

# THE INTERNATIONAL ROAD TO CHAOS

HILLEL TICKTIN

## INTRODUCTION

In the USSR today the statues of Lenin have fallen and the memorials to October are being axed. References to Marx are being deleted. The new hero is Friederich von Hayek, a primitive pro-capitalist thinker.

Yet nobody who knew the USSR could be surprised. The elite and the intelligentsia have always opposed Marxism. Whatever the uncritical praise for Lenin and the less uncritical tributes to Marx, only the naive could ever have believed that the regime in the USSR was anything but profoundly conservative. That there is anybody in the intelligentsia today who is on the left is a miracle. The enormous repression that the left suffered combined with the total inability to develop Marxism in a nominally Marxist regime has prevented the emergence of any intellectuals within the intelligentsia. The intelligentsia in the USSR is a truly Stalinist intelligentsia. It is only in favour of those measures which will raise its own standard living at the expense of the rest of the population.

They attack Lenin, oblivious of the burial of his thought under the weight of his deification, as the practitioner of the idea of a proletarian revolution. It was to be expected that the intelligentsia could not see that the Stalinist iconisation of Lenin was the very antithesis of Lenin's thought. Yet many on the left did not expect it. Deutscher, for instance, never thought that de-Stalinisation would be accompanied by such a profound antipathy to socialism. Deutscher said that when Trotsky is vindicated "the workers state will announce that it has at last reached maturity, broken its bureaucratic shackles, and re-embraced the classical Marxism that had been banished with Trotsky."<sup>1</sup> His views are in fact typical of much of the left, in spite of the relatively critical attitude adopted towards him.

Deutscher has been proved completely wrong. In criticizing Trotsky for embracing the concept of a restoration of capitalism he declared that the pre-revolutionary political parties would appear completely moribund to the population of the USSR and that there were no forces working towards restoration of capitalism.<sup>2</sup> Clearly he would be amazed at the revival of the

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Cadets, a party he thought was as dead as the Bourbon monarchy in France and still more amazed at the tributes now being paid to Tsar Nicholas II. Trotsky has been proved right in anticipating the restoration of capitalism but wrong in expecting there to be a left opposing it.

The left has been characterised by its abject failure to understand the profound processes at work in the USSR. Most of the left have followed Deutscher either in believing that it was a workers' state or that there was a suppressed left waiting to express itself. Those who called the USSR a mode of production whether capitalist or bureaucratic collectivist have been astonished at the collapse of the USSR. All these currents were collectively amazed at the events in the USSR.

Of course no one could have predicted the exact timing of the changes but we did indeed argue in Critique not only that the USSR was not a mode of production and hence had to disintegrate but that it was on its last legs from 1975 onwards. Thereafter we put forward a general thesis of disintegration, which now looks almost tame and obvious. It requires no genius to understand the USSR just a willingness to see what is actually there as opposed to what people would like to be there. Yet much of the left was lost and remains lost in its understanding of the USSR. That is because they refuse to look at the harsh reality of a society which is the heir to a revolution, so defeated that there is not a shred left behind.

The system has succeeded in political terms in introducing political forms of parliamentary democracy without being challenged by the left and the working class. In this respect the elite has done extremely well. At one level, they had to integrate Trotsky, the ultimate critic of the regime, while at another they had to face Marxism, which is inherently egalitarian. They have succeeded in driving Marxism into a far corner of the society, by associating it with the Stalinist regime or alternatively with a utopia. Trotsky, in turn, has been marginalised by arguments which attempt to prove that Trotsky was as bad as Stalin or as harsh as Lenin. Given the fact that the regime claimed to be Marxist and hence had to accept claims on an egalitarian basis this result is probably beyond the wildest dreams of the elite.

It is true that Marxism in the USSR had few followers as argued above but it could be expected that a liberalised regime would open the way to some intellectuals adopting Marxism. Few have done so and no-one associated with the workers is known to be a classical Marxist. Instead Yeltsin has

attracted workers support and there is more of a populist movement than a left movement. The socialist movement, in turn, is largely confused and social democratic.

The workers cannot blindly develop their own theory, in the absence of intellectuals, but all political currents in the USSR are now attempting to gain working class support. There can be no question but that large sections of workers are supporting both nationalists of different kinds as well as liberals and strongly pro-capitalist elements like Yeltsin.

Indeed it is true that we are now at a turning point, when the workers are robbed of the only theory which stands for their emancipation and that of mankind in the name of a freedom, free enterprise, which is the very opposite of freedom. The defeat of the revolution has been so thorough that most workers now see their own freedom through some form of the market. Of course they oppose the actually existing market.<sup>3</sup>

### **THE ABJECT FAILURE AND RESPONSIBILITY OF THE WESTERN LEFT**

The result on the left is the same confusion in the West that there is in the East. The Western left patronises the few limited anti-marketeters and workers that they can find, oblivious of their social democratic leanings. Believing that the USSR is like the West or that it is workers' state they see anybody who apparently stands for socialism as a socialist. In that way they end up confusedly wringing their hands at their mistakes in supporting first the now unpopular Gorbachev, then Yeltsin, who supports the stock market, then East Germany as a separate state and finally anybody who at least mouths words which sounds socialist. Anyone who really knew these societies could also have predicted the current turn of events, such that there is no left whatsoever.

It has to be said that the Western left is itself to blame. If they had stood in a lonely but honourable stance through the last 30 years condemning the Stalinism of Eastern Europe and also the intelligentsia opposing it, in the name of socialism, there would at least have been an alternative pole in the world. Instead the left actually supported Sakharov, who sent a telegram of support to Pinochet, the Chilean butcher. Instead of trying to force a differentiation in the Eastern European and above all Soviet left, they preferred ostrich like to believe that oppositionists were necessarily social-

ist. The horrible examples of such mistakes can be recounted over many pages from Grigorenko who was considered by some in the West to be a Marxist but who was so much a Marxist that he wanted to drop neutron bombs on the USSR to some of the workers brought over from the USSR today who turn out to support Yeltsin and semi-fascist organisations. The left understood little of the USSR and adopted an opportunist position of supporting whomever they could find. Above all the left looks totally absurd because of its earlier support for Solidarity in Poland, now that the only powerful currents in its leadership stand for capitalism, even if they are divided on how to achieve it. Worse still many in its leadership are tarred with anti-semitism.

### WHERE DO WE NOW STAND?

The question, however, is at what turning point do we now stand? Even if the intelligentsia stands on the far right in the USSR, divided only between nationalist anti-semites and Victorian liberals, workers demands couched, as they often are, in market forms, raise once again the spectre of socialism. The name of socialism is dead but the demand for the system lives.

Although the workers in the USSR are not able to support a revolutionary socialist party, their demands stand opposed to the programmes of the major political groups. If the workers cannot express themselves politically they can demonstrate their strength at the level of the enterprise and in so doing oppose the programmes of both major political factions. Two features now stand between the Soviet elite and intelligentsia and their own destruction at the hands of the Soviet proletariat. The first is the apparatus of the state, which remains intact and the second is the increasing national disintegration of the USSR. Both contain and divide the workers.

As a result the prospects for the USSR seem to lie in the direction of increasing fragmentation and apparent chaos. The overall stalemate in the USSR has only shifted its form. Chaos for the workers is, of course, also an opportunity for the old elite to establish itself in a new form and for sections of the intelligentsia to acquire property, though it is not an opportunity to move to capitalism.

Stalinism is dying and with it a whole epoch of bourgeois supremacy. At the very point when the bourgeoisie is celebrating the end of an illusory enemy, which it has forgotten that it created itself, capitalism's entire existence is

now called into question but in a manner so obscure that the bourgeoisie can consign socialism to the dustbin of history.

Never has Marx's famous passage from the 18th Brumaire seemed more appropriate. Trotsky quoted it in his book *1905* and it is more than ever relevant today:

Proletarian revolutions...constantly engage in self-criticism, and in repeated interruptions of their own course. They return to what has apparently already been accomplished in order to begin the task again; with merciless thoroughness they mock the inadequate, weak and wretched aspects of their first attempts; they seem to throw their opponent to the ground only to see him draw new strength from the earth and rise again before them, more colossal than ever; they shrink back again and again before the indeterminate immensity of their own goals, until the situation is created in which any retreat is impossible, and the conditions cry out: *Hic Rhodus, hic salta!* Here is the rose, dance here!<sup>4</sup>

Indeed, the critical point in world history seems to have arrived. Francis Fukuyama has proclaimed the end of history. For this purpose he has used Marx's famous dictum, that socialism is the beginning of human history and the end of the old history, but has turned Marx on his head.

## STALINISM AND THE EPOCH

We start from the overall proposition that capitalism has been in decline for over a century but that the struggles have been of the prophetic form disussed by Marx. In other words, capitalism has been through a terminal crisis in the post-world war I period which it survived partly because of social democracy but largely through the counter-revolutionary nature of Stalinism. This argument is made elsewhere in this issue, so it will not be pursued here. It follows, however, that we have been living in the epoch of Stalinism. It is not just the enormous crimes of the purges and destruction of the Soviet economy that have to be laid at the door of Stalinism, but Hitler, the rise of Fascism, and indeed the whole period of the Cold War are in large part the responsibility of Stalinism, albeit in a capitalist context. Of course this argument on the responsibility of Stalinism, which was earlier a minority view, is to a large degree acceptable to wide sections in the USSR.

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What is not seen in the USSR, however, is that the end of Stalinism also means the end of crucial measures used to maintain capitalism. The end of the Cold War is unsurprisingly accompanied by a world downturn. Nor is this recession like any post-war recession. All post war downturns were sooner or later accompanied by increased expenditure on arms, which pulled the economies out of their troughs. It is no longer possible to call on the population to accept a lower standard of living, end strikes, throw out so-called disloyal trade unionists and so accept higher profits and higher taxes. The end of the Cold War is the true End of Ideology.

The long stalemate between the workers and the ruling class is now being broken. Hitherto, the ruling class in the developed world has been compelled to maintain a welfare state as the quid pro quo for the workers accepting the so-called right of managers to manage. The problem was that such a compromise does not work. The welfare state restricts the incentives of the managers and capitalists through prohibitive taxation and bureaucratic controls while the workers are given a base from which they can demand more control over their product and their labour process. Workers demand higher wages, control over investment, election of management and fewer privileges for the managers and capitalists. Hence Reagan and Thatcher tried to turn the clock back. In fact they failed. The monetarist doctrine has succeeded only in demolishing manufacturing industry in a number of countries.

The major supports for capitalism have been the apparent lack of an alternative, given the failure of the USSR and the welfare state. The accepted wisdom is that socialism is now consigned to the dustbin at the very time when the props used to buttress the system are being kicked away. The time could not be more appropriate for the growth of an undivided socialist political party.

The situation is truly extra-ordinary. The Cold War was conducted in the name of destroying a Communism which never existed. What is more the principal authors of the crusade were well aware that the USSR had nothing in common with socialism, communism or Marxism. The defeat of a spectre which never existed is taken to prove that the ruling class is here forever. The market is proclaimed eternal on the basis of the decay of an enemy which was never an enemy and which viciously wiped out the left.

In the USSR today we are witnessing a parallel complexity. The ruling group in the USSR has split and as time has gone on the division has developed its own momentum but the real issues are more often obscured than obvious. It is clear, for instance, that part of the opposition faction took up the market not because it wanted the market but because it regarded the market as an ideal mechanism for defeating part of the state hierarchy. As it has tried and failed to introduce the market it has proclaimed that the use of rationing is a forward looking measure being pursued because the ruling group failed to introduce the market. Thus we are now witnessing a *Alice in the Looking Glass* series of measures. Those in favour of the market have pushed the government to introduce a series of measures which have materially worsened the situation. The Law on the State Enterprise has only led to a wage inflation, phenomenal price rises in the uncontrolled sector, the decline of the ruble and an increased degree of factory autarchy. Then the same people have blamed all this not on the market but on the previous system, whereas none of these things existed previously. It is true that the system was in sharp decline and in process of disintegration but these measures have made everything worse.

Then, finding that everything is getting sharply worse because of their measures they have demanded the full introduction of the market, in a form which does not exist anywhere in the world. We have had the absurd spectacle of Pravda reporting that writers had to speak to Gorbachev about the lack of support for culture under the proposed market.<sup>5</sup> Of course, the whole point is that all developed countries today both have strong state sectors and substantial subsidies for a whole range of enterprises, goods and sectors. Yet these marketeers have ended up demanding what Galbraith has correctly called an impossibility.<sup>6</sup>

We then have the position where the regime proclaims that it is in a crisis because of the previous Stalinist regime, which is increasingly perceived as socialist, and hence needs extraordinary measures to introduce this chime-ra of capitalism. At the same time, Bush's advisers and much of the American Soviet Studies establishment are aware of the problems facing the Soviet regime and desperately want to avoid the regime breaking down, even if it means that they take some 2 to 3 decades to get to the market.

So the crisis in the USSR has coincided with a crisis in capitalism, which in turn needs the USSR to take its place in the world market, in order to avoid that crisis. Yet the USSR cannot get there, so the crisis in the world

can only grow more acute. We live in an epoch of transition in which the Stalinist defeat of the October Revolution established a whole new epoch of capitalist stability, which must now come to an end.

Above all, workers movements the world over will no longer be directed towards support of the USSR or its surrogates, nationalism will lose its material and ideological support and the Stalinist secret police will no longer be able to torpedo yet another possible revolution.

### **THE SOVIET CRISIS**

#### **DISINTEGRATION - THE CONTRADICTION BETWEEN CONTROL OVER THE PRODUCT AND THE LABOUR PROCESS**

The workers in the USSR have historically been controlled by a process of political and economic atomisation. This has involved a large degree of control over its own labour process, which has led to low productivity, low real wages and strong resistance to any new technology. This has worked to the point where absolute surplus has stopped. This argument has been made many times over by me and written up in Critique and in a forthcoming book.<sup>7</sup> Without the supply of labour time both growth and the system seizes up. In turn this has led to increasing labour strength. Logically the system would in time be faced with an increasingly powerful workforce, and its problem of how to defeat labour.

It is worth briefly recounting the nature of the disintegrative process, in order to understand the present crisis.<sup>8</sup> On the one hand, the soviet worker has established a large measure of control over the labour process, while on the other hand he has no control over his product. The bureaucratic administration or elite is in charge of the system and in principle organises the economy and so has a large measure of control over the product. Hence the elite partially controls the surplus product but cannot control the labour process which gives rise to the surplus product itself. This indeed is only a recipe for disintegration because it means that the economy is riven between a constant struggle by the managers to establish control over production and a refusal to accept such control by the individual workers and indeed all units. The result of this dichotomy is that there is low productivity, constant labour shortages, a permanent lack of co-ordination among all units, regular breakdowns and difficulty in introducing new technique or completing projects. The result of these features in turn is that every unit



is driven back on itself to organise its own production in the most independent way possible. In principle this leads to a complete breakdown, always prevented, however, by the centre.

In other words, when I have argued that the USSR is governed by two conflicting laws the law of organisation and the law of self-interest, I was also stating that the USSR tended both to disintegration and to centralisation. It is this centralisation which is absolutely crucial in maintaining the system. It is only because the centre intervened to prevent the worst shortages, to prioritise certain sectors and to supply the extra labour, when it was available that the system lasted. Of course, when the labour was no longer there, the role of the centre began to diminish. But it did not vanish.

### **THE NEW DISINTEGRATIVE LOGIC OF A DECLINING STALINISM**

There is, however, a second logic to the disintegration of the system. As every enterprise finds that it cannot use more labour to get around the system, it has had to find new ways of coping. That logically led to an increasing degree of independence from the centre, since the centre could not deliver labour or solve the increasing problems of the enterprise. In turn, this has meant that each enterprise has entered into bargaining arrangements with others on an even more extensive system than before. This has led to a system which has been called corrupt or one of control by the 'mafia'. In other words, with greater stability under Brezhnev, the same people came to have an increasing degree of contact within the economy and hence worked out bargaining arrangements among themselves which gave them enormous power over sections of industry and so the economy. The retail sector is well known. Hence the move to the market in this context would be a move to break up these arrangements and demand that these same people take responsibility for their own actions. Paradoxically, here is a situation where privatisation would not change the reality of control only the form. Equally paradoxically these entrepreneurs are not in favour of the market.

These entrepreneurs are not, of course, new in the Soviet system but they are a development of a new kind beyond the old *tolkach*, which have made for corruption and a rationale towards the market itself. Clearly a position,

where there is a *de facto* bargaining arrangement between enterprises would naturally lead to the market.

Nonetheless it must be noted that the centre continued to operate up to the reforms, which reined in its ability to act as a firefighter and co-ordinator. However inefficient the system, the organising role of the central administration has been crucial in ensuring that the fissiparous tendencies of the individual units did not result in full disintegration.

### **THE FANTASTIC NATURE OF THE PROPOSED MARKET AND ITS COSTS**

It has been the special feature of the Western economists and their pupils in the USSR, like Aganbegyan, Shatalin and Gorbachev, that they did not understand this. Hence, the reforms inevitably led to a much faster disintegration than would have otherwise been the case. It also led to completely new features coming into being which intensified the decline. It has not just been a question of a system disintegrating but a question of a system in such decline that its leaders do not know the nature of the alternatives. On the one hand, they have maintained themselves in power in an incredibly successful way by democratising. The Communist Party is a casualty but the elite does not need the Communist party. It has paradoxically achieved a greater degree of support overall but economically it has precipitated an economic disaster.

A capitalism in decline becomes senile and understands even less of the nature of the capitalist system itself. Hence the fantastic spectacle of modern monetarist economists from Walters to Jeffrey Sachs advising the East. The point, of course is that the market does not work in the ways of the Adam Smith Institute and never has done so. If these economists had troubled to read Adam Smith himself they would have found little justification for their recipes. But what is worse is that capitalism today is very different from its pristine form. It needs big capital, close connection with government, old boy networks or in other words a ruling class which is in close contact with its parts. Modern capital also needs finance capital, imperialist forms and methods of dividing the workers. The result of partial attempts to go to the market and of attempts to go towards 19th century capitalism is greater chaos than might otherwise have been the case.

There is, in other words, a special cost to trying to introduce the market in a silly form and at a time when it is impossible. Soviet economists have in fact implemented this absurd advice and then found that they could not retract the effects of their measures. There is an alternative but it is too late to implement it. The fundamental obstacles to the reform, the workers and the lack of capital were always obvious. A rational solution, which had some chance of working, was one of making concessions to the workers at a fundamental level, instead of constantly and consistently berating them.

Workers are demanding the abolition of privilege and the introduction of measures making for social equality and these demands will not go away, however much the Soviet elite and its advisers wish it to do so. A demonstrative abolition of privilege together with an extended application of the original provisions for election of managers in the Law of the State Enterprise, would have obtained general support for the reforms. Indeed there would have been enthusiastic support for what would have been a move towards social democracy. Instead the regime has taken the opposite road of maintaining basic privileges and permitting its own officials to transfer their privileges into a market form in an open and corrupt manner.

It was, however, to be expected that the elite would not give up its privileges even for a transitional period in which most of its members would have retained their control over the surplus product but lost some of their individual income. They have as little faith in the introduction of the market as anyone else. They hesitate before the possibility that both collectively and individually they would lose out. As a result, they accept advice, however silly, which purports to provide a method for the rapid introduction of the market, while the elite remains in control. The further problem is that the elite is also fetishized by the nature of the commodity itself. The alternative would have been nominally to give up their privileges, knowing that a transfer to the market would have only extended their existing privileges. Election of managers in the context of the market would have meant less than the supervisory boards on which worker representatives sit in West Germany.

The main cost of the direct move to the market, however, is that they have to confront the workers head on, at the very time when they rob themselves of the weapons which have made the system work but before they have introduced both genuine money incentives and unemployment. As a result the transition is prolonged if not indeed impossible.

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As a result, both the elite and the workers now see the regime as in terminal decline and hence both strive to make themselves as self-sufficient as possible, so rendering the state increasingly ineffective and speeding up a complex form of fragmentation.

The rational procedure for the elite at this juncture would have been to retreat to the previous form of the system, with so-called "centralised planning" but it can no longer do so, precisely because the different social poles of the system have battened down the hatches. The local elites are demanding independence in order to save themselves from the overall anarchy of the decline, while the members of the central elite are scrambling to find market oriented positions of control, leaving the workers to establish direct control over the enterprises.

To sum up, the cost of the move to the Victorian style market is an accelerated terminal crisis, which might well, paradoxically, be drawn out over twenty to thirty years.

### **THE MOVE TO THE MARKET**

It is proper to define what is meant by a market at this stage. Historically, a number of different kinds of market have been proposed for the USSR. The proposals can really be put into three categories. The first associated with Nove and Brus amounts to the introduction of an uncontrolled market for consumer goods and a limited one for producer goods, where the state continues to play a crucial role. There would, in fact, not be a market for either capital and labour or at any rate there would be a welfare state and at most a controlled labour market with a very limited capital market. These model builders have always had great difficulty in arguing this compromise case. Either there would be a labour market or there would not be one. If there is no labour market then the system would differ little from the old Stalinist system, whatever was attempted. If there would be labour market it is hard to see why it would not become wholly capitalist, with a full capital market. The point is that it is not a technicality but a real question of social relations and this intermediate concept never had any hope of success. It was this concept which failed first in Poland and Hungary and very briefly during the 1988-89 period in the USSR.

Today the proponents of such markets are fewer and indeed in the USSR while there is talk of a regulated market there is no question but that Yeltsin

is demanding capitalism and that Gorbachev accepts that demand but cannot find a path towards the goal.

If the social market or the semi-market is rejected then the alternative must be the form of capitalism now existing in the west, or actually existing capitalism, as opposed to its dream which remains in the minds of many economics practitioners. This implies large-scale industry owned by a few individuals or large insurance companies. Important or controlling shareholdings, the Thatcherite myth notwithstanding, are held by a small circle in every country. The point is not that it is moral or immoral but that it is the way capitalism actually works and no other capitalism is likely to function.

How then can such a form be introduced in the USSR? Can the oil wealth of the USSR be handed over to a few large companies as in the United States? To ask the question is to realise the opposition in the USSR to such a disposal of wealth. Furthermore, it is also to realise that such a sale would mean that the nature of the Soviet economy would hardly change. It would continue to be run by a few individuals sitting at the centre, directing their particular fiefdoms. In all likelihood they would also have to resuscitate the central planning apparatus to ensure that the infrastructure, defence and crucial industries continued to function. Hence the demand, inside in the USSR, for the introduction of competition is a revolutionary call. The problem is that such competition does not now exist in the world.

Given the very large size of plants in the USSR and their close integration with suppliers and customers the introduction of competition into the USSR would simply wreak havoc with the existing economy, quite apart from its utopian nature. Nor will it be easy to introduce any kind of capital market. It has to be noted that the successful economies of Japan and Germany have underdeveloped stock exchanges and have historically funded their firms through the banking system. The use of the Soviet banking system to control and develop the Soviet economy has consistently foundered on the impossibility of introducing real money. It is worthwhile exploring this point in more detail.

## **THE QUESTION OF MONEY AND THE USSR**

Over the period 1987-90 various attempts have been made to raise prices, balance the budget and control the emission of money. The net result by

the end of 1990 was the introduction of rationing over the USSR, particularly in Moscow and Leningrad, together with a vast expansion in the emission of money. So far from introducing real money as opposed to peculiar form of the ruble, the Soviet regime managed to take a step backwards towards barter and the ration card. Perhaps the real nature of the choice became clear with Gorbachev's decree in late November 1990 that groups of workers, were to work with the KGB and police to ensure an orderly supply of goods.

The regime achieved the exact opposite of its original intention precisely because that is the social nature of the regime itself. The absence of money is not an accident. When the Stalinists opposed Trotsky in 1923 and conceded to the peasantry, they were adopting a populist course which has underscored the regime ever since. In the 1920s the prices of industrial goods were reduced to assuage the discontent of the peasantry but the result was that the scissors crisis was succeeded by the goods famine which became a permanent feature of the USSR. The elite has never had much of a social base, except among sections of the intelligentsia, and hence preferred to maintain its privileges even if they were in a non-monetary form. The elite has been forced to accept the demands of the workers and peasants to the extent that they have maintained the facade of egalitarianism. The result, however, has been that they could not use the pricing system as a form of economic control over the worker or peasant. Instead, they were compelled to use direct force.

In other words, Stalinism is a pragmatic response to the problems of control within the USSR, and whatever Gorbachev and his fellow members of the elite might want to do, they are faced with the same solutions. Either they go to the market or they maintain the Stalinist economic system, disintegrating today as it is. For money to exist it must become a measure of value and for it to become a measure of value, prices must relate to values themselves. For there to be value, workers would have to work as abstract labourers or as socially homogeneous labour. That in turn demands a revolution within every enterprise and within the economy as a whole. Hence to introduce money the social relations must be changed but the social relations, it appears, cannot be changed without the introduction of money, since without money there can be neither capital market nor labour market. This vicious circle has no solution.

Gorbachev, Yeltsin and their bands of followers are doomed to operate in circles of diminishing radius until such time as they abandon the useless attempt or are made to do so by the elite itself bringing in the KGB and army.

It is clear that it is an understatement to say that the introduction of a capital market is extremely difficult.

### **WHAT WILL HAPPEN IN THE USSR?**

If then it is argued that the market cannot be introduced the question is what will exist within the the USSR? If the law of value cannot be introduced into the USSR, the question is what does operate in the USSR? What are the new forms that are coming into existence?

The ontological status of these forms is the first question. Our argument has always been that the USSR is not a mode of production but it has come to constitute a social system of its own. It follows that its laws of decline are different from those of a mode of production like capitalism. The Stalinist system is disintegrating because it had no long term basis for stability but only the short term rationale of disposing of surplus labour through the use of nationalised forms. Many have remarked on the remarkably peaceful transition in Eastern Europe. The reason, of course, is that the system could not prevent its own disintegration. Capitalism, by contrast, is a mode of production and not only uses force to maintain itself in power but does not simply disintegrate but rather metamorphoses into new though declining forms such as finance capital and the welfare state. The USSR cannot find another adequate form for its own continuation. It must disintegrate. Nonetheless, temporary transitional forms of its elimination are clearly showing themselves.

It is now possible to provide an description both of the new economic forms coming into existence and the laws of transition in the USSR.

The proliferation of limited markets in the USSR represents the growth of exchange value without value. Because there is no value involved, the markets themselves are limited both temporally and spatially. In other words, they have a limited period of existence and only operate in certain areas and within certain sectors. The old Kolkhoz market has extended itself as a supplier of food but it is too expensive for most people to use, and

has a limited supply of goods in a small number of locations. The successful co-operatives basically operate in the retail sector for the elite and better off sectors of the intelligentsia. The black market, of course, also exists as it has existed before Gorbachev but it is more extensive. These forms of markets now have evolved into forms of monopoly in which a few people control them and operate in a manner which Soviet people call gangster like. They are run by a mafia, as they call racketeers in the USSR.

The profits derived by these concerns really arise from acquiring goods cheaply from the state and selling them dearly to the consumers. The population in the USSR has total contempt for this form of the market. Yet this growth of merchant capitalism was inevitable once the laws on trading were relaxed. Gangster-like enterprises are proliferating according to popular perception. In fact, these enterprises would be considered monopoly merchanting firms owned by a few individuals in the West. The term Mafia here seems partly to refer to the institution of exclusive ownership and partly to the semi-legal enforcement of that exclusivity.

Part of the old elite itself is able to move into these enterprises, since they were engaged in these activities in any case. It has long been well known, for instance, how the retail sector, particularly in Moscow, was run by a few people, under the aegis of the state. These state entrepreneurs were both in the party apparatus and in the enterprises themselves. The logic of the reforms is that these sectors will privatise themselves. There are indications, however, that these de facto controllers do not want to be privatised in case they are blamed for the failures of the retail sector. If the older elite cannot do it, their children are able to move into co-operatives, given their knowledge of the enterprises, their sources of supply and the possibility of obtaining financing.

The elite is also able to convert directly into private capital through its control over finance. While it is difficult to privatise the industrial sector, it is much easier to privatise part of the financial sector. So-called co-operative banks have proliferated. It is a very simple operation for a member of an organisation like a district committee, Komsomol committee, or an enterprise to found a bank and arrange for his organisation to deposit its funds with his new bank. Land and buildings have not yet been privatised over the USSR, but the logic of the reforms is that they will be privatised so allowing the growth of a property or real estate market.



The growth of retailing, banking and property capital is usually associated with finance capital in the West or aspects of developing capital in an underdeveloped country. It easily associates with international capital which inevitably comes to dominate the particular country. It is this form of capital that draws surplus value from the productive sectors so depriving them of the necessary funds for investment and either perpetuating the underdevelopment of the country or creating major problems for manufacturing industry. These parasitic forms can only act in a similar though specific manner in the USSR. Just as merchant capital supported the continued existence of earlier modes of production, these forms continue to give an element of support to the existing system, since it is from its existence that they derive their profits. On the other hand, they need the opportunity to expand without legal restraints both within the country and outside. They must, therefore, both support moves to capitalism and the maintenance of the state sector.

In short, part of the elite can convert into a parasitic form of capital but it is itself necessarily unstable both in its sources of extraction of the surplus product and in its international role.

The enterprises, themselves, have already been interrelating directly as discussed above. The powerful intermediaries or enterprise directors need to obtain capital which really is capital and not formal capital. In other words, it is not much use to have the nominal control or even nominal ownership of an enterprise if the same bargaining arrangement has to continue, while workers continue to ignore the demands of management to raise productivity. Yet, this appears to be the direction in which the system is going. The problem is that there is an inherent logic towards full control over the enterprise by management at the same time as workers are putting forward the same demand turned on its head.

Two forces are now at work, on the one hand, the drive to capitalism in the form of parasitic finance capital, predatory capital in the enterprises, and on the other the drive to self-management at every level. Whereas before the law of organisation or what Gorbachev now calls the bureaucratic-command system showed itself in terms of the centre or the controllers making their demands, now the whole tendency is for the elite to move from direct administration to giving the factory director the right to hire and fire and so the right to manage on a decentralised basis. The reply is to strike, and to demand the right to hire and fire the directors. So either the factory

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directors will have the right to hire and fire workers or workers will have the right to hire and fire the management.

The former protective mechanism, whereby each unit defended itself by relating to its own work process is under threat and hence the first reaction is to try and reinforce that control. This has resulted in the complete breakdown of central control such that as each large unit declares its independence, its subordinate units do so in turn, followed by their dependent units in their turn. As Moscow cannot control the trust, so the trust cannot control the enterprise, which cannot control the factory, which cannot control the shift, which then ultimately cannot control the worker. At first the attempt by each unit to defend itself establishes a limited unity but the lower unit disrupts that unity. Ultimately it is only the interconnection of workers as workers which can re-integrate the system. Until that point there can only be an increasing approximation to chaos.

Two forces are racing to fill the vacuum, the market and socialism and those are the only possible forces that could exist: the market is now exemplified by the co-operative movement, by the increasing acquisition of private property by the elite and by the constant attempt by the apparatus to shift the regime to capitalism, from which it is constantly being thrown back.

While the state apparatus and its bureaucratic subordinates are attempting to move towards capitalism, the individual members of the elite are trying to acquire capital. At the same time members of the intelligentsia are becoming potential capitalists through consultancy, co-operatives etc. In addition, there are the so-called mafia, or criminal elements plus the more ruthless members of the Soviet elite moving into direct acquisition of property, through the appropriation of state property which they either already hold or which they find easy to obtain.

The attitude of most members of these groups to capital is ambiguous as they have to be careful that they are able to transfer to controlling positions in the new order. Only those sections of the intelligentsia who think that they have nothing to lose are wholeheartedly in favour of the market.

The intelligentsia in the USSR has generally played a pusillanimous role in the struggle against the system, by opposing and denigrating the workers and then trying to obtain concessions for themselves alone. Today they are faced with a situation which they never expected. They have disintegrated

politically as a result although they have generally remained anti-worker. Their divisions are now a reflection of the general political divisions within the elite.

A large section remains anti-semitic and Russian nationalist, some of whom support the Fascist-like Pamiat. It is not of course Fascist, but many of its doctrines are very close to those of Fascism. This group has lost in the elections and is in relative decline compared to other nationalist groups. Others such as Rasputin have rallied the support of Russian writers and others on the basis of Russian nationalism and anti-semitism. Allied with them are the old line though modernized Stalinists of whom the notorious Nina Andreeva is well known. It very much looks as if Stalinism has implanted a Russian nationalism with very deep roots. Even some who regard themselves as socialist prefer to look back at right wing Russian philosophers than to study Hegel. This section of the intelligentsia would clearly gain with the complete emigration of the Jewish population but it would also support a strong state sector in order to maintain itself.

Another section has become entirely liberal and hence on the extreme right ideologically, although they are called leftwing in the USSR. Such liberals, however, have the problem that their economic prescriptions would destroy a large part of the intelligentsia itself. The spectacle of the Russian writers, including Rasputin, pleading with Gorbachev to continue funding the arts and literature in the proposed market economy showed the clear strains within the intelligentsia.<sup>9</sup> The intelligentsia wants freedom of speech but also the guaranteed pay that historically went with the Stalinist system. It is not just writers and artists who would lose out but also many in the higher education system, who are either teaching meaningless subjects, which are really modern variants of Stalinism, or are in positions which they might well lose if there were a more meritocratic promotion system. In any case, everyone employed in higher education would probably lose out as any Hayekian market system would reduce the size of higher education in the USSR on the grounds that graduates would have problems being employed, given that the USSR has far more research workers than any other country. The latter would almost certainly find themselves also walking the streets within a short time of the transition being completed.

Hitherto, the liberals have enjoyed wide support within the intelligentsia since the latter simplistically sees its future in terms of the standard of living of American doctors and teachers. As they are gradually discovering, the

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USSR will not easily reach that level for many years while in the meantime many members of the intelligentsia will lose their status, pay and security of employment. Workers too have been prepared to go along with these liberals simply because they are opposed to the old system even though they do not support the liberal programme for the introduction of capitalism. The liberals have enjoyed a short honeymoon gradually terminating as their prescriptions are shown to have led to a still worse position. Of course, many argue that it is the fault of the old regime but such excuses will not last very long, when people have little to eat.

The party apparatus and other state and Stalinist elements have moved over to a dual position of defence of state property from which they hold their positions under the banner of Russian nationalism but also to support for a market which permits them to transfer individually to a position of control within capitalism. Logically they are defending the position of a national elite, similar to the position of so many underdeveloped countries.

### THE NATIONAL QUESTION

The different national republics of the USSR have a complex dynamic which incorporates overall dynamics with the emergence of a national elite which is looking for independence from Russian domination. It has, however, to be noted that the different republics cannot really break away economically. The close integration of the different parts of the USSR makes economic disintegration extremely costly if not impossible. More importantly, however, the whole nature of the Soviet product can only mean that the Ukraine, for instance, would be forced to continue to maintain its existing relations with the USSR. Only if the Ukraine became capitalist could it relate to the world market. Yet it is probably harder for the Ukraine to go capitalist than it is for Russia precisely because of the weakness of the local elite.

The whole nature of the USSR in national terms has been one of domination by Russians within the elite and even within the intelligentsia. While the Ukraine can abolish cultural discrimination and embark on a policy of positive discrimination for Ukrainian and Ukrainians, it will be very hard for the old Ukrainian elite, combined with an emergent elite deriving from the Ukrainian intelligentsia, to force through the market. The prestige of new leaders will not be enough to force through unemployment and lower wages. It is unlikely to come to that since the failures of the border countries

of Poland and Hungary are bound to be evident. Nobody today wants the Polish road. That does not imply that the new elite might not try it. Unfortunately it is all too likely that the failure of the market in Eastern Europe will not stop the overall process towards the market within the USSR and in the particular republics. The necessary differentiation between workers and the intelligentsia/elite can only be delayed because of the overwhelming nationalism and the initial success of the nationalists.

The crucial question is whether the battery of controls over the workers can be maintained in the republics by the new national elites. Clearly if the secret police, the control over movement and entry into jobs, with the system of rewards and punishments is kept then the Ukraine will have to go through the same process as in Russia. Indeed it will almost certainly ally itself with Russia, in order to remain stable. If, on the other hand, the local intelligentsia is compelled to ally itself so firmly to the workers that it cannot break with them in order to achieve power, then such controls would necessarily go. In that case, the Ukraine and other republics in the same position could lead the USSR towards the historic abolition both of Stalinism and capitalism.

The result, however, is that the process in the republics, while different in each case, is likely to be long drawn out and agonising precisely because of the dual nature of the necessary revolution and the failure of the left to establish a clear working class platform. Nonetheless, the national question cannot be discussed in isolation from the question of the working class.

## **THE TWO LOGICS WITHIN THE USSR**

The workers can only become a class when the controls standing over and against them go and when they have a clear theory of the nature of their goal and the means towards it. Inevitably the struggle to establish control over production will lead to a theory being evolved while the continued disintegration of the system must lead to the ultimate disintegration of the apparatus which compels workers to alienate their labour power.

To sum up the nature of the dynamic in the USSR: The elite want to move to capitalism but are blocked in this process both by history and the nature of a declining capitalism and secondly by the working class itself but the laws previously operative are in process of change.

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The law of organisation is decaying, leaving its opposite in operation i.e. the law of self-interest, so each unit is retreating into itself. In turn this is forcing the elite to use what measures it still holds to recentralise and this is occurring in the person of Gorbachev himself. But the more he tries to centralise the more of a caricature he looks. He can only impose direct rule using the KGB and the army but these remain split and in any case they know that they cannot succeed in economic terms as the system is too far gone. A temporary reintegration is possible and very probable but it would only be temporary. Hence the weakness of control by the centre means increasing control by the different units, each of which must in time decay also into their ultimate unit, of the workers who alone provide the only possibility of reintegration.

Before this point, however, the struggles of workers to establish control over production will become the essential battleground of the USSR. This is already true with the government doing its best to control workers by controlling individual workers committees. These are corrupted by a dual process of internal infiltration and absorption into the system. But the failure to achieve their goals leaves them vulnerable. Whereas at first the workers accept the goal of the market in a mythical form, and heed Yeltsin's requests to stop strikes, over time they cannot do so.

The logic of the process in the USSR is one in which the control over enterprises shows itself to be spurious and hence the workers demand control over the government, in a direct form and not in the indirect parliamentary form, or in the continued very limited forms in which they now exist.

At the same time the growth of nationalism serves to break the units from the centre and provides some room for manoeuvre by local elites but this in turn is extremely limited and the division between nationalists on the one hand and workers on the other which is showing itself in a distorted form in a number of the republics will only widen, once nationalism is shown to have failed.

At the moment, the form of disintegration is actually assisting the elite in that it is picking up on the functional aspect of the system itself, the atomisation of the individual and the units within the society. This period can last some time, though not much longer than a decade. Nationalism has failed in Africa and in Latin America. Workers and peasants cannot hope

to obtain anything in that direction and it is inevitable that it fail in the USSR.

We are therefore talking of a struggle which involves the overcoming of the atomised unit, the tendency to defend the collective farm, the factory or the republic by moving towards democratic control over these units, which can only be achieved in its nature by going beyond socialism in one unit or one country.

The solutions proposed by the centre which involves holding the ring while the market is introduced cannot work. Instead the degenerate forms which continue to exist will come into conflict, step by step, with the direct demands of workers, whether it is for egalitarianism or for self-management.

## CONCLUSION

The system which is not a mode of production and which has, therefore, forms of production which have no form, is coming to an end in its own way. It is disintegrating and as it does so it is taking an apparent form of absolute collapse because the organisational form which held the bureaucratic structure together has spontaneously disintegrated. Its opposite pole, the individual unit cannot be reintegrated except through the intervention of the centre but central organisation is in process of disintegration and hence it cannot last for any length of time. Only two forms can reintegrate the economy: the law of value and so the market and the working class through its universality which implies the introduction of genuine planning and so the operation of the law of planning itself.

The logic of the decline of the system itself is posing the opposition of the two laws in concrete everyday forms. Workers are compelled to take up their own universal demands but in fetishized forms of apparently calling for socialist demands like recallable delegates as managers and an end to exploitation in the name of the market. On the other hand, the demands for the law of value put forward by the elite take an unreal and indeed impossible air, even before they are discussed in open debate. One so-called plan after another fails to be adopted. In the end no plan can be adopted. The supreme paradox that the market has to be introduced through Stalinist "planning" or rather campaigning dooms it to eternal failure. The working class will eventually take power in its own name but

not before Marxist theory has been cleansed of much of the Stalinist accretions it has acquired in the last 60 years.

FOOTNOTES

- 1 Isaac Deutscher, *The Prophet Outcast*, OUP, London, 1963, p522
- 2 Issac Deutscher, *Ironies of History*, OUP, London, 1966, p43
- 3 *Moscow News*, 2 December 1990
- 4 Karl Marx, *18th Brumaire of Louis Bonaparte*, in *Surveys from Exile*, Penguin, London, p150
- 5 *Pravda*, 30 Sept 1990, pp 1-2
- 6 J K Galbraith: *New York Review of Books*, Oct 1990
- 7 *Critique* 21
- 8 For a more detailed discussion, see *Critique* 21 and my forthcoming book with Myron Sharpe
- 9 *Pravda*, 30 Sept 1990