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The Soviet Mirage

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CONCLUSION

Here are the roots of the bureaucracy: it did not emerge *following* the failure of the Revolution, but reflected the defeat of workers' attempts *during the Revolution itself* to finally destroy capitalist relations of production. And here we have the early history of Soviet state-capitalism. And in this failure, and in this history, Lenin, Trotsky and the rest of Bolshevik right wing between 1917 and 1921 played the decisive role. (Left-Bolshevik factions such as the *Communist* group opposed much of their actions, but were suppressed).

The Russian Revolution was not victorious, as the mainstream Communists claim. Nor was it distorted from without, as the Trotskyists suggest.

Rather, it was defeated from within – by Bolshevism, with its state-capitalist, anti-working class, anti-peasantry programme.

The “Russian question” – the debate on the nature of the Soviet Union – goes straight to the heart of the challenges facing socialists on the eve of the twenty-first century. The “Russian question” raises *the* big questions for socialists today: what *is* socialism? What is the role of the working class in socialist transformation? Was the collapse of the Soviet Union in 1991 a defeat or a victory for the working class, or something else entirely?

This paper will raise these issues, developing its argument in response to comrade Kwena Mathatho's intervention “Let's Refute Myths about the Soviet Union”. As comrade L. pointed out, definitions are important in any discussion of these sorts of issues, so I will begin by putting my (party) cards on the table.

DEFINITIONS AND OUTLINE OF ARGUMENT

My argument will be developed from a libertarian socialist perspective. By libertarian socialism I refer to that form of socialist thought which rejects *both* the State and capitalism as obstacles to the emancipation of the working class. Both the State – regarded as a centralised political institution administered by functionaries separate from the general population on behalf of the ruling class – and capitalism need to be abolished. Power must be firmly in the hands of a *self-managing* working class organised *internationally* and on the basis of *free association* from below upwards.

The two key traditions of libertarian socialism that I will be concerned with are anarchism and anarcho-syndicalism (rooted in the work of Michael Bakunin) and so-called “ultra-left” Marxism, exemplified by “council communism” (exemplified by the work of Herman Gorter and Anton Pannekoek).

My focus will be on the ideas of the anarcho-syndicalists, whose views I support, but I will make some reference to council communist works where these are relevant. What both of these libertarian socialist traditions have in common is the premise that socialism can be *nothing other than the self-management of the working class*. This self-government cannot be mediated through a minority party, through a State apparatus, or through a bureaucratic layer. “Self-management” means exactly that: the working class will administer itself *directly* and in its own interests; the organs of self-management – revolutionary industrial unions for the anarcho-syndicalists, and workers councils for the council communists- must be established and run by the working class itself. Self-management takes place at the level of the economy and the community- there is no place for a separate political State because power operates through self-management, and radical democracy, not rule by a small elite.

Defence of this system must be consistent with its class content. The *aim* of defence is defence of self-management- self-management cannot be suspended “temporarily” or due to “special circumstances” for the *removal of self-management means the destruction of socialism*. The *form* of defence must therefore also be in line with libertarian socialist principles: a democratic workers *militia* rather than a regular hierarchical army. By definition, for a libertarian socialist, socialism *cannot* exist if the working class is not firmly and directly in control. The question of *power* is central. To put it crudely, an analysis of any society must begin with the question of **who runs the factories**. *A system without workers’ self-management can of course be non-capitalist- what it cannot be is socialist.*

single will of the leaders of the labour process ... [there must be] unquestioning obedience to the orders of individual representatives of the Soviet government during work time ... iron discipline, with unquestioning obedience to the will of a single person, the Soviet leader.” (“Immediate Tasks ...”)

This was not simply talk. At the time of the Revolution, many urban industries had been placed under workers’ self-management, notably through factory committees elected by mass worker assemblies. In 1919, individual managers ran only 10,8% of enterprises. By 1920, under “War Communism”, 82% of factories had been placed under individual management, typically government appointees. In March 1918, the right of ordinary soldiers to elect their officers in the Red Army was removed by Trotsky, and in mid-1918 as “technically inexpedient and politically pointless”. Nearly 50,000 officers from the old regime were drafted into the new army. This is according to the *Blackwell Encyclopædia of the Russian Revolution* which is also my source for the next figures.

What was happening was a *merger* of the Bolshevik party with the remnants of the Tsarist State, and the subordination of working-class structures such as *soviets* and trade unions into wings of the reconstructed State. The April 1918 constitution of the Soviet Union stated that all workers councils were to be “subordinate to the corresponding higher organ of the Soviet power”, which ultimately meant the *Sovnarkom*, or Cabinet. The civil service was largely run by officials from the old system, for example, in late 1918, on average, less than 10% of the senior officials of key ministries such as Finance were actually members of the Communist Party.

Thus, Trotsky, in *Terrorism and Communism*, defined “socialism” as “authoritarian leadership ...centralised distribution of the labour force... the workers’ State (considering itself) entitled to send any worker wherever his labour may be needed”. He advocated the militarisation of labour in which, as he put it, “*the working class...must be thrown here and there, appointed, commanded just like soldiers. Deserters from labour ought to be formed into punitive battalions or put into concentration camps.*”

What is here but the very kernel of what Stalin later implemented? Nor was Trotsky being abstract: as head of the Red Army, he shot strikers and left-wing critics, closed soldiers’ *soviets* and independent workers’ unions, crushed working class uprisings, massacred peasants and invaded Poland. And in the late 1920s, when Trotsky and Stalin clashed to be the supreme leader of the Soviet Union, Trotsky did not present a *single* proposal that differed substantively with those of Stalin. He embraced forced industrialisation, peasant expropriation, and the one-party state. Even his call for the Soviet Union to export revolution was taken up by Stalin: the rhetoric of “socialism in one country” notwithstanding, it was Stalin who drove the New Line period (1928–1935) and Stalin who placed most of Europe under Soviet power.

To see in Trotsky an alternative to Stalin’s terror, rather than its prophet, is rather far-fetched. Equally, to pose a sharp break between the period when Lenin ruled, and that of Stalin, is also far from convincing: all the essential features of what Trotskyists like to call “Stalinism” were in place when *Lenin and Trotsky* ruled. Lenin, at the January 1921 All-Russian Congress of Miners, was quite clear: “Does every worker know how to rule the country? Practical people know that these are fairy tales”. On the running of industry under so-called “socialism”, Lenin had this to say in 1918:

“The revolution demands in the interest of socialism that the masses unquestioningly obey the

WHAT IS “OWNERSHIP OF THE MEANS OF PRODUCTION”?

This line of argument raises a core issue that comrades have grappled with in previous meetings, particularly with reference to pre-colonial African societies: the question of what, in fact, constitutes “ownership of the means of production” in the first place.

There is one common answer, which has problematic political consequences. This is the idea that ownership of the means of production refers to legal ownership of the property, which in turn, is typically assumed to mean having the legal papers attesting to this ownership. Linked to this definition are the following ideas, which I will argue below are incorrect: that capitalism can only exist if there are pure-and-simple capitalist owners with title deeds; that capitalism does not exist if there is no law of inheritance or if access to control of the means of production is mediated by one’s position in a political party or State apparatus; and the fervent belief that government assets are non-capitalist “public property”.

An immediate problem relates to the *amount* of capital owned. Is the top-level managerial consultant who own not a single share in the company he or she is flown in to manage on a one-year contract for a salary not an owner – a capitalist – whilst the worker with 10,000 cheap shares in Telkom, or with a insurance policy that is used to finance the expansion of plant, bourgeois?

One solution is to claim that the amount of capital is decisive in and of itself – the major stockholders are bourgeois whilst those with few shares are not. Yet this argument readily slides into a bourgeois definitions of class, which draw arbitrary distinctions between levels of income and then go about dividing society into categories such as “upper middle class”, “low income” etc., with the dividing line set by a fixed amount of

money. (Hence the absurd 1993 World Bank/ SALDRU report on poverty in South Africa that defines household poverty as earning less than R301 a month per adult equivalent. Presumably, many of the “poor” would join the “upper income earners” if they got just that extra R1 a month!)

OWNERSHIP OF THE MEANS OF PRODUCTION IN THE SOVIET UNION

Clearly a further factor is crucial: effective *control* of the means of production. This line of argument allows us to move beyond purely legalistic notions of ownership and begin to see legal title as simply a *particular form* of securing ownership of the means of production. Here, following Eric Olin Wright’s early work, “ownership of the means of production” can be disaggregated to include not just *legal entitlement* but also *economic ownership* (control over the flow of investments into production, or control over *what* is produced, which means control over both (a) the physical means of production and (b) control over the labour power of others) and *possession* (control over the production process, or control over *how* things are produced).

(This is not to say that class can be *reduced* to control and ownership of the means of production. This is vital, but a ruling class also dominates the means of administration and coercion. However, since comrade K.’s position rested heavily on the question of the means of production, I will focus upon it here).

In Wright’s view, the capitalist class proper has all three forms of ownership; the working class has none, and various “contradictory class locations” (“middle class” positions, if you like) have varying degrees of access to the different types of ownership. A middle level manager- for example, of a Shoprite franchise- may have no legal title or real economic ownership

Thus, we have a nice, convenient argument: the Soviet Union *was* socialist (this allows the Trotskyists to bathe in its reflected “glory”, to praise its achievements, and to keep Bolshevism on a pedestal) *but also* a “degenerated” socialism (this allows nasty facts to be explained away by reference to bureaucratic distortions). And furthermore, the argument deals cleverly with an inconvenient truth: Lenin, it admits, created the nasty bureaucracy, but was not to blame for its growing power or evils, which are seen as solely due to *external* pressures. Unlike the mainstream Communists, then, the Trotskyists are able to retain adulation for Bolshevism without having to make excuses for every Soviet evil. And Trotsky can then be presented as the true heir of Lenin, rather than Stalin.

Leninist counter-revolution

Now, I would agree that the civil war and economic collapse posed a severe test for the revolution. Where I reject this analysis is *its systematic failure to examine what actually happened in the factories in the revolution* (1917–1921)- an incredible oversight for socialists but one that *effectively forecloses on any attempt to actually engage with the Bolsheviks’ economic policies during the Revolution itself*.

In effect, the silence on the relations of production during the revolution is often coupled with a rosy picture of Bolshevik labour practices. I would argue, by contrast, *that it was the Bolshevik party itself* which systematically undermined and repressed workers’ attempts to institute self-management. The effect was – the Bolshevik’s *intentions* notwithstanding- a systematic suppression of attempts to institute socialism. The Russian Communist Party believed that socialism had to be imposed from above by a authoritarian State under the control of a single vanguard party. This may be readily demonstrated by reference to the Bolshevik’s own views in the period of the Revolution itself.

tion), as well as its extremely *repressive* character, comparable in many ways with fascism: imperialism, forced labour (including slave labour), massive repression (including of any trade union activity), a degree of national oppression etc. There is little in short, that can be explained away as episodic aberrations (personality flaws, errors) or as necessitated by the defense of socialism or the working class. Neither socialism nor the working class were “defended” in any sense whatsoever.

Trotskyists

Then you have the Trotskyists, a relatively small if vocal current. Most (I leave aside the Cliffites) are willing to admit that something was horribly wrong in the Soviet Union, but are not willing to break with the idea that the Soviet Union was somehow post-capitalist. Didn't Trotsky himself get murdered by Stalin?

Here, the blame is again (like Stalin and Mao) placed on external military threats – the only difference is that this is seen to have led to some long-term “degeneration” that could not simply be explained by personality flaws or military threats. In the late 1910s, the argument goes, Russia came under repeated attack from imperialist forces, leading to a civil war, which, coupled with an agrarian and economic crisis, led not only to the destruction of Russia's already meager forces of production but to the decimation of fine working class fighters on the front. The absence of a revolution in the West meant also that help was not forthcoming.

A bureaucracy supposedly arose as an administrative measure necessitated by the simultaneous decimation of the working class and the need to hold out for the German revolution, and as an attempt to stimulate the development of the forces of production by administrating a plan. The bureaucracy then entrenched itself, and distorted socialism. And Stalin, the story goes, was the head bureaucrat.

of the Shoprite company but will have partial possession insofar as he or she controls *part* of the production process and supervisory hierarchy.

Wright insists that legal ownership is central, but shies away from exploring the implications of his analysis for centrally planned economies. Nor does he explore what legal ownership itself means. Above, I indicated a possible distinction between legal ownership and legal papers. *For there is NO necessary reason for our understanding of legal ownership to be restricted to a single legal form that developed historically in a limited number of countries.*

Other forms of legal gate keeping could theoretically fulfil the same task of distinguishing between owners and non-owners of the means of production – in short, between classes. Precisely this role is served by rules of conduct and promotion that place people in control of State enterprises. Access to these positions is governed by law- albeit of a *specific* form.

These points are directly relevant to our understanding of the nature of the Soviet Union. The Soviet working class had neither economic ownership nor possession of the means of production. Moreover, legal access to control of the means of production was mediated through the legal forms of the party-state. Only those who followed the correct legal procedures – that is the procedures regulating both party life and the bureaucratic functioning of the State – were entitled to assume a position that involved ownership and control of the means of production. Thus, it is the upper strata of the party and the State apparatus that constitute the “owning class”, and thus, the ruling class.

Hence, all of the features of class-based ownership of the means of production were present in the Soviet Union. An obvious implication follows from this point- the Soviet Union was a class-based society based on exploitation. Therefore it cannot have been socialist and therefore its collapse is NOT a defeat for

the working class, as the system had NO “progressive” features taken as a mode of production.

(Which is not to say that there were not some useful social reforms such as generalised healthcare- these existed, as reforms may also do under Western capitalism, the fact of their existence does not detract from the class nature of the system).

INADEQUATE ANSWERS, INADEQUATE QUESTIONS

At this point it is important to answer some of the objections that may be made against this line of argument.

The “workers’ state” idea

The first such objection is the contention that although the Soviet Union was not socialist, it was somehow a “workers State” in transition to socialism. This attempt to separate out the nature of the State from the nature of the social relations of production is untenable. It is the ABC of Marxist materialism – which is comrade K.’s starting point – that the relations of production condition social and political forms and that a State situated within a non-socialist mode of production cannot somehow be socialist.

If that is the case, then there is a contradiction in his line – as well as within classical Marxist strategy more generally. For in classical Marxist *theory*, we have an economically determinist analysis, but in classical Marxist strategy, we have (as we see here, but also in the Communist programme itself) a politically determinist *strategy*. That is, the theory claims the economy determines everything, including “politics” and state form, but the strategy is something else entirely: a specific state form (here, the “workers’ state”) can somehow stand above, and even transform, from above, the mode of production itself!

If so, then the Soviet experience is a con formation of the left critique of capitalism, rather than its negation.

The question then remains: if capitalism is to be abolished, what lessons can socialists draw from the Russian revolutionary experience?

The argument from much of the left takes a different angle. Here the Revolution is hailed as a success, which is in large part due to the skill and power of the Bolshevik Party that led the Revolution. The political implication is the need to build vanguard parties on Leninist lines as the key to socialist revolution.

That is, the Soviet experience must supposedly be replicated and generalized. This, of course, poses the awkward problem of reconciling the notion that Bolshevism is a key to human emancipation with the Soviet history of brutal repression and injustice.

Mainstream Communists

The answer of the mainstream Communists essentially places the blame outside of Bolshevism: either the Great Terror is seen as due to the *personality* flaws of Stalin (hardly a Marxist materialist claim, but there you have it, straight from Khrushchev’s mouth!) or from external imperialist encirclement (that is, military defense was the precondition of Soviet survival, and dictatorship and forced labour as the precondition of military defense (and there you have it straight from Stalin and Mao). And in both cases, awkward facts (like *Soviet* imperialism) can be explained away as well-intentioned “errors” or as military necessity. So, the Soviet Union was a great achievement.

The problem, though, is that such claims do not explain the patently *capitalist* character of the Soviet Union, including its vast class inequalities, the exploitation of the working class (which, after all, was supposedly the beneficiary of the revolu-

Now, it may be true, as comrade K. has noted the relatively closed Soviet economy of the 1930s was little affected by the previous crisis of over-accumulation exemplified by the Great Depression. However, to argue that this *instance* does not demonstrate a *general* exemption from the laws of capitalist economics because within two decades the Soviet economy had been brought low by another capitalist crisis, and is, indeed, currently undergoing “shock therapy” care of International Monetary Fund programmes. Precisely like the West, the Soviet Union (and China) met the crisis with a shift towards neo-liberalism.

WHO DID IT? THE REVOLUTIONARY ROAD TO STATE CAPITALISM

In short, then the Soviet Union was a part and parcel of international capitalism. But the question must be answered: why did this take place? *Why* did the Russian Revolution produce this result?

There are two common arguments on this point, one from the right, and one from the left, both of which are flawed.

The right-wing argument is the Revolution itself was nothing more than a military coup by a small, ruthless elite. Consequently socialism is in fact a positive danger to the working class itself which must instead rally to the barricades in defense of capitalism. This argument is nothing but a defense of the nonsensical claim that capitalism is a precondition for freedom. That cannot be squared with the perfect compatibility of capitalism with ruthless dictatorships, its exploitation, its minority rule even within parliamentary democracy etc.

These critics are perfectly correct to point to the Soviet Union as an example of barbarous dictatorship; but the Soviet Union was *capitalist*, and therefore stands as a *refutation* of the capitalism = freedom claim that these self-same critics make.

If we accept the Marxist materialist analysis, in short, we cannot accept the theory of the “workers’ state”; if we accept the theory of the “workers’ state”, we cannot accept the Marxist materialist analysis.

To put it another way, *if* we accept the very premises of Marxist materialism, *then* we must **rule out** the very possibility of using a state apparatus to transform the relations of production. This is because (if Marxist materialism is right), then the nature of the relations of production condition the political form of society, seen as the state; the political form cannot, simply on the basis of a popular (or vanguard) mandate and correct leadership, “construct the socialist order”.

The overthrow of capitalist relations of production must (if Marxist materialism is correct) actually take place at the **point of production** using institutional forms appropriate to the collective character of the working class. Anarcho-syndicalism is at least consistent here: change must centre on revolutionary unions; the State is abolished by the rule of the workers’ unions representing the class conscious, self-managing proletariat.

That is consistent with Marxism – but what Marxist accepts it? On the contrary, comrades try and manoeuvre through the contradictions of classical Marxism – and upon this raise a defence of the notion that the Soviet Union was somehow post-capitalist!

(None of this is to say, as an aside, that anarcho-syndicalism *reduces* the revolutionary project to a narrow, workplace-based, struggle – it also notes that ideology, urban life etc. must be changed – or to say that anarcho-syndicalism necessarily ignores the question of military defence of proletarian/popular revolution. My point is to highlight *this* element of the strategy, in order to make my larger claim).

The inheritance idea

A second objection to my argument centres on the question of legal forms. Trotsky argued, for example, that the Soviet Union *had to be* post-capitalist because of the absence of private property narrowly defined as *legal* title. Others would argue that the bureaucracy cannot buy or sell title deeds, or bequeath an inheritance to its descendants – that, in essence, control of the means of production was contingent on party discipline – and that the system was thus post-capitalist.

The basic flaw in these arguments is that they make a fetish of particular legal forms, confusing State property with socialised property. No reference appears here to the relations of production; no answer is given to the question of **who runs the factories**. It is as if the separation of the working class from the means of production is simply an irrelevance. My argument suggests that legal ownership of the means of production *was* vested in a small group, even though the legal *form* differed from that obtaining in the West.

Although “private ownership” – understood here as the opposite of common ownership – did not assume an entirely individualised form, there was legally-based “private ownership” of the means of production by the owning class as a whole, mediated through the legal institutions of the Party and the State. Thus it was that the party bosses, the upper levels of the State bureaucracy, and the senior management of economic and military institutions constituted a class “owning” the means of production – as well as controlling the other pillar of class power, the means of administration/ coercion.

tional crisis of over -accumulation that built up in the late 1960s in the West and came to a head in 1973 lead to drop in demand for exports from the East bloc countries and a balance of payments crisis for these countries, fostering growing indebtedness and an economic slowdown.

In the 1945–1973 period, trade between East bloc and the West had grown dramatically. These countries traded with the West to get high technology goods and agricultural products such as wheat. These were paid for by exports. The fall in demand in the West meant, in effect, a substantial realization problem for the Soviets, indicated by an immediate balance of payments problem for the Second World, leading to a rapid increase in debt for these countries. In 1976 they were \$18 billion in debt- by 1978 they were \$58 billion in debt. Hence, rather than welcome the economic crisis in the West as proof that capitalism could not work, these countries hoped the crisis would end so that business could return to usual. Thus, what the Prime Minister of Bulgaria, Theodore Zivkoff, stated in the early 1980s, “the crisis in the West affects us immediately and very deeply because of our trade and other ties with the West. We hope that this crisis will pass as soon as possible” (Frank, p345, “Global Crisis and Transformation”, in *World Development* 1980).

The nature of the Soviet Union as a single “Soviet Inc” conglomerate also indicates issues with comrade K.’s argument that the Soviet Union could not be capitalist because the allocation of capital inputs was undertaken through the central plan and not the market. Given that the Soviet Union was a single company, the absence of market allocation of these goods is simply indicative of the internal transfer of equipment within a “private” Western company. Thus, the comrade is correct to point out this feature, but I would disagree on its significance. It is not a refutation but a confirmation of the State-capitalist thesis.

Concomitantly, it is a phenomenon specific to the capitalist *centres* of world capitalism in a *specific period*. It is typically from large monopoly corporations based in Western countries that such exports originate. One does not expect massive foreign direct investment from Tanzania, after all.

Quite the opposite situation obtained in the Soviet Union. Powerful in its own right, it was a relatively small player on the global level. Any surplus capital it had was constantly reinvested in its own *core* productive facilities (with the emphasis on basic industry) and into its military (for the very merger of state and capital we see in “Soviet Union Inc.” also means it had to invest capital in *military* facilities); whilst capitalist, it had not reached the stage of “imperialism” where capital exports were central to staving off a crisis of over-accumulation. On the contrary, it might be speculated that the military provided an effective “sink” for excess capital.

Comrade K. also argues that capitalism is characterized by overproduction and waste. Yet in the Soviet Union, he contends, there was the “complete absence” of overproduction and the partial stoppage of production.

Again, this point is quite correct but it must be noted that the phenomenon of overproduction takes place *within the context of a competitive market*: in order to compete effectively, capitalists simultaneously concentrate capital to develop the forces of production *and* strive to minimize labour costs, leading to a rapid escalation of output in the context of limited and even shrinking market (not to mention a falling rate of profit). Now, this did not obtain *within* the Soviet Union precisely because it was a single interlocking capitalist conglomerate co-ordinated by the central government’s economic ministries and competing *internationally*.

Consequently, we would expect to see a crisis of over-accumulation developing *internationally* and *then* leading to the partial stoppage of production within the Soviet Union. And this is, indeed, precisely what took place. The interna-

“SOVIET INC.”: SOVIET STATE-CAPITALISM

So far I have argued only that the Soviet Union was a class system based on the exploitation of the working class without specifying the nature of this class system. I would like to suggest at this point that the Soviet Union may best be described as **State-capitalist**. To establish this point it is necessary to demonstrate not only the existence of exploitation, but also the existence of the capital relation: the subordination of the direct producers to the imperative to accumulate capital in order to compete against other capitals.

The notion of State capitalism first appears in the writings of the anarcho-syndicalists and council communists in the post-1918 period, for example, in *Golos Truda*, the Russian anarcho-syndicalist newspaper edited by G.P. Maximoff, and in council communist writings, such as Gorter’s *Open Letter to Comrade Lenin*.

It was only in the 1940s that the notion of the Soviet Union as basically a state-capitalist formation assumed currency amongst mainstream Marxists, with sections of the Trotskyists and later the Maoists claiming that the Soviet Union had somehow become State capitalist at some point after the death of Lenin (1924). For the Cliffites, Stalin is the villain of the piece; for the Maoists, the problem was Khrushchev’s “de-Stalinisation” in the late 1950s. Both formulations fail to go as far, however, as either anarcho-syndicalists or council communists, who see the state-capitalist character as evident under the rule of *Lenin himself* – and who, indeed, suggest that Soviet state-capitalism was less the result of a *deviation* from Leninism than its logical *consequence*.

Here I will be following Buick and Crump’s council communist-orientated *State Capitalism: the wages system under new management*. In this conception, the Soviet Union

is seen as single interlocking capitalist conglomerate coordinated by the central government's economic ministries and competing internationally against Eastern, Western and Southern "private" and State companies. Capitalism is a global system and it is in this context that the capitalist nature of Soviet class relations is revealed.

Although East-West competition was often seen as purely political and military competition between "capitalism" and "socialism", the argument presented here is that this competition was competition between capitalists. Thus, it necessitated capital accumulation on the part by the State-capitalists; given that individual enterprises in these countries are dependent on financing from the centre, it follows that the pressures towards capital accumulation operated at the level of the State. Thus, the State-capitalist countries each operated as a bloc of capital on the world markets.

The actual extent of integration into the world economy through "foreign" trade with Western capital, and between state-capitalist countries, varied between different blocs of State-capital. In the case of the Soviet Union, it has been estimated that in 1977, exports represented 6.7 percent of GNP, and imports 9 percent of GNP- approximately the same as the USA in the 1970s. In the case of Yugoslavia, foreign trade equalled about one-third of GNP, whilst "Hungary exported about 50 percent of its national income" (Buick and Crump, pp. 98-9).

(As comrades have pointed out in the discussion, however, trade volumes themselves do not establish the *overall* character of the Soviet's mode of production - after all, trade is often a means whereby *different* modes of production articulate with one another. A similar volume of foreign trade can only be suggestive, not conclusive: after all, Soviet foreign trade was highly limited in the 1930s, and only grew significantly from the 1960s. Moreover, a focus on trade does not altogether deal with a key element of the Soviet-Union-was-not-capitalist

claim: the significance of *internal* competition in the West, or of its *relative* absence in the Soviet Union. It is therefore also important to note the internal capitalist dynamics of the Soviet Union including wage labour, market distribution, and accumulation-for-accumulation's sake. The relatively limited internal competition in the Soviet Union is explained, meanwhile, by the analogy drawn above: the Soviet Union as giant company. All large private companies are centrally planned *within*, and competitive *without*, despite some internal competition e.g. for labour by different departments).

INVESTMENT AND INPUT ALLOCATION

Comrade K. has disputed the State-capitalist thesis on several grounds. The first argument I will deal with is the comrade's defense of the notion that East-West competition reflected competition between two incompatible social systems. I have argued above that the Soviet Union was a class system, and a capitalist one at that, and hence I argue this incompatibility was purely ideological, and not at all systemic.

The comrade argues in addition that under capitalism the movement of capital within the economy is always towards the sectors with the highest rate of profit. Given that this did not happen in the Soviet Union - "regardless of enormous opportunities to make profit e.g. in Asia, North Korea, Vietnam and others, Soviet Union 'exported' 'little' 'capital' in those countries" despite their low labour costs and a low organic composition of capital- the Soviet Union could not have been capitalist. He also argues that there was no outflow of capital from the "clogged" industrial sector.

The comrade is quite correct, but he does not mention that the phenomenon of large-scale capital export takes place within a *specific phase* of capitalist development, namely, the period of what Marxists like to call "monopoly capital".