

WHAT WENT WRONG?

The Bolshevik revolution in October 1917 represented a great step forward in human history. It was the first time that state power had been seized with the object of ending the exploitation of man by man.

The event aroused great hopes and great expectations, and the subsequent failure of the experiment, the collapse of the soviet system, has given comfort to the forces of reaction and raised doubts in the minds of many who were previously attracted to Marxism as a political philosophy.

Marxists have the duty to attempt to analyse the cause of the collapse so as to learn from past mistakes in order to avoid making similar mistakes in the future.

The prime responsibility for this lies with those comrades who have the benefit of first hand experience, but those of us who have been mere observers need to draw some conclusions based on facts garnered from both soviet and capitalist sources in order to improve our understanding of problems that can be encountered during the transition to socialism, and so avoid going for simplistic solutions to real problems.

The immediate cause of the collapse was the inability of the leadership of the CPSU to resolve the ongoing contradiction between the productive forces and the relations of production.

When Stalin, shortly before his death, wrote a pamphlet entitled Economic Problems of Socialism, he drew attention to a dispute that was underway in the S.U. concerning economic theory:

'Some comrades deny the objective character of laws of science, and the laws of political economy particularly, under socialism. They deny that the laws of political economy reflect law-governed processes which operate independently of the will of man. They believe that, in view of the specific role assigned to the Soviet state by history, the Soviet state and its leaders can abolish existing laws of political economy and can 'form', 'create', new laws.

These comrades are profoundly mistaken. It is evident that they confuse laws of science with the laws issued by governments which have only juridical validity. But they must not be confused.' p5

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'It is said that the necessity for balanced (proportionate) development of the national economy in our country enables the Soviet government to abolish existing economic laws and create new ones. That is absolutely untrue. Our yearly and five-yearly plans must not be confused with the objective law of balanced, proportionate development of the national economy. That law of balanced development of the national economy makes it possible for our planning bodies to plan social production correctly. But possibility must not be confused with actuality. It cannot be said that the requirements of this economic law are fully reflected in our yearly and five-yearly economic plans'.

He then goes on to discuss the law of value under socialism:

'It is sometimes asked whether the law of value exists and operates in our country, under the socialist system. Yes, it does exist. Wherever commodities and commodity production exist, there the law of value must also exist. True, the law of value has no regulating function in our socialist production, but it nevertheless influences production, and this fact cannot be ignored when directing production. As a matter of fact, consumer goods, which are needed to compensate the labour power expended in the process of production, are produced and realised in our country as commodities coming under the law of value. It is precisely here that the law of value exercises its influence on production. In this connection, such things as cost accounting and profitableness, production costs, prices, etc. are of actual importance in our enterprises. Consequently, our enterprises cannot and must not function without taking the law of value into account. The trouble is not that production in our country is influenced by the law of value, the trouble is that our business executives and planners, with few exceptions, are poorly acquainted with the law of value, do not study them, and are unable to take account of them in their computations. This explains the confusion that still reigns in the sphere of price-fixing policy.' (our emphasis)"

Another associated problem was that of transfer prices.

The need for a pricing policy arises from the fact that, although in a transitional economy, (and the Soviet economy has never been anything other than transitional), the chief means of production are owned by the state. The state cannot directly

control the activities of each individual economic unit because it cannot control the details of production in every one of them. Each of them must, for practical purposes, have a certain amount of autonomy, therefore there must be a regulated economic relationship between units, and between them individually and the state. The products that pass between them mostly circulate by way of purchases and sales, and can be regarded as commodities for all practical purposes, therefore they must have prices attached to them. As the economy becomes more complex, the problem becomes more acute.

The problem of how to relate price to value in this sphere was, according to Charles Bettelheim, in his book *The Transition to Socialist Economy*, debated at length throughout the 60s and 70s, but without reaching a commonly agreed formula. It was this failure which led a body of economists in the Soviet Union and Eastern Europe to opt for the 'market solution', i.e. allow market forces to influence or even determine the price of consumer goods.

Capital goods were purchased by central authorities and then allocated to individual units, so that there was never any question of them being within the sphere of commodity circulation. We do not know the financial arrangements involved in this transfer, but something evidently went seriously wrong because a huge amount of capital was wasted.

Too many buildings were started without due consideration of material and labour availability, with the consequence that unfinished buildings proliferated.

Taking 1960, the base year, as 100, output per unit of fixed capital had, by 1985, declined by almost 40% in industry and over 70% in agriculture and construction.

Katachurov, a Soviet economist, compared the increase in the amount of capital per industrial worker with the rate of increase in output per industrial worker over three periods -

	1950-55	1955-60	1960-65
Increase in capital per worker	50%	44%	43%
Output per worker	49%	37%	26%
Difference	-1%	-7%	-17%

Bettelheim reveals that as far back as 1962, a census and some samplings carried out by the USSR Central Statistical Office showed that about half the stock of machine tools was not being used. The same investigation revealed that there was about six thousand million roubles' worth of plant which had not been installed. This corresponded to approximately half of the investment in new plant.

Gorbachev, in his report to Central Committee, June 25-26 1987, had this to say about the misuse of capital resources:

"Comrades, today as we discuss the radical restructuring of economic management we must keep a realistic picture of the state of our economy as we entered the 1980s. By that time the rate of economic growth had dropped to the level which virtually signified the onset of economic stagnation. The desire to check declining growth rates by extensive methods brought exorbitant outlays for the fuel and energy branches and hasty commitment of new natural resources to production, their irrational use, an excessive growth of demand for additional labour and an acute shortage thereof in the national economy with a decline in the output-per-asset ratio."

It is pretty obvious that the theoretical problems concerned with pricing had not been satisfactorily resolved during Stalin's lifetime but, nevertheless, up to 1958 the rates of economic growth had been of the order of 10%-12% p.a.

The problems began to mount after the Twentieth Congress at which Khrushchev stated that the building of socialism had largely been completed and that the stage was set for the transition to communism. Lavish investment plans were drawn up with the avowed intention of achieving that objective within a very short space of time through unprecedented increases in the volume of production.

Draft directives for the sixth Five Year Plan called for a 70% increase in the means of production, and a 60% increase in consumer goods over that of 1965, within the five year period.

As capitalism boomed, the Soviet leaders became ever more desperate. Production targets became increasingly unrealistic, with capital being thrown at that section of industry devoted to the supply of consumer goods, whereas the basic industries such as steel, coal, oil, chemicals, had to make do with outdated equipment, but were nevertheless expected to increase output to

meet obligations imposed upon them by the Plan.

In order to gain popularity and give credence to the idea that communism was within easy reach, the retail price of bread, flour, barley, and other things, were reduced to below their costs of production. The result was that farmers went into the towns to buy those things in order to feed their livestock, rather than grow them themselves.

The infamous Virgin Lands project was a product of that period.

In January 1955, the Central Committee of the CPSU decided to bring about a rapid increase in grain production by developing huge tracts of land that were lying fallow in Kazakhstan, Siberia, and other areas. Within a short space of time, 200,000 tractors had been sent to those areas, along with 35,000 volunteers. For a few years the increase in output was phenomenal by Soviet standards; within the space of fifteen years the whole area had become a dustbowl.

The upshot of all this was a colossal waste of productive labour.

When buildings are left unfinished, when machines are made but not used, or used inefficiently, it is tantamount to throwing away all the hours of labour that is embodied in them, yet this is what happened when subjectivism crept into economic decision making.

Volume was the only thing that mattered because the leadership had raised expectations that the Soviet system could outdo the capitalist system in the provision of consumer products.

In socialist society, efficiency is measured by the total amount of labour hours taken to provide for the material requirements of that society. Therefore increasing efficiency is a matter of reducing the number of labour hours taken to produce a given volume.

The primary purpose of using machinery is to reduce the total amount of labour time taken to produce a given item. This total must include that proportion of the congealed labour embodied in the machine that is used to produce that item. The bottom line in this respect is the number of items that can be turned out before the machine is worn out, but usually the datum line is obsolescence.

It must also be remembered that extended reproduction in any economic system requires that each productive operation produces a surplus. Only living labour can create a surplus over

and above its own value. As the organic composition of capital increases, the amount of living labour embodied in each unit, article, is diminished so that although the ratio of the surplus value to the living labour may be the same, or even increase, the ratio of that surplus in relation to total capital (living labour + dead labour), actually has a tendency to decline. In capitalist economies this is expressed in the tendency for the rate of profit to fall.

In a socialist economy the same thing occurs, but it is expressed as a tendency for the rate of surplus to fall.

Therefore, the application of machinery only makes economic sense if it reduces the total amount of labour contained in each item and produces a big enough surplus to enable extended reproduction to take place.

In money terms, the reduction in the amount of labour per item is expressed as a reduction in unit costs. All the evidence is that, from the 1950s onwards, unit costs, at a system level, actually increased rather than diminished. It was a sure recipe for disaster.

To make matters worse, bonuses were paid according to volume of output, so that workers and management found common cause in devising bonus schemes which may have increased output, but resulted in increases in unit costs.

The effect at a system level is shown by the calculations made by Katachurov to which we referred earlier.

No wonder that Gorbachev's appeal to trade union officials at a factory level to 'stop dancing cheek to cheek with the management' fell on deaf ears.

It is of little use talking about the dictatorship of the proletariat if a substantial part of the working class is corrupted by bourgeois standards of morality.

WASTE

A Soviet economist, by the name of Hasbulatov, calculated that about 740,000 tons of meat were spoiled annually during processing, and that half the potatoes brought to the vegetable markets in Moscow rot away. He said that many specialists believe that the proper preservation of what has been harvested, grown, and reared, could bring at least an annual 25-30% additional food.

Another economist, by the name of Shmelyov, wrote:

"In the sphere of the means of production there are

physical shortages in only a few branches; construction materials, paper, small batch chemical products and high tech products, ... but as for oil, metals, machine tools, tractors or combine harvesters, they are produced in the USSR in considerably greater quantities, by world standards, than is necessary for reasonable needs, ... in treating our economic ills, the importance of the purely physical shortages of the means of production is minimal."

He then goes on to say:

"The purely physical shortages on the consumer goods market are not as significant as it is customary to think. We have enough razor blades, but only a fool would use them for shaving. There is no shortage of footwear, fabrics, clothing, furniture, but who needs the kind of things that our shops and warehouses are stocked with?"

In the construction sphere, probably the best example of deterioration in building standards came to light as a result of the earthquake which occurred in Armenia in the late 1980s.

The buildings constructed during the Stalin period mostly remained intact; those constructed during the Krushchev and Brezhnev period were destroyed.

The evidence that economic efficiency deteriorated during the 50s and continued to deteriorate thereafter, is overwhelming, and the responsibility for it must be laid at the door of the Party because it had failed to live up to its self-appointed role as the leading force in society.

THE PARTY

The major contradiction that the Party failed to resolve was the one most well known to all Marxists, namely the one between the productive forces and the relations of production.

According to Marx, the relations of production must correspond to the level of development of the productive forces, therefore, as the productive forces develop, the relations of production must change accordingly.

In the early 1980s an economist by the name of Tatiana Zaslavskaja made a report in which she argued that the problems that had plagued the Soviet economy since the late 1960s reflect general weaknesses in the structure of the soviet economic system. She made the point that, although the productive forces had developed since the 1950s, the relations of production, (i.e. the relations which people enter into in order to carry out

material production), had not undergone the qualitative restructuring which should reflect the changes that had taken place in the productive forces in the intervening period. She argued that

".... the structure of the national economy long ago crossed the threshold of complexity when it was still possible to regulate it effectively from one single centre."

She advocated that both the role of Gosplan and that of enterprises be strengthened.

The political argument for devolving decision-making downwards is, to our mind, incontrovertible because decision-making is a function of power, and the whole business of socialism is about people taking power into their own hands, but it raises the whole question of the relationship between the economic units and the centre.

Oscar Lange, a Polish economist who was prominent during the early post war years, put his finger on the essence of the problem:

The producers' control over production units is a control that must be exercised by the producers as a whole and not merely by the narrow groups of workers who produce within each of these production units considered in isolation. This control by all the producers over all the production units raises the problem of political democracy, and so of the democratic structure of the state. This raises what is meant, in precise terms, by 'the dictatorship of the proletariat'. There is a contradiction between the need to allow each production unit some freedom of manoeuvre, and the level of political consciousness of the workers in individual production units."

Even in a country such as Britain, the idea that a central planning authority could attend to every detail of economic activity is to dwell in the realms of phantasy, particularly when use value is taken into consideration.

It will be remembered that every article produced for consumption must have a use value, and that value is determined by the consumer, not the producer. That principle extends upwards so that the component producers must produce things that have a use value to the makers of the end product. In this sense, all production must be consumer orientated.

In the manufacturing process the end producer specifies the function which the component is required to perform. In capitalist

society, if the component is inadequate its manufacturer either remedies the defect or goes out of business. That is not how socialism is supposed to work, but what other method is to be used to ensure that products meet consumer requirements?

With regard to consumer goods proper, how can it be ensured that the articles produced have a real use value?

Take the question of quality. If economic threats, (the sack for the individual, the closure of the factory), are to be dispensed with, the only alternative is the development of a high level of social consciousness.

We then come back to the question posed by Lange - "What, precisely, do we mean by 'the dictatorship of the proletariat'?"

In the Soviet Union the enthusiasm was there to begin with, and for a considerable time afterwards, so why did it wane?

In our view, the answer lies in the suppression of workers' initiative by the Party and the state.

Lenin described the trade unions as transmission belts by which Party directives would be transmitted to the workers. We all know that transmission belts are one way arrangements.

Stalin castigated those who spoke about contradictions between the Party and the working class. The leaders of the Soviet trade unions were appointed by the Party, not elected by the workers.

The leading role of the Party was written into the Constitution.

The 1936 Constitution of the USSR was arguably the most democratic ever adopted, but the part that we have underlined in article 126 was used in such a way that it virtually nullified the other Articles.

"In conformity with the interests of the toilers, and in order to develop the organisational initiative and political activity of the masses of the people, citizens of the USSR are ensured the right to unite in public organisations - trade unions, cooperative associations, youth organisations, sport and defence organisations, cultural, technical and scientific societies; and the most active and politically conscious citizens in the ranks of the working class and other strata of toilers unite in the Communist Party of the Soviet Union (Bolsheviks), which is the vanguard of the toilers in their struggle to strengthen and develop the socialist system and which represents the leading core of all the organisations of toilers, both public and state."

In practice, any organisation set up without Party approval was treated as being illegal. Any initiative undertaken without prior Party approval was regarded with hostility. The privileged political status of party leaders enabled them to accord to themselves special material privileges, and membership provided the easy path to career advancement.

At the 20th Congress, Krushchev reported that the Party had a membership of 7,215,896, three times more than at the 18th Congress. but he also drew attention to what he called

"An abnormal situation where a considerable proportion of the Communists employed in a number of branches of the national economy were in work not directly connected with the decisive processes of production. There are 990,000 Communist in coal industry establishments, but only 38,000 work in the mines. More than 3 million Party members live in rural localities, but less than half work in collective farms, machine and tractor stations, and state farms."

The Party was already on the way to becoming a Party of administrators and placemen rather than workers.

The resultant corruption of the Party is described by Albert Speransky, an electrician by trade, who expressed his views in a pamphlet published by the Novosti Press Agency, entitled The Party and Perestroika:

"I still feel a bit upset even now. Back when it happened I simply felt depressed. Four workers at my plant who were Communists decided to leave the Party at the same time. They are different people. Some were a dead weight in the Party, others were Party acitivists and set the tone for our work. Why did they quit the Party? I had many conversations with one of these former Communists. Once he confessed, "You see, I joined one Party but found myself in this". "What do you mean?" "Don't be surprised, I'll explain."

"I wanted to be in the vanguard, to learn, to argue, persuade, and struggle against senseless conventions. In short, I wanted to build a radiant future and live for the sake of my fellow men. It didn't work. Much to my surprise, I found myself in the past. Everything in our Party organisation is decided beforehand. All we are supposed to do is to raise our hands in approval. I tried to fight this false unanimity, but was attacked by my own fellow Communists who even treated me as if I'd done something disgraceful. Later, in

dark corners, thief-fashion, they would whisper words of self-justification to me. One needed a flat, another expected a rise in position. In general, they were motivated either by self-interest or lack of confidence, but basically they were all in it together, covering up for each other. Whoever stated his own opinion immediately lost prospects for promotion. This suggested the sad generalisation that our Party must have degraded from an advanced contingent of the working class into an association of obedient, officious, calculating and wary individuals".

"That conversation took place during the time we now call the stagnation period, when, why deny it, many people thought like that man. I joined the Party when our country was going through the difficult times of the stagnation period. The demands placed on rank and file Communists were deformed. The Brezhnev-type leaders needed a Party which would justify and protect stagnation."

The writer then describes how his application to join the Party was approved, only to be withdrawn when he wrote to a newspaper protesting about the attitude of managers of his plant towards their subordinates.

"At first I thought that a 'party' suited exclusively to the bosses was being created in just my plant, but after going to work in another plant and joining the Party there, I gradually started realising that a quiet, tractable, and easily controllable Party organisation was an imperative dictated from above".

Such an imperative must be built into any economic system in which every decision is taken at the centre because that carries with it the implication that everything will function like clockwork.

Fortunately for the human race, such a system carries within it the seeds of its own destruction for the reason that it is built on the false assumption that relations between people can be made as predictable as clockwork through a process of ideological conditioning.

The very fact that this is not possible finds its expression in the well known "Murphy's Law" which asserts that anything that can go wrong will go wrong, and that things that 'cannot' go wrong, sometimes will.

The recognition that each individual is unique does not imply adherence to a philosophy based on individualism. Each individual

is unique in his/her genetic make up, so that no two individuals respond in exactly the same way to external stimuli. That is a fact of life that has to be recognised when attempting to get people to take common action. Everyone has their own 'angle'.

Thus, the recognition of individuality is not an obstacle to collective activity but a precondition for it.

Our experience in industry tells us that people fight better when they feel that they, as individuals within a group, have control of the situation, when they feel that they cannot be railroaded into courses of action with which they may disagree, or feel doubtful about.

This has a bearing on the argument that there is an optimum size beyond which an organisation 'gets out of control'.

Highly organised capitalist organisations such as IBM, General-Motors, Phillips, which utilise the best of modern computer technology, are now finding that absolute control over their internal operations is beyond the reach of their central boards, and are seeking ways of decentralising their operations

The notion of 'socialist planning' as dreamed up by the SWP is not only politically incorrect, in that the 'grass roots' would be denied any real role in decision making, but it is also an organisational pipe dream.

In our view, the search for a non-market economic formula which would completely rationalise relationships between economic units, is bound to fail unless it is accompanied by a raising of the ideological level.

The use of economic incentives is unavoidable in the transition period because capitalist ideology still plays a part in people's thinking, but by the same token, in the absence of ideological struggle, they will continue to 'play the system' as they did under capitalism. People do not automatically change their ideas because the titular ownership of the means of production has changed, and though they may feel that they have a common interest at a factory level, that may be still be expressed in terms of 'playing the system' for the benefit of the economic unit to which they belong.

The only way of avoiding that is to raise the general level of social consciousness, and that cannot be achieved overnight.

What is required is a concept of the dictatorship of the proletariat in which the political aspect is just one part of a broader cultural revolution.