

Surveys

The Capitalist Crisis and Current Trends in the USSR

In this survey, I will attempt to discuss the interaction between the effects of the world crisis of capitalism and contemporary developments in the Soviet Union. I will argue that the failure of the five-year plan of 1971-5 has exacerbated existing social tension to the point where the *elite* has felt compelled to reduce its subsidies to, and its tolerance of, inefficiency in its peripheral areas. Coinciding with this situation, there has been a rise in price of certain Soviet goods on the World market. Hence, Eastern Europe has found itself squeezed for both reasons. In relation to the West, the Soviet *elite* finds itself compelled to obtain more goods and now has a stronger trading position. It also has a stronger political position. At the moment the interests of Western capitalism are complementary to those of the USSR. The present stability presages the development of the Soviet *elite* along the road to the market and ultimately to capitalism, while a turn to the left on the part of sections of the intelligentsia united with the working-class is no longer a fantasy.

The contemporary rise in unemployment accompanying the decline in economic growth in Western capitalist countries has brought the USSR onto the stage in a new light. The USSR does not have inflation and unemployment on the scale now common in the West. On the other hand, it has an insatiable demand for goods from capitalist countries. Britain, arguably the weakest advanced capitalist country, has now concluded a trade deal extending £1,000 million credit on favourable terms to the USSR. France has already concluded an extensive commercial pact with the Soviet Union. In Britain the deal has been defended (among other things) with the argument that it is not costing Britain

much because of the existence of unemployed men and resources. The Soviet Union can now fulfil much the same role as an armaments sector or public works. It is important to realise that this is not the same as the thirties since at that time the capitalist powers would not extend credit on the present scale. On the contrary Stalin exported wheat at a time of internal famine in 1933 in order to pay for his purchases. The cold warriors are now prepared to give aid to their former adversary.

The change in terms of trade for raw materials and gold has, of course, placed the USSR in a new position both in relation to the West and to other Comecon countries. A recent article has dealt with the consequences for the latter.¹ Its conclusion, that the Eastern European countries are being squeezed by the USSR just at the time when they cannot sell their manufactured goods, is confirmed by our Czech review in the present issue. The recent prices review of Comecon countries has not meant a simple rise of Soviet prices, but there is no doubt that the USSR is no longer prepared to subsidize the other Comecon countries. Unlike the market-dominated countries, the USSR had to decide consciously to raise its raw material prices even if in a cushioned manner. The USSR will shield the Comecon countries from the rise in world raw material prices but only to a limited degree. This means, concretely, that the USSR has resolved to provide as little as possible to maintain the stability of Comecon countries. Reports from Poland and our Czech Review indicate that the Soviet Union is already acting in this manner, with the consequent economic problems for these countries. This does not mean that the Comecon countries are being abandoned. It only signifies that the USSR is gambling on maintaining stability in Eastern Europe with a smaller subsidy. As long as the Soviet Union was economically in a colonial type of relationship with the East European countries, supplying raw materials with world prices as the basis for payment, the East European countries effectively received a trade-off for the domination of the USSR. In the period since 1956, therefore, it has been difficult to speak of economic exploitation of the East European countries in spite of blocked rubles held in the USSR for the more developed East European countries. That the USSR should only be able to reverse the terms of trade in this way when the world market prices change does of course show its dependence on this same world market. It is not enough, however, to refer to its dependence, for the USSR could well have chosen to demand immediate payment at world prices or delayed the implementation of those prices. The underlying reason for the price rises must be sought elsewhere.

At this point it is not without interest that the ruling group in the USSR

1. Ted Harding, "Repercussions on the East European Economies" in *Inprecor* 16/1/75. For a discussion of pricing, see Michael Kaser, "Comecon's answer to the Russian Pricing Dilemma", *The Times* 19/2/75.

have seen fit to discover corruption in the national republics. In *Critique 3* David Law discussed Georgia. Uzbekistan has had its share of blame too, with stories told of ministers having two sets of books, one for accounting inspectors and another for themselves. Recently one of its ministries was attacked in the press for giving a new factory a licence to operate for no good reason.² In the same paper, the Turkmen republic and Kazakhstan are singled out for depreciating their agricultural machinery at an abnormally rapid rate. It is impossible to believe that these republics have suddenly become corrupt or inefficient. Since inefficiency is the rule in the USSR, we must conclude that the principal significance of these reports is not so much that corruption is worse in these republics, but that while it has hitherto been acceptable, it has now become unacceptable. This accords with the fact that control over the peripheral areas is X considerably less than it is at the centre, but it does not explain the recent campaigns. These might be best explained in terms of the internal difficulties X and strains of the regime. There has been a persistent failure to fulfil the targets set, especially those for consumer goods. Internal discontent has not abated; on the contrary, more intellectuals wish to leave, and the strength of the working-class (as is clear from Holubenko's article in this issue) and its demands cannot be ignored. Under these circumstances the *elite* is taking steps to maximize output in the only way it can — through administrative measures. This is precisely the point of the articles: that there is insufficient control from above. Increased control means, in the final analysis, squeezing increased surplus from the units affected.

This gives the connection between Eastern Europe and the peripheral areas of the USSR. Given the prevailing discontent in the heart of the USSR, subsidization of the peripheral areas such as the Eastern European and Asian republics has to be reduced to the minimum tolerable to their peoples. It has to be added, at this juncture, that the world crisis has permitted the USSR a greater leverage in X relation to the East European countries than would otherwise have been the case. It is quite clear that the East European countries have little chance in the present depression of selling a great deal of their industrial goods. The return of migrants to Yugoslavia has shown that one avenue is being closed off. Indeed, the whole example of the slow return of Yugoslavia to the Soviet *bloc* makes it clear to those who had other dreams that a national solution is not possible. In any case, the decline of the United States and the disarray of Nato makes the X USSR more secure in its control over Eastern Europe.

Hence the Soviet *elite* will attempt to obtain more of the surplus generated within its sphere of interest in order to buttress its own unstable position. It is interesting to note the results of the current five-year plan as it approaches the

2. *Izvestia* 27/2/75, p.3.

end of its term.³ It is well-known to those capable of simply comparing the original plan of any five-year plan to its final year results that no such plan has been fulfilled. This does not mean that there has been no growth, only that the growth is less than the population wants and requires. Secondly, the question must be asked whether indefinite expansion of heavy industry constitutes growth. Whereas in the previous five-year plan (1966-70) national income grew in Soviet statistics by an average of 7.8% per year, it has grown by an average of 5.2% in the last four years. Indeed in the last year the plan was for 6.5% growth in national income and the result has been 5% growth. It is quite obvious that the 1971-75 five-year plan target of 37-40% growth of national income, which is actually slightly less than that previously obtained, will be 20-25% underfulfilled. The slight tendency in the late sixties for the proportion of consumer goods to increase as against producer goods has been definitely reversed in the last three years. The consumer goods plan will, as a result, be underfulfilled by between 14 and 20% for the five-year plan, while the plan for producer goods has come close to fulfilment. Indeed in the current year (1974) the plan for producer goods has been overfulfilled. The question must be asked as to how the Soviet Union produced more cement and steel in 1972 than the USA, but even with 40% more cement still managed to produce only 10% more flats, and those of a much smaller size.⁴ It is obvious that the USA might produce fewer housing units in some years than others. The waste in the Soviet Union, however, is not of the kind which arises from the failure to use resources, as it is in the USA; it is waste arising from the misuse of produced resources. The problem, as the current results indicate, is that the massive industrial machine in the USSR consistently fails to deliver the goods to the ordinary worker or intellectual. The production growth of new housing units has been static for almost ten years. Agricultural production was below par again last year, making for longer food queues. Nonetheless it is clear that more meat was produced last year and that more people got flats as well. Still, in most big towns there has been an actual decline in the number of flats constructed per head of natural increase in population. This implies a longer period of waiting for new flats. The problem is that with the growth of towns at some 4% per year, and peasants receiving a greater share of the national income (5% growth as against 4% for workers and employees), and with unequal income distribution, sections of the urban population do not gain in real income, and, with some inflation, probably even lose. This applies particularly to the ordinary intelligentsia who are on fixed salaries with little prospect today of promotion. Workers' incomes have changed for particular layers. The essential question, however, is not one of money, but of the availability of goods and it is still the case that for most people food is the primary problem. The production of cars went up by 22% in 1974, but this consumer

3. The calculations which follow have been taken from the annual plan reports in *Izvestia*, the original directives of the five year plan and *Narodnoe Khoziaistvo* for the relevant years. For 1975, 100% plan fulfilment has been assumed.

4. Housing estimates taken from *Narodnoe Khoziaistvo SSSR 1972*. Reference below to main towns derived from *Vestnik Statistiki* 11/74 p.90.

durable is clearly easily obtainable only by the *elite* and higher intelligentsia. Other sections of the intelligentsia may obtain cars and private flats insofar as they have the assistance of relatives, extra-legal earnings or contacts to smooth the way. Thus, the nature of the goods produced increases the social differences. x
 To sum up: the current plan has failed to provide sufficient for the majority of the population to deal with their basic requirements in food, housing and consumer durables. The consequent pressure on the *elite* has forced them to take firmer measures of the type outlined above. The problem is not purely economic, but the *elite* see no other solution but the material one of extending their base among the intelligentsia. We turn next to the question of food.

There are some apologists for Stalinism who see the weather as the chief reason for the failure of Soviet agriculture. This is not the place to deal with the whole argument around collectivisation. It is enough to point out that the number of cows in the USSR only reached the pre-collectivisation level around 1960 and has still not caught up with that number in terms of cows per head of population. What is particularly interesting is the present Soviet discussion, which took place under the heading of lessons of the agricultural year, in *Izvestia*, in the last six weeks of 1974.⁵ There it is pointed out that there are a series of socio-economic reasons which reduce the yield on the farms. The machine operators are poorly trained: "The qualifications of a large part of our combine operators are not very high, that many of our farms are unable to harvest grain quickly and without losses, and that a large share of the blame rests with our machine building" (my italics). In any case it turns out that the machine operators once trained do not stay on the farms, and when they do, a large part of their time is spent on repairing their machines. It seems that combine harvesters in the USSR as a whole stand idle for two-thirds of the time when they are required. In an important article running to almost half a page, three journalists argue that 1974 was a year of good weather but "the reserves* for grain production were not small".⁶ Essentially they argue that agronomists' advice is not taken or the agronomists are confined to bureaucratic rules. "It is an old disease but for some reason is cured only slowly".⁷ They say that pests, disease, etc., ruin considerable portions of the crop even though the farms are warned to take precautions, which they fail to do.⁸ In any case, equipment is poor. They have shown, in other words, that intensive farming in the USSR has come up against the same kind of barriers that exist in industry. Acting in their own interests, people on the farms either leave or simply act according to the given rules, producing only what is technically required. In a good year, the

* "reserves" should be taken as a euphemism for "waste".

5. *Current Digest of Soviet Press* 1/1/1975 has English summaries of the three articles.

6. *Izvestia*, 6/12/1974.

7. *Ibid.*

8. Richard Rockingham Gill, "Impact of Price Movements on Soviet Gold Reserves and Foreign Trade Debts". *Ost-Europa* 2/74; *Vneshnaya Torgovlaya*, za. 1973 god.

harvest will not be too bad, but in a year of bad weather the results of people working to rule can be disastrous. The problem is social, and no technical economic reform will make any difference to it in the long run. Concessions of the 1964-5 kind to the private plot and the collective farmer can improve the situation for a limited time, but then agriculture returns to its previous contradiction. In other words, the food problem in the USSR is insoluble. In effect, it is not so much that output may not increase as more capital is poured into agriculture, as that the return is considerably below the needs of the population. All this goes to support the argument that the failure of last year's plan, while ostensibly strongly influenced by poor agricultural results, reflects the inability of industry to produce the right kind of good quality equipment, and demonstrates that the same social contradictions exist in agriculture as elsewhere in the society.

Unable to deal with their social contradictions, the *elite* has turned to the West. Obviously the present *detente* has as much to do with the decline in the Cold War on the Western side as with a greater desire to trade in the East. At the present, however, this trend to *detente* has been greatly altered by the world depression and rise of working-class struggle. In purely economic terms the rise in price of gold, platinum, oil and diamonds has given the USSR a much greater opportunity to pay for goods in the West. In 1973 there was a rise of 30% in trade with developed capitalist countries as a result. It has been estimated that in 1974 Soviet gold production stood at \$1,700 million as compares with \$ 500 million in 1973 and 227 million dollars in 1970. In 1973 sales of gold by the USSR are estimated to have been around 800 million dollars. Whereas previous gold production in 1972 stood at around 15% of trade exports and 13% in 1973, the 1974 level of gold produced would be enough to pay for 49% of its imports from capitalist countries in 1972 and 37% of its imports in 1973. Now this does not mean that the USSR's trading problems with the West are solved. They would not be asking for credit if this were so. Furthermore, it is quite clear that inflation and the vagaries of the international market will reduce this advantage over time.* In any event the Soviet demand for technology and Western consumer goods is so great, and existing trade so low as a proportion of its national income, that in fact this rise in gold price is nothing but a drop in the bucket. As long as the USSR is incapable of regenerating new technology for mass production or of producing high quality consumer goods, not to speak of food, the demand for Western goods will remain insatiable. Nonetheless, with all these important qualifications, the effect of the present world crisis has been beneficial to the Soviet elite in a series of ways. In terms of trade with the West it has given it leeway for obtaining better terms, as well as being able to recover its exchange position since the last disastrous harvest, so being able to establish its credit with Western banks. Thus one estimate puts Soviet gold reserves at around 14,000 million dollars, which stands at three times its 1973 level of imports.⁹ Since

* The 50% rise in Soviet trade with the West in 1974 confirms the point. *The Times* (London) 3/4/75.

9. Consolidated Gold Field estimates would put the reserves at 23-24 billion dollars, assuming reserves of 4200 tons at 178 dollars per ounce. *The Times* (London) 18/1/75.

that estimate was made, the gold price has risen 40%. This position is not as strong as it looks since any large scale sale of gold will lead to a fall in the gold price, and so be counterproductive. In addition, it is quite possible that the gold price will not keep pace with inflation.

The Soviet *elite* now has a stable basis for increased trade with the West as well as more credit. It is highly unlikely that they will hoard either their gold or their raw materials, so that the main effect of the world crisis is and will be to increase to a much greater degree Soviet dependence on the import of Western goods. Since these goods — like the import of quality coats from Britain — serve in the final analysis either the *elite* or at best the middle layers of the intelligentsia, the connection with the Western market is being intensified. The link with the West, of course, applies particularly to the import of car plants but applies no less to import of producer goods since this involves continued demand for spare parts, updating of equipment and extension of such plants through the system. This link between capitalism and the *elite*, whether as managers or consumers, is probably now indissoluble. Both for their own purposes and for the stability of the system, Western goods have to be obtained. The terms and the dates of agreements are another matter. The U.S. Congress provided such humiliating terms that the Soviet *elite* could only have accepted them if they were on the verge of totally losing control of the USSR. Such a situation may arise, but it is not the immediate position, unstable though it be. Having an increased bargaining power, with raw material and gold price increases, they can afford to reject what would have been their own subjection to the USA. Essentially what they need is more credit on favourable terms, together with some possibility of arranging for the payment of imported technology through the export of the goods so made. The US Congress was only prepared to give a miserly sum in aid or credit in return for political concessions of a major kind. Had the USA been prepared to give large sums in aid, the political concessions might have been made. Kissinger, however, had a more intelligent policy. There is no need to request political concessions since a policy of close economic ties will tend increasingly to pose political questions. One example of these ties is the recent agreement to explore for gas in Siberia. If gas is found, the US and Japan will have to give some 2 billion dollars in credit to the USSR in return for an agreement to supply gas for twenty years. "The project itself would provide an opportunity for the sale of large amounts of United States and Japanese equipment and services, while the foreign exchange eventually generated for the USSR would provide expanded long-term trade and employment opportunities for the other two partners".¹⁰ The problems arising from spare parts, prices, delays and quality control over construction, are all going to pose the question of control. Both ideologically and practically the demand for the introduction of the market will become irresistible. The question of minority participation in

control is bound to pose itself. This path, which might be called the intelligent road for those who wish to bring the USSR over to capitalism and dependence on the USA, has met with political obstacles in the USA which will probably be overcome either directly or indirectly in the manner of the gas deal. The argument that either the USA or the USSR did not want *detente* fails to understand the logic of events. The section of the bourgeoisie which was arguing for a hard line was overtaken by the world crisis, while the Soviet *elite* had no need to capitulate. The make-haste-slowly line of Kissinger at least showed his astuteness in the service of capitalism.

The world crisis is having manifest political effects as well. The USSR could actually relax its emigration policy a little without losing as many as before owing to unemployment in the West. Communist parties with Soviet ties as in Portugal are succeeding, and the Italian party, which is not without its Soviet connections, is apparently on the verge of entering a coalition. At the moment international trends favour the Soviet *elite*. Its long political isolation looks like becoming a matter of the past. It must not be overlooked that nationalisation is no longer a matter for capitalist indigestion. The multi-national oil companies have accepted the nationalisation of their producing facilities in a way inconceivable ten years back. Late capitalism has developed new forms of adaptation to its inevitable decline. Its making credits available to the USSR is one such adaptation. In this context the USSR with its hierarchical structure appears as a fitting partner for the capitalist class in its final period. Ideologically, the decline of the USA and the incipient revolutions in Chile, but especially in Portugal, make the belief-pattern of the right wing Soviet intelligentsia less viable. It evolved in the period of the great postwar boom. We must expect that a leftward swing will begin to emerge. The recent announcement that Roy Medvedev is to produce an above ground extra-legal journal must be taken in this context. His own works show him to be no more than the democratic wing of the *elite* — its left-wing perhaps. But the *Political Diary* is possibly the most left wing document to have come out of the USSR in the last period. Edited by Medvedev, it does show that an evolution towards a working-class line is not out of the question. Other reports speak of persons and groups taking a Marxist-Humanist perspective; of others trying to reform the party in a Democratic-Communist direction, and of others still who have been gaoled for taking a left-opposition line. The document which we have printed on our inside front cover is particularly significant, showing that political protest can also be left-wing. This underlines the importance of the Chilean events for the USSR, and indeed of any future move to the left in the West. These are early days yet and there is as yet no left-wing movement as there is a right-wing one. We may expect that in the next few years the dominant right-wing currents will begin to be challenged by the left.

I have argued that the situation in the USSR is governed by a dialectical interpenetration of internal and external trends. The internal situation continues to be regulated by the all-pervading discontent manifested in intellectuals trying to leave and workers striking or working to bureaucratic rules. To-day the

importance of the now hereditary working-class, constituting the majority of the population, concentrated in factories of enormous size (as G.A.E. Smith points out in his article in this issue), living in close proximity to each other or their place of work cannot be gainsayed. In view of the small size of the distribution and service sectors in the USSR as well as the above factors, the power of the working-class will be irresistible when it is confronted with the possibility of a concrete alternative. It is this latter which is gradually being formulated, largely in the West. The economic and political factors making for stabilisation of the *elite*, through the world crisis, are but temporary alleviations of the internal crisis. The dubious historical mission of the Soviet bureaucratic *elite* is exhausted. ecc!

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Repression of Marxists in Yugoslavia

Most of our readers will be aware, from the accounts in the major Western newspapers, of the recent events concerning dissident Marxist intellectuals in Yugoslavia. The present repression has a long history, and its basis must be sought in the contradictions that existed within Yugoslav society in the early 1960's. Yugoslav society was then entering a period of crises. Important problems confronted the leadership. Already then, the Marxist "humanist" philosophers grouped around the journal, *Praxis*, had begun a critique of both the tendency to increasing bureaucratisation in the leadership, and the tendencies towards restoration of a market which had been introduced by the leadership to cope with the problems in the Yugoslav economy.

This critique, developed in conferences organised by the *Praxis* group, met with initial anger and intolerance on the part of the leadership. Not much happened, however, until the occurrence of student demonstrations in Yugoslavia in 1968. The party leadership eventually blamed the *Praxis* group for the events, and Tito himself said in July 1968 that the students involved had been "corrupted" by their professors who should therefore not be allowed to remain in the university. After further moves by the leadership within the Party Organization in the Department of Philosophy and Sociology, two hundred students and professors refused to re-register and instead protested to the League of Communists, demanding an objective inquiry into the responsibility for the demonstrations of June 1968.

Since 1968, the leadership of the League of Communists tried for seven years to remove the philosophers of the *Praxis* group from the university.