice of narrowing wage differentials had increased in the late 1920's, particularly through pressure from Tomsky as head of the trade unions. Stalin argues:

We cannot tolerate a situation where a locomotive driver earns only as much as a copying clerk. Marx and Lenin said that the difference between skilled and unskilled labour would exist even under socialism, even after classes had been abolished; that only under communism would this difference disappear and that, consequently, even under socialism "wages" must be paid according to work performed and not according to needs.  
(Works 13.59)

According to Dobb, it was this speech which gave impetus to the tendency to increase wage differentials, a policy of the use of material incentives. Such a policy, of utilizing material incentives, had been approved of by Lenin back in the days of NEP. In my opinion, the use of material incentives does have a role to play in the construction of socialism, and that is not at issue. Already, in 1925, work by piece-rate had been approved in the USSR and this gave rise to wage differences. Piece-rate work existed for a long time in the Soviet Union and played a part in the famous Stakhanovite movement which developed in the early 1930's.

Very briefly, Stalin had called for "rationalisation" and "reducing production costs" at the 16th party Congress. From below, from the workers, a movement grew up to do just that. As Dobb notes, the improvements that Stakhanov and other workers made in production were more the result of a more

rational division of labor than of more sweat, as is commonly believed. Stakhanov, for example, proposed having separate coal-borers and piling-erectors in the mines, rather than having one man put up his own wooden supports and then take up his boring tools, as formerly. Through such innovations, which caught on very rapidly, production took enormous bounds forward. As a side-effect, however, such extra production did cause difficulties with respect to wage-layouts under the five-year plan, because workers were paid at increasing rates ("bonuses") above a certain level of production, in those industries practicing piece-rate. Thus, to a significant degree, apparently, the wage bill in those enterprises where the Stakhanovite movement was strong increased faster than (the equivalent in) production of goods. This caused some problems for the planners, but the improved rationalization was the dominant aspect, economically speaking.

Following Stalin's speech, in the early 1930's, an eight-grade wage-scale came into effect. In 1928 "the ratio of wages in the most skilled category to those in the lowest was 3:1" (Dobb, p. 458), probably the lowest ratio ever attained in the Soviet Union. In the 1930's the ratio widened considerably.

A question. Let's assume that Stalin was correct in 1930, that it was absolutely necessary to combat "petty-bourgeois egalitarianism" in wage policy and introduce further wage-differentials, that these policies had the desired effect, stabilized the labor force in the factories, and made for a better use of the "gigantic" productive facilities that had been introduced into the Soviet Union. How do you get from that point toward communism, the abolition of classes? It would seem that the only way is through a policy of eventually narrowing wage-differentials (and benefits), of combatting "bourgeois right." At least, this would have to be a cardinal aspect of economic policy in the move toward the elimination of classes. Stalin does not only not raise this problem or prospect here, but as far as I know gives it little, if any treatment later on. (Mao and the left in China did take up the problem in the campaign about restricting bourgeois right around 1975. The present leadership has so far said little about bourgeois right, and, in my opinion, if they continue on their present course will end up like the present Soviet government, proclaiming they are on the verge of communist society, even as the rouble [etc.] plays a greater role than ever in Soviet Society.)

c. Some industrial statistics.

In his report to the 17th Congress of the CPSU (B) on January 26, 1934, Stalin noted:

Of all branches of our national economy, the one that has grown most rapidly is industry. During the period under review, i.e. beginning with 1930, our industry has more than doubled--namely, it has increased by 101.6 percent; and compared with the pre-war level it has grown almost four-fold--namely, by 291.9 percent.

This means that our industrialisation has been going ahead at full speed. As a result of the rapid growth of industrialisation the output of industry has advanced to first place in the gross output of the whole national economy. (Works 13.316-17)



On the following page of this report (p. 80) are some of the tables Stalin makes use of in his report. In reference to table 1, he says: "This means that our country has definitely and finally become an industrial country." In reference to table 2, Stalin says: "Of decisive significance for the industrialization of the country is the growth of the output of instruments and means of production in the total development of industry. The figures for the period under review show that this item has become predominant in the gross output of industry." In reference to table 3: "From this table it is evident that the capitalist elements in industry have already come to an end and that the socialist system of economy is now the sole system, holding a position of monopoly, in our industry." In reference to table 4:

In our country, which is still young as regards technical development, industry has a special task to fulfil. It must reconstruct on a new technical basis not only itself, not only all branches of industry, including light industry, the food industry, and the timber industry; it must also reconstruct all forms of transport and all branches of agriculture. It can fulfil this task, however, only if the machine-building industry--which is the main lever for the reconstruction of the national economy--occupies a dominant place in it. The figures for the period under review show that our machine-building industry has advanced to the leading place in the total volume of industrial output.

Alongside the great achievements of Soviet industry in this period, achievements of the first importance, Stalin listed the "defects" in industrial development:

- a) The continuing lag of the iron and steel industry;
- b) The lack of order in the non-ferrous metals industry;
- c) The underestimation of the great importance of developing the mining of local coal . . .
- d) The absence of proper attention to the question of organising a new oil centre in areas of the Urals, Bashkiria, and the Emba;
- e) The absence of serious concern for expanding the production of goods for mass consumption both in the light and food industries and in the timber industry;
- f) The absence of proper attention to the question of developing local industry;
- g) An absolutely impermissible attitude towards the question of improving the quality of output;
- h) The continuing lag as regards increasing the productivity of labour, reducing the cost of production, and adopting business accounting;
- i) The fact that bad organisation of work and wages, lack of personal responsibility in work, and wage equalisation have not yet been eliminated;
- j) The fact that red-tape and bureaucratic methods of management in the economic People's Commissariats and their bodies, including the People's Commissariats of the light and food industries, are still far from having been eliminated. (Works, 13.321-22)

#### 4. Results of the First Five-Year Plan

- a. The History of the CPSU(B) evaluates the results of the plan as follows:

## Industrial statistics--USSR

Source: Stalin, "Report to the 17th Party Congress," in Problems of Leninism

	1913	1929	1930	pp. 698-701		
	1931	1932	1933			
1) Relative importance of industry in the gross output of the national economy (percent of total, in prices of 1926-27)						
a) Industry (without small industry)	42.1	54.5	61.6	66.7	70.7	70.4
b) Agriculture	57.9	45.5	38.4	33.3	29.3	29.6
2) Relative importance of the two main branches of large-scale industry	Gross output in billions of rubles					
Total large-scale industry, of which:		21.0	27.5	33.9	38.5	41.9
a) Group 'A': instruments and means of production		10.2	14.5	18.8	22.0	24.3
b) Group 'B': consumer goods		10.8	13.0	15.1	16.5	17.6
Relative importance:	Percent of total					
a) Group 'A'		48.5	52.6	55.4	57.0	58.0
b) Group 'B'		51.5	47.4	44.6	43.0	42.0
3) Gross output of large-scale industry according to social sectors	In million rubles					
Total output, of which:		21,025	27,477	33,903	38,464	41,968
a) Socialized industry, of which:		20,891	27,402	no data	38,436	41,940
1) State industry		19,143	24,413	"	35,587	38,932
2) Cooperative industry		1,748	2,413	"	2,849	3,008
b) Private industry		134	75	"	28	28
Total output, of which:	Percent of total					
a) Socialized industry, of which:		99.4	99.7	"	99.93	99.93
1) State industry		91.4	90.9	"	92.52	92.76
2) Cooperative industry		8.3	8.8	"	7.41	7.17
b) Private industry		.6	.3	"	.07	.07
4) Relative importance of various branches of industry	Percent of total gross output					
Coal	2.9	2.1			1.7	2.0
Coke	.8	.4			.5	.6
Oil (extraction)	1.9	1.8			1.5	1.4
Oil (refining)	2.3	2.5			2.9	2.6
Iron and steel	no data	4.5			3.7	4.0
Non-ferrous metals	"	1.5			1.3	1.2
Machine building	11.0	14.8			25.0	26.1
Basic chemicals	.8	.6			.8	.9
Cotton textiles	18.3	15.2			7.6	7.3
Woolen textiles	3.1	3.1			1.9	1.8

By the beginning of 1933 it was evident that the First Five-Year Plan had already been fulfilled ahead of time, fulfilled in four years and three months.

This was a tremendous, epoch-making victory of the working class and peasantry of the USSR.

Reporting to a plenary meeting of the Central Committee and the Central Control Commission of the Party, held in January 1933, Comrade Stalin reviewed the results of the First Five-Year Plan. The report made it clear that in the period which it took to fulfil the First Five-Year Plan, the Party and the Soviet Government had achieved the following major results.

- a) The USSR had been converted from an agrarian country into an industrial country, for the proportion of industrial output to the total production of the country had risen to 70 percent.
- b) The Socialist economic system had eliminated the capitalist elements in the sphere of industry and had become the sole economic system in industry.
- c) The Socialist economic system had eliminated the kulaks as a class in the sphere of agriculture, and had become the predominant force in agriculture.
- d) The collective farm system had put an end to poverty and want in the countryside, and tens of millions of poor peasants had risen to a level of material security.
- e) The Socialist system in industry had abolished unemployment, and while retaining the 8-hour day in a number of branches, had introduced the 7-hour day in the vast majority of enterprises and the 6-hour day in unhealthy occupations.
- f) The victory of Socialism in all branches of the national economy had abolished the exploitation of man by man. (History of the CPSU (B), p. 319)

b. The Soviet system of economy and transformation of the five sectors

In 1930, at the 16th Congress of the CPSU, Stalin had defined the "Soviet system of economy," which enabled the USSR to progress to the Socialist economic system:

The Soviet system of economy means that:

- 1) The power of the class of capitalists and landlords has been overthrown and replaced by the power of the working class and labouring peasantry;
- 2) the instruments and means of production, the land, factories, mills, etc., have been taken from the capitalists and transferred to the ownership of the working class and the labouring masses of the peasantry;
- 3) the development of production is subordinated not to the principle of competition and of ensuring capitalist profit, but to the principle of planned guidance and of systematically raising the material and cultural level of the working people;
- 4) the distribution of the national income takes place not with a view to enriching the exploiting classes and their numerous parasitical hangers-on, but with a view to ensuring the systematic improvement of the material conditions of the workers and peasants and the expansion of socialist production in town and country;
- 5) the systematic improvement in the material conditions of the working people and the continuous increase in their requirements (purchasing power),

being a constantly increasing source of the expansion of production, guarantees the working people against crises of overproduction, growth of unemployment and poverty;

6) the working class and the labouring peasantry are the masters of the country, working not for the benefit of capitalists, but for their own benefit, the benefit of the working people. (Works 12.330-31)

It was "the Soviet system of economy" that enabled the Russian workers and peasants (labouring peasants) to move from an economy of five sectors in which "Socialism" did not predominate to an economy in which socialist production did play the leading role. The five sectors Lenin had outlined had been transformed:

At the time when the New Economic Policy was being introduced, Lenin said that there were elements of five forms of social and economic structure in our country: 1) patriarchal economy (largely natural economy); 2) small-commodity production (the majority of the peasants who sell grain); 3) private capitalism; 4) state capitalism; 5) socialism. Lenin considered that, of all these forms, the socialist form must in the end gain the upper hand. We can now say that the first, the third and the fourth forms of social and economic structure no longer exist; the second form has been forced into a secondary position, while the fifth form--the socialist form of social and economic structure--now holds undivided sway and is the sole commanding force in the whole national economy. (Stormy and prolonged applause.) (Stalin, Works, 13.316)

#### c. Some political results

The 17th Congress of the CPSU became known as the "congress of victors." If there were victors, there had to be the defeated. The History of the CPSU says: "At the Seventeenth Party Congress, Bukharin, Rykov and Tomsky made repentant speeches, praising the Party and extolling its achievements to the skies. But the congress detected a ring of insincerity and duplicity in their speeches . . ." (p. 325) Also:

Speeches were also made at the Seventeenth Congress by the Trotskyites Zinoviev and Kamenev, who lashed themselves extravagantly for their mistakes, and eulogized the Party no less extravagantly for its achievements. But the congress could not help seeing that both their nauseating self-castigation and their fulsome praise of the Party were only meant to hide an uneasy and unclean conscience.

By 1933 Stalin was definitely the prime leader of the party; the various opposition groups that had arisen had been politically defeated, as individuals and in the lines they put forward. Subsequent opposition was to arise in the mid and late thirties, but the opposition in those years never had the strength in the party which it had in the 1920's.

#### C. Conclusions and questions

While some conclusions on Soviet economic policies have been made in the text, and others implied, a few of the main points will be summarized here. As indicated earlier, the report has been developed on the basis of fairly limited research, and the conclusions should be viewed as tentative.



In the light of the serious reversals in the Russian revolution in recent decades, and now in the Chinese revolution with the coming to power of Rightists like Hua Kuo-feng, the questions Mao raised about the economic policies of Stalin and the Soviet party are of particular importance. In fact, we need to examine Mao's policies and those of the Chinese leadership in recent decades as well, to see what in them led to the 1976 defeat for the working class movement in China.<sup>1</sup>

It seems to me that Mao's criticisms of Stalin on the contradictions between the forces of production and the relations of production are valid. In Stalin's writings for this period, and later too, insufficient attention is paid to the relations of production and what the Chinese have called the struggle against "bourgeois right". To move toward communism, this struggle must be made known to the whole party and the people, there must be a perspective of gradually, over a period of years, narrowing the economic differences that exist in the society and moving toward the elimination of "bourgeois right." Otherwise, the principle applicable under socialism, "to each according to his work," will never be gotten rid of, and there will be no communism, no abolition of class differences. Neither Stalin nor the Soviet leadership took this perspective on this critical issue.

During this period, as reflected in the History of the CPSU (B), there was one-sided attention to and praise for increases in the productive forces under the First Five-Year Plan. As the statistics cited indicate, there were tremendous achievements in this area, at a time when the entire capitalist world was witnessing a great loss of capital, productive forces, and goods produced. The Party and the Soviet people had excellent reason to be proud of the enormous labor that had gone into the construction of socialist industry and agriculture during this period. But these successes were not adequate grounds for saying, as the History of the CPSU did, that "the exploitation of man by man" had been "abolished" in the Soviet Union. By overlooking the vital role of the relations of production under socialism, the Party and Stalin covered up the possibility of the growth of a bureaucratic stratum in the Party and in the country which could--and did, in my opinion--grow into an exploiting class. (Opinion in the study group is divided on whether the Soviet revisionists have restored capitalism.) It forgot the special stores for higher cadre, the special apartments, the use of dachas in the countryside, and dozens of other advantages that higher-ranking cadre had access to, and which had the potential for corrupting those strata who benefited from them. Further, how could it be argued that exploitation had been abolished when the "Socialist economic system" was predominant but had not eliminated small-commodity production in the countryside?

Nonetheless, it seems to me that, accepting this grave weakness in the policies of the Soviet party, Mao was correct to consider that the Soviet Union was "socialist" in this period, not a "deformed workers' state" or capitalist, both of which views have been held by Trotskyists then and now. Many of the economic foundations of socialism were built in this period in the Soviet Union, and the working class was still in power.

Several questions are raised by these considerations.

When did socialism decline in the Soviet Union? Of how great significance was the lack of attention to the relations of production by the

Soviet party in the 1930's and 1940's in helping bring about that decline? To what degree was Stalin responsible for the restoration of capitalism in the Soviet Union? What other factors besides economic policy played a major role in bringing about the triumph of revisionism in Russia?

The roots of the restoration of capitalism in the Soviet Union have been insufficiently examined by forces in the U.S. left who hold this position, such as M. Nicholas and the Revolutionary Communist Party, the authors of the two major studies on the subject in the U.S. movement. The French scholar Charles Bettelheim is in the midst of several books on the Soviet Union which address this subject; however, his work on this period appeared after this report was written. Another source which should be read is Monthly Review Press' collection of articles by Mao titled A Critique of Soviet Economics, which also was published after this report had been given. Now that there is the definite possibility that the Chinese revolution may be taking a road similar to that of the Soviet Union--the capitalist road--these and other writings must be extensively studied if we are to understand the causes of these setbacks and prevent their recurrence.

#### IV FOOTNOTE

- 1 This was written in early 1978. By now (March 1979), it is self-evident. We emphasize the point, however, because, aside from critiques of the "theory of three worlds" and China's foreign policy going back to Nixon's visit, there has been very little Marxist-Leninist work published on the many critical questions raised by the setbacks in the Soviet Union and China.

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