

Chicago, December 1, 1946

Dear Ray:

I return herewith the article you let me read. I hesitate to express my opinion since I make no pretense to being even an unskilled critic in the realm of economics, but I will risk one or two observations.

I realize that it would be extremely important for us as politicians to be able to prove that the economy in Russia today is capitalist, if for no other reason than that many people seriously devoted to world revolution are hampered in their movements by some kind of hypnosis originating in a hangover from the "workers' state" concept. If they were convinced that the Russian economy is another form of the old demon capitalism, they might free themselves for effective work in the organization of revolutionary instruments (parties) against Stalinism and its state form. This, however, does not mean that we are justified in "forcing" a definition.

It seems quite obvious now - judging from the volume of discussion articles circulating internationally, if from nothing else - that it is not easy to determine with complete finality just which of the characteristics of classical capitalism is the ultimately determining one. The problem is complicated by the fact that in the world today capitalism takes on all kinds of forms, and differing from each other in various ways and degrees (Sweden, the labor government of England, the United States, German fascism, to cite a few varieties on which there is no dispute as to their capitalist nature).

You devote your article, if I get its central import, to the idea that the distribution of value (arising out of production) between the fields of constant capital and consumers' goods is the key to the capitalist nature of an economy. If the greater bulk of the value produced by the economy under consideration goes not into consumption but into the increase of capital goods, then we have a capitalist economy under consideration. I don't think this contention holds water.

In my opinion, the key to the capitalist nature of the distribution of value in these two fields lies not in the proportions but in the animus ("animus" is not quite the right word, but it is closest to what I mean). If the reinvestment of value is compulsive according to the laws of the economy (in order to forestall or slow up the fall of the rate of profit on investment), then we have a capitalist economy; but if this distribution is effected rationally according to a planned expansion and utilization of capital goods for the ultimate enrichment of the field of consumption, then, despite the proportion in which the allocation of value is made at the moment, the economy may be a socialist one. As a matter of fact, it is assured according to our theory that there must always be some proportion of value held out of consumption for the modification and renewal of productive capital and certain natural disasters or perhaps even drastic changes in the technique of production (the use of atomic energy and the building of the equipment necessary for its production, for instance) might mean that the proportion of allocation to the two fields would be temporarily increased on the side of capital goods without abandoning the socialist form.

I think the problem of proof that the economy in Russia is now capitalist lies in two spheres: (1) the method of distribution of consumers' goods (the principles according to which the bureaucracy gets a disproportionate volume of the

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social consumers' goods); (2) the existence of a free market, the proportion between the size of that market and the "controlled" market and the types of consumers' goods offered on the free market.

At this moment I approach the question of the nature of the Russian economy from another angle, to which some people may object as being negative, but which has the advantage of permitting an immediate political orientation. It is this: are the results of the economic arrangements in Russia such as we would accept as characteristic of a socialist economy or not? If they are not, then it would be very good if we could definitely qualify them as capitalist; but, rather than force a definition of which we are not sure and which is not readily accepted on a large scale, we may still say with certainty that we will not either defend or work to extend that form of economy, whatever its definition.

If there were someone somewhere with the authority in economics of a Karl Marx - or even of a Lenin or a Trotsky - who could declare the Russian economy to be this or that and have his opinion accepted by revolutionaries, then we might be able to get going quickly; but in view of the fact that such an authoritative figure does not exist and it is impossible to formulate a definition by a majority vote, we must make up our minds in respect to political action on the basis of things upon which we can agree and among them are these which I consider of decisive importance:

What is the relationship of the workers and of the bureaucratic stratum to that part of the social value which is consumed?

Are the political relationships democratic; is the allocation of value made by the conscious decision of a democratically organized social body or not?

Can individuals profit from the distribution of consumers' goods within the economy?

On the document in general: I don't know whether this draft is the first or has been polished, but I don't think it could be published in its present form. It is very unclear and in some instances you seem to say things which you obviously do not mean. The article needs a lot of rewriting and the ideas need reformulation.

This is sketchy and incomplete, but at this moment I cannot expand upon my ideas. I hope you find them useful.

My new job is very, very lousy. The only decent thing about it is the check, which is not large but acceptable.

Fraternaly,

*Lidia*