

# World Revolution—Not ‘Market Socialism’ Perestroika: A Pandora’s Box

Ronald Reagan, flying into retirement on 20 January, boasted to reporters on board his plane that he could go down in history as the president who won the Cold War. With this self-congratulatory remark, Reagan sounded an ideological note that is becoming increasingly resonant among bourgeois political commentators and ideologues. If Mikhail Gorbachev succeeds in the new course on which he has launched the Soviet Union, they argue, the global struggle unleashed by the Russian Revolution of 1917 may finally be decided in favor of capitalism. Last September, Margaret Thatcher declared: “It is extremely both bold and prophetic at this time for the Soviet Union to have a leader who comes right to the top and says, look, for 70 years Communism hasn’t produced the hopes and dreams that we had for it. Those hopes and dreams crumbled” (*New York Times*, 28 September 1988). Even Ayatollah Khomeini could not resist getting into the act: in January, his emissary delivered a personal note to Gorbachev saying, “Communism should henceforth be sought in museums.”

When the Iranian apostle of pre-feudal darkness, reeling from military defeat, pronounces communism antiquated, reality becomes indistinguishable from Monty Python. However, to paraphrase Mark Twain, the proclamations of victory over communism are exaggerated. The international system of imperialist oppression and exploitation which goes by the name of “free enterprise,” has solved none of its profound internal contradictions, nor has it acquired a new lease on life. As the sun sets on the “American Century,” the U.S. economy is staggering under a colossal mountain of debt; major American industrial centers lie in waste and the lower layers of the working class are shoved down into the ranks of the homeless.

Conditions of life for the masses in the “underdeveloped” neocolonies of the American empire are more desperate than they have ever been. In Latin America, the front yard of U.S. imperialism, leftist insurgencies threaten the regimes of El Salvador and Peru, while Mexico, and virtually all of the rest of the region, teeter on the brink of a social volcano. The spontaneous revolt that rocked Venezuela last February in response to the austerity measures dictated by the International Monetary Fund (IMF), revealed the fragility of the Central and South American economies. In the principal outpost of U.S. imperialism in Asia, the Philippine New People’s Army is holding its own against the Washington-backed regime of Corazon Aquino. Thirty years ago, CIA operatives could orchestrate coups from Teheran to Guatemala City. But today, the U.S. has not only been unable to topple the Soviet-backed Sandinistas after an eight-year effort, it could not even oust General Noriega, the tinpot military dictator it helped to power in Panama, a banana republic of its own creation.

But Reagan’s vision of a capitalist “victory” is not

simply a hallucination. The countries of the Soviet bloc, whose economies are based on the expropriation of private capital, are in unparalleled retreat on the military, economic and ideological fronts. As the Soviet Union and its allies disengage from Afghanistan, Angola and Kampuchea, a new ideological contagion is sweeping the lands ruled by Stalin’s heirs. Moscow, Beijing and lesser capitals of the so-called communist world, resound with calls to jettison the baggage of “Marxist dogma” in favor of all things “Western.” The accent in the political sphere is on “pluralism,” the “rule of law” and parliamentary democracy devoid of class content. On the economic side, prevailing sentiment runs toward markets, “private initiative” and “enterprise profitability” as antidotes to the “rigidities of centralized planning.” Stock exchanges have already opened in Beijing and Budapest, the Soviet Union has embarked upon “joint capital ventures” with Western firms, while the Eastern European states vie with one another for even larger infusions of credit from the IMF and the World Bank.

The Stalinists’ sudden discovery of the virtues of free enterprise has occasioned a veritable orgy of crowing in bourgeois circles. Zbigniew Brzezinski, Jimmy Carter’s National Security advisor and Cold War hawk *par excellence*, has written a book titled *The Grand Failure*, in which he predicts that communism will be remembered as the biggest aberration of the twentieth century. This theme was echoed on the front page of the January issue of *Commentary*, the leading “neo-conservative” organ, which featured an article by Jean-Francois Revel under the heading “Is Communism Reversible?” The front page of the 23 January *Economist*, an authoritative voice of British Toryism, pictured a tangle of barbed wire being snipped open with a wire-cutters under the headline “As Eastern Europe Cuts Free.” The same week the *New York Times* ran a three-part series of interviews with members of Communist Parties from around the world. The first article opens with a joke current in Moscow. Question: “What is Communism?” Answer: “Communism is the longest and most painful route from capitalism to capitalism.” The article goes on to note the effects of recent developments in the USSR on international Stalinist opinion:

“The process of reform, personified now by Mikhail S. Gorbachev...evokes...dismay that so much of the terrible sacrifice, struggle and deprivation they have endured for so long must now be acknowledged to have been in vain, that the secular faith that once promised so much now stands revealed to its own adherents as a failure.”

This dancing at communism’s presumed wake is balanced by the Republican right’s counsels of “caution” and “restraint,” lest the Russian bear only be playing dead. They point out that the Gorbachev reforms are at this stage more rhetoric than reality, and it would therefore be “premature” to relax military and economic pres-

sure on the Soviet Union. Yet, despite tactical differences, all wings of bourgeois opinion agree that the changes now underway in the USSR, the Eastern bloc and China represent a radical departure from the past and an occasion for renewed optimism.

Much of the ostensibly-Trotskyist left, with its penchant for seeing the “progressive” side of everything that occurs, has tended to emphasize the blossoming of political expression and the exoneration of Stalin’s victims, including the “partial rehabilitation” of the members of the Left Opposition, that has taken place under the banner of glasnost. These developments (which include a promise to publish the works of Leon Trotsky) do indeed go some distance toward raising the curtain of Stalinist falsification of Soviet history, and present real opportunities for Trotskyists. Only the blind, however, can fail to detect, in the recent “new thinking” the reactionary implications which have generated such enthusiasm in the camp of the class enemy.

### **Perestroika’s Foreign Policy: Conciliation and Capitulation**

On 7 January, the *New York Times* published a translation of a feature article which appeared in the summer 1988 issue of *International Affairs*, the official publication of the Soviet Foreign Ministry. It was reportedly approved by Eduard A. Shevardnadze, the Soviet Foreign Minister, and can hence be taken as a reflection of the views of Gorbachev himself. The author, one Andrey V. Kozyrev, opines:

“By pursuing the logic of anti-imperialist struggle, we allowed ourselves—contrary to the interests of our fatherland—to be drawn into the arms race, and helped to introduce the ‘enemy image’ and to set up technological and cultural barriers between the Soviet Union and the United States.”

Kozyrev continues:

“If, however, one takes a look at the United States monopolist bourgeoisie as a whole, very few of its groups, and none of the main ones, are connected with militarism. There is no longer any need to talk, for instance, about a military struggle for markets or raw materials, or for the division and redivision of the world.

“None of the classes or strata of Soviet society is subject to exploitation from foreign capital, and thus none of them can solve the fundamental problems facing it by means of a ‘struggle against imperialism.’ There is only one way to do this—the internal revolutionary renewal of socialism, including the elimination of anachronistic ideas about the world as an arena for the ‘international class battle.’

“It is all the more strange to talk about the irreconcilable interests of states with different social systems now that even the class conflicts within capitalist countries largely take place through the achievement of compromise within a mutually accepted legal framework rather than in the form of harsh confrontation. It follows that the Soviet workers’ solidarity with their class brothers in the West far from justifies the thesis of global class confrontation.

“The myth that the class interests of socialist and developing countries coincide in resisting imperialism does not hold up to criticism at all. The majority of developing countries already adhere to or tend toward the Western

model of development and they suffer not so much from capitalism as from the lack of it....”

Kozyrev’s operational conclusions are that the attempts of Soviet-backed third-world countries:

“to manage their economies by means of an administrative system, their reliance on military aid from abroad and their disregard for democratic freedoms inevitably led to the polarization of political forces. Virtually all of these regimes have been drawn into protracted conflicts with an opposition that in turn depends on outside support....

“Our direct and indirect involvement in regional conflicts leads to colossal losses by increasing general international tension, justifying the arms race and hindering the establishment of mutually advantageous ties with the West.”

If, as Kozyrev claims, very few groups among the “monopolist bourgeoisie” are connected with militarism, how does he explain the fact that the United States under Reagan launched the largest military buildup in its history? Was it because certain third world peoples, unaware of the shining future that awaits them under the beneficent tutelage of the imperialists, threaten to commit the unspeakable folly of making revolution? Or perhaps it was because certain misguided Soviet leaders were foolish enough in the past to provoke the wrath of American imperialism by offering military and economic support to regimes like Cuba and Vietnam which had uprooted capitalism? According to Kozyrev’s logic, it is the Soviet Union and insurgent neocolonial peoples who are responsible for the Cold War and the arms race. This unhappy state of affairs can be ended by giving up the fight. The implication of Kozyrev’s argument is that anyone who refuses to follow this simple prescription for world peace should not count on any support from the USSR in the future.

Fidel Castro, one of the few Stalinist heads of state to have openly expressed reservations about Moscow’s present course, commented, “There are two kinds of survival and two kinds of peace....The survival of the rich and the survival of the poor; the peace of the rich and the peace of the poor.” The differences between Havana and Moscow were evident during Gorbachev’s visit to Cuba this spring. In an April 4 speech to the Cuban National Assembly, with Gorbachev in attendance, Castro made it clear that perestroika does not apply in Cuba. In reference to the new thinking sweeping the USSR and Eastern Europe, he observed, “If a socialist country wants to construct capitalism, we have to respect its right to construct capitalism.” Castro’s project of constructing “socialism” on one island is heavily dependent on Soviet largess and it remains to be seen whether he will remain so outspoken should his Soviet patron threaten to curtail its \$14 million-a-day subsidy to the Cuban economy.

### **Stalinism and Capitalist Restoration**

The Moscow bureaucrats are being outdone in praise of capitalism only by their counterparts in Beijing. There, the talk runs openly to the restoration of private property in the means of production. Three leading economists, all Communist Party members in senior positions at government institutions, have proposed to Zhao Ziy-

ang, a leading “reformer” and General Secretary of the Communist Party, that ownership of state companies be transferred to shareholders that would include universities, local governments and *private individuals*. Hua Sheng, the most prominent of the three, avers, “The problem with many socialist reforms is that they try to reduce government intervention without creating an owner for each company. And every enterprise needs an owner.” According to the 10 January *New York Times*:

“Mr. Hua said a new definition of socialism is needed, focusing on broad issues of social justice like equality of opportunity, instead of on public ownership of the means of production. Mr. Hua asserted that while Marx was generally correct in the field of politics, he erred in economics by opposing private property.”

Pronouncements like the above should be taken with a healthy measure of skepticism. Collectivized ownership of the means of production is deeply embedded in the social life of the degenerated/deformed workers states, and can be abolished only as a result of violent social counterrevolution, not by mere declarations of intent from government offices. In both China and the Soviet Union, the current economic reforms are running into resistance not only from entrenched layers of the party and state apparatus, but also from millions of workers who correctly perceive in them a threat to the relative material security they have long enjoyed under the planned economy.

Nicholas Kristof, *New York Times* correspondent in Beijing, reported on 6 April, “‘Reform’ initially meant a color television, a red bicycle and pork for dinner. Now many people worry that it means more bribes, higher prices or even layoffs.” He lamented, “Most Chinese seemed to regard the market as a cozy place of prosperity, not a source of pain,” and referred to the worries of a Western diplomat that the mass layoffs necessary to “smash the iron rice bowl,” could spark “severe wildcat strikes and social unrest.”

The Chinese government is alarmed by massive popular discontent with growing unemployment, widespread corruption, bank runs, hoarding, speculative buying sprees and a rate of inflation running over 30 percent. (According to the 5 March *Manchester Guardian Weekly*, a current jingle making the rounds in China goes, “Ten cents was worth a dollar under Chairman Mao; with Deng in charge a dollar is worth ten cents now.”) Chinese premier Li Peng, generally identified with the more conservative elements among the ruling bureaucrats, has recently been making noises about tightening central control over the economy and suspending earlier proposals to “free” retail prices.

The erratic course of China’s decade of experimentation with market “reforms” reflects the real social contradictions which exist within all of the deformed and degenerated workers states. It would be a profound error to underestimate the dangers inherent in perestroika. The statements of Hua and Kozyrev, cited above, are not the opinions of isolated dissidents on the outer margins of the intelligentsia. They carry the imprimatur of the topmost political echelons in Moscow and Beijing. From these and other indications too numerous to dismiss, it is clear that elements within the bureau-

cratic ruling castes of the world’s two largest workers states are openly flirting with the idea of capitalist restoration.

Over fifty years ago, Leon Trotsky wrote that the Soviet bureaucracy was a highly unstable social formation which rested upon the economic foundations created by the October Revolution, which it was forced to defend by its own methods against the encroachments of the capitalist world. But Trotsky also warned that the bureaucracy in the long run constituted a grave peril to the revolution’s gains, and that whole sections of the Stalinist apparatus could, under different circumstances, come out openly under a restorationist banner. We may now be witnessing the initial stages of just such a process. It is thus of the utmost importance to understand the causes, nature and implications of the turmoil now engulfing those parts of the world outside the capitalist orbit.

### Roots of Soviet Economic Deceleration

The sweeping changes now taking place in the degenerated/deformed workers states are fundamentally a response on the part of the Stalinist bureaucracies to the problem of economic stagnation. Since the planned economies of all the deformed workers states are modeled on the Soviet experience, an analysis of the contradictions of the Russian economy provides the key to understanding the current crisis of Stalinism as a whole.

From the end of World War II until the mid-1960s, the Russian masses enjoyed a steadily rising standard of living. By the time Gorbachev assumed office, however, economic growth was stagnating. The average annual growth of Soviet national income, which between 1966 and 1970 was nearly eight percent, fell to 3.6 percent between 1981 and 1985, the period before Gorbachev took charge.

Soviet economic performance under Gorbachev seems, at least for the time being, to have worsened. This is only partly attributable to a poor harvest and a fall in the price of oil (the USSR’s chief export to the West) which is estimated to have cost the economy \$8 billion annually in hard currency. The goods and services produced by the 50,000 privately-owned “cooperatives” which have sprung up under perestroika have contributed to a surge in inflation, now estimated to be between six and eight percent. Meanwhile, lineups for necessities have lengthened: “Soviet housewives spend at least the equivalent of a day’s work each week standing in queues to do the shopping. Basic goods such as meat, sugar and detergent are often unavailable or rationed” (*Economist*, 11 March).

The impact of the Soviet economy’s stagnation has to be gauged against the expectations of a population that, perhaps more than any other in the world, has been nurtured on the idea of social progress. Though the Stalinist notion of “socialism in one country” was a complete perversion of the outlook of the leaders of the Russian Revolution, it undoubtedly exerted a powerful grip over the minds of generations of Soviet workers and peasants. Stalin, even at the height of the purges, did not rule by force alone. The Soviet masses could not have

been mobilized to build industry from the ground up, beat back the Nazi invasion, or withstand the rigors of post-war reconstruction without the conviction, harbored in different degrees by various social strata, that they were building a socialist future for themselves and for generations to come. Soviet economic deceleration places a huge question mark over that future.

The "Great Patriotic War" to defeat the Nazi invaders, which had imbued a whole generation with pride, is now receding in the collective memory. Despite the enormous sacrifices of the past, the Soviet economy enters the last decade of the century still far behind its capitalist rivals. Nikita Khrushchev's boast that living standards in the USSR would surpass those in the United States by 1980 is still recalled with bitterness by many Soviet workers. Gorbachev has tried to avoid making the same mistake. Leonid Albakin, director of the Moscow Institute of Economic Studies, "recently warned Soviet citizens that they will have to wait until 1995 for improvements in their frugal living standards" (*Manchester Guardian Weekly*, 12 February). But it is hard to convince workers to make major sacrifices today in exchange for vague promises of future benefits.

The reasons for Soviet economic stagnation are many and complex; the broad outline, however, is clear enough. Having acquired its main industrial infrastructure by copying Western technology during the initial industrialization drive of the 1930s, the Soviet economy until roughly twenty years ago was able to expand at a rapid rate through methods of *extensive growth*, i.e., the quantitative extension of already existing methods and technology. New factories and mines were built, mass housing constructed and fresh tracts of land brought under cultivation using the equipment and techniques developed in the earlier period. The requirement for such expansion was a massive pool of untapped labor in the Soviet countryside. As long as masses of unskilled workers could be thrown into new agricultural and industrial projects, the economy could maintain a certain momentum.

Such extensive methods have their limits in the notoriously low productivity of Soviet labor. The number of products a worker can produce during a normal working day is conditioned both by the level of technology, and the degree of skill and motivation of the workforce. The Soviet Union always lagged behind the West technologically. This deficiency was compounded by the fact that the shocktroops deployed on the economic front were largely drawn from a backward peasant mass, unaccustomed to the rhythms and habits of modern industry.

Low productivity could be compensated for by quantitative growth so long as the labor supply remained abundant: by the 1960s however, the Soviet economy began to run into chronic labor shortages. This was partly due to the success of the industrialization drive which had recruited millions of people from agriculture to industry. The shortages were also exacerbated by a marked decline in the birthrate: the twenty million Soviet citizens who lost their lives to Hitler's war machine left a gap in the following generation, which was coming into the labor force two decades later. To continue to

expand and meet the rising expectations of a population more urbanized and sophisticated than ever before, it became urgently necessary to reorient the economy toward *intensive growth*, i.e., to increase the productivity of the existing labor force. But it is precisely this goal that eludes the rigid, top-down planning system put in place during the Stalin era.

### **Bureaucratic Planning: Collective Irresponsibility**

The problem is not primarily a technical one. It can only be understood in the context of the larger contradictions of Soviet society. The one great enduring achievement of the October Revolution is to have freed the Soviet working class from the constant fear of unemployment and destitution that drives its Western counterpart. But life is more than a guaranteed living. For workers to attain the high level of competence and responsibility required for the optimal functioning of a planned economy, they must be assured of a dignified material existence and motivated by the knowledge that their individual efforts can contribute to the improvement of society as a whole. Today's Soviet worker lacks both these prerequisites. While basic wages will buy the essentials, a second job or trade in the black and gray markets is necessary to obtain many of the things that make life comfortable and enjoyable.

All initiative and control, in both political and economic spheres, is monopolized by a bureaucratic apparatus. The workers are demoralized by the incompetence and cynicism of the materially-privileged parasites who have arrogated all decision-making. The Soviet masses are also well aware that the *nomenklatura* will benefit disproportionately from any improvements in economic performance. Deprived of any means of influencing the nature or contents of their work, Soviet workers cannot but be profoundly indifferent to its results, and seek to do as little as possible in return for their wages. The widespread alcoholism and absenteeism which the rulers decry are but symptoms of increasing apathy.

This attitude of passivity is not limited to the working class, but pervades all layers of the bureaucracy. Consider the Soviet factory manager, who occupies an intermediate position between the workers and the upper echelons of the ruling elite. On the one hand, he seeks to rise through the bureaucratic ranks by fulfilling or over-fulfilling the plan targets handed down by his superiors. Success in this endeavor give him greater access to the dachas, special hard-currency shops and limousines, beyond the reach of the average citizen. On the other hand, he is severely constrained in his ability to impose discipline on the workers under his authority. The days when workers could be sent to concentration camps or shot for minor infractions of the labor code are gone. Neither can the manager resort to layoffs or firing. Unlike in the Stalin era, the Soviet workers are free to choose their place of employment, and can go elsewhere if their bosses are too demanding. Since labor is in short supply, the manager is reluctant to push his workers too hard for fear of losing them.

The simplest way for the manager to please his superiors and avoid confrontation with his workforce is to fulfill his quotas in a perfunctory way, and/or falsify production figures. The quotas for each successive production period are based upon the results of the preceding one. It is hence in the manager's interest not to overfulfill his quotas by too much. This ensures that future targets are achievable. Each enterprise has an incentive to overestimate the supply of production goods and raw materials necessary for the coming period. As things stand, these cannot be purchased on the market as the need arises, but must be ordered from the appropriate state ministry at the beginning of each planning cycle. It is easier to avoid future shortages by obtaining large reserves than to conserve supplies by introducing more efficient techniques. The tendency of every enterprise to underestimate capacity and overestimate requirements leads to chronic underutilization of productive forces and wastefulness.

These inefficiencies are compounded by the notoriously poor quality of Soviet products. Planners at the highest levels of the bureaucracy tend to set quantitative production targets. These can most easily be met by the use of uniform, familiar and simple shop-floor techniques. This leads to a built-in bias against innovation. It is much less demanding, for instance, to turn out 10,000 pairs of shoes of a standard design than to produce the same number in a variety of styles.

Such quantitative methods also leave the door open to myriad ways of subverting the plan from below. Where the output of a given product is measured in weight, quotas can most easily be met by selecting the heaviest materials, regardless of the utility of the final result. If output is measured by size, say the square meter, a window factory can most easily meet its quota by producing thinner panes. The fact that they may shatter in the first windstorm is of little concern to the bureaucrat in charge of producing windows.

The irrationalities of Stalinist "planning" give rise to many popular jokes. According to one, a collective farm director triumphantly announces that he has succeeded in breeding a two-headed calf. When it is pointed out that this innovation will not increase the quantity of beef, he replies that this makes no difference, since cattle output is measured by the head!

Drab and unappealing consumer goods are one well-known result of bureaucratized planning. But the full dimensions of the problem become clearer when it is remembered that the Soviet economy is oriented to heavy industry. Most of the industrial plant is geared to turning out equipment for other manufacturing processes. The inferior quality of these goods afflicts Soviet industry with constant bottlenecks and mechanical breakdowns. Repairs and production of spare parts for production goods eat up an uncommonly high proportion of manpower and material resources which, under a more rational system, could be diverted to the production of consumer items.

None of these problems can be solved within the framework of a planning system based on passive obedience to superiors. A worker can be commanded to perform a certain task. But not even the sternest com-

mands can compel him to perform that task conscientiously, efficiently or with enthusiasm. In a healthy workers state, the producers would be motivated by the knowledge that the workers, as a class, are the masters of society. Stalinist rule in the Soviet Union, however, is predicated upon the political expropriation of the working class.

### Contradictions of Perestroika

Gorbachev's reforms are aimed at propping up, not abolishing, Stalinist bureaucratic rule. The only spur to productivity available within these parameters is the introduction of elements of capitalist market discipline. While this does not amount to capitalist restoration, it does unleash powerful economic and social forces which militate in that direction and thereby ultimately pose a serious threat to the remaining gains of the October Revolution.

Under the old "administrative" system of management which Gorbachev inherited, detailed plan targets and resource allocations for each firm were determined by the central planning apparatus according to the overall requirements of the national economy, as perceived by the bureaucracy. Perestroika is an attempt to replace "administrative" by "economic" methods. The central planning bureaucracy is supposed to be halved by 1990. Direct central control over enterprises is to be phased out in favor of the "three S's": self-management, self-financing and self-accounting. Each individual economic unit is supposed to decide how and how much to produce (in addition to what is required to fulfil the obligatory "state orders") and generate its reinvestment and wage funds primarily from its own profits. Profits will depend on revenues generated from sales.

The market will serve as the outlet not only for consumer goods, as is already the case; Gorbachev has also announced his intention to allow producers of the means of production to trade directly with one another instead of placing their orders, as is now the practice, through central planning ministries. Tying the fortunes of a factory or economic complex directly to market performance will, it is hoped, give workers and managers a direct material stake in increasing output and efficiency.

A key issue which the Kremlin has yet to tackle is the question of consumer price "reforms." Unless each enterprise is free to set its prices, the effects of market "rationalization" will be skewed by the pricing decisions of the planners. On the other hand, in relinquishing the right to determine prices centrally, the bureaucracy gives up a vital lever of economic control.

The current annual disparity between the aggregate price of available consumer goods and the total paid out in wages and salaries is estimated by one of Gorbachev's chief economists, Abel Aganbegyan, at 70 billion rubles (cited in *Soviet Economy*, July-September 1988). This has aggravated the shortage of consumer goods and fueled the parallel (black market) economy. The pent-up demand is reflected in bulging bank accounts. According to V.A. Korostelev of a Kiev planning institute, total cash on deposit in savings banks:

"is growing from year to year: 1983—by 12 billion rubles;

1984—by 15 billion rubles; 1985—by 18.7 billion rubles. For the sake of comparison, we note that deposits in 1965 totaled 18.7 billion rubles, while they now total more than 220 billion rubles.”

—*The Soviet Review*, January/February

If the substantial food subsidies were cut and producers of consumer goods allowed to charge what they could get, prices would at least double overnight, creating what the *Economist* called “the sort of inflation that would make *perestroika* go pop.” Such an across-the-board assault on the living standards of Soviet workers—particularly pensioners on fixed incomes and those employed in marginally profitable enterprises—is so potentially explosive that the Kremlin bureaucrats have so far preferred to avoid dealing with it. Ed Hewett of the Brookings Institution noted that when “one asks Soviet economists why they do not change consumer prices [their] model is Poland in 1976. They are afraid that if they start changing prices, people will go out and tear up railroad tracks” (*Soviet Economy*, July-September 1988).

Gorbachev’s reforms, which have only been very partially implemented to date, pose another unavoidable question: if the fortunes of economic units are to be tied to market performance, what will happen to those firms and enterprises that don’t measure up? Unprofitable firms are currently subsidized by the state. In *Gorbachev’s Russia*, Basile Kerblay cites an estimate that the withdrawal of such subsidies will mean the loss of no fewer than 15 million jobs in industry, construction and transportation.

The notion that market performance depends solely on the energy and initiative of workers and managers is pure capitalist myth. An enterprise’s ability to produce also depends on the means of production already in place, e.g., the productivity of the physical plant. In agriculture the fertility of the soil is another determinant. These factors vary from industry to industry and region to region, with newer and more sophisticated means of production concentrated in the more advanced areas of the country. It is possible for a worker in Uzbekistan, with antiquated machinery, to work harder and more efficiently than his Moscow counterpart and still produce less. Such tendencies toward inequality would be further exacerbated by Gorbachev’s proposed relaxation of the state monopoly of foreign trade. If Soviet firms are allowed to trade directly with capitalist countries, the more successful among them will be able to purchase advanced Western technology, thereby widening their advantage over their less solvent competitors.

To the extent that the market prevails, firms and the workers they employ are rewarded according to how well the commodities they produce sell. Each enterprise must therefore constantly speculate on consumer demand, and face the risk of failure should these speculations go awry. This raises the possibility of unsuccessful firms closing and their workers being laid off. Gorbachev stoutly denies that any such consequences are intended. “True,” writes Gorbachev in his book, *Perestroika*, “the press carried some proposals which went outside our system. There was an opinion, for instance, that we ought to give up planned economy and sanction

unemployment. We cannot permit this, however, since we aim to strengthen socialism, not replace it with a different system.”

## Market vs. Plan

There is no reason to question the General Secretary’s sincerity on this score. The upper echelons of the Soviet bureaucracy are not planning on restoring capitalism. Even if Gorbachev succeeds in implementing his full program, the Soviet state would still possess powerful economic levers that could be used to curtail the more disastrous effects of market competition. First, the state will remain the main client of major industries, and contracts can be awarded on a basis other than profitability. Second, as long as the state sets the prices of industrial and agricultural inputs, it can promote certain enterprises at the expense of others. Finally, the state will retain control of taxation. Taxes can be structured in such a way as to siphon off the revenue generated by more profitable firms, which can in turn be used to provide easy credit, via state banks, to those that fall behind.

But it is precisely at this point that the Gorbachev reforms, as well as all other attempts at “market socialism,” become enmeshed in a contradiction. On the one hand, Gorbachev proposes to establish market profitability as the main economic criterion. He intends, on the other hand, to wield the economic levers of the state to redress inequalities between the more and less profitable firms, to which market competition inevitably gives rise. But are enterprises whose books show a profit today to be prevented, through a combination of price and tax policy, from remaining profitable tomorrow in order to ensure that their less successful rivals survive? It would seem that this aspect of *perestroika* amounts to little more than replacing the present method of direct subsidization with a system of indirect subsidies. This is tantamount to punishing the winners and rewarding the losers, and introduces into the economy two fundamentally conflicting imperatives.

For the market to operate in any meaningful way, it must act as a regulator of production. Each economic unit must be a producer of commodities and must also determine the extent of its production according to market signals (when supply exceeds demand, the producer cannot realize his investment through sales, and will scale back; when demand exceeds supply, prices rise and act as a stimulus to production). No manager, however, can effectively respond to market exigencies if his workers are insured lifetime jobs at a guaranteed wage, as is largely the case today. The manager must be able to reduce or augment the workforce as the market requires, and must thus possess the right to reduce wages and lay off workers. In short, the market as a regulator of production cannot achieve full coherence unless labor is reduced to the status of another “cost factor,” on the same order as machines and raw materials.

The worker, in turn, cannot be treated as another “factor of production” unless there exists, over and against him, an individual or group of individuals whose function is to assess the costs of the various “factors” with a view to the enterprise’s profitability.

The personal interests of this group must be tied in some way to the enterprise's success. And history has as yet devised no better way to link personal interest to profit than through the institution of private ownership. The market, in short, inevitably leads to a revival of class antagonisms.

Abel Aganbegyan, a leading Gorbachevite brain trustee, argues in *The Economic Challenge of Perestroika* that the market historically existed in many non-capitalist societies, and can thus be used to bolster "socialism" as well. What Aganbegyan "forgets" is that markets existed only on the *periphery* of pre-capitalist societies, and were concerned mainly with external trade. Once the logic of the market seizes hold of *production*, it sweeps all before it, and is inevitably accompanied by the class divisions of capitalist society.

The market is not a neutral instrument that can be harnessed in the service of a collectivized economy. While the market mechanism can be used in a planned economy for the rational allocation of consumer goods, its logic is ultimately antagonistic to a society where production is planned on the basis of human need. Where a collectivized economy governed by the producers fosters in individuals a sense of mutual social responsibility, the market engenders a narrow-minded materialistic egotism, the war of all against all. It is indeed possible, either in the transition period from capitalism to socialism or in the initial stages of capitalist restoration, for market and plan to coexist within the same society, just as it is possible for healthy and cancerous cells to exist for a time within the living organism. This coexistence, however, can never be a peaceful one. In the end, one or the other must prevail.

Mikhail Gorbachev and his cohorts stand firmly poised between the devil and the deep blue sea. The Soviet economy cannot move forward on the basis of the Stalinist planning methods of the past. Gorbachev and Co. think that the selective introduction of elements of the capitalist market is the only way out. But, realizing that certain entrenched bureaucratic interests and, more importantly, tens of millions of Soviet workers, will not give up the planned economy without a fight, they stop short of thinking their program through to its logical conclusions and promise the best of both worlds. These oligarchs imagine they are free to pick and choose among "aspects" of different social systems as one selects canned goods in a supermarket; they have little notion that there are social and economic forces more powerful than the will of even the most puissant of *apparatchiks*. There are however others, both within the Soviet bureaucracy and without, who are much quicker to grasp the long-term, and not so long-term, implications of Gorbachev's proposed changes.

### Gorbachev's Social Base

While Gorbachev's promised economic reforms have been slow to materialize, events have been developing more rapidly on the political front. The ruling faction in the Kremlin realizes that an economic shakeup as profound as the one it is proposing cannot simply be decreed from on high. To overcome the resistance that

perestroika is encountering from more conservative bureaucratic elements, pressure must be brought to bear from below. To this end, Gorbachev has lifted the restraints on political expression to a degree unprecedented since the consolidation of the rule of the Stalinist faction in the 1920s. Many ill-defined and contradictory political currents have rushed into this newly-created political space. But of all the voices thus far raised, the most distinct is that of Russia's increasingly self-confident managerial, technocratic and intellectual elite, which overlaps with, but is not entirely identical to, the privileged party *nomenklatura*. It is this stratum which provides Gorbachev with his principal social base.

These professional layers feel suffocated by the rigid conformism that the party bureaucracy has imposed for decades on all sectors of society. They demand a wider field for political, cultural and individual expression. This in turn requires greater access to information about their society and the world, past and present. They are far too sophisticated to believe the crude falsifications of Soviet history that Stalin and his heirs concocted to cover up their crimes, or to swallow uncritically the highly controlled and distorted picture of the outside world presented by the official media. While the exercise of this newly granted political freedom can hardly be confined to these elite groupings, it is they, and not the workers, who are currently taking the lead in expressing society's general discontent with bureaucratic rule.

The results of the 26 March elections to the newly-created Chamber of Deputies represent an overwhelming popular repudiation of the still-formidable Brezhnevite holdovers within the party and state apparatus. Disgusted by decades of Stalinist mendacity and exhilarated by the first opportunity to play any role in selecting their leaders, the electorate was apparently willing to vote for anyone who opposed the machine-picked candidates and stood for change. The victors were an assortment of academics, technocrats and out-bureaucrats (personified by Boris Yeltsin, the deposed Moscow party chief), united by no program other than opposition to the status quo and general support for perestroika. Their future trajectory can only be anticipated on the basis of their present social position.

For all their anti-Stalinist inclinations, the professional intelligentsia constitute a privileged social stratum, with concerns far removed from those of the ordinary worker. Their economic aims center on removing all obstacles to their upward mobility. One such obstacle is certainly the tyranny of the *apparatchik*, who, especially during the Brezhnev years, monopolized privileged positions for himself and his cronies, thus barring the way for anyone seeking recognition on the basis of professional achievement. But an even greater constraint is the planned economy itself, which restricts the professional to the status of a salaried employee of the state. It is therefore not difficult to understand the attraction of these social layers for the ethos of the Western yuppie, who supposedly enjoys personal freedom and social autonomy, as well as unlimited opportunities to amass personal wealth. The Soviet technocratic/managerial elite certainly does not speak with a single political voice. But there can be no doubt that its more right-wing

elements are increasingly coming out under the banner of capitalist restoration.

### **Resurgent Nationalism: Bitter Fruit of Perestroika**

This tendency is most pronounced in the Baltic states, which are among the richest and most prosperous of the Soviet Union's constituent national republics. The largest and best organized of these Baltic nationalist movements is the Lithuanian Sajudis. Gorbachev originally supported Sajudis as a counterweight to his political opponents within the local party hierarchy. Only when Sajudis began calling openly for secession from the Soviet Union did Gorbachev withdraw his backing. Sajudis captured 32 out of 42 of the Lithuanian seats in the Congress of Deputies, and threatens to take over Lithuania's national legislature. Opinion within this movement is divided about whether to declare independence immediately or wait for a more favorable opportunity in the future. Vytautas Landsbergis, president of Sajudis and head of its "moderate" wing, says "that if Lithuania is allowed to develop its own experimental economy to shut down polluting heavy industries, develop private factories and farming, engage in free trade with the West, and create its own monetary system then Lithuania can remain part of a Soviet federation, at least for now" (*New York Times*, 14 March).

Recent developments in Lithuania probably provide the clearest indication of what the process of capitalist restoration would look like. National minorities in the USSR are undoubtedly oppressed by Great Russian chauvinism. But one undeniable advantage of planning is that it allows the central authority to channel national wealth to the less advanced regions of the USSR. Reliance on market forces can only deepen the inequalities between the richer and the poorer Soviet republics. Perestroika is thus leading to a general power-grab on the part of regional bureaucracies.

Buttressed by popular nationalist sentiment, the elites of the richer republics apparently intend to consolidate their positions by breaking away, little by little or all at once, from the central authority. Such a strategy would allow them to keep indigenously generated wealth within their borders and to strike bargains on their own with the capitalist powers. The National Fronts of Latvia and Estonia, with programs similar to Sajudis, also scored victories in the recent elections, and right-nationalist sentiment is beginning to gain ground in the Ukraine, Soviet Armenia, and most recently Georgia, are following in the same direction.

The most sinister political development in recent years is the rapid growth of a fascist organization called Pamyat, or Memory. Based mainly in the urban centers of Moscow and Leningrad, Pamyat combines a sentimental longing for a return of the Stalin era with the vilest prejudices of Russia's pre-revolutionary past: Great Russian chauvinism, reverence for the czars and the anti-Semitism of the Black Hundreds, the infamous perpetrators of czarist pogroms against the Jews. Pamyat is said to enjoy the covert support of anti-Gorbachev groupings within the bureaucracy. But it is also

possible to detect, in Pamyat's reactionary fulminations, the hysterical response of the "little man"—undoubtedly including the most debased elements of the working class—to changes he does not understand, and of which he is frightened to death. This fear and hysteria finds political expression in the yearning for a "strong hand," be it that of a czar or a Stalin, that will end the chaos and reimpose order in society. Such sentiments are the typical stuff of fascist movements, which in periods of social crisis provide the shock troops of reaction, and are the deadliest enemies of the organized working class. The time for the Soviet workers to mobilize to crush the fascist Pamyat pogromists is now—before they get any stronger.

### **The Emergence of a Soviet "New Left"**

The last word on the political ferment now sweeping the Soviet Union remains to be spoken. The newly-aroused intelligentsia is by no means unanimous in its admiration of capitalism. A minority, represented by the Socialist Clubs (which coalesced in 1988 as the "Popular Front for Perestroika"), remains committed to its own ill-defined version of Marxism. But while definitely on the left of the pro-perestroika current (Boris Kagarlitsky, a leading figure in the "Popular Front," has voiced numerous criticisms of the anti-working class aspects of reliance on the market mechanism), this current is far removed from the proletarian internationalism that inspired the October Revolution. Most, if not all, of its participants seem inclined to idealize classless "democracy." The more serious and thoughtful elements among the leftist intelligentsia who take advantage of the invaluable opportunities opened up by glasnost to rediscover Bolshevism in its true colors can play a valuable role in reestablishing an authentically Leninist tradition within the Soviet proletariat. But, at the moment, these leftists remain a small minority, quantitatively insignificant in the larger political equation and programmatically amorphous.

By far the most significant factor in determining the shape of things to come is the multi-millioned Soviet proletariat, which has thus far remained quiescent. The working class has the most to lose from the introduction of market discipline. If Gorbachev's economic reforms proceed as projected, large numbers of Soviet workers will be forced into opposition. What political form such opposition may take, however, cannot at this point be predicted with any certainty.

The traditions of the Bolshevik October which created the Soviet state have long been buried beneath a mountain of Stalinist filth. In the absence of a consciously revolutionary leadership, the Russian proletariat is in danger of being manipulated by various bureaucratic factions. A worst-case scenario is that of Poland, where the legitimate resentments of the working class against Stalinist mismanagement were harnessed in the service of clerical reaction. Fortunately, there is no force comparable to the Polish Catholic Church in Russia today. But none of the political forces now dominating the field,

from Gorbachevites to the neo-Brezhnevites in the bureaucracy, stand on a program which has anything in common with the historic interests of the working class.

### **“Socialism in One Country”: An Anti-Socialist Dogma**

For bourgeois ideologists, a majority of Eastern European and Soviet dissidents, and sizeable sections of the Western left, Gorbachev’s pro-market orientation testifies to the failure of socialism. In fact, the current crisis of the Soviet bloc confirms the warnings put forward by Leon Trotsky and the Left Opposition sixty years ago that the Stalinist program of “socialism in one country” is a reactionary and ultimately anti-socialist dogma.

The Trotskyist refusal to accept the equation of socialism with Stalinism is an object of scorn for reactionaries, pragmatists and backsliding “Marxists” of every stripe. For them, any distinction between the two signifies either hopeless moralism or a desperate clinging to an outmoded sectarian point of honor. The term “actually existing socialism,” popularized by the East German “Marxist”-dissident-cum-Green, Rudolf Bahro, simultaneously acknowledges and dismisses the Trotskyist critique. You may call socialism anything you like, Bahro implies, but the only socialism worth talking about is represented by the reality of those societies whose rulers have adopted that label.

In a similar vein, the English-speaking world’s leading advocate of “market socialism,” Alec Nove, concludes from the inadequacy of Stalinist planning that planned economy in general can never work. “...it would be foolish” writes Nove in a polemical exchange with Ernest Mandel, “to ignore the Soviet experience because of a prior decision to classify it as ‘not socialist’” (*New Left Review*, January-February 1987).

The refusal of genuine Marxists to identify socialism with the bureaucratically-dominated societies of the Soviet Union, Eastern Europe or China, is not a debater’s dodge or a dogmatic reflex. It flows from our conviction that socialism in Marx’s sense—a democratically planned association of producers—is not only desirable but also *necessary* and objectively *possible* on a world scale. Stalin sought to legitimize the rule of the bureaucratic caste he led to power by appropriating the socialist title; legions of bourgeois ideologists and their “leftist” camp followers now point to the crisis of Stalinist rule as proof of socialism’s decline. Both the former and the latter, by accepting the equation of Stalinism with socialism, explicitly or implicitly deny that a planned economy governed by the conscious will of the collective producers is either possible or worth fighting for. By reserving the name of socialism for such a society, we affirm our allegiance to 150 years of revolutionary struggle by the working class to bring it into being.

A genuine socialist society can only be consolidated on the basis of the necessary material prerequisites. Its citizens must have both the time and the capacity to participate fully in the making of major social decisions. This implies a growing freedom from the economic insecurity, drudgery and narrow specialization that inhibit the average man and woman of today from taking

anything but a passing interest in society’s common affairs. For such a political order to be permanent, that is, irreversible, society must have reached a level of abundance sufficient to ensure that the basic necessities (and many of what are now considered the luxuries) of life are freely available, and are the precondition, rather than the object, of the individual’s endeavors. According to Marx, the productive forces upon which socialism will be based have already been brought into existence by capitalist development itself.

In all previous historical societies, the available social surplus was only sufficient to permit a tiny minority to develop its potentialities at the expense of an exploited majority, while the latter was condemned to a subhuman existence. The emergence and triumph of capitalism created, for the first time in history, the objective conditions for humanity’s transcendence of class divisions. “The bourgeoisie, during its rule of scarce one hundred years,” wrote Marx and Engels in 1848, “has created more massive and more colossal productive forces than have all preceding generations together” (*Communist Manifesto*). This is even more true today than it was 140 years ago.

The most fundamental contradiction of capitalism is that the unsurpassed wealth it has created is not humanity’s servant, but its master. It confronts society in the form of capital, a blind and unconscious force that tyrannizes the lives of individuals with all the arbitrariness of a force of nature, “thwarting [their] expectations, bringing to naught [their] calculations” (*German Ideology*). And just as the dominance of previous ruling classes was based upon a monopoly of the means of production furnished by nature (chiefly land), so the dominance of the modern bourgeoisie is rooted in its ownership of man-made productive forces in the form of capital. Only when these productive forces are taken out of private hands and subjected to the collective control of society can the division of human beings into antagonistic social classes be transcended and the wealth that the working class has produced be made to serve humanity’s conscious aims.

### **Their Socialism and Ours**

Trotsky wrote that, for all its achievements, capitalism “leaves the blind play of forces in the social relations of men untouched. It was against this deeper sphere of the unconscious that the October revolution was the first to raise its hand” (*History of the Russian Revolution*, Vol. 3). But if the revolution of 1917 constituted humanity’s first step along the socialist path, neither Lenin, Trotsky nor any of the original Bolsheviks imagined that socialist construction could be completed within the confines of backward, impoverished and war-ravaged Russia. Because the capitalist system, centered in Europe and America, is worldwide in scope, socialism can ultimately triumph only as a new global order, with the world’s most advanced productive forces at its disposal. The Bolsheviks saw the October Revolution as the opening battle in an international class war, whose ultimate objective was the conquest of the highly-developed Western heartlands of capitalism by the proletariat.

Nothing could have been more abhorrent to the founders of the Soviet state than the doctrine of “socialism in one country,” first propounded by Joseph Stalin in 1924. This doctrine was the program of a new bureaucratic stratum that arose due to the revolution’s isolation in the decade following 1917. The Stalinist bureaucracy abandoned the struggle for world revolution in order to consolidate its privileges at home. This in turn required conciliating the capitalist rulers abroad. To this end, the Kremlin used its prestige in the international workers movement to derail and betray foreign workers when revolutionary situations arose. Thus the Soviet bureaucracy, originally the spawn of the revolution’s isolation, became an active factor in prolonging it. The idea that Russia could build a socialist society on its own was the ideological weapon with which the bureaucracy attacked the internationalist traditions of the October Revolution. Show trials, prisons and firing squads were the material weapons with which it annihilated the remaining members of Lenin’s general staff.

In the absence of aid from the workers of the West, the Stalinist bureaucracy could only build up its industrial base by forcibly collectivizing agriculture and imposing a draconian regime upon the workers. Due to the fact that the Russian Revolution had concentrated economic power in the hands of the state, the bureaucracy succeeded, albeit by brutally coercive methods, in bringing Russia into the modern world. But the promise of a socialist society that would equal and surpass capitalism in productive power remains unfulfilled. A command economy whose commands are no longer backed up by force, a working class with neither the discipline of the capitalist market nor the material security it would enjoy in a truly socialist community—this is the historical limbo to which sixty-five years of Stalinist rule has led. This impasse attests *not* to the failure of socialism, but to the bankruptcy of “socialism in one country.”

Trotsky held that the prospect of building socialism in a single backward country was an autarkic fantasy which was bound to fail. He was, at the same time, not anxious to see his predictions confirmed by a restoration of capitalism in the Soviet Union. The elements of economic planning present in the Soviet economy, however distorted, are the enduring fruits of the first attempt in

history to replace the economic and social anarchy of capitalism with conscious human control. To abolish planning in favor of the market would be a step backward. Yet, it is precisely in this direction that the present rulers of the Kremlin are headed.

The defense of economic planning cannot be entrusted to the Ligachevs and other conservative *apparatchiks* who cling to the old ways for fear of losing their sinecures. Workers democracy, based upon democratically-elected soviets, is the only force that can sweep away the Gorbachevs, the Ligachevs and all other bureaucratic taskmasters, and breathe new life into the planned economy. Proletarian internationalism, the banner under which the Soviet state was born, is the only political program that will allow the plan to flourish in the context of an economically integrated socialist world. This is our program—and the vehicle for its realization can only be a reborn Fourth International.

Finally, to all those reforming bureaucrats, anti-Stalinist dissidents and “post-Marxists” who assert that socialism is dead and that the market is the answer, it is only necessary to put one simple question: what future do you envisage for the world beyond capitalism? Such a question will usually elicit an evasive answer. For when all circumlocutions are unravelled, it is evident that few of these pundits have any hopes, let alone a program, for going beyond capitalism. Their wisdom in the last analysis amounts to little more than the claim that the market, with its blind spontaneity and class antagonisms, will always be with us. We have heard this before. If the Marxism we profess is not new, the idea that the market springs from human nature is much older still; as old, in fact, as the bourgeoisie whose supremacy it was invoked to justify. Two hundred years ago, when the bourgeoisie was on the ascendant, these ideas may have been compelling. But in the present era of capitalist decay, after countless economic crises, two world wars and the nightmare of fascism, such pronouncements can only be borne of despair in the very possibility of progress. Despite the increasing currency of this reactionary mood, the only future for humanity lies along the socialist road first charted by Marx and Engels, and opened up by the October Revolution of 1917. ■