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# The Soviet Union: A Regime of Capitalist Development

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to do this was grappled with by Marxists in analogous situations in places like Italy and Russia but the ideological adherence to the progress of history sat uneasily with the requirement to fight for a better world in the here and now. This is what anarchists were able to do, projecting an alternative modernity that could be brought about by a combination of direct action and education.<sup>50</sup>

In other words, we could say that it was anarchism that best upheld the historic mission of the proletariat, and which offers the most compelling social theory for a movement based on the autonomy of the working class and its self-emancipation. In the Soviet Union, we witnessed an example of what can occur when the proletariat abandons this class autonomy – the libertarian theory of revolutionary struggle outside of and against the State – and instead adopts the so-called ‘historic mission of the bourgeoisie’.

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<sup>50</sup> Evans, D. 2021. *Anarchism as non-integration*. <https://abcwithdannyandjim.substack.com/p/anarchism-as-non-integration>

the revolutionary movement to the introduction, or reintroduction, of bourgeois forms (whether they be in government or the relations of production) would have – whatever the difficulties faced by the revolution – better reproduced the kind of individuals and mass organisations necessary for the survival and spread of international revolution.

In his article *Anarchism as non-integration* (2021), the anarchist writer Danny Evans offers a useful framework for considering this alternate history. Evans presents anarchism as a critique of (and movement in opposition to), “the national integration of the working classes... the process by which working class people and their organisations came to identify their interests with those of the nation state.”

By actively opposing political participation, anarchism during 1870–1914 was able to resist much more effectively than its Marxist opponents the process through which capitalism extended its domination. This process has been identified as the movement from the formal to the real subsumption of capital... Working-class representation in parliaments and large, tolerated trade unions were only one element. But by rejecting this element, anarchism opened up the possibility of capitalist modernity remaining an incomplete project, defeated by an alternative world oriented around the commune. The majority of Marxists, meanwhile, were happy to march in lockstep with capitalist progress. Rather than bring the working class into the fold of capitalist modernity – the historic role of social democracy in Germany – in other countries attempting to get on the train of industrial development, anarchism was able to articulate a political project of the pariah classes (workers and peasants). The requirement for socialists

## Inadequate Theories of State Capitalism

For most anarchists, the answer to ‘what was the USSR?’ is simple: it was ‘*state capitalist*’. A class of wage labourers clearly continued to be excluded from conscious social control over the means of production. Meanwhile, the Soviet bureaucracy constituted a new set of bosses, which (in many cases) even called on the services of the old enterprise managers, so as to squeeze as much productive labour as possible out of the workforce.<sup>1</sup>

This is a better starting position than most when it comes to understanding the reality of the system produced by the Russian Revolution. Crucially – unlike some other critical frameworks – the state capitalist thesis clearly recognises the quite obvious fact that the Soviet Union was in no way socialist. Unfortunately, anarchists have generally not presented the state capitalist argument in any kind of systematic way. Most proponents of the thesis avoid dealing with the complexities of the political economy of the Soviet Union, especially where there appear to be major differences with capitalism as it has appeared in the West. Typically, more rigorous investigations have been left to heterodox (and politically libertarian) Marxists.

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<sup>1</sup> Anarchists were the first to develop a critique of the USSR as a form of class society which replicated many of the key elements of Western capitalism, and this was an important contribution. These perceptive early observations were not simply due to a unique willingness to challenge the Bolsheviks from the left. Anarchist critiques of the new Soviet system sprung naturally out of anarchism’s materialist analysis of the State – both as a form of social organisation and of its function in reproducing class society. Additionally, the anarchist movement had long challenged developmentalist ideas about capitalism as a ‘necessary historical stage’, as posed by both liberals and Marxists. Early attempts to theorise ‘state capitalism’ can be found in anarchist works prior to the Russian Revolution. For example, in Bakunin’s critique of the German Social Democratic Party’s Eisenach programme in *Letters to a Frenchman on the Present Crisis* (1870) and the essays on the State which would form the basis for Kropotkin’s *Modern Science and Anarchy* (1914).

Lenin himself had called the early Soviet system ‘state capitalist’, and repeatedly justified the development of state capitalism as an advancement towards socialism.<sup>2</sup> Other Marxists, however, would take much longer to adopt the term as part of a critical explanatory theory. Furthermore, with few notable exceptions, they also tended to adopt Lenin’s framing of state capitalism as an *advanced* and *progressive* form of capitalist production, serving only as a basis for the *transition to socialism*.<sup>3</sup>

The critique of the Soviet Union as a form of class society should go beyond the relatively obvious observation that both a working class and ruling class continued to exist. A more nuanced version of the state capitalist theory is one which builds upon the work of Amadeo Bordiga and the Aufheben Collective, recognising the Soviet Union as a *regime of capitalist development*. In other words, we should recognise that – far from being an advanced form of capitalism struggling to *transition to socialism* – the USSR was a system struggling to *transition to a fully developed capitalism*. The achievement of the Bolshevik regime was in integrating the socialist movement into a State project of economic developmentalism; transforming Russia from a largely undeveloped peasant society to a capitalist one, in unique conditions shaped by a radicalised population struggling to overthrow class society itself.

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<sup>2</sup> Lenin engaged in extensive polemics against the Left Communists and anarchists on the question of state capitalism. The theoretical concept had been raised prior to the Bolshevik seizure of power, but discussion of the topic appears with much greater frequency beginning in 1918. In his 1921 *Theses for a Report on the Tactics of the R.C.P. at the Third Congress of the Communist International*, Lenin would bluntly declare to his comrades that “to a certain extent, we are re-creating capitalism. We are doing this quite openly. It is state capitalism.” – Lenin, V. I. 1973. *V. I. Lenin: Collected Works: Volume 32: December 1920 – August 1921*. Progress Publishers. p. 491

<sup>3</sup> In 1918, Lenin’s report *‘On the Immediate Tasks of the Soviet Government’* had argued that “state capitalism under Kerensky’s democracy would have been a step towards socialism, and under the Soviet government it would be three-quarters of socialism...” – Lenin, V. I. 1974. *V. I. Lenin: Collected Works: Volume 27: February – July 1918*. Progress Publishers. pp. 295-296

My own position, informed by the theory and practice of anarchist communism, differs from Bordiga’s in emphasising the importance of the relations of production, and the counter-revolutionary role of the State in shaping the specifically capitalist character of Soviet developmentalism.<sup>48</sup> This is to say that, in critiquing the USSR as a regime of capitalist development, it is insufficient to focus solely on the pressures of the world market, a lack of coordinated production, or low productive capacity. It is crucial that our analyses also take stock of the destruction of revolutionary organisational forms, such as the factory committees, free soviets, and peasant collectives.

This is not to say that, had they persisted, such organs of worker and peasant power would have avoided the pressures faced by the Bolsheviks. Contradictions would undoubtedly still need to be wrestled with. But there remains a crucial distinction: A Soviet Union based on the rule of freely organised soviets, alongside a federation of revolutionary factory committees, would have allowed such decisions to be made by *the self-organised workers and peasants themselves*.<sup>49</sup> A consistent opposition within

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<sup>48</sup> See my other work, *Interpreting Marx’s Theory of the State and Opposition to Anarchism* (<https://anarchistworker.substack.com/p/interpreting-marxs-theory-of-the>), as well as *Anarchism and the Dictatorship of the Proletariat* (<https://theanarchistlibrary.org/library/matthew-crossin-anarchism-and-the-dictatorship-of-the-proletariat>)

<sup>49</sup> We could consider, for instance, Stephen Smith’s conclusions regarding the organisation of food supplies under War Communism. As an alternative to either bloody requisitions or the reintroduction of the free market, his research suggests that “Much more use, for example, could have been made of the cooperative network, not only with respect to improving food supply but also in relation to stimulating artisanal manufacture in the countryside. If congresses of peasant soviets are any guide – most of which were dominated by the Left SRs – peasants were willing to exchange grain for manufactured goods on an organized basis, preferably through the cooperatives... Yet the Bolsheviks were deeply suspicious of the cooperative movement... and were reluctant to recognize that it had a far more efficient network of distribution in place than did the Commissariat of Food.” – Smith, S. A. 2017. *Russia In Revolution: An Empire in Crisis: 1890-1928*. p. 229

ity. The Soviet regime of capitalist development emerged at a time in which much of the West had already undergone such a transformation, over the course of two centuries. In the USSR, the responsibility for carrying out the same process was taken up by a Marxist political party, in the aftermath of a self-organised revolutionary movement of socialist workers and peasants. To manage what was deemed a 'necessary stage of historical development', to secure its own position of political authority, and to maintain control over the economic life of Russia, the new ruling class devoted itself to condensing 200 years of bloody original accumulation and capitalist development into the space of a single generation. Bordiga summarised this position in a 1951 report to a general party meeting:

... economically and socially [the Russian Revolution] did not advance at all, falling back on the goal of a capitalist industrialisation of the territory it controlled...<sup>46</sup> [The] pre-capitalist, Asiatic, feudal Russian economy was powerfully tending toward [*aiming* at] capitalism, and this tendency is *positive* [is an *aim*]... Stalin says that his party implements economic socialism in only one country (Russia); in fact, his state – and party – has been reduced to being the carrier of the only capitalist social revolution in Russia and Asia... Our evaluation of the Chinese revolution is no different. In China too, workers and peasants have struggled for a bourgeois revolution, in various phases, and they can go no farther. The alliance of the four classes – workers, peasants, intellectuals and industrialists – reproduces the alliances (fully in line with Marxism in doctrine and in tactics) in France 1789 and Germany 1848.<sup>47</sup>

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<sup>46</sup> *The Science and Passion of Communism*, p. 270

<sup>47</sup> *Ibid.* p 277

## Original (So-called 'Primitive') Accumulation

The Soviet version of original accumulation was shaped by the unique conditions presented by the Russian Revolution. In the Russian case, the undertaking was overseen by a Party-State regime which adhered to a Marxist conception of historically necessary stages of economic development. The Bolsheviks had also taken power in the unprecedented context of a mass worker-peasant revolution, which necessitated several conciliatory reforms which could at least partially satisfy the socialist aspirations of the masses.

Despite the advancements of the new Soviet order (particularly at the level of the social wage), the destruction of democratic Soviets, the factory committees, and other organs of worker-peasant control, emptied the Russian Revolution of its socialist content. By 1918, these new revolutionary forms had been supplanted by Party-State rule, one-man management, and Taylorist methods of 'scientific management'.<sup>4</sup> But it was under Stalin that the Soviet Union enacted policies which would be most crucial to developing a capitalist mode of production. What occurred in Russia during that bloody period is comparable to the process of original ('primitive') accumulation as it occurred in Western Europe and America (where, despite the illusions of bourgeois political economy, the State also played a significant role).<sup>5</sup>

The policy known as 'collectivisation', combined with a project of rapid industrialisation, replicated the violent and dislocating process of capitalist enclosure. Control over agricultural produc-

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<sup>4</sup> Arguably, the final nail in the revolution's coffin was not truly in place until 1921, with the crushing of the Kronstadt Rebellion, but by 1918 the fundamentals of the Bolshevik regime were in place.

<sup>5</sup> "These methods [of original accumulation in Western Europe]... all employ the power of the state, the concentrated and organized force of society, to hasten, as in a hothouse, the process of transformation of the feudal mode of production into the capitalist mode, and to shorten the transition." – Marx, K. 1990. *Capital: Volume I*. Penguin Classics Edition. pp. 915-916

tion, and its subsequent modernisation, was secured through violent requisitions and the transfer of ownership to the State. Impoverished and hungry peasants found themselves driven into the USSR's swelling urban centres and work in the growing industrial sectors. The seemingly historically unique level of violence which accompanied Soviet industrialisation can, to an extent, be explained by the fact that it ruthlessly condensed into just a few decades what had occurred elsewhere over multiple generations.<sup>6</sup>

The end result was the same as in the West. The Soviet Union forged an industrial proletariat with no property, no conscious control over production, and which was now subject to wage labour, at the command of those they confronted as 'personifications of capital': enterprise managers and government officials.

That Soviet workers did not have control over the means of production, whereas a privileged wage-paying group did, is obviously an important fact. It also happens to be extremely easy to demonstrate. But if we want to be serious about finding out what the Soviet Union actually was, it requires a more rigorous study of how capitalist categories do or do not apply. If original accumulation does, what about the categories of property and surplus value? Commodity production and profit? Class and its reproduction? These are the kinds of forms we must now consider.

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<sup>6</sup> In *Volume I of Capital* ('The Expropriation of the Agricultural Population from the Land'), Marx cites the actions of the Duchess of Sutherland as typical of original accumulation in Europe: "Between 1814 to 1820 these 15,000 inhabitants, about 3,000 families, were systematically hunted and rooted out. All their villages were destroyed and burnt, all their fields turned into pasturage. British soldiers enforced this eviction, and came to blows with the inhabitants. One old woman was burnt to death in the flames of the hut, which she refused to leave. It was in this manner that this fine lady appropriated 794,000 acres of land which had belonged to the clan from time immemorial." – *Capital: Volume I*. p. 891

*struggling to transition to socialism.* This idea of state capitalism – of Soviet capitalism as a process of original accumulation and capitalist development – accounts far better for the country's curious mixture of observable capitalist features, and seemingly non-capitalist ones.

The theory I have outlined in this essay benefits from a more rigorous and nuanced analysis of capitalist development as it occurred in the West. Though often downplayed in bourgeois studies of political economy (and also by many Marxists), Western capitalism was also largely a project of state-directed development, and had many features which could not be said to show a fully developed capitalist economy. These were swept aside when they became a barrier, rather than a means of aiding the generalised power of capital over society.

Furthermore, my own view accommodates the flexibility of capitalism in its extension to the social democratic and fascist variants. This allows us to better understand the crises these models inevitably provoke. Many of the objections to describing the Soviet Union as capitalist should also apply to the war-time and post-war economies of the West. Common critiques, such as the apparent lack of a free labour market, are also applicable to the fascist regimes of the 1920s and 30s, particularly Italy, where similar issues of underdevelopment were in play. Despite this, the dominant socialist theorisation of fascism is that it represented an assertion of capitalism over the threat of social revolution; that it was a defence mechanism of the ruling class which reestablished the authority of capital over labour. It is therefore generally accepted that – whatever their peculiarities – these regimes could still be described as capitalist. It is rare to see suggestions that something new had been established: a 'fascist mode of production', or that (despite a similar resort to improvisation) no generalised mode of production was ever established.

The Soviet transition to capitalism was unique for several reasons, each of which present us with additional layers of complex-



control over the labour process. Confronted by the imperative to appropriate surplus-value in the form of increased production imposed through the central plan on the one hand, and the power of the workers over the labour-process on the other hand.<sup>45</sup>

## The Historic Task of the Bourgeoisie, The Historic Task of Socialism

My own view, as I have tried to make clear, is not that the Soviet Union was identical to Western capitalism, only with state officials as the employers. There were important differences between the economic model of the USSR and what we normally understand as a developed capitalist economy. Still, I think it is important to highlight that most, if not all, of the important features of capitalism were present in the Soviet Union in *some form* throughout its history. The nature of their applicability is easy to miss, given that the Soviet system often relied on improvisation, parallel 'black market' economies, and bureaucratic dealings. The USSR also went through various phases of complex and historically contested change; from the initial revolutionary period to the NEP; from War Communism to Stalinism; from the post-Stalinist era to the final decades of reform. This has led some to call the Soviet Union a 'non-mode-of-production', given they believe it is difficult to say that either capitalist or non-capitalist features were ever 'generalised'.

There is some sense to this. More convincing, however, is the conclusion of the Aufheben Collective, which contends that the Soviet Union was an underdeveloped economy *in transition to capitalism*. This view owes a significant debt to the contributions of Bordiga, who insightfully argued his case against those who understood the USSR as an *advanced form of state capitalism* or a State

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<sup>45</sup> *Ibid.* pp. 285-287

## The Relations of Production

In the Soviet Union, property was owned *juridically* through the State. This is often taken as an open and shut case as to why the relations of production within Soviet enterprises can not be compared to that of a typical capitalist country. Looking to Marx, however, we find that he repeatedly emphasises the need to understand capitalism as a set of *social relations*, and that 'capitalists' are simply the *personification of capital*, or the *dynamics* of capitalist production.

In our own developed capitalist countries we frequently encounter bosses and managers who do not literally 'own' their means of production. They are, nevertheless, still clearly members of the capitalist ruling class. In Marx's terms, these are 'functional capitalists', or "functionaries of capital"; a concept best outlined in *Volume III of Capital*. Marx distinguishes the so-called 'work' of supervising the labour process – of *extracting* surplus value – as fundamentally different to the labour of the working class, which *produces* surplus value. This is to say that, with the owner of capital "shifted outside the actual process of exploitation", the income of the functional capitalist only *appears* as the "wages of management", or administration. Despite their structural position within the relations of production, the functionary of capital – the supervisor and legal director of the labour process – comes to believe,

that his profit of enterprise - very far from forming any antithesis with wage-labour and being only the unpaid labour of others - is rather itself a wage, 'wages of superintendence of labour', a higher wage than that of the ordinary wage-labourer, (1) because it is complex labour, and (2) because he himself pays the wages. That his function as a capitalist consists in producing sur-

plus value, i.e. unpaid labour, and in the most economical conditions at that, is completely forgotten...<sup>7</sup>

And so it is with the Soviet enterprise manager, or the government official. For them, the 'owner' of the means of production is the State – a neat legal fiction which 'shifts the owner of capital 'outside' the actual process of exploitation'; in this case into the realm of legal abstraction.

The social relations of control – and the ends to which control of production were directed – became obscured in the Soviet system. Like Marx, however, we should look past this obfuscation, and consider these individuals as *personifications*. In the Soviet Union, party bureaucrats and enterprise managers were functionaries of an underlying class system, wherein the property relations were that of a dispossessed class compelled to work under, and for, a *de facto* possessing class.

## Planning, Profit, and the Market

Production in the Soviet Union was directed by a class of Party officials and enterprise managers. But to what ends were they directing production? What were their plans designed to produce and what underlying forces drove these choices? As with all class societies, the first and foremost concern of the ruling class was its *own reproduction*, meaning, the reproduction of the State and control over the means of production. This includes the relatively high salaries of enterprise managers, party officials, and military officers. The reproduction of the State – the juridical owner of property – and the payment of its privileged functionaries was financed via the State budget, the main source for which was the turnover tax

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<sup>7</sup> Marx, K.1991. *Capital: Volume III*. Penguin Classics Edition. pp. 503-504

the wage was not related to the labour performed... this argument overlooks the contradictory aspects of labour-power and its expression in the form of a wage. Labour-power is both a commodity and not a commodity. Although labour-power is sold as if it was a commodity it is neither produced or consumed as a commodity since it is not a thing separable from the person who sells it - but the workers own living activity. The worker does not produce labour-power as something to sell. On the contrary he reproduces himself as a living subject of whom his living activity is an essential and inseparable aspect. Equally, having bought labour-power, capital can not use it in absence of the worker. The worker remains in the labour process as an alien subject alongside his alienated labour... while the wage may be linked to the amount of labour the worker performs, it is essentially the money necessary for the average worker to buy those commodities necessary for the reproduction of their labour-power. The extent to which the capitalist can make individual workers work harder by linking the payment of wages to the labour performed, rather than as a simple payment for the reproduction of labour-power, depends on the relative strengths of labour and capital. Hence the fact that wages may have appeared like 'pensions' paid regardless of the work performed, rather than as true wages that appear as a payment tied to the work performed, does not mean that labour-power was not sold in the USSR. All that it indicates is the particular power of the working class in the USSR... workers were able to exercise a considerable degree of negative

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became stuck half-way between capitalism and socialism." – *Ibid*. p. 122. For Ticktin, this purgatory of transition constituted a 'non-mode of production'.

are concerned with in this essay would still qualify as clocks – but they are ‘*clocks without a spring*’.<sup>42</sup>

Within the Soviet Union this was experienced as a crisis of what the Aufheben Collective have called “endemic defective production”, and so a “deformation of value”. In the West, they note, “fully developed capitalism” resolves the crises of class struggle and insufficient accumulation through a restructuring which “restore[s] the industrial reserve army and the power of capital over labour”.<sup>43</sup> In the Soviet Union, there was first collapse, and then, in its wake, a prolonged attempt at restructuring along *developed* capitalist lines. It is worth quoting a few more passages from Aufheben’s analysis, which bring some clarity to the confusion over the relationship between money, work, and the labour market in the Soviet Union. As they point out, much of the confusion on these points stems from a misunderstanding of what essentially amounted to a strong social-wage, or social-pension within the Soviet system:

Ticktin<sup>44</sup> persisted in denying that labour-power was sold as a commodity in the USSR on the grounds that

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<sup>42</sup> I take this expression from Christopher Arthur’s essay with that title. In many respects Arthur’s analysis differs from my own (he opts for Ticktin’s ‘non-mode of production’ thesis, (see *note 44*) and makes many assertions which are not in line with the evidence presented here). Still, his metaphor is apt: “Certainly, if the factory system in which capital materialised itself remains, then one cannot speak of socialism; but, conversely, if the law of value enforced through capitalist competition is no longer operative we have a clock without a spring.” – Arthur, C. J. 2004. *The New Dialectic and Marx’s Capital*. Brill. p. 222

<sup>43</sup> *What was the USSR?*. p. 288

<sup>44</sup> The Aufheben Collective describe Ticktin’s theory of the Soviet Union in the following manner: “Ticktin accepts Trotsky’s position that the Russian Revolution overthrew capitalism and established a workers’ state, and that with the failure of the revolutionary wave the Russian workers’ state had degenerated. However, unlike Trotsky, Ticktin argues that with the triumph of Stalin in the 1930s the USSR ceased to be a workers’ state. With Stalin the bureaucratic elite had taken power. Yet, unable to move back to capitalism without confronting the power of the Russian working class, and unable and unwilling to move forward socialism since this would undermine the elite’s power and privileges, the USSR

on enterprises, but particularly those which sold consumer commodities.<sup>8</sup>

To secure its own position, the new Soviet government urgently pressed to make the country economically and militarily *competitive* – not only with Western capitalism, but eventually with other so-called ‘socialist’ states.<sup>9</sup> Great emphasis was placed on the development of new or improved means of production – of use-values – which could then be ‘allocated’ across the economy (albeit via a highly regulated process of ‘buying and selling’ between enterprises).<sup>10</sup>

But production plans were also designed to produce *commodities*, which possessed the dual character of value; both *use* and *exchange-value*. Soviet enterprises produced goods which were to be sold, either as consumer items to workers, or on the competitive world market in exchange for hard currency; i.e., *capital*. This capital could then be used to import raw materials and additional means of production, so as to renew the cycle on an *expanded scale*. For Soviet planners, further impetus for this project of rapid modernisation stemmed from the Orthodox Marxist dogma regarding capitalism as a necessary stage in historical development. Devel-

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<sup>8</sup> The turnover tax gradually reduced in importance as more standard indicators of profitability became expected of Soviet enterprise, and taxation came to focus on profit and income.

<sup>9</sup> These other so-called socialist countries would then, in turn, do the same. Industrial policy as preparation for military confrontation is often justified with reference to the Second World War and the fight against fascism. However, as Alec Nove has noted, “This can hardly be accepted. In the worst years of social coercion and over-ambitious plans, i.e. 1929-33, Hitler was only just climbing to power, and Comintern policy showed that he was not then regarded as the main enemy.” – Nove, A. 2011. *Was Stalin Really Necessary? Some Problems of Soviet Economic Policy*. Second Edition. Routledge. p. 31

<sup>10</sup> “What state capitalist regimes vainly attempt to do in the field of production of the means of production is not to supplant the market by means of the plan, but rather *to plan market transactions* between enterprises.” – See discussion in Buick & Crump. 1986. *State Capitalism: The Wages System Under New Management*. St. Martins Press. pp. 82-84

opment of the productive forces, and the maximisation of output (production for production's sake), was widely understood as a precondition for the emergence of socialism.<sup>11</sup>

Some Marxists accept the notion that the pressures placed on the Soviet Union by military competition imposed a capitalist logic on the ruling bureaucracy and its relationship to the working class.<sup>12</sup> However, the reality of commodity production within the country itself (for non-military purposes) is also important to emphasise. Neil Fernandez makes this point in *Capitalism and Class Struggle in the USSR: A Marxist Theory* (1997):

... it is readily apparent that there were many, many goods which the vast majority of the population could only receive in exchange for roubles and kopeks. It is well known, of course, that people used various sorts of connections and information networks to find out when and where certain goods were on offer, to establish a place in the queue or to queue-jump, and to arrange barter deals; but it is hardly disputable that if a worker received rouble notes in his pay-packet and had to give some of them away each day in return for bread, then that bread took the form of a commodity. This would be so regardless of any effects which State subsidies may have had on its price or the shortage

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<sup>11</sup> The inefficiencies within the Soviet system add another layer in the compulsion for growth – the economy expands to deal with its own defective production process and, as a result, introduces even more inefficiency: “This problem of defective production became further compounded since, in an economy as integrated and self-contained as the USSR, the outputs of each industry in the industrial chain of production became the inputs of tools, machinery or raw materials for subsequent industries in the chain. Indeed, in many industries more labour had to be devoted to repairing defective tools, machinery and output than in actual production!” – Aufheben. 2020. *What was the USSR?: Towards a Theory of the Deformation of Value Under State Capitalism*. Radical Reprints. p. 134

<sup>12</sup> This was the view of the Trotskyist theorist Tony Cliff.

*cess of capitalism's struggle to emerge*. The new ruling class, particularly in the aftermath of the failed German Revolution, found itself carrying out what they deemed 'the historic task of the bourgeoisie', and even consciously thinking in such terms: The task was not social revolution, but rather constructing a regime of capitalist development.

The important thing to note here is that the dysfunction in Western capitalist states did not make these countries 'not capitalist'. These were, instead, accommodations to the existing balance of class forces *which forced capitalism to behave in ways that are counter to its internal logic and systemic imperatives*. When workers gain significant control over their work conditions, win high pay, and weaken the discipline of unemployment, they are not establishing a fundamental change in the mode of production. Both in the West and the Soviet Union, the power of workers (and peasants) necessitated the construction of economic machines which lacked the appropriate mechanisms to ensure capitalism's perpetual reproduction and expansion.<sup>41</sup> In other words, if the capitalist machine were a clock, the malfunctioning machines we

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<sup>41</sup> The British economist Simon Mohun offers a similar framing grounded in Marx's notions of the 'formal' and 'real' subsumption of the labour process. For Mohun, the Soviet Union oversaw the initial process of 'formal subsumption', wherein capital first “subsumes the labour process as it finds it, that is to say, it takes over an existing labour process, developed by different and more archaic modes of production.” (*Capital: Volume I*, p. 1021) For Mohun, however, the contradictions discussed in this essay prevented a full transition to a 'real subsumption'. As he writes in *The Problem of the Soviet Union* (1980): “A bureaucracy developed which owed its power to the defeat of the German Revolution on the one side, and the Bolshevik victory in the Civil War on the other. This double political isolation became 'a necessary condition for the survival, and even extension, of bureaucratic privilege'. Thus, an ideology of 'socialism in one country' followed logically from the total situation, and the new society remained locked in the formal subsumption of the means of production, with the associated 'continued reproduction of the separation of the working class from the product it creates.'” – Cited in van der Linden, M. 2007. *Western Marxism and the Soviet Union: A Survey of Critical Theories and Debates Since 1917*. Brill. p. 199

ever the ideological trappings of existing governments) were *a*) social revolution, *b*) collapse, or *c*) restructuring. What is now known as 'neoliberalism' was, in reality, merely the triumph of restructuring; a necessary *phase* of capitalism.

Avoiding collapse was, for obvious reasons, in the interests of both workers and capitalists. For the ruling classes – the managers of the State and capital – social revolution was also off the table (again, for obvious reasons). The failure of the working class to disentangle itself from the political project of managing the capitalist state, or to risk the leap of totally reorganising the relations of production, left only a political programme of retreat for the workers movement. As a result, labour was disorganised, and the discipline of unemployment reasserted through the destruction of the welfare state. In many countries, parties of 'the Left' were at the forefront of this – Australia is just one example.<sup>40</sup>

The contradictions generated by militant trade unionism (and the welfare state it created) are comparable to those at the core of the Soviet model. Their differences reflect the specific historical contexts in which the respective systems were established, and the balance of class forces at their foundation. In the West, concessions to workers' power had been built up gradually, with the post-war consensus taking root in relatively stable, industrialised liberal democracies. On the other hand, inter-war Russia (routinely described as 'backward' and even 'semi-feudal') experienced the rupture of social revolution; spearheaded by mass organisations committed to one or another forms of socialism.

The Soviet leadership was compelled to assert itself as the embodiment of that revolution, no matter how far it strayed from (or rather, *suppressed*) its socialist character. Crucially, the Bolsheviks had taken power not in capitalism *per se* but *amidst a delayed pro-*

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<sup>40</sup> For an excellent, scholarly account of this process, as administered by the Australian Labour Party (with the cooperation of the trade union bureaucracy) see: Humphrys, E. 2018. *How Labour Built Neoliberalism*. Haymarket Books

of potential substitutes on the level of demand. Similar statements can be made in relation to other goods and services, from apples and armchairs to toys and train tickets. It is equally well known that such 'consumer items' as domestic heating bills were considerably cheaper relative to, say, cars, than they are in a country such as the United Kingdom; but this too is hardly a relevant issue when we are endeavouring to focus upon the overall form of the social consumption relation... The fact of the matter is that even when goods were on ration proletarians either paid cash or went without. Thus it is not seriously deniable that the basic relationship was one of purchase and sale. Some, including many rich western travellers to the USSR, may have perceived roubles as being 'worthless,' but this was not the reality lived by the Soviet working class. The restricted availability, even to those proletarians who had saved up enough roubles, of some of the consumer goods available on advanced western high streets is not the point; nor are the special shops for the elite. The point is that in the overwhelming majority of cases, goods passed from retailer to consumer only on condition that roubles passed from consumer to retailer; and in no way was this condition a mere formality.<sup>13</sup>

Accepting this analysis, we find that the forms of commodity, money, exchange, and capital accumulation can all be observed within Soviet production, without any reference to the development of a competitive military. If we accept that such categories apply, then it must be acknowledged that the Soviet Union repli-

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<sup>13</sup> Fernandez, N. C. 1997. *Capitalism and Class Struggle in the USSR: A Marxist Theory*. Ashgate. pp. 117-118

cated key elements of the capitalist mode of production (and that this can even be demonstrated via Marx's critical framework).

For some, however, profit is the only real category of any consequence. So what importance, if any, was placed on profitability? It is relatively uncontroversial to note that profitability was a driving factor of production during the period of the New Economic Policy (NEP). There was also, as is well known, an extensive black market based on production for profit. These will be put aside to deal with the more interesting and complicated question as to whether profit was an important part of the formal economy in the post-NEP period.

The evidence suggests that while profit was not always the *immediate* aim of each *individual enterprise*, or even expected within certain subsidised industries (which operated at a 'planned loss'), it inevitably remained an unavoidable category within Soviet production. Writing in 1942, Raya Dunayevskaya highlighted the role of the turnover tax in establishing the relationship between commodity production, prices, and profit:

Contrary to the usual sales tax, which is a fixed percentage of the base price of the commodity, the turnover tax is a fixed percentage of the total sales value of merchandise, including the amount of tax. This means that whereas a 90 per cent sales tax raises the price of merchandise 90 per cent, a 90 per cent turnover tax increases the sales price tenfold.<sup>14</sup>

She then continues:

The prices of commodities, as we have seen in the section of the turnover tax, are pegged considerably above the cost of production and the cost of

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<sup>14</sup> Dunayevskaya, R. 2017. *Russia: From Proletarian Revolution to State-Capitalist Counter-Revolution: Selected Writings*. Brill. pp. 229-230

access to education.<sup>36</sup> Children of the Soviet ruling class tended to receive jobs as either party officials, military officers, elite intellectuals, or journalists (a position which granted an unusual degree of freedom to travel abroad, among other perks). Others, as one would expect in Western capitalism, simply enjoyed the benefits of having notable or important family members.<sup>37</sup> Looking at class mobility more generally, Matthews' work suggests that there was "immobility in the unskilled strata of the working class". Likewise, downward mobility among "specialists and managers" is said to "never amount to more than a few per cent."<sup>38</sup> This is shown to be consistent with the desire of party officials and specialists to keep a "continuity of leadership", or, in other words, to reproduce a privileged ruling class through careful, conscious management.<sup>39</sup>

Another aspect of reproduction often raised is the capacity for a mode of production to self-perpetuate – for it to have sufficient *internal dynamics* of reproduction. In this respect, the economy of the Soviet Union undoubtedly faced fatal contradictions. But an 'insufficient internal dynamic' does not, in itself, demonstrate that the USSR was not a form of capitalism (or, as I have argued here, a regime of capitalist development).

Indeed, the Keynesian post-war consensus introduced within capitalism certain distortions (primarily strong unions and welfare states) which likewise broke down its usual internal dynamics of reproduction. By the mid 1970s, Western capitalism was facing a crisis of profitability which threatened the drive for ever-expanding accumulation. The three possible resolutions to this crisis (what-

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<sup>36</sup> Matthews, M. 1978. *Privilege in the Soviet Union: A Study of Elite Life-Styles under Communism*. George Allen & Unwin. pp. 47-49. Matthews' work is particularly interesting given its emphasis on the Soviet ruling class as one which not only held power, but also positions of material privilege as a direct result of that power.

<sup>37</sup> *Ibid.* pp. 159-163

<sup>38</sup> *Ibid.* p. 158

<sup>39</sup> *Ibid.* p. 155

logical model. As Bordiga says in his *Dialogue with Stalin* (1952), it is “an abstract, yes, non-existent, yes, typical capitalism, which nevertheless entirely corresponds to the glorifying theses of the bourgeois economists.”<sup>34</sup>

## Dynamics of Reproduction

It is sometimes suggested that the right to individual inheritance – the ability to reproduce a hereditary ruling class – is an important category in capitalism. For instance, in *The Revolution Betrayed* (1937), Trotsky argues that:

The attempt to represent the Soviet bureaucracy as a class of “state capitalists” will obviously not withstand criticism...The individual bureaucrat cannot transmit to his heirs his rights in the exploitation of the State apparatus. The bureaucracy enjoys its privileges under the form of an abuse of power.<sup>35</sup>

The claim that inheritance of this type constitutes an essential category of capitalist production is dubious – it is, more accurately, an observation of how property relations have typically operated in Western capitalism, which should not be seen as representing the only possible form of capitalism. Nevertheless, it is worth demonstrating that this capacity did in fact exist in the Soviet Union to a significant degree.

In *Privilege in the Soviet Union: A Study of Elite Life-Styles under Communism* (1978), Mervyn Matthews documents a pattern of elite families securing privileged and managerial positions for their children, as well as significant favouritism in areas such as

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<sup>34</sup> Bordiga, A. 1952. *Dialogue with Stalin*. <https://www.marxists.org/archive/bordiga/works/1952/stalin.htm>

<sup>35</sup> Trotsky, L. 1972. *The Revolution Betrayed: What is the Soviet Union and Where is it Going?*. Pathfinder. pp. 249-250

production is measured by the cost of labor power and raw materials and by the depreciation of fixed capital which includes amortization charges. The planned profit is likewise included as part of “the cost of production.” Each individual undertaking has considerable discretion in the manner of executing the plan. For instance, the management can make profits over and above those “planned” for it by economizing on the cost of labor.<sup>15</sup>

All of which takes place within the framework of “rouble control” established by credit and banking legislation:

[Beginning in 1930] undertakings were to be conducted on principles of cost accounting, as in any money economy. A working capital was given them and they were to function unassisted by bank credit. Where credit was necessary it was extended only to those whose credit was good. Thus there was created an incentive “to fight for profit,” and a control was established over the industrial and commercial enterprises by the banks, which saw to it that the slogan “fight for profit” was achieved—with the threat of having the enterprise declared “bankrupt” and taken out of the hands of the management.<sup>16</sup>

Soviet economists likewise acknowledged the role of profit within the system. For instance, Adam Buick and John Crump’s book *State capitalism: the wages system under new management* (1986), cites the Soviet economist Nikolaï Dmitrievich Kolesov on the expectation of profitability:

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<sup>15</sup> *Ibid.* p. 231

<sup>16</sup> *Ibid.* p. 231-232

Operating in accordance with the state plan, the enterprise (or amalgamation of enterprises) must cover all expenditures with its own income, i.e., with profits from the production and sale of its goods'.<sup>17</sup>

Indeed, many economists in the USSR would come to argue that profitability was an unavoidable component of the Soviet model, and that this necessarily entailed consideration of the world market, which it had been integrated within. These economists recognised that efforts to sideline the imperative of profitability introduced serious distortions in Soviet production, as it attempted to ignore the law of value as the effective measure of efficiency within a capitalist framework. Dunayevskaya described this phenomenon with great clarity:

[The value of capital] may not depreciate fully on the bureaucrats' books. However, since the real value of the product can be no greater than the value of the corresponding plant on the world market, the moment the Ford tractor was put alongside the Stalingrad tractor, the state had to reduce the price of its own brand. This was the case in 1931 when Russia, while importing 90 per cent of the world's production of tractors, sold its own below cost... no matter what values may appear on the books, the means of production in the process of production reveal their true value in their relationship to the worker... if an obsolescent machine was not destroyed but continued to be used in production, the worker suffers the more since the overlord of production still expects him to produce articles at the socially-necessary labor time set by the world market... planning is governed by the necessity to pay the laborer the minimum necessary for his existence and

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<sup>17</sup> *State Capitalism*. p. 151n16

in jail and, if necessary, forcibly “repatriated” by the police to the townships from which they originally escaped.”<sup>30</sup> In his piece *Urbanization and Italian Politics* (1967), the scholar Robert C. Fried describes this arrangement as having “restored a lop-sided version of serfdom to Italy... even half heartedly enforced, these laws did create what has been called a ‘genuine cast of ‘pariahs,’ completely at the mercy of bureaucrats and employers.”<sup>31</sup>

Clearly, then, other regimes of capitalist development have not consistently allowed for circumstances in which ‘free men meet the owner of money in the market’ and ‘dispose of their labour-power as their own commodity’.<sup>32</sup> Yet it is doubtful that many socialists would consider that such societies – including fascist regimes – were anything other than forms of capitalism.<sup>33</sup> It is yet another instance in which a close examination of Soviet political economy demonstrates the applicability of capitalist categories (even if highly distorted), whereas the history of Western political economy reveals deviations from those same ‘laws’ of capitalist production. We should remember that the essence of Marx’s critique in *Capital* – particularly in its difficult early chapters – is not of a really existing capitalist system. Instead, it is an abstract,

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<sup>30</sup> *Ibid.* p. 8

<sup>31</sup> Fried, R. C. ‘Urbanization in Italian Politics’. *The Journal of Politics*. Vol. 29, No. 3 (Aug., 1967): 505-534. pp. 509-510. Fried is quoting Ernesto Rossi.

<sup>32</sup> *Capital: Volume I*. p. 272. The entire chapter on “The Sale and Purchase of Labour-Power” is relevant here. Likewise, we could look to Marx’s *Wage Labour and Capital* (1847): “The worker leaves the capitalist to whom he hires himself whenever he likes, and the capitalist discharges him whenever he thinks fit...” – Marx, K. & Engels, F. 2010. *Marx and Engels Collected Works: Volume 9: 1849*. Lawrence & Wishart. p. 203. (The 1847 lecture was not printed until 1849).

<sup>33</sup> Bordiga would go so far as to say that, “capitalism in Russia presents us with absolutely nothing that is unprecedented. The fact of state management directly connects it with a hundred other cases in the course of history... Remember, it was states and kings that equipped the first fleets and founded the imperial companies, seeds of the capitalist explosion!” – Bordiga, A. 2020. *The Science and Passion of Communism: Selected Writings of Amadeo Bordiga (1912–1965)*. Brill. pp. 266-267



general powers of conscription. Workers could be re-deployed for any period required by the Reich... By the end of 1939, no less than 1.3 million workers had been subject to such compulsory work orders.<sup>27</sup>

Tooze also proceeds to describe the impact of fixed wages as a barrier to the free and competitive purchase of labour power, and the unconventional means through which labour market competition asserted itself:

Given the formal ban on wage increases, the resulting upward adjustment of earnings was a covert process, hidden in accelerated promotion, high-status apprenticeships, retraining schemes, hiring bonuses, improved working conditions and a variety of supplementary social benefits.<sup>28</sup>

The regulation of labour as a commodity was even stricter in Italy. As in Germany, a 'labour passport' system (managed by state labour exchanges) was introduced in 1935, leading to active control of the labour market and the capacity to carry out "disciplinary [or regulatory] action in the distribution of the labor force."<sup>29</sup> Decrees were implemented placing severe restrictions on labour mobility. Internal migration was heavily policed and extreme limitations placed on the ability to move between industries. Mills Gardner Clark's work on this subject highlights the 1939 'Provisions Against Urbanisation' law, which sought to bind agricultural labourers to their villages and explicitly outlaw unauthorised attempts to join the industrial labour market. Clark tells us that those who broke the law could be "fined and thrown

<sup>27</sup> Tooze, A. 2006. *The Wages of Destruction: The Making and Breaking of the Nazi Economy*. Allen Lane. p. 261

<sup>28</sup> *Ibid.* p. 262

<sup>29</sup> Gardner Clark, M. 'Governmental Restrictions on Labor Mobility in Italy'. *Industrial and Labor Relations Review*. Vol. 8, No. 1 (Oct., 1954): 3-18. p. 6

to extract from him the maximum surplus value in order to maintain the productive system as far as possible within the lawless laws of the world market, governed by the law of value...It has thus been absolutely impossible for Stalin, Inc. to guide the productive system without sudden stagnation and crises due to the constant necessity of adjusting the individual components of total capital to one another and to the world market.<sup>18</sup>

In other words, the Soviet Union was attempting to develop a capitalist system while maintaining obstacles which rendered the process defective and unsustainable. One of the major reform figures endeavouring to resolve this contradiction was Professor Evsei Liberman, who, in the early 1960s, joined the ranks of Soviet economists who insisted on expanding the role of profit as essential to sustaining the Soviet model. Liberman's contributions to the debate were successful in influencing the 1965 reforms which placed far greater emphasis on profitability as a 'success indicator' for enterprises, and so the means for allocating resources.

The reforms of 1965 should not, however, be seen as having introduced a fundamental transformation in the political economy of the USSR. In 1958, Alec Nove's essay *The Problem of "Success Indicators" in Soviet Industry* argued that – although it was not yet the 'leading success indicator' at the *enterprise* level – profit was still an important element in Soviet production:

Enterprises are encouraged to make profits in the USSR, and derive material advantages from so doing. A part of the planned profit, and a much larger proportion of any in excess of plan, is used to create a so-called 'fund of the enterprise', formerly known as

<sup>18</sup> *Russia: From Proletarian Revolution to State-Capitalist Counter-Revolution*. p. 300

the director's fund. Part of this money may be devoted to expanding productive capacity over and above the authorised investment plan, part for housing and amenities, part for the payment of bonuses. There is thus an interest in increasing profit. Managers are also interested in avoiding losses, since these are likely to lead to difficulties with the State Bank and attract the unwelcome attention of inspectors from various supervisory agencies.<sup>19</sup>

Nove was correct to caveat this with the crucial observation that many Soviet enterprises knowingly and continuously operated at a loss — and with State approval. However, as Dunayevskaya has noted, these industries were subsidised by the State finances. Subsidising unprofitable branches of production is, of course, nothing new. Under Western capitalism there have always been unprofitable sectors which owe the maintenance of their operations to subsidies, whether they be provided by the State, or come as a result of corporations offsetting losses in one area with the profits of another.

In the Soviet Union, revenue was primarily shifted between enterprises via the turnover tax. The subsequent allocation of resources did not, therefore, need to be drawn from an individual firm, but instead came from the *total national surplus*. In her 1947 work, *The Nature of the Russian Economy*, Dunayevskaya again places a great deal of emphasis on the turnover tax as an instrument of profit and the circulation of capital:

Profit, moreover, does not at all have the same meaning in Russia as it does in classical capitalism. The light industries show greater profit not because of the greater productivity of labor, but because of the state-imposed turn-over tax which gives an entirely

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<sup>19</sup> *Was Stalin Really Necessary?*, pp. 85-86

is not true of regimes of capitalist development. In the chapter on 'simple reproduction', Marx writes:

In former times, capital resorted to legislation, whenever it seemed necessary, in order to enforce its proprietary rights over the free worker. For instance, down to 1815 the emigration of mechanics employed in machine-making was forbidden in England, on pain of severe punishment.<sup>26</sup>

It is also worth considering that the fascist regimes of Italy and Nazi Germany exercised similar controls over their respective labour markets. In 1935, Hitler's government implemented the 'workbook' (or 'labour passport') system. Initially used as a means of labour discipline and accounting, the workbook eventually became a means of directly allocating workers across industries as required. As Adam Tooze notes in his study, *The Wages of Destruction: The Making and Breaking of the Nazi Economy* (2006):

... the labour administration adopted measures to limit regional migration. At one point, in an effort to retain workers in the countryside, the labour exchanges even banned people who had previously worked in agriculture from entering into non-agricultural employment. In February 1937, the demands of the Four Year Plan and rearmament made necessary a special decree covering metalworkers. This required them to seek prior permission before changing jobs. And with the armaments effort reaching new heights, Goering's Decree for Securing Labour for Tasks of Special State Importance (*Verordnung zur Sicherstellung des Kraeftebedarfs fuer Aufgaben von besonderer staatspolitischer Bedeutung*) of 22 June 1938 provided the Reich with

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<sup>26</sup> *Capital: Volume I*, p. 719

of direct competition for labour among individual local enterprises. Not only did enterprises advertise for labour, they also hired many workers at employment bureaux or at the proverbial factory gates... In reality, then, as Nove has noted, the “forces of supply and demand” were of considerable influence on “actual earnings.” If earnings rose so that enterprise directors could tempt or keep workers, then this can only mean that labour-power was being bought.<sup>24</sup>

And finally, from the Aufheben Collective’s series *What Was the USSR?: Towards a Theory of the Deformation of Value Under State Capitalism* (1997-2000):

The fact that in reality workers were to a limited but crucial extent free to sell their labour-power is shown in the strategy of the managers of state enterprises to hoard labour. Indeed, the managers of state enterprises actively colluded with workers to overcome the restrictions to their mobility in their attempts to secure sufficient labour-power to meet their production targets. Hence the legal restrictions to the free movement of labour-power were just that: attempts to restrict workers who were essentially free to sell their labour-power.<sup>25</sup>

It should be noted that the kind of restrictions to labour mobility described above are not unique to the Soviet experience of capitalist development. Though a developed capitalist mode of production possesses the means of ‘binding’ the wage-labourer to their “owner” via “invisible threads”, Marx notes in *Volume I of Capital* that this was not the case as capitalism emerged in the West; i.e., it

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<sup>24</sup> *Capitalism and Class Struggle in the USSR*. p. 130

<sup>25</sup> *What was the USSR?*. p. 284-285

fictitious “profit” to that industry. In reality, it is merely the medium through which the state, not the industry, siphons off anything “extra” it gave the worker by means of wages... Precisely because the words, profit and loss, have assumed a different meaning, the individual agents of capital do not go to the most “profitable” enterprises, even as capital itself does not. For the very same reason that the opposite was characteristic of classic capitalism: The individual agent’s share of surplus value is greater in heavy industry. The salary of the director of a billion dollar trust depends, not on whether the trust shows a profit or not, but basically upon the magnitude of the capital that he manages. State capitalism brings about a change in the mode of appropriation, as has occurred so often in the life span of capitalism, through its competitive, monopoly and state-monopoly stages. The individual agent of capital has at no time realized directly the surplus value extracted in his particular factory. He has participated in the distribution of national surplus value, to the extent that his individual capital was able to exert pressure on this aggregate capital. This pressure in Russia is exerted, not through competition but state planning. But this struggle or agreement among capitalists, or agents of the state, if you will, is of no concern to the proletariat whose sweat and blood has been congealed into this national surplus value. What is of concern to him is his relationship to the one who performs the “function” of boss.<sup>20</sup>

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<sup>20</sup> *Russia: From Proletarian Revolution to State-Capitalist Counter-Revolution*. pp. 288-289

We are, as a result, still dealing with the *extraction of surplus value*: Work is imposed beyond what is necessary to reproduce the workers' own labour power, taking the form of "unpaid labour-time" in the process of commodity production, thereby enabling the cyclical growth and expansion of capital.<sup>21</sup> Just as in the developed capitalism of the West, the Soviet Union achieved this via the exploitation of a dispossessed wage-earning class by a ruling class with control over the means of production.<sup>22</sup>

## Labour as a Commodity: The Soviet Labour Market

It is often confidently asserted that nothing resembling a labour market, or labour as a commodity, existed in the Soviet Union. Consulting multiple studies, however, we find that there is substantial evidence to the contrary. Consider, for instance, this from Buick and Crump:

...enterprises have always retained a degree of independence and a certain room in which to manoeuvre. Nowhere has this been more so than in the sphere of adjusting wages and working conditions. Competition between enterprises for labour power (particularly for skilled grades of labour power) has always been

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<sup>21</sup> *Capital: Volume I*. pp. 671-672

<sup>22</sup> Marx doesn't deny the possibility of a 'surplus' of sorts outside of capitalism, the value-form, etc. In *Capital* he argues that the working day can expand, or be intensified, beyond reproducing one's own labour power simply because there has been an extension of needs and wants, or, otherwise, a desire to provide for the social good (e.g., those that can't work, etc.). Crucially, outside of capitalist production – or class society more generally – this is *co-operative labour, under conditions of generalised self-management*. There is no alien control over the process, or product of labour, and so no 'exploitation'. It is *free activity*. (*Capital: Volume I*. pp. 666-667)

evident and no amount of bureaucratic red tape has been able to conjure it away. Although draconian restrictions on labour mobility have been introduced in certain periods, they have always proved unenforceable in the long term... The counterproductive social tensions which had built up as a result of restrictions on labour mobility were shown by the fact that in 1956, 38 per cent of industrial wage-earners changed jobs... the actual hiring of the different grades of workers remains the responsibility of the enterprises. Since enterprises are under enormous pressure from the state to produce in accordance with the economic plan, they must have suitable workers in order to fulfil their production targets, even if this means bending the rules and acting illegally... most enterprises have notice-boards at their gates, where they not only advertise for workers, but tempt those with skills in short supply with details of the housing facilities, welfare benefits and lengths of vacation which the enterprise can provide. Such is the intensity of competition for scarce grades of labour power that even the Russian authorities admit that almost one-third of labour recruitment by-passes official channels, while many Western scholars believe that, with certain exceptions, 'the immense majority of workers and employees is recruited at the factory or office gates'.<sup>23</sup>

A similar picture is likewise painted by Fernandez:

...quite aside from the implications of competition during the plan revision process, there was a notable level

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<sup>23</sup> *State capitalism*. pp. 75-76