

would have an extremely damaging effect on the world financial system, given Western banks already precarious position as regards loans to developing countries, large U.S. cities (e.g. New York), shipping companies and property companies in the U.K. and U.S.A. For this reason, the banks are likely to make every effort to continue to lend in order to protect the loans they have previously made, though they are likely to do so on much more stringent terms. Thus, while on the one hand the growing Soviet and East European debt increases the West's power to extract political and social concessions from the USSR, it, on the other hand, increases the Western financial system's vulnerability to a default by Comecon. Together with the room for manoeuvre that the USSR has in playing one country off against another during the current recession in the West, this vulnerability is likely to ensure that further Western credit is made available. But, by a strange paradox, this does not mean that Soviet indebtedness is its strength.

Whether or not Western capitalism could withstand the consequences of a Comecon default (as it did the oil crisis and the collapse of the post-war international financial system established at Bretton Woods) depends on class relations in the West and on the ability of Western banks and governments to maintain confidence in the event of a default. On the other hand, with its increasing reliance on trade with the West (in particular, grain imports) and on the availability of Western credit, the Soviet leadership is rapidly reaching the point (if it has not already reached it) where the consequences of a default would be disastrous. Whereas a voluntary default is out of the question for the Soviet leadership, Western capitalism is increasingly reaching a position where it can force the present Soviet regime into financial and political bankruptcy.

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19.8.76

The USSR: The Beginning of the End?

The past six months has probably heralded a new stage in the crisis of the Soviet Union. There are three aspects to this crisis which require development: the food problem, the question of the balance of payments, and the political situation arising out of the working-class revolt in Poland. The second of these is dealt with in our survey on the Soviet debt problem, while the third is dealt with in its Polish aspect only in our survey on the Polish events. I shall attempt only to sketch out certain consequences of the food shortage, foreign debt and the Polish working-class militancy.

Brezhnev in his recent speech in Kazakhstan probably reached a new level of sophistication when he declared that the amount of wheat/bread produced by a country provided an index of its wealth. He pointed to the widespread

shortages of food in the country.¹ This is probably the first time that the shortages of agricultural supplies in the non-metropolitan areas have been publicly admitted. That the General Secretary had to admit to them is almost certainly an indication of the severity of the crisis in the USSR. The introduction of a meatless day together with reports of poor quality of food as well as the usual problems in obtaining it in Moscow itself indicate the strains under which the system is now labouring.² There is not return to hunger or famine, simply a rather impoverished diet with more time spent in obtaining what is required. This brings out once again the low standard of living in the USSR. It is this constant struggle for existence with the unpredictability of the future that makes slogans like not by bread alone such nonsense. The problem is in fact bread or more generally the means of subsistence. It is of little comfort to a Soviet citizen to know that elsewhere in the world people are starving. He still has his shortages and poor quality food. Furthermore the cyclical nature of food production in the USSR means that he knows better and worse within the USSR, not to speak of what he may know outside it. The inevitable effect is one of increasing strains and antipathy to the regime. It is perhaps an historic occasion when, according to the party programme, the foundations of a communist society are being established that there should be insufficient food. The glaring discrepancy between the ideology and reality has long been apparent for Soviet citizens but it may be that a few of the pro-Soviet communists will also be forced to re-think their positions.

If, of course, consumer goods were abundant or at least at the level of the poorer West European countries, the USSR would have fewer problems. There is to be little change in the production of cars for the next five year plan so that car acquisition remains a reality only for the elite, while the other consumer durables remain either in short supply or of such dubious quality that only those hardened in the use of Soviet goods can contemplate buying them. It is not a question of having insufficient clothes, but of good quality clothes, for as Brezhnev pointed out as an example of poor quality, that the USSR produces sufficient shoes for each person to have three per year.³ The main problem, however, is that the housing shortage remains acute and it is not easy to furnish such a flat or rooms as the population has acquired with the durables taken for granted in the West. In the West the Keynesian method of control has, as one of its aspects, the mass provision of consumer goods with sufficient gradation in price to provide incentives for the whole population. The car provides a central focus for this purpose with its numerous accessories. The home, with mobility between regions, has also provided the possibility of the privatisation of the individual immersed in the constant improvement of his comfort. In fact the ideology of the party is precisely to emulate the same features. This is obviously not the original party programme nor has it much in common with Marxism but it is the dominant viewpoint expressed by the Soviet elite. The intelligentsia in their turn have taken the expressed intentions to catch up and overtake the West quite literally. Unfortunately for the elite the economic system cannot provide the

1. L. Brezhnev, *Izvestia*, 4.9.1976.

2. The 9 month plan result for 1976, shows meat production at 79% of the amount for 1975, *Izvestia* 24.10.1976.

3. L. Brezhnev, Speech to 25th Party Congress, *Izvestia*, 25.2.1976.

goods that they have promised. The new five year plan again has priority for producer goods as well as a more rapid rate of growth in wages for the peasantry. The food problems of the USSR are necessarily absorbing an increasing quantity of resources with little result.

The discontent of the intelligentsia with their material position is now at the level where they see only the West as the solution. Sakharov with his programme for denationalisation is typical of this layer of the Soviet population. What is perhaps worthy of note is the emergence of individuals who speak of a third force, neither capitalist nor socialist, some of whom are now in the West. Ota Sik has expressed this view best in terms of economics. The importance of this group is not in what they have said so much as in their existence as distinct current of thought. Hitherto the East European marketeers such as Brus, Selucky and others have best expressed this outlook, with the difference that they still regard themselves as Marxists. For Eastern Europe, this is no new phenomenon but for the USSR it is another matter. It was inevitable that the depression in the West should find a reflection in the USSR. The former worship of all things Western was bound to find some modification. Their doctrines whether in terms of a mixed economy, limitations on the power of the state, introduction of co-operatives and of competitive enterprises are clearly as old as capitalism itself. To understand them rather than their views is of considerable importance.

The intelligentsia itself may be divided into at least four groups and it is only to be expected that the views of those with no possibility of entry into the elite should begin to express their frustration both with the existing system and any other which did not provide them with their requirements. The upper layers of this intelligentsia have little to fear from any hierarchical structure but the ordinary engineers and everyday professionals do not desire the mass unemployment or the considerable difficulty in obtaining suitable jobs now typical of Western countries. They are in fact caught between the two systems. They still desire the independence and mass consumption of the Western intelligentsia but they also want the security of employment and the possibility of choice which exists in the USSR. Hence for them a marriage of the two systems is what they need and require.

That they should stand in this middle position is of importance in showing that capitalism cannot in fact provide for the demands of this layer of the intelligentsia and they are beginning to realise it. Their utopianism is being visibly demonstrated in the collapse of Social Democracy in Britain and elsewhere. The former ideologues of the mixed economy are everywhere in retreat. The so-called mother of democracies is now standing on the verge of giving birth to a strong state or to a revolution. The dualism of this group can only be regarded as a transition to a new phase of socialist groups in the USSR. This middle ground group shows respect for the working-class and it is only a matter of time before a working-class ideology emerges from among the members of this section of the intelligentsia, who are indeed often those sections of the intelligentsia most in contact with the working class.

The visible disintegration of the regime showed through most in the above quoted speech of Brezhnev. It is the speech of a tired leader of tired regime. He is faced with massive internal discontent and increasing problems of

foreign debt. What is however of most importance is the Polish risings because they can only give a similar message to Soviet workers. This in turn means that price rises for food are ruled out and with it any possibility of moving to the market. As this is the only solution which the regime has ever provided it is left with only one solution.

Critique has consistently argued that the alternative to the market was to become dependent on the USA for the supply of the necessary goods and finance. We have also argued that this must lead ultimately to the introduction of the market. The present situation is one in which the regime is now closely bound to the USA and forced to make increasing concessions to Western capitalism.

It is fashionable in right wing circles to point out that the Helsinki agreement has been one-sidedly in favour of the USSR. This, however, underestimates Kissinger and the long-run nature of his foreign policy. Essentially the Helsinki agreement provided a diplomatic cover for the provision of Western technology and consumer goods, with appropriate loans, in return for concessions which were and are political. This involves respecting the US sphere of influence by checking any local communist parties who might have designs on power. It has also meant permission for more persons to leave the USSR and a greater exchange of information. The USSR has obviously carried out its part of the bargain in Portugal. Angola is no exception since the regime there has successfully gaoled its left-wing who were quite mild by European standards. The Angolan regime has shown that it is African nationalist but little else. Whatever verbiage is used, there has been little reason for the USA to be particularly worried. Gulf Oil continues to flourish. In fact, other more clearly US client regimes have nationalised US assets, such as Saudi-Arabia. Gulf Oil remains in possession of its Angolan assets.

Indeed we are speaking of a general trend. Vietnam has now put out feelers for the operation of 100 per cent Western owned enterprises guaranteed for 15 years. This in fact provides more stability for Western enterprises than in countries like South Africa, South Korea and the dictatorships of South America all of which must ultimately explode. Logically these dictatorial Communist Party dominated regimes provide both stability and rigid control over a cheap work-force. As a result the USA and West Germany are poised to utilise Eastern Europe as they are using Singapore and other havens of controlled stability. There is, of course, one preliminary which requires to be provided before the wholesale provision of Western factories producing for the Western market becomes a fact. This is the disciplining of the labour force to produce good quality goods within the stipulated time. The only method whereby this can be achieved is the market, but the regime cannot introduce a market where it is threatened with workers' riots or strikes every time it raises prices or otherwise tries to discipline the worker. Hence the Polish workers' rising has served to give notice to the elite that its strategy is unacceptable. The alternative left for the Soviet elite for Eastern Europe is now effectively the disintegration of the Soviet bloc. Already Poland imports more from the West than from the East. The USSR cannot assist the Polish elite in its situation, so that there is no way except that of increased concessions to

Western capital left for Poland. Already there are firms set up by the West, exporting to the West as a means of payment for the original plant. The only way for the next step to be taken is for the West to give such a huge loan to Poland that it could afford to introduce the market without lowering the standard of living of the working-class. At the same time, the Polish elite could then attempt to divide the working-class in such a way as to find some social support among a privileged section of it.

This same path could well be the destiny of the USSR. This would be a Soviet Union which gradually introduced the market and invited in foreign capital. At the same time, it is clear that the USSR has relaxed its control over information to some degree. Exchanges with the USSR are being extended, while a limited amount of emigration is permitted. If indeed a very large loan did come from the West, we would be in a new era, one in which the USSR

moved to becoming a new kind of neo-colonial entity. The control over the labour force would be merged with the market and right leaning intellectuals. This in fact is the ultimate end of the Kissinger strategy. Whether it reaches this point is dependent on the ability of the American ruling class to understand its own interests on a global scale. So far the trend is distinctly in this direction. Thus the deficit with the USA, for the USSR, has increased from

around seventy-eight per cent of exports in 1970 to 12 times the exports in 1975. The deficit in 1975 was 1325 million rubles as compared with 885 million rubles in 1973, the previously highest deficit with the USA. Indeed a comparison of the years of harvest failure of 1964, 1972, 1975 shows that the deficit has increased as a percentage of exports in each case from 34 per cent to 41 per cent and in 1975 to 57 per cent. The deficit with West Germany stood

in 1975 at almost 11 times the deficit in 1970, 1061m. rubles. These two countries alone accounted for around \$3 billion dollars of the Soviet debt to the West in 1975.⁴ This matter is discussed in the article on foreign debt of the USSR by Sandy Smith. The point is not the total level of foreign debt but

the increasing integration of the USSR into the World Market on the basis of a common Nato policy. Thus trade with all developed capitalist countries

developed from under 1 per cent of Soviet GNP to around 5 per cent in 1975. To say, as do bourgeois scholars, that the same feature is true of all developed countries is to avoid the point.

That the USSR needs to be fully part of the international division of labour is clear and has been true ever since its foundation but it, in fact, avoided becoming part of the international market, to any significant degree, for good reasons. The system required that it isolate the population from the international division of labour. Its much lower level of productivity required protection. The problem for the Soviet elite was to establish their own social base. This could not be done until they had acquired the necessary skills and education and confirmed their dominant social position. They had of necessity to isolate the working-class to cut it off from any possibility of contamination with genuine socialist and Marxist ideas. It is only at the point at which they can convert themselves to the market and the West accepts nationalisation, that they could turn to the West. Politically this is expressed in terms of the elite, not finding any internal solution to their social and economic problems,

4. *Vneshnaya Torgovlia SSSR v 1975* and the other relevant years.

being compelled to turn to the West, which at this historic juncture is ready for them.

It is the threat posed by the reaction of the working-class in Poland that constitutes a problem for this strategy. Hence, the need for the US ruling class to have a more far-sighted outlook than it has hitherto been capable of. The most likely evolution today is rather in terms of tightening of the belt in the USSR together with the acceptance of the loss of Eastern Europe. The Soviet elite cannot go on financing regimes they are maintaining in existence through force. The recent much improved harvest does not change this general analysis. It was to be expected, as the same has occurred after each poor harvest. The overall problem remains one of disproportionately low returns for resources invested, together with the insecurity and unpredictability of supplies of food throughout the country. If there were simply a declining standard of living or one which was static then the sudden shocks of its cyclical production would not play the same role that they do today. Nonetheless, the regime will clearly be able to maintain itself with more leeway than would otherwise have been the case, but general trends discussed remain operative. From the point of view of the working-class the most important trend is in terms of the gradual loss of control by the Soviet elite paralleled by a rise of working-class militancy in Poland and the West. When the intelligentsia moves to the left, as a result, the consequences could be explosive.

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Workers Opposition in Poland*

The workers' upsurge of 1970-71 which catapulted Gierek to power had also shot down precisely the kind of economic reform programme which Gierek's faction had been arguing for against a suspicious party leadership in the 1960s. Gomulka, who had equivocated for so long over the implementation of a thoroughgoing technocratic economic reform, triggered the movement which finished him precisely by finally swinging over behind the economic reformers. Gierek, therefore, entered into power without an economic strategy.

Gierek was in no position to choose his basic economic priority: the workers' upsurge made the over-riding economic objective the swiftest possible increase in the standard of living of the Polish masses. Without this there was no possibility of any kind of political stability. However, the two available and tested mechanisms of economic management in Eastern Europe were both excluded, in one case for economic reasons and in the other for political reasons. In the first place, the traditional command economy model had

*Critique is grateful to Oliver MacDonald for permission to publish this extract from a larger piece.