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# State Capitalism in Russia

Murray Bookchin

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Autumn 1950

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Labour is furnished by the kolkhoz, which, in addition, is obliged to assign a specified percentage of its manpower to certain compulsory tasks (road work, transportation, felling timber, etc.) and to work in urban factories.<sup>32</sup>

Centuries ago, capitalism took form in mediaeval Europe. By developing the instruments of production, the possibility was poised for a historic solution to want and exploitation. With the first World War, the curve of capitalist development took a downward turn; and here, history has reached the heights of irony. Alongside the most remarkable technological achievements, undreamed of advances in electronics, servomechanisms, turbo-engines and nuclear physics (in a word, all the means of lightening human labour) reappear the institutions, want, and exploitation of the past, infinitely intensified. Literally: moribund capitalism generates its own negation in the forms of a dark, barbaric past, when the material bases of mankind lay at the threshold of pre-history. The system converges toward stability on the shambles of whole cultures. Industry, as it were, 'thrives' in laboratories surrounded by a desert of human agony and hunger, only to achieve florescence in ... armaments. All the ingenuity of mankind — from science, communications and technology to the products of the printing press and the paint-brush — conspire to suck every isolated or remote community into the rising slave state. Indeed, as compared with the Stalinist regime, which can be considered no more than a mirror of relentless developments in Europe and America (if authentic democratic forces fail to intervene), the particularness of past mediaevalism will appear as a veritable haven for the human spirit.

23rd June, 1950.

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Soviet model to provide for the "reform" of certain classes of prisoners by sentencing them to labour for one month to two years at "reduced wages".

<sup>32</sup> B., S., and Y., etc., p. 136.

der unbearable conditions, are devoured by the camp system. Whole areas like the gold-mining region of Kolyma, are entirely 'populated' by chattel slaves, comprising every profession and vocation, occupying camps on the dimensions of cities (Magadan, for example), serviced, maintained and renewed by the system. The law of population under moribund capitalism dictates that millions, pushed outside society by the general contraction, must be worked to death.

But the individual merely perpetuates the species which, locust-like, slowly consumes all before it. For each who perishes, two appear. Slave workers recruit slave technicians; the technicians recruit slave engineers; these, in turn, are followed by guards, factories and more camps. The new mode of labour reproduces itself not only from the inner crisis of capitalism, but from the division of labour in modern industry. It recreates the entire juridical, political and economic fabric — adapting all institutions to its needs and, by giving rise to its own qualitative forms, threatens to negate the capitalist mode of production itself.

Slave labour already germinates in every phase of the Russian economy. The internal passport, the work-book, countless labour regulations ranging from 'job lateness' to 'sabotage', compulsory vocational training, etc., etc. — all reduce the industrial worker to a captive of his specific job.<sup>31</sup> On the 'collective' farms, practically every pretence is cast to the winds. Yugow makes the following significant observation of the Russian kolkhoz system:

'Productive machinery, with the exception of small tools, belongs as already mentioned to the government, which, by agreement, works the land and harvests for the kolkhozes.

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<sup>31</sup> These features, of course, extend to areas under Russian occupation. Mr. MacCormac of the *N.Y. Times* (19th June, 1950), for example, reports offhandedly:

'Like Russia the satellites now are experimenting with prison labour as a solution to their difficulties. New legal codes are being adopted after the

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guns. If supporters of the Stalin regime hope that perhaps (and not without a revolution against the regime) the Russian people can be induced to use bayonets for buttering bread, then it may be supposed that they will dwell in cities of tanks, wear the drab grey of the army uniform and use helmets for toilet bowls. ...

## The Slave State

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During the depths of the economic crisis, almost two decades ago, letters to the American Press opined that the unemployed should be placed on unseaworthy rafts and set adrift. In principle, the suggestion was not original. Although required by German fascism ten years later (efficiency often dictating crematoria), it was long anticipated in the slave labour camps of Stalinist Russia.<sup>30</sup> For more than a quarter century, Russian capitalism has followed the relentless logic inherent in contemporary world development. Through countless purges, 'liquidations' and 'collectivization' drives, it has literally appropriated the bodies of millions of men, women and children whom the contracting system can no longer support on the basis of anything remotely resembling a free labour market. Like chained gangs on ancient latifundia, they are placed to work in the bleak hells of Siberia, in mines and on wastes where life is scarcely maintainable and quickly passes out of existence. From the Caspian Sea to the Solovietsky Islands on the White Sea, hopeless masses of human beings, living and dying un-

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<sup>30</sup> Slave labour was undoubtedly intended as a permanent feature of German fascism. It is not through regard for, but in disregard of, the interests of German capitalism that the 'surplus' population of East Germany is permitted to exist (at Allied sufferance) 'only' as ... a starving mass of refugees. The destruction of 4,000,000 Jews comprises no more than the form of selecting 4,000,000 human beings who had to perish under capitalism. The list was later to include: Gypsies, Poles, Russians, Ukrainians, etc.

so before she was attacked as Germany had spent in the corresponding period leading up to her aggression against Poland. Germany's two-year lead in this race, however, gave her a formidable advantage; at the time of her attack on the USSR her military expenditure was probably still at least twice that of Russia though not all of it — perhaps little more than two thirds, could be applied on the eastern front. ... Whatever the margin of error in the calculation, it is clear that the real cost of military preparation to the Soviet Union was, like the subsequent burden which it bore in battle casualties, the heaviest carried by any nation.<sup>28</sup>

By examination of mere surface facts, economists judge that expenditures on armaments comprised 6 per cent. of Russian national income in 1934; 12 per cent. in 1937; 25 per cent. shortly before the German invasion; and — according to recent estimates in *Life* magazine — 25 per cent. to-day.<sup>29</sup> These assumptions are much too cordial. We submit that the Russian economy, from the very logic of the system, is oriented as a whole toward armament production; that proportions, estimates and statistical juggling are entirely meaningless. This situation gestates in capitalist development itself — even in such bastions of industry as the United States. Armament production is the life fluid of the bourgeois mode of production, the co-efficient of all industrial output, the one dollar that keeps the other three, four, five or ten in motion. In Russia, however, such determinations are already fruitless. Armaments are the absolute foundation of the economy itself; the Moloch to which all resources are delivered — the sacrificial altar of all industrial development.

It becomes absurd, from this standpoint, to regard the index of Russian production as any hopeful sign of progressive possibilities. Steel, in Russia, means guns or the means for making

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<sup>28</sup> A.J. Brown, *Applied Economics*, Rinehart and Co., 1948, pp. 31 and 36.

<sup>29</sup> *Life*, 27th February, 1950.

The problems of the social system in Russia have often been compared with those created by revolutionary France more than a century and a half ago. An understanding of both, it is said, requires perspective. Historians are reminded that the years have dissolved the acrimony heaped on the events of the Great French Revolution — that more 'good' than 'harm' was done. Much the same is implied for Russia. Supporters, even mild critics, of the Stalin regime tell us that so 'new' a phenomenon requires the test of many generations, that the judgement nourished by immediate events, by 'passing' abuses, must be suspended until lasting outlines appear. In place of the years and of abuses engendered by 'expediency', a vast theoretical corpus has been brought to the support of the Russian social system. We are invited to equate the nationalization of industry to progress; economic planning to the elimination of crises; mounting indices in steel, coal and petroleum production to the well-being of the Russian people. In the meantime, fact progressively contravenes theory. The nationalization of Russian industry has not been marked by any sort of social progress. Russian economic planning — such as it is — has sharpened crises known to the capitalist world. And the mounting indices in heavy industry (little as we are actually permitted to know about them) have been accompanied by abject misery and worsening of conditions for the Russian people. To anyone informed of Russian social life, the contradiction between theory and reality has reached nightmarish proportions.

Moreover, just as theory has been used to distort the meaning of events, so events have revenged themselves on theory. The most vulgar prattling has been employed to override Russian reality from one aspect or another, and with it, the means for social analysis itself. One has only to examine the tortured ideas of Stalinism and its supporters on economic theory, aesthetics, and, often enough, even science, to judge the wholesale misapplication of thinking to all questions. The shoe is invariably placed on the wrong foot and the adherent is invited to

limp through a host of broad economic, political, and cultural, as well as specifically Russian, problems. It becomes a social responsibility in every sense of the term to bring fact and theory into accord.

Although objective and systematic accounts have been available for some time, there has been a marked failure to employ them adequately for the purposes of generalization. By contrast, Stalinist theory was given the semblance of a certain unity and comprehensiveness. The rather popular notion that Russia is a 'managerial society' is unsatisfactory and starts from the same premises as the Stalinist approach. Both assume that Russia represents a historically-new social formation. The 'managerial theory', it is true, poses a significant issue: if the state exercises full control over the economy, it is necessary to ask — 'Who controls the state?' To this question, Stalinist apologists have no reply; unless we are to give serious credence to the benign 'intentions' of the Russian leaders or to the claim that Russia has the most democratic constitution in the world. On the other hand, the 'managerial theory' explains little of the energizing forces of the Russian economy: of its dynamics and of Russian expansion abroad. From so purely negative a definition, developed in reaction to the incredibility of the Stalinist view rather than from a positive elucidation of the conditions of Russian material life, it would be difficult to find serious points of difference between a 'managerial society' and, for example, Ptolemaic Egypt. The position fails to bring anything into relief — it lacks an explanation of anything that is socially distinctive.

But if Russian society is not to be regarded as a 'new' historical stage, what does it represent?

The contention made here is that Russia is integrally tied to capitalist development, that its social system may be called state capitalism. Such a judgement follows from two considerations. The first and most general is the entire process of world capitalist development. The barbarization of society, so

memberment and exploitation of advanced capitalist countries makes its appearance, the export of excess capital resources becomes an ancillary feature of imperialism.

3. *The growth of Russian industry.* If Russian industrial development means anything, it refers first and foremost to armaments industries. Much the same can be said for the entire capitalist world. The armament industry is, to-day, the lubricant of the entire system and growingly extends over consumer goods production precisely because it, alone, can co-exist with a falling standard of living. Guns, tanks, aircraft — weapons of all kind — explode in waste. They require only the intervention of the state as a purchaser. The state, on the other hand, becomes a buyer by virtue of the revenue it exacts from the system as a whole; principally, by milking the masses dry in true publican fashion. In the United States, this essentially takes the form of taxation; in England, rationing and wage fixing; finally, in Russia and Germany, naked police supervision over the living standards of the people. The poverty of the masses is 'planned' — and this, by far, is the major function of planning.

As greater recourse is had to direct measures, the more armaments are required to keep the masses in subjugation. These operations occur on a world scale: occupation armies, arms for docile elements abroad, etc. To be sure, profits too require distribution (again: 'planning') to sustain the state as the essential agent for, and market of, the system. In this rule, the state frequently appears as the disciplinarian of contending bourgeois blocs. Although by no means the most desirable situation for elements accustomed to a laissez-faire economy, choices cease to exist. The system must be sustained as a whole.

Despite the fact that the Stalinist regime came very close to defeat in 1941-42, it compared only with Germany as a producer of armaments during pre-war years. Between 1934-39, Russian armament expenditure was twice that of England. 'It seems likely,' writes Prof. A. J. Brown, '... that the Soviet Union spent at least as much on military purposes in the five years or

'The focal points in the territorial aspiration of the Soviet Union would presumably be centred south of the territory of the Soviet Union in the direction of the Indian Ocean.'<sup>26</sup>

To-day, the imperialist activities of the Stalinist regime occur, as is the case with the rest of Europe, under the shadow cast by the polarized, concentrated power of the United States. Beside this 'American colossus', rivalry must generally find circuitous routes: infiltrate into weak positions; operate in the crevices and around the fringes of American control. The phenomenal privileges allocated to Russia, however, are explicable only in terms of the political limitations of the United States. The Stalinist regime largely holds those positions where the need for the naked application of force places the bourgeois-democracy of the United States at a current disadvantage. To employ the more precise formulation of Ernst Zander: 'The secret of the situation, as of America's weakness, consists in Russia having become her most reliable and indispensable policeman in Europe and Asia. It is predominantly from this that Russia derives her 'astounding' strength in the haggling with other Powers — no other country can be entrusted with the ruthless police function once the Stalin regime collapses.'<sup>27</sup> In effect, the Stalinist regime complements and is, for the present, *indispensable* to American imperialism. As in 1939, Stalinism remains a precondition for world reaction and retrogression; in the first case, precipitating World War II, and to-day, assuming the functions of Hitler during the thirties.

In this context, where expansion goes hand-in-hand with total parasitism dictated by rivalry and survival, where the dis-

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<sup>26</sup> Memorandum of the Final Conversations Between Reich Foreign Minister von Ribbentrop and Chairman of the Council of People's Commissars of the U.S.S.R. and People's Commissar for Foreign Affairs, Herr Molotov, on 13th November, 1940, from *Nazi-Soviet Relations, 1939-41* (German Archives) p. 25, U.S. Department of State.

<sup>27</sup> *Contemporary Issues*, Vol. 1, No. 1, 'Concerning Germany and World Development', by Ernst Zander.

graphically represented by Fascism and its Stalinist predecessor, is anchored in the bourgeois mode of production. It requires absolutely no departure from an analysis of capitalist retrogression to explain all the phenomena of Stalinism. In point of fact, *Russia reflects this decline in every feature*. The second and more specific consideration is the backwardness of Russia. This historically-retarded development, suffice to say for the present, cannot be regarded as a bag of excuses for justifying 'contemporary excesses' or, what amounts to the same thing, for keeping Russian society in suspended animation — free from the compulsion of social law. The 'intentions' or wishes of the Stalin leadership — whatever they may be — may be disregarded. Under capitalism, backwardness has its own laws, by which Russia, like Germany, Italy and Spain (each in a certain sense) are relentlessly governed.

A discussion of Russia as a state capitalist system, therefore, presents the challenge of large issues. At every point, the analysis lends itself to homologous developments in England, America — indeed, in the entirety of capitalist society. Concretely, there is almost no special starting place. Developments in western Europe, among the 'democracies', suggest the same problems that in Russia have achieved only greater poignancy.

## Nationalization and the Background of Russian Capitalism

Russia to-day has a nationalized and, allegedly, planned economy. This has, by common consent, been regarded as the unique characteristic of Stalinist society; at once its point of departure from capitalism and its most 'progressive' feature. Planning is, at most, a claim and may, for the moment, be put aside. The nationalization of industry, however, remains indisputable. The question at issue is: why is industrial nationalization, *per se*, non-capitalist or progressive?

It is true that nationalization, at least juridically, precludes the individual ownership of industrial enterprises. And such individual ownership has been associated with capitalism and its consequences — more generally, with private property in the means of production. But many civilizations have been known where state ownership of the productive forces, for one reason or another, became the dominant economic institution without in any conceivable sense eliminating problems engendered by individual property. Private property remained in the real sense that the control of the productive forces yielded the relatively autonomous decisions that characterize individual ownership.

The point to be made is that the apparent economic relationship of men to the productive forces must be explained by the economic relationship *between* men. At all times, of course, a certain technological level is presupposed. Hunters, for example, cannot be expected to establish feudal social relations. But to borrow again from the fruitful analogy of the ancient world, the feudal social relations of Egypt dominated the transitions from the centralized, state-owned lands of the Old Kingdom, through the somewhat atomized Middle Kingdom, into the Empire and completely centralized economy of the Hellenistic Age. Throughout, the relationship between the broad mass of serfs and the ruling nobility and priesthood remained same. Although these changes met many real needs, feudal problems and relations persisted and dominated Egyptian society.

The point behind this analogy can be verified in the history of Russian capitalist development.

If European capitalism of the eighteenth and nineteenth centuries had room for development, Russian capitalism, due to its belated appearance, could find little sustenance in a precarious world market overcrowded by superior rivals, and in an internal market inhibited by feudal relations. True, Russian capitalism did not recapitulate the industrial and political history of Europe. From the start, it was in possession of a technically-

enslavement and exploitation was nurtured for generations on the continents of Asia, Africa, South America and in the archipelagoes of the Orient. But the colonial countries do not stand alone. Under the heightened conditions of present-day rivalry and instability, even the industrially-advanced nations of Europe face oppression and reduction to a colonial status. Europe enjoys the 'special status' wherein her stabilization involves no less than the physical destruction of much of her industry. Thus, the 'Iron Heel' German capitalism prepared for Europe now descends upon Germany. Industries are destroyed, millions bombed out and permanently uprooted. The country is dismembered and occupied by foreign imperialist armies. The 'loser' of the last war, however, is only the harbinger of conditions that await nearly all the 'victors' of to-day. Eastern Europe already shares the fate of Germany; England, France, Belgium — all progressively become the economic and political instruments of American policy. The economic one-sidedness and dependency that are imposed on the colonial world eventually face the earlier colonial oppressors themselves. The international market, like the internal market, contracts; all social existence threatens to shrivel and decline.<sup>25</sup>

It is in this milieu — that is, under the conditions and possibilities created by the second World War — that Russia definitely embarked upon an imperialist course. Initially, this took form in collaboration with fascist Germany, If the seizure of territory from Finland, Poland and Rumania is often excused by military 'expediency', further negotiations with the Nazis concerning the hinterlands of Asia leave absolutely no doubt as to the imperialist character of Russian expansion. Ribbentrop's appreciation of Russian 'natural spheres of influence' is very concise:

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<sup>25</sup> The process, to be sure, is uneven and combined. Repressions begun in the colonies are taken up in Europe, only to extend from Russia and the Balkans back to China, Indonesia and Africa,



development in the modern era. The point to be made, however, is that when the internal market contracts, imperialism comes into its own as an imperative force, an absolute precondition for the very life of the system. For a while, imperialism yields a spurt to the economy, extending the limits of the internal market and providing new bases for industrial expansion. But in time this engenders further contradictions: the obstacle of new, rival imperialisms and of entrenched predecessors; increasing exhaustion due to frequent conflicts, etc.

In its 'classic' period, imperialism was characterized by the export of capital.<sup>24</sup> This, perhaps, more than the paeans of Kipling, encouraged many liberal economists to believe that the 'white man's burden' could only mean the full industrial development of the colonial world. Actually, capital export was invariably one-sided, calculated not to develop a competitor but so to upset aboriginal social relations that dependence, rather than independence, was emphasized. The effect of imperialism, therefore, has always been to create so much misery and discontent, that national uprisings (of one degree or another) continually follow in its wake. As the contradictions of capitalist imperialism converge into a general crisis, the export of capital is subordinated entirely to the needs of colonial regimentation, policing and control. A sort of Roman parasitism prevails. All the material and spiritual sources of resistance are numbed by planned starvation and terror. Masses of population created by the capitalist mode of production are reduced, enslaved or exterminated. Industrial activity is rendered more and more one-sided and dependent, or — in many cases — comes to a virtual standstill.

Many colonies have long since travelled part of the road to this new barbarism. Indeed, the prototype of contemporary

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<sup>24</sup> The emphasis placed on the export of capital, in discussions around imperialism, has often been at the expense of other features of equal — and, under present circumstances, greater — importance; viz., industrial concentration, monopoly, the re-division of the world, etc.

advanced and highly concentrated plant. But from the nature of the situation, this contained as many disadvantages as advantages. Alongside the peasant, hungering for land of his own, was added the ferment of the new labouring classes, to which the insecure, restricted bourgeoisie was incapable of granting reforms. Fearing its own masses, confined by world imperialism which clung desperately (as the general situation worsened) to privileges acquired in an earlier period, incapable as a result of its weakness of effectively forcing its way into the

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<sup>1</sup> Although Czarist Russia ranked far behind the West industrially, the concentration of Russian industry exceeded the United States' during corresponding periods. In 1910 for example, enterprises employing 500 workers or more comprised 53 per cent. of the number of workers in industry, as compared with 33 per cent. in the United States. During the first decade of the century, such concerns increased from 46.7 per cent. to 53.5 per cent., while factories employing up to 50 workers, and others from 50 to 500, declined from 14.3 per cent. to 11.6 per cent., and from 39 per cent. to 34 per cent. respectively. The specific weight of larger enterprises showed greater gains between 1901 and 1910. Enterprises employing over 500 workers jumped from 3.5 per cent. to 5 per cent. of Russian industry. Those ranging up to 50 workers dropped from 70.5 per cent. to 65.7 per cent.

Monopolies definitely appeared in the career of Russian industry as early as the 'eighties (the sugar industry), although precedents had been established by life insurance companies about a decade earlier. After the turn of the century, 70 to 75 per cent. of all sheet metal works were in the hands of a metallurgical monopoly: 'Prodamet'. By 1908 'Prodamet' held a dozen of the major metallurgical plants in its grasp, having expanded in the meantime into many metal products. Along with the 'Trubopradazha' syndicate (pipes) and the 'Prodarud' syndicate (ores), nearly all of south Russian metallurgy was monopolized in less than ten years.

Monopolies spread all over the country and to all branches of industry and transport. The 'Committee of Ural Ore and Metal Plants' syndicated 80 per cent. of roofing iron. Farm machinery concerns combined in 1907 to regulate at least 72 per cent. of many agricultural implements. Ninety-five per cent. of railway cars were produced by the 'Prodvagon' syndicate in 1907, to be matched by 90 per cent. of locomotive production from another syndicate. The 'Med' syndicate controlled 97 per cent. of copper production (1913); 'Produgul' (1906) accounted for 75 per cent. of southern coal output; a petroleum syndicate encompassed 65 per cent oil production, etc. Monopolies appeared in light industry as well as heavy industry; in commerce as well as transport.

perpetual race for markets, the Russian bourgeoisie was compelled to cement many of its ties with the Czarist regime. More often than not, this was a source of extreme frustration. The regime and nobility had its own fish to fry, and the relationship often presented the character of two dogs sharing a bone. But if the bourgeoisie *generally* strives to secure itself by concentration and monopolistic practices, the narrow margin of industrial survival imperatively *dictated* the formation of great combines in Russia that increasingly paralleled and merged with the state. The two acted upon each other: as conditions worsened in the respective sphere of each, an interpenetration tended to occur.<sup>1</sup>

These were the tendencies of pre-revolutionary capitalist development. They must not be mistaken for a *fait accompli*. Quarrels, differences as to ways and means, eternal exasperation with the inefficiency of Czarism precipitated bitter and often violent controversies. Lurking behind these differences lay the prospect of an internal market, free from feudal restrictions. But lurking behind this market was the fear of a Jacquerie and an urban uprising which variously — but, on the whole, negatively — coloured the political activity of Russian capitalism.

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Although many Russian syndicates were interlocked with, and often controlled by, foreign capital, there can be no question that the Czarist regime was the major support of industrial monopoly. Russian petroleum combines leaned on, and were aided enormously by, the state in competitive struggles with Standard Oil. In the person of Bunge, Vyshnegradsky and Witte, the government consciously abetted the development and concentration of industry. Heavy orders, for all practical purposes, formed so many subsidies to every branch of metallurgy. Correspondingly, direct intervention by the state formed a conspicuous part of Russian economic operations. Alcoholic beverages were a near-monopoly of the regime. The government owned and processed the output of many mines in Siberia, the Altai and the Urals. State activity was felt in communications (railway and telegraph), credit (the major banking concerns were owned by the state), forestry, large-scale agriculture, etc. By the time of the Revolution, the state and the bourgeoisie were interlinked in every phase of industry.

to 3,000 rubles with a smaller return on larger amounts. Food rationing was removed at the same time.

'The farmers were wiped out, as their money was not in banks but in state bonds and currency. To pay taxes and meet current expenses, they sold food, so that for a brief period immediately after the monetary change there was a flood of food in city markets for the first time in years. This lasted only a short time, and thereafter the industrial workers found that an even more drastic form of rationing actually existed, as only a limited quantity of each kind of food was sold to one person.'<sup>23</sup> The same 'rationing' apparently did not apply, so far as we know, in the commercial government stores catering to the Stalinist millionaires, where white bread was easily obtainable at 7.5 times the value of the same type of bread 'for sale' in regular stores. But is it necessary to enter into the income differentials of an economy which bountifully provides for the few who are privileged with truly astronomical incomes?

2. *Imperialism and the export of capital.* In this connection, there has been so much misunderstanding, that a number of general remarks are in order.

The course of capitalist development evokes many contradictions that shape and give it form. Since competition requires the steady replacement of labour by machinery, at least two simultaneous effects are evident. The rate of profit declines and millions are deprived of employment. As the internal market contracts, the entire productive process tends to follow in its wake.

Attempts to compensate for this contraction turn the bourgeoisie to the international market particularly the super-profits of colonial trade and industry. It is apparent, of course, that capitalism always endeavoured to reap these imperial profits. The wealth derived from colonial exploitation was a prerequisite for the primitive accumulation that launched capitalist

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<sup>23</sup> *N.Y. Times*, 14th November, 1949.

While the upward revision of prices of rationed goods and the downward revision of unrationed goods were intended to close the gap between the two sets of prices [an incredible explanation by the regime! - M.S.] the gap remains substantial.”<sup>21</sup> It is reasonable to question if the gap is being closed by lowering or raising the price of commodities within the purchasing range of the masses. Thus, on 17th July, 1948, the Stalinist government announced a 10 to 20 per cent. reduction of prices in state stores. The reduction was confined to such items as bicycles, phonographs, watches, caviar, Moskvich automobiles, hunting guns, cameras, perfumes, cosmetics, stoves and ... beer and vodka.<sup>22</sup>

In the infamous currency 'reform' of December, 1947, prices remained essentially the same as before except for bread and a few staple items. W. Bedell Smith notes that the tremendous hardships imposed by the production norms established for 1950 led to such demoralization that the Government had to change 'its production plans to increase the amount of consumer goods available for purchases. ... These measures gradually improved the production situation to the point where the Government finally felt able to act drastically to lower the purchasing power of the Soviet people in order to reduce the general demand for consumers' goods and relieve the pressure on light industry. The currency reform undertaken in December, 1947, accomplished this. The existing ruble currency was declared obsolete without warning and new currency was issued that was exchanged at the rate of one new ruble for ten old rubles. State bonds were devaluated by two thirds. Bank deposits, however, were exchangeable at equal value, but only up

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<sup>21</sup> Ibid., p. 108. For a truly curious excuse: unemployment insurance in Russia was abolished (1930) 'in view of the disappearance of mass unemployment in the U.S.S.R.'. Decree of People's Commissariat of Labour, 11th October, 1930. See our section on slave labour.

<sup>22</sup> According to the *N.Y. Times*, 18th July, 1948, a Russian worker must work two and one-third hours to purchase a bottle of beer.

The focus of all Russian political activity, of course, was the countryside. Could the bourgeoisie 'imitate' its French brethren and give the land to the peasants? In point of fact, the French bourgeoisie had not liquidated the land problem. The breakdown of the feudal estates was consummated by the Jacobins at the cost of bloody conflicts with the capitalist class. Under the leadership of Robespierre, Danton and Hébert, the revolution had over-extended itself, gaining an indispensable margin for the play of radical social forces. In so doing, it managed to override the fears, rural interests and narrow conservatism of the bourgeoisie. But afterward the revolution retreated, retreating to the only forms possible at the time.

This, it might be supposed, could also provide a model for the Russian Revolution. The parties of the Russian 'sans-culottes' would endeavour to establish a radical democracy, largely over and against the reactionary summits of Russian capitalism. Land would be distributed among the peasants and improved working conditions introduced in industry. The bourgeoisie, no doubt, would fume and storm. It might endeavour to raise another Lyons and the nobility, certainly, another Vendée. But the economic axis of such a revolution could only be the full extension of capitalist relations to the countryside. Its most obvious result: the creation of a firm peasantry at the expense of the feudal elements.

Certain sharp differences, however, are evident. The French Revolution occurred in 1789: the Russian Revolution, in 1917. The two were separated by a century and a quarter of capitalist development. The French Revolution coincided with the first upswing of the development; the Russian Revolution with its decline and retrogression. Both aspects of the cycle were planted in these events. In consequence, the Russian Revolution might give an initial — perhaps not inconsiderable — impetus to industrial activity. At worst, conditions would portend the tug-of-war and instability following the overthrow of the Spanish monarchy in 1931. But under bourgeois con-

ditions, instability in Russia was inevitable. The whole character of world economic conditions nurtured the persistence and eventual growth of conditions that were already clearly in focus during the last years of Czarism. In effect, this meant increasing monopolization, state intervention to support sagging industries and, finally, the nationalization of industry and totalitarian policing of the standard of living.

This is essentially the gamut of Russian events after 1917. The conditions of the war precipitated a long standing crisis, pushing the feudal system into the abyss. They served to arouse hopes in the Lenin group that the inevitable over-extension of the democratic revolution would be consolidated economically by a different type of revolution in Europe. The ebb of the European revolution, however, left the Bolsheviks with little more than what they had in any case: namely, a capitalist economy rounded out by land seizures in the countryside. The fact was clearly acknowledged by the New Economic Policy of 1921. An open market was not only recognized, but there is every indication to believe that a policy of tolerating small merchant and individual peasant enterprises was calculated for a length of time greater than permitted it by the Stalin regime.<sup>2</sup> The nationalization of industry, while precipitately introduced on the strength of other, more radical hopes — as well, it may be agreed, as many immediate expediencies accelerated — an economic development which confronted Russian capitalism in any case.

There can be no question that we are simplifying events which might have at least retarded the depth of totalitarian development in Russia had a different insight prevailed. In Eng-

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<sup>2</sup> The remarks of Lenin, in this connection, are of interest: 'We are no longer attempting to break up the old social economic order, with its trade, its small scale economy and private initiative, its capitalism, but we are now trying to revive trade, private enterprise and capitalism, at the same time gradually and cautiously subjecting them to state regulation just as far as they revive.' (Lenin, *Pravda*, 7th November, 1921.)

classified into statistically-useless categories. The indirect analysis of Russian data, however, is of remarkable interest. On the basis of Hubbard's data comparing the average food consumption of Petrograd textile families during Czarist days with later periods, Peter Meyer has demonstrated that between 1929 and 1937 the average standard of living declined to 34 per cent. below pre-revolutionary days. The same analysis shows an increase of 54 per cent. from the Revolution to 1929.<sup>18</sup>

Material in Colin Clark's studies of Russian statistics show a decrease of around 20 per cent. in food consumption per head between 1913 and 1934.<sup>19</sup> Whatever the differences between both analyses, the depth of the downward trend is unmistakable. To bring matters as much up to date as is possible, Vera Micheles Dean observes — again, on the basis of an indirect analysis of Russian *nominal* wages (!) — that 'if 1938 is taken as a 100, the index of increase in nominal wages is 165 and 175, depending on the categories of work. Owing to the continuance of high prices, however, and to various curbs recently [1947 — M.S.] placed on individual purchases real wages have actually undergone a sharp decline.'<sup>20</sup>

Recent Press reports from Russia indicate that the regime has placed the monetary policy on the Gold Standard, accompanied by 'drastic' price reductions. We must confess that on the basis of previous 'price reduction' policies, we view this latest 'achievement' with considerable scepticism. On 16th September, 1945, for example, the price structure was also overhauled. Miss Dean observes: 'The price of certain essential rationed goods were sharply raised on an average of 180 per cent. over previous prices — with the effect of further draining off money in circulation. By contrast, prices of unrationed goods in commercial government stores were reduced by 30 to 55 per cent.

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<sup>19</sup> Colin Clark, *Critique of Russian Statistics*. MacMillan, London, pp. 25-6, 1939.

<sup>20</sup> Vera Micheles Dean, 'Russia's Internal Economic Problems', from *Foreign Policy Reports*, 1st July, 1947.

Huge masses of capital, formerly controlled by many individuals, are now pitted against each other by a few monopolists. The system must increase its demands upon all the means at its disposal; demands, in turn, which are always insufficient to meet the growing dimensions of the struggle. Reforms, permissible in an earlier context, are withdrawn; exploitation is intensified; living standards are depressed.

Oddly enough, the Stalinist regime has maintained a statistical conspiracy against the apprehension of facts concerning the standard of living in Russia. Despite much official propaganda, photography and guided tours of pre-war vintage, we are aware of no official indices tracing the material conditions of the people in any way comparable to the information provided by most, if not all, capitalist countries. So far as direct analysis admits, the economic position of the masses is shrouded in mystery; cast in vague proportionate accounts and

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<sup>18</sup> Peter Meyer, 'USSR: A New Class Society', *Politics*, March, 1944. Meyer establishes a table on the basis of Hubbard's data showing that if the cost of one week's food for 1913, 1929 and 1937 is taken at 3.40, 5.90 and 49.60 rubles respectively (Hubbard's data is 3.42, 5.89 and 49.56 rubles); and if industrial wages are taken at R25, R66 and R245 (Hubbard's data for the same period are R25, R77 and R245 — Meyer claims that Hubbard 'gives the monthly wages for 1929 as 77 rubles, but he has made an error, having taken the figure for 1930.'). The conclusions are quite obvious. The index of food prices will be 172 and 1,449 for 1929 and 1937, respectively (with 1913 taken as 100); and the index of real wages will be 154 and 68 for 1929 and 1937, respectively (with 1913 taken as 100). Mr. Hubbard's conclusions, however, are not too clear. He writes:

'On an average, the 1937 prices of essential clothing and foodstuffs were at least five times the 1929 prices, while the average wage was only slightly more than three times the 1929 level. In other words, the purchasing power of the worker's income in 1937 was about 65 per cent. of 1929. The retail price index for all consumers' goods in 1929 was about 200 (1913, 100) and the wage index about 308. This would seem to indicate that the 1929 wage purchased about half as much again as in 1913; but as the 1937 wage had only about two-thirds of the purchasing power in 1929, it looks as though real wages in 1913 and 1937 were pretty well at the same level.' L. E. Hubbard, *Soviet Labour and Industry*, MacMillan, London, p. 165, 1942.)

land, for example, we are witnessing much the same line of development for industry. Left to itself, British capitalism is apparently moving with less of an edge than did the Stalinist reaction of 1925-7. The possibilities for intervention are more pronounced than for Russia during those years. Further speculation as to the course of the Russian Revolution, however, can be left to those who are living with, rather than learning from, the past. It is only necessary to stress, here, the full coincidence of industrial nationalization with the entire background of Russian capitalist development. The presence of capitalism in Russia depends not on nationalization *per se* — which may reflect reaction and retrogression as well as progress — but on other factors, which accordingly make for one or the other.<sup>3</sup>

## Capitalism in Russia

The burden of any discussion of Russia as a state capitalist society devolves upon three issues: the existence and weight of competition, the anarchy bred by the 'Plan', and the difficulties, disproportions and crises in reproduction created by competition for sources of raw material and skilled labour. The consequences of these problems, even if considered only by themselves, are ramified through all channels of the economy with growing intensity and reach their summit in 'factional' struggles, disputes, liquidations and regroupings that — like the incessant jockeying for power among capitalist groups in Europe and America — have become characteristic of Russian life. The state, supporting the economy as a whole, reflecting by its function the weakness of the entire economic structure, becomes the arena in which the maladjustments of the system

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<sup>3</sup> Naturally, this also applies to Britain, where the Labour Party presents its nationalization programme as a step toward social progress. This programme, there can be no question, abets the introduction of many totalitarian features, first adopted in Russia.

take form. It is not so much a 'Plan' that passes between the managers, supply agencies, Glavks (Glavks are administrative boards directly below People's Commissariats). and People's Commissariats, as antagonisms and rivalries between individual capitalists and blocs of capitalists attempting to secure and advance their positions.<sup>4</sup>

In theory, the Russian manager is supposed to have very little independence. Dr. Marshak describes the position of the manager as follows:

'The Soviet manager is unable to manipulate freely the size of his plant or his inventories. Nor can he take advantage of market situations, current or prospective, by bargaining with sources of supplies or with customers for better prices, or by winning customers through low prices, and sources of supplies through high ones. To be sure, with supply chronically lagging behind demand, it would in any case be pointless for a manager to reduce prices in order to win customers. On the other hand,

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<sup>4</sup> No less a figure than Stalin gives us a picture — rather on the microscopic level — of the cliques and blocs formed by Russian officials. Thus:

'Most frequently workers are selected not according to objective criteria, but according to accidental, subjective, narrow and provincial criteria. Most frequently so-called acquaintances are chosen, personal friends, fellow townsmen, people who have personal devotion, masters of eulogies to their patrons, irrespective of whether they are suitable from a political and business-like standpoint. ... Take, for example, Comrades Mirzoyan and Vainov. The former is secretary of the regional Party organization in Kazakhstan; the latter is secretary of the Yaroslavl regional Party organization. These people are not the most backward workers in our midst. And how do they select workers?

'The former dragged along with him from Azerbaijan and the Urals, where he formerly worked, in Kazakhstan thirty or forty of his "own" people, and placed them in responsible positions in Kazakhstan.

'The latter dragged along with him from the Donbas, where he formerly worked, to Yaroslavl a dozen or so of his "own" people also, and also placed them in responsible positions. Consequently, Comrade Mirozoyan has his own crew. Comrade Vainov also has his.' (J. Stalin, *Mastering Bolshevism*, 1946 edition, p. 38).

Second, since imperialism is characterized by the export of capital, Russia cannot be viewed as an imperialist state. This, once stated, often seems to suffice. Russian expansion is ascribed to military exigencies, the fear of war, the desire to spread 'communism', etc. — but not to imperialism in the scientific sense of the term.

Finally, all accounts of Russia never cease to point to the continual, 'unprecedented' growth of industry at a time when the tendency elsewhere has long been toward industrial contraction. The endless panegyrics, at least, indicate mounting, swollen statistics in every field of production. Each five year plan is completed in four years, and every plan is made to mark a milestone over earlier conditions. This has even impressed opponents of the regime — so we are told by friends of the regime.

By separating crass fact from pure fiction and qualitative analysis from the blinding storm of meaningless statistics, a second glance discloses basic similarities between Russia and world capitalism.

1. *The standard of living in Russia.* Now on this question, there are sound reasons for believing that if the material conditions of the masses have shown a steady improvement, Russia is a striking exception to the trends in world capitalism. In an economy based on competition, only a cold-blooded selection by destruction operates. To exist, in effect, means to survive; and to survive means to absorb rival capitals. The 'ideal' of bourgeois 'enterprise' is full control over the productive process and market. This alone, the system dictates, can assure survival, and provide the security and stability which all elements of the system continually endeavour to achieve. In time, the elements of the system change their character. Numerous capitalists are transformed into a handful of large capitalists, commanding whole branches of industry, national monopolies and international cartels. The growth of monopolies and cartels only serves to intensify the degree of rivalry and instability.

Actually, this is only a pseudo-problem. Between the extremes of an industrial manager in a small, circumscribed shoe-factory and a People's Commissar, the distinction is quite clear. It is necessary that the 'spectrum' of Russian industrial authority be viewed under the aspect of qualitative differences rather than similarities that blend one shade of control into another. If the premises of competition, disproportions, direct agreements, etc., are granted, we need only compare the historical effect of Stalinist society with those produced in known capitalist sectors of the world. Should they coincide, the ostensible 'chain' of authority that juridical fiction reduces to the common denominator of 'manager' *requires* the assumption of differentiation between managers and capitalists. The presence of specific social forces and their effects summons, as it were, the ruling class and its capitalistic character — concealed (at most only to economic theoreticians) by the impersonality of the system and the anonymity of the regime — into real life. Neither the propaganda of the apologists nor the 'intentions' of their leaders can alter such indispensable distinctions.

## Russia and the Retrogression of Capitalism

At first glance, a comparison between Russia and trends in world capitalism presents many divergencies. Among these, the most conspicuous are:

First, the decline in the standard of living, on an international scale. Stalinist propaganda, on the other hand, celebrates a steady rise in the well-being of the Russian masses. The comparison, we are reminded, must be made between pre-revolutionary and contemporary Russia rather than between Russia and advanced capitalist states. Once this criterion is adopted, we are assured, there can be 'no doubt' that the material conditions of the people have improved steadily.

to win preference for a source of supplies by bidding up prices for raw materials would not be pointless. — But it is forbidden.<sup>5</sup>

Russian law, or the official administration of industry, suggests an even more severe picture. Sales contracts, plant property, production and labour efficiency norms, the number of workers to be employed, average earnings and the annual payroll — in fact, nearly every detail of the industrial process is supposed to require state approval. Where this is not pure juridical fiction, it affords a restricted picture. It would be surprising to conclude that all elements in Russian capitalism reflect a homogeneous pattern of status and economic control. The capitalists of Russia, like those elsewhere, maintain variegated relationships among themselves. Many are subject to the crass authority of higher elements. Others, probably managers of large, heavy industrial enterprises, are relatively independent. Assuredly, the People's Commissars, the Ministers and those who are so situated as seriously to influence the power relationships between competing blocs, correspond to the monopolists and commanding bourgeois elements of western capitalist states. Different 'frames of reference', therefore, exhibit different views. To a purely juridical mind, German and Russian economic regulations seem to agree point by point. If we were not familiar with the clearly capitalistic nature of the German economy under Hitler, Nazi law would engender the belief that the German economy reflects some sort of 'managerial so-

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<sup>5</sup> Bienstock, Schwarz and Yugow, *Management in Russian Industry and Agriculture*, ed. by Feiler and Marshak, Oxford University Press, N.Y., 1944, p. XIX.

This work is one of the most complete, and certainly one of the most objective, accounts of economic relations in Russia. The authors, at least Mr. Schwarz, seem to tend toward a managerial theory of Russian society. The material cited here, we believe, demonstrates that such a theory is untenable. The difficulties that appear to present themselves in the minds of the authors are a traditional *laissez-faire* conception of capitalism and a disposition, particularly noticeable in Marshak's introduction, to take Russian law at face value; viz., '... it is forbidden'.

ciety'. From the standpoint of lesser managers, or those who have not ferreted out the possibilities inherent in any given situation, the full burden of the totalitarian regulations descends on their shoulders. To be sure, Stalinist society is more centralized than elsewhere. But by the same token, influence, power, exploitation and competition is more severe.

It would be absolutely unpardonable and superficial to discount the influence of the plant manager as a member of the Party, his connections in the government, and, above all, the countless tricks and manoeuvres included in such relationships. But even according to juridical arrangements, the manager is no mere automaton of the planning bodies and state. Binstock, discussing the growth and recognition of managerial independence, writes: 'Most important, the manager became the only person responsible for the operation of the plant in all its subdivisions. The manager's authority within the plant has increased. He rules the whole production process, bears responsibility for the technological process, for quantitative fulfilment of the plan, and for the quality of the goods produced. ...'<sup>6</sup> Since 1938, a sinking fund is withdrawn from plant output — estimated at about 5 per cent. of initial capital value — 40 to 60 per cent. of which is at the manager's disposal for capital replacement as well as repairs. The manager, even according to economic regulations, disposes of considerable resources at any given plant level. It is obvious that the lure of a more commanding position, in a country where disproportions in income are matched only by the extremities of want, creates and even necessitates bitter competition for further access to such resources.

The position of the Russian manager gains greater reality when the authority he possesses is dynamized by the actual relationship of plant production to the 'Plan'.

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<sup>6</sup> Ibid., p. 15.

Throughout, profit reigns supreme. 'The government ...' writes Yugow, 'fixes the factory price for some item at 20 roubles, viz., 14 roubles production costs, 2 roubles planned profit, and 4 roubles (20 per cent.) turnover tax. If plant management reduces the cost from 14 to, say, 10 roubles, the profit becomes 6 roubles, of which 2 are planned profit and 4 "above the Plan".'<sup>15</sup> From this it follows: 'The desire to increase profits has become a real incentive to more responsible, active, and careful management.'<sup>16</sup> Yugow provides us with examples from heavy industry: 'In coal mining, for each per cent. of reduction of real cost of production below planned cost, the manager, assistant manager, chief and assistant engineers get a bonus of 15 per cent. of monthly salary. In iron and steel industry, the figure is 10 per cent. Furthermore, for each per cent. of overfulfilment of planned output, the bonus for a coal-mine manager and his immediate assistants is 4 per cent. of salary. In iron and steel, bonuses for extra output are calculated progressively. If pig-iron production exceeds Plan by 5 per cent., the monthly salaries of a section head, assistant section head, engineer and electrical engineer are raised 10 per cent., for each per cent. of excess output. If the production excess is 10 per cent., the bonus for each per cent. of excess output is 15 per cent. of monthly salary, etc. ... No less important is the effect of plant profits on managerial influence, prestige and power.'<sup>17</sup>

The distinction between managers and capitalists or between bonuses and profits seems to be blurred by the information at our disposal. Does it mean, as the 'managerial theory' implies, that all capitalists become managers; that profits, in the socially-significant sense of the term, become mere bonuses?

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<sup>15</sup> Ibid., p. 79.

<sup>16</sup> Ibid., p. 82.

<sup>17</sup> Ibid., pp. 94-5.



sense, ordinary dealers.<sup>13</sup> The reports that consistently appear in the Russian Press are only a surface picture of idle plants or factories working far under capacity, while goods and raw materials circulate throughout the country without any apparent destination ... other, undoubtedly, than a profitable buyer. The incidents are notorious, frequently embracing some of the most important industrial projects of the Stalinist regime. An example cited by Bienstock is worth quoting in full: 'On 3rd June, 1938, the Council of People's Commissars issued a decree concentrating sale of ferrous metals in a new Board. Some six months later, the head of this board, S. Volikov, complained about "individualistic methods" of procuring metals. Metals were sent from one end of the Union to the other without reason or plan. Often large quantities were brought from the Urals or Krivoi Rog (Ukraine) to Moscow as a storage and supply centre, only to retrace a portion of the original route to get to a consumer.'<sup>14</sup> How often? How 'large' were the quantities? Volikov, apparently, did not say. But like the daily 'sprees' to Moscow (and only to Moscow?) there is good reason to believe that such 'infractions' are enormous; in our opinion, decisive. Harry Schwartz, for example, recently reported in the *N.Y. Times* that complaints in the Russian Press indicate one-third (another third) of the secretaries of collective farms in the Ukraine were transgressing the rights of collective farm members in 'violation' of the law. Newman, again, reports charges in *Pravda* that 'heaps' of vegetables and fruits were spoiling on railway platforms of the South Western, North Caucasian, Moscow-Kiev, Tashkent, Askhabad and Turkestan-Siberian lines in 1947. At the same time, it is indicated, the periodical *Bolshevik* claimed that 20 per cent. of railway stock was idle and an even higher proportion was the case for motor transport!

<sup>13</sup> *Ibid.*, p. 63. In 1940, Russian supply organizations numbered some 5,000 agencies, employing 126,000 workers and involving costs of service equal to 11 per cent. of turnover.

<sup>14</sup> *Ibid.*, p. 63.

Planning in Russia has either been grossly exaggerated or totally misunderstood. This has, in so many words, been admitted in the day to day reports of the Russian press itself — all theoretical pronouncements and considerations aside. 'Our planning is still to a great extent clerical and statistical work', reports Meizenberg, 'absolutely divorced from economic practice.'<sup>7</sup> In this connection, Bienstock observes: 'The practice of planning has gradually brought the leaders of Soviet economy to the conclusion that tasks set by plan must be adjusted in accordance with practice, that planning cannot be confined to orders but requires continual checking in every phase of production. In theory, these rules were formulated unequivocally, long ago. As a matter of fact, principles were not applied until the outbreak of war in the summer of 1941.'<sup>8</sup> The remark gains significance because it is now known that, if anything, planning was considerably relaxed during the war conditions. On an earlier page, the same writer notes that 'Many plants have been given the initiative in working out their own production programmes in line with directives of the previous years, without waiting for new orders from above; they transmit their programmes to the Glavk or directly to the People's Commissariat. The Glavk checks and, if necessary changes plans, taking into account supply possibilities unknown to the plant, the possibility of co-operation between plants, financial resources, regional needs, etc.'<sup>9</sup>

The Russian manager must operate outside the 'Plan'. 'Commodity funds (stocks) are often apportioned only five or six days before the beginning of a quarter: "realization" (delivery) is sometimes greatly delayed. Ordinarily, delivery is obtained only towards the end of a quarter, say in its last three or four weeks. The amount of goods apportioned for a quarter is almost

<sup>7</sup> L. Meizenberg, *On the Economic Plan, in Planned Economy*, 1939, No. 10, p. 12. (Quoted from B., S., & Y., p. 56.)

<sup>8</sup> B., S., & Y., etc., p. 57.

<sup>9</sup> *Ibid.*, p. 50.

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<sup>10</sup> Ibid., p. 63-4.

<sup>11</sup> Ibid., p. 62.

<sup>12</sup> Ibid., p. 64. Under the headline, 'Supply Woes Cut Soviet Production', Mr. Harry Schwartz (not to be confused with Solomon Schwarz of the work cited in the foregoing) gives the following report:

'Leningradskaya Pravda recently printed an article by a factory director in Leningrad complaining of the harm done to production by supply difficulties. Needed materials often arrive late, forcing factories to cease or partly curtail output. ... In Leningrad alone, the article reports, hundreds of government officials employ thousands of persons who are supposed to facilitate necessary transactions between different enterprises. But these work so poorly and are of so little help that many factories have to spend large sums foraging for themselves so that their work can continue.

'The situation is so bad, the director writes, that to meet its needs for electric lamps, motors, transformers, optical equipment and forgings, his factory has had to institute production of these items itself. At the same time, he says, Leningrad has large factories producing all these items, factories that are by no means always working at capacity.

'At the root of the situation, he declares, is the overly bureaucratic organization of the Soviet industrial supply system. Factories adjacent to each other are not allowed to make arrangements directly to supply each other's needs if they belong to different ministries. These and other restrictions on enterprise managers' initiative tie them hand and foot, he complains, and must be removed if matters are to be improved.

'A similar situation exists in the local consumer goods industry in Moscow, the newspaper *Moskovskaya Pravda* reports.

'The supply system for these enterprises is working so badly that it is estimated that they will fail to receive about 600,000,000 rubles worth of raw materials that they require, about one-third their total needs. Because of the lack of materials, these enterprises will not be able to achieve this year's output plans for such goods as furniture, phonographs, children's bicycles, aluminium utensils and knitted goods.

'To get around supply difficulties, some factories in Moscow do not produce articles for which they are best fitted, but only such goods for which they are able to obtain materials.

'Another consequence of the materials shortage, *Moskovskaya Pravda* reveals, has been the development of large scale illegal barter trade between enterprises. Hundreds of middlemen — known colloquially as "clever lads" or "tipsters" — swarm around enterprises and ministries to find out what surpluses and deficits each has. They arrange trades between factories so desperate for needed goods that they are willing to pay any price.' (*N.Y. Times*, 11th June, 1950.)

below a plant's real needs, *because the People's Commissariat and Glavk usually fear that the manager's application for goods, especially scarce materials, is exaggerated.*' (Bienstock — our emphasis, M.S.)<sup>10</sup> Again: 'To obtain goods, he (the manager) must often send representatives to supplying factories or to agencies of People's Commissariats and Glavks. Many plants have permanent representatives in Moscow or other supply centres with the special task of securing the timely supply of goods, of "pushing" orders for materials, of arranging shipments, etc. And, of course, the plant management must maintain a storage organization. A plant manager who does not get needed goods in time is often compelled to break rules and seek new ways to supply his plant. There is thus a contradiction between theory and practice. Theory has, recently taken a few steps toward practice, e.g., the direct agreements.'<sup>11</sup> The author cites several examples to illustrate the magnitude of these problems (and, we may add, operations). ' "During the first eight months of 1940, the Tractor Works spent 200,000 roubles on telegrams and 250,000 roubles on travelling expenses." The same story was told half a year later of another giant plant, the Rostov Works for Agricultural Engineering. ...'<sup>12</sup> In the course of several articles on Russia in the *Herald Tribune*, Newman cites *Izvestia* to the effect that *one third* of the ten thousand daily arrivals in Moscow by railway and plane were on 'unnecessary' government business. *Izvestia* makes the accusation that these arrivals waste millions of rubles in sprees and excursions.

An entire body of market relations underlies the reproductive mechanism of Russian industry. According to Bienstock, the '... turn-over of many supply organizations, particularly local offices, is so insignificant that they are compelled to transgress their jurisdiction to justify their existence. They buy materials and equipment not needed in their own branch of industry and sell to plants of other branches. They become, in a