

Towards a Political Economy of the USSR

H.H. Ticktin

The immediate problem which arises in relation to the USSR for Marxists is the whole question of method. There is now a mass of empirical and institutional work by left-wingers as well as by right wing scholars. This work suffers from the obvious lack of a frame of reference although sometimes it shows the symmetrically opposite defect: strained efforts to fit the facts to a pre-ordained theory which leads to an implicit and often unconscious rejection of the theory leaving one only with the facts. While an attack on empiricism is common to all fields of study, the USSR has peculiar features. The society in the USSR is sufficiently different from classical capitalism and indeed Western Capitalism to make a transference of concepts a job of enormous complexity. It is sufficient to note that the modern variant of State Capitalism has yet to apply its theory to the internal working of the USSR.⁽¹⁾ In other words one has either to evolve new concepts or give new meaning to old ones. In the second place, in spite of the not inconsiderable volume of data available whole areas remained

1. T. Cliff: *Russia: A Marxist Analysis*: (3rd Edition, Aug. 1970). On page 8 his analysis is succinctly stated. Military competition led to accumulation which caused social differentiation and the rise of a new class. The next step is to deal with value and accumulation in the USSR but we are informed on page 159

unilluminated. One cannot project on the basis of Western trends, and guesswork is pointless. Both, however, have been traditional tendencies. Today there is in fact no solution other than a prolonged stay in the USSR and an immersion in the problems of the society. This does not serve as a substitute for scientific work but it does provide some conception of the questions to be asked and rules out some of the more absurd answers. For most people this is not easy though a partial substitute is provided by contact with those who have been part of Soviet society. We must agree with Wright Mills when he points out that "to be able to trust yet be skeptical of your own experience ... is one mark of the mature workman." (2) Indeed without a knowledge of Russian only the most general remarks can be made often as deductions of work done in the thirties. Together with a first-hand knowledge of the country and access to the published data, a frame of reference is required. My essential argument is that the normal empiricist orthodoxy has been a thousand times magnified by the nature of the study of the USSR.

Such standard injunctions as the need to adopt a critical approach to reality or to observe long run trends have never been honoured by those who do have the above qualifications. Others without these qualifications have established simple correlations between the laws of Capital and Soviet society. Parallels and analogies are interesting but cannot serve the purpose of discovering the basic contradictions and laws of motion of

that these are externally determined. The entire system then revolves around the defence sector. Nowhere does he proceed from that point to deal with what must be counted in his analysis the subordinate tendencies at work in the society. On a formal level the demand for a market, shift to lower growth rates and consumer goods as opposed to producer goods or the apparent detente are inexplicable. There is a mass of facts in the second section which gives little guide to understanding the trends in the society. Even at the empirical level his analysis lacks depth. Thus on pages 299-301 we are informed of a decline in social mobility without any analysis of the means of social mobility. Education is the only one referred to, but the implications of regarding education as the main means of mobility in respect of the class structure do not appear. What makes matters worse is that the class structure is never described except implicitly in the bourgeoisie-proletariat relationship so that one is left to assume that entry to higher education gives immediate access to the ruling class. The problem is not that he is necessarily wrong but that apart from a political statement and a very effective political slogan he has said comparatively little. It is a pity that some people have seen fit to dogmatise the work so making its further development impossible.

The same argument could apply to the work of Paul Mattick: Marx and Keynes (London 1971) with the difference that he never goes beyond a highly abstract analysis with the statement (p.280) that state-capitalism remains a mixed economy because it is part of the world economy and has the same antagonisms that characterise the private-capitalist economy.

2. C. Wright Mills: *The Sociological Imagination*, (OUP 1959), p.197.

Soviet society. We cannot start off with the basic assumption that the same laws apply to the USSR as to the UK. We can, however, commence in the same way as Marx by looking for the fundamental drive of the economy. If there is none we must explain why there is none. We can also proceed by elimination. Does the law of value apply to the USSR? Is the drive for surplus value fundamental to the Soviet economy? We can also use the historical method by observing the nature of the laws operating in the Soviet economy until 1929 relying on the work of the Marxist economists of the time and asking ourselves whether these laws have been superseded and how they have been superseded. An analysis of this type must link whatever laws are found to the existing class structure of the USSR. In other words it is necessary to link the relations of production in the USSR to the economic laws of motion of that society.

The discussion which follows is only an attempt to raise some problems not yet properly analysed and provide the beginnings of an attempt to understand the internal dynamic of the Soviet Union. Certain generalisations, e.g. on the connection between control over the means of production and means of distribution, or relations between town and country and between the USSR and the world economy, have not been discussed because of lack of space and will follow in subsequent articles. If replies are provoked the object will be achieved.

SUMMARY

I should like now to give a synopsis of what I am trying to say in order that the theory should not get lost in the woods of detail. I take the view which I explain at some length later that the Soviet Union is neither state-capitalist nor workers' state. I also do not agree with views like Mallet that a technocracy is taking over, or with Sweezy - Bettelheim that there is a state-bourgeoisie in power. The result is that a description of how the Soviet Union operates, what are its driving forces which follows is necessarily a critique of all these theories.

Any social system and we must accept that the USSR is one, must have a central dynamic or drive and it seems to me that that special feature of the Soviet Union is that its drive self-contradictory. In other words we find not one central dynamic but one which is compounded of several conflicting laws or tendencies reflecting the social groups in the society. The central economic feature of the USSR today is its enormous wastefulness and probably a tendency to increasing waste. The gap between the potential and the actual surplus to use Sweezy-Baran is undoubtedly rising fast but even the gap between the actual surplus and the amount utilised is growing. This, of course, is in part what all the marketeers are openly or obliquely referring to when they refer to the need for economic incentives to have a more

rational economy. The question is why is there this enormous waste which goes very largely in the producer goods sector. The answer it seems to me, lies in a conflict of interest between those who administer the economy centrally and those who deal with their instructions at the immediate or local level. During NEP there was a conflict between the plan and the market, but now, it seems to me, there is neither plan nor market and has not been for over forty years - if of course we understand the terms as particular production relations as any Marxist must. We have instead derivatives, which indeed began then, Preobrzhenky specifically refers in 1923 at the twelfth party congress to the parochial, commercial attitude of the Communist factory directors. (3) The enterprise salaried staff take an attitude of trying to turn the central instructions to their own benefit and in so doing effectively negate the logic of the 'plan'. The result is only a formal fulfilment. The situation would be much worse if this were not generally recognised so that the central organs in fact regard it as their task essentially to organise and co-ordinate an economy which is in fact out of their control. This represents a partial conflict among the elite themselves, which is one reason why it is difficult to call the top social group a class, although they have been moving in that direction. A primary reason why such an internal conflict can exist lies in the atomised nature of the society including the top social stratum. Effective communication is very difficult, information is distorted. The atomisation, however, is essential to maintain the regime or system in existence since discontent with the system is all-pervading and increasing. Since the waste is so great the standard of living rises only slowly so that the argument becomes a vicious circle. It is not just a vicious circle at the level of the elite but also represents a conflict on the same lines, though more extreme, between the intelligentsia and the elite as social organiser. The conflict of interest between the working class and the elite takes the form of the working class having no incentive to work. Consequently they do their utmost in a society where they are alienated in a transparent way, to do as little as possible, as badly as possible. There is as a result a contradiction between a tendency or law of organisation and a law which may be called transformed form of value or of self interest which the conflict with the working class takes the form of a collective withdrawal of labour in the only way possible. The result is massive overproduction of producer goods in spite of the desires of the administrators, This is not a historically viable system and is inherently unstable. There are in fact only two systems possible: the law of value which means profit, competition and the market, or socialism. Since the latter is ruled out as the elite are not prepared to lose their privileges the inevitable tendency is to the market and to an immediate worsening of the position of the working class. Because of the political

3. Dvenadtsaty S'ezd RKP(B) (1923) (republished Moscow 1968), p.144.

problems of the latter situation the Soviet Union has nowhere to go other than repression together with gradual attempts at the market.

We now turn to my own approach to the USSR. To a large extent I have had a unique experience, having lived there for close to five years while being consciously critical i.e. with the concepts, which we have just outlined. As a result I shall be drawing on this experience since one's approach is bound to be conditioned by one's own environment. I shall do it in the same way in which we are forced to do the same in Britain where many of the facts of our class divided society are hidden from researchers and can never be quantitatively established, as in the case of income distribution. There is of course far more that is unwritten in the USSR and consequently such an approach is essential if anything both true and meaningful is to be said. This does not mean that facts from Soviet sources cannot be quoted in support, they often can, but the concepts and the integrative theory, however, modified by the written material may be obtained by observation and discussion at any rate in raw form.

First I propose to discuss what I regard as the central contradiction of the Soviet political economy or social structure. Then I shall go into the means of social control or, if you want, the means of mediating the social conflict in the USSR.

ACCUMULATION AND WASTE

Cliff, Mattick and others have been correct to point to accumulation as perhaps the major factor of Soviet political economy. (4) Where they leave the rails, probably because they have not bothered to read the Russian literature even such as there is in translation, is where they attribute it all to the question of defence. Because that view has such importance I must devote some time to showing the other components of accumulation and their importance. In the first place non-defence investment has never been reputed to be zero. From one of the best estimates made non-defence uses can be put at some three-quarters of total engineering output in the most recent years, which is above the U.S. figure as you would expect but still leaves room for other forms of investment.(5) In that category falls repair and replacements as well as general capital goods including construction. This does seem to give rather an important role to non-defence accumulation. Now even if we would concede a higher figure on defense - two questions have to be answered. What

4. See Note 1 above.

5: Joint Economic Committee: Congress of the United States: Economic Performance and the Military Burden in the Soviet Union Washington 1970, p.218-9.

happened to the non-defense expenditure on investment in the periods when defense expenditure went down, and such periods occurred after the second world war, the Korean War and for a couple of years after the ouster of Khrushchev. In fact we know what happened: while consumption increased at a relatively slower rate, investment in non-defense producer goods increased faster with the possible exception of the Kosygin era (minor variations notwithstanding). In the second place since food consists of close to 60% of the family budget - as opposed to 25% in the UK, the question remains why there has been so little a leakage to the agricultural sector. (6) Why is it that although tractors and agricultural machinery are normal sights in farms in the USSR, meat, milk, fruit and vegetables are difficult to obtain in many towns of the USSR. In other words there is an enormous non-defense investment sector which continues to grow but which has a minimal effect on standard of living. It is not very difficult to show that defense itself suffers from the same problems i.e. a low return from investment. One estimate puts the frequency of breakdown of Soviet engineering machinery, including the defense sector, at three to four times that of US in total, therefore, it is not surprising to learn that the Soviet Union employs more people repairing machinery than actually making it. (7)

If we return then to accumulation we are left with the question of why investment in non-military goods should rise to the point where apparently there would be no room for consumer goods, (8) and the engineering industry continues to increase at a much faster rate than light industry, with apparently so little effect on the standard of living. It is not a question of the rates of growth but of why food remains the major problem of most of the population and the housing norm stays little bigger than the space for a coffin (as in popular parlance). When this has been the case for 40 years there is clearly a fundamental

6. The exact proportion is a complex question: Mervyn Matthews quotes surveys (pages 83 and 94) which show that the proportion for families with 200r. income or thereabouts is around 56 per cent. *Class and Society in Soviet Russia* (London 1972). A somewhat higher figure tends to come out of the work of V.V. Shvyrkov: *Zakonomernosti potrebleniya promyshlennykh i prodovol'stvennykh tovarov*, p.200., (Moscow 1966). The reliability of such surveys has been called in question in view of their sample (Absees Oct. 1970, p.106). The real point is that the overwhelming proportion of the ordinary worker-family budget goes on food and drink.

7. Joint Economic Committee above, p.222. In machine tools four times as many people are engaged in repairs as in the production of new machine tools. Trud. 11.11.65.

8. 74.4% of investment in industry was investment in producer goods in 1966 and this figure had increased every year from 1946 until then. *Narodnoe Khozyaistvo v 1970* (Moscow 1971) p.23. In 1972 investment in producer goods again increased at a higher rate than investment in consumer goods. Pravda, 30.1.73. See also note 11.

force at work which Marxists might call a law. Originally it is clear that industrialisation moved the population base from the country to the towns and when combined with collectivisation it effectively ended the political importance of the countryside. Today although 40% live in the villages something under 30% are peasants obtaining their living from the countryside and when one takes account of the sexual imbalance of the countryside, the number of families totally engaged in agriculture is even smaller. Today concessions to the peasantry signify only the need for the towns to have more food not any desire to assuage their discontent. Industrialisation and collectivisation broke forever the political power of the Soviet peasant and established the Soviet elite or at that time bureaucracy. Independently of their wills, however, they created a system, not a socio-economic formation, which has continued with many of its features intact. No doubt the producer goods industry being in big units is more controllable and requires more of a bureaucracy but this is more of a secondary reason. The fact of the matter is that the elite have declared time and again that more consumer goods must be produced. So in 1934 at the 17th party congress the production of consumer goods was to be radically increased and the quality of production improved as an immediate task.(9) At the nineteenth party congress in 1952 we once again hear of a substantial rise of living standards to be the essential aim of the plan.(10) Today again the Soviet leaders have said that living standards must be raised and quality must be improved.(11) Almost 50 years ago, in the period of the goods famine, Preobrazhensky, among other Marxists pointed to the need to increase the output of consumer goods in order to stabilise the USSR economy. While he differed from Bukharin in the rate of growth of heavy industry required they were as one in the need for relatively quick returns. Preobrazhensky's warning of accumulation in 1931 can be seen to have been prophetic.(12)

9. **Industrializatsiya SSSR 1933-7** (Moscow 1971), p.23.

10. **KPSS v Rezolyutsiyakh i Resheniyakh part 2**, (Moscow 1953), p.1116.

11. The most recent restatement came during a speech by Baibakov, the chairman of Gosplan, on 18.12.72 (Pravda 19.12.72) to the central committee plenum. Baibakov reaffirmed the need to raise the standard of living, in accordance with the demands of the plenum and the 24th congress. Nonetheless department 1 is to expand by 6.3% and department 2 by 4.5% in 1973. The reversal of the rates of expansion compared with the five year plan reflects in part, according to him, delay in the completion of the construction of plants. This point is dealt with in more detail below. More strikingly engineering industry is to expand by 10% but light industry by 4%. Food industry will increase by an overall 2%. This, obviously, in part reflects the result of the poor harvest, but the latter is not simply a result of poor weather.

12. **A. Erlich: The Soviet Industrialisation Debate, 1924-28**, (Harvard 1960) p.179. Since Preobrazhensky's actual work was never printed but only cited it is

The fact is, then that Soviet planners, as representatives of the Soviet elite would like to raise the output of all consumer goods as fast as possible, but they are hindered partially by the arms drive but to a very large degree by the nature of the internal system of the USSR. (13) In a situation where people subjectively wish to change the system but cannot do so we must conclude that there is some social law lying beyond their will to change. (14) If we try to find it, the first brutal fact which we notice is the enormous waste in the USSR economy. This leads to a defence cost much higher than would be needed in a rational economy. In this case, the economy could be either capitalist or socialist, both would have less waste in general, and in defence in particular. The waste of resources is so enormous that one of the liberal establishment economists said that 30-50% increase in production would follow the introduction of a less irrational economic system. (15) If he says 30-50% it could easily be 5 to 10 times his figure.

1. In the first place there is the basic factor of low quality production. The worst is not that Soviet consumer goods last less long than their Western counterparts or indeed than their original designers intended, or even that special warehouses have had to be built to take the overflow of products unwanted because of their irregularity of operation. This is wasteful enough, but the effects are felt more widely when it applies to the producer goods

not possible to know the forms of solution to overaccumulation conceived by Preobrazhensky. The solution in fact discovered – breaking or extending the link with consumption is not inconsistent with his analysis.

13. A prominent Soviet economist, Agan-Begyan, after pointing to some 30-40 million people engaged in defence and to unfavourable terms of trade then says: 'But the external causes are not the main ones which lead to our difficult economic situation. The main causes are internal. Firstly the incorrect direction of the economic development of our country. Secondly, the inadequacy of our system of planning, incentives and economic administration in relation to the demands of practical life'. *Socialist Commentary*, October 1965, p.8.

14. Lisichkin points to this view when he says that the defects of the economy can be analysed and measures taken which are undoubtedly sound but it turns out 'that surprisingly the returns from the outlays are much lower than expected'. He deduces rightly that where the 'mistakes' are constantly repeated it is dependent not on individuals but on the correct operation of the economic mechanism. G. Lisichkin: *What does man need?* *Zvezda*, vol. 3, p.120-121.

15. This was said by Academician Kantorovich in his work the 'Best Use of Economic Resources' which appeared in Russian in 1959 and in English in 1965, Pergamon Press, Oxford. He is really referring to techniques of decision-making and of control i.e. looking at the problem from the point of view of the elite. He refers to a number of examples of waste, e.g. storming or rushing at the end of a period, but fails to analyse their causes except in superficial technical terms. Lisichkin, in the above citation, talks in terms of 1. hindrances to scientific-technical progress, 2. quality, 3. disproportions in the development of sectors, 4. failures in location and specialisation of production. The last two have been subsumed under the headings given in the text. However, of particular import-

sector. When more people are involved in the repair of machinery than either making it, or than in the production of consumer goods (16) in spite of exhortations from the so-called planners and all sorts of quality incentives applied to minimum effect over 50 years, it is clear that poor quality is at the heart of the economy system. To give some idea of the nature of the causes and effects of poor quality production it is useful to give an example: In an article in Pravda (23rd March 1972) dealing with the output and use of agricultural machinery the problem of poor quality parts was discussed. After pointing out the large number involved Pravda argued that this was in fact an understatement, since fewer parts were declared of poor quality and returned than in fact was the case to avoid the situation where the parts were not returned at all or only after a long delay. Spare parts are, in other words, difficult to obtain. This is not altogether surprising since with current rates of breakdowns there are so many already absorbed in repair, that no doubt if they had enough facilities, an entirely new sector, bigger than either of the other two, would have to be invented in Marxist economics. What makes matters still worse is that the repair itself is of poor quality. It is done mechanically and without any investigation and consequently to avoid accusations of poor workmanship the entire tractor is stripped and rebuilt when there is only a minor fault. The result is that according to the State-Union tractor institute two and a half times the original cost of the tractor is spent on the tractor itself over its life of up to 8 years. It does not then become surprising to realise that they need still more spare parts. The absence of spare parts performs the function of controlling unnecessary expenditure on repairs but of course leads to breakdowns in production throughout the economy. Matters too are not helped by the tractor drivers who use the wrong grades of petrol and oil and employ them for non-agricultural purposes as for instance as private cars. The article points out that this is not a question of peasants not knowing how to use machinery since these people are qualified and have indeed a special status on the farms. The reason must be sought elsewhere and this is in fact the point of the article.

ance is the question of the attitude of the alienated workers which has led to both low norms of operation and relatively low active employment over the day. Whatever the controls or decisions from above, this will only change if the whole system is changed. See note below. A more detailed discussion with comparisons to the West, using the concepts of potential and actual surplus will follow in subsequent issues.

16. This follows from comparison of the figures given in the work cited in 5 above where it is explicitly stated. The Soviet economist quoted in note 13 has made the same statement, i.e. that more people were repairing instead of making machinery in 1965: *Socialist Commentary*, October 1965, p.8. See also note 7 above where the point of four times as many people being engaged in repairs of machine tools than in production must be joined to the fact that 1/3 of machine tools were being repaired. Trud 11.11.1965.

To summarise; poor quality production leads to a need for considerably more of the goods being demanded, a tremendous and insatiable demand for spare parts and a repair industry that has begun to feed on itself in that the repairs are both poorly done and at much higher cost than required. Some people may say that the workers in the USSR are peasants. But it is now over 40 years since the first five year plan. Are the grandsons of peasants also peasants? The working class in the USSR is at least comparable to that in Japan and yet they do not handle machinery in a way to ensure that minimum use might be made of it or yet take a pride in poor quality production. The reason has little to do with the past but a lot to do with the economic system.

2. A second form of waste in the USSR lies in the very slow introduction of new technology. Mandel speaks of the superiority of a socialist system in being able to introduce new technology quicker and then goes on to adduce the example of the USSR.(17) Nothing could be more correct when applicable to the future socialist system but less applicable to the Soviet Union. In fact there is a negative incentive system or positive disincentive for the introduction of new technology. This is only a standard fact for anyone engaged in a study of the USSR economy but it is of great importance to note the way it occurs. (18) As long as there is a basic indicator whether it be physical output or profits new technology when introduced must disrupt this success indicator. Any new product or process has numerous problems to be solved or ironed out in mass production. The example of Rolls Royce has made it very clear but whereas in the West the risks involved are often proportionately rewarded or it is accepted that only a proportion of the total invested will bear fruit, in the USSR there is no equivalent incentive for this risk. Many different forms of bonuses have been introduced and continue to exist but by its nature the effect on production is unpredictable so that no real incentive system can exist as long as the basic output indicators exist in real or value terms. Even if profit is an indicator, unless the enterprise is free to dismiss workers rendered redundant and prices are raised to reflect supply and demand the introduction of new technology or a new product may actually

17. Ernest Mandel: *Europe vs. America*, London 1970, p.31. 'Invention and scientific discovery, the technological revolution and industrial innovation, have almost been synchronised in that country' (the USSR). In a footnote he shows that the word 'almost' refers to the disincentives leading to 'the slowing down of technological improvement'. The retardation is, however, greater than under capitalism. Under capitalism there are positive incentives which will lead to the eventual adoption of the invention but the negative rewards in the USSR are so great that the word almost would be better replaced by 'not'.

18. L. Gatovsky at a meeting of the USSR academy of sciences held on 13-14. 12.1965 specifically stated that there was too little connection between research and industry, and that there was not enough new machinery in enterprises. *Vestnik Akademii Nauk SSSR* 2/66. An English summary is *Soviet Studies Information Supplement*, July 1966, p.33.

mean an increase in costs uncompensated by price. There is also the additional disadvantage that production will be disrupted for a period of time with the result that the factory director will have lost his bonus or part of it.(19) As there is a fair mobility of factory directors between jobs - they do not stay very long at any one job, no intelligent factory director will allow the introduction of new technology if he is at all ambitious. The situation is exactly similar with the introduction of fixed capital to replace the old for similar reasons. Indeed in 3rd Feb 1972 Pravda printed an article in which, taking the example of a plant in Krasnodar, it declared that 'frankly speaking the collective does not have sufficient incentive to increase production through the introduction of new technology... the renewal of fixed capital is not rewarded.' All this means that the new technique and new fixed capital are introduced only when absolutely necessary and essentially as a result of administrative pressures which cannot be avoided. Sakharov has already pointed to the fact that the USSR continues to fall behind in technology in relation to the West. (20) This is a question of the potential surplus for him but it also has an immediate effect in that outmoded techniques and products tended to be of lower quality than the more modern and this effect is intensified when fixed capital is not renewed. Production in other words is more costly than under capitalism and certainly than under socialism. A graphic example affecting defense is the case of the over utilisation of metals for engineering products, reckoned to be at least one third more than in the US. (21)

3. This leads to the third important source of waste in the economy: the enormous number of people who are underemployed. One prominent economist inside the USSR in a speech reprinted subsequently is reputed to have put the figure at 15 million individuals who could effectively be removed from production and output would be either unaffected or go up - a quarter of production workers, or more. (22) It arises partly from the fact that today no-one can be

19. Baibakov, at a conference on the improvement of planning and economic work in the economy held in Moscow 14-17 May 1968 states clearly that 'the introduction of scientific-technical achievements is not dealt with in the best manner. The technical level of many enterprises does not reach modern requirements'. He goes on to refer to the fact that unsatisfactory use is made of the results of research. He speaks of a number of economists who do not see profit as being a solution as the introduction of new technique leads to a decline in profit. He does not, however, provide a solution but makes the abstract statement that the problem is soluble. As it has not hitherto been solved in the USSR he may no doubt make similar statements in the future.

20. A.D. Sakharov: **Progress, Coexistence & Intellectual Freedom** (London 1968), p.6.

21. Reference as note 5 above.

22. Thus we read in an article by N. Barzin: *Ob Osnovakh Sotsialisticheskogo normirovaniya truda*, from *Ekonomicheskaya Nauka* no. 3, 1965, p.43, that as a

dismissed as redundant so that the introduction of new technology leads to the employment of new skilled workers as well as the old so increasing costs when any change is introduced.(23) The result has been that over the past few years experiments have been taking place with redundancies. The Party Central Committee declared at the end of 1970 that the Shchekinskii redundancy experiment should be generalised (in which workers were effectively found other jobs) but since they did not repeal the law on dismissals the effect so far has been minimal. (24) They have also been talking at length of getting women to stay at home to look after the children so reducing the labour force since 90% of women work. (25) In addition there is real unemployment. In 1964-5 it was at fairly high levels but even today because of the restriction on labour mobility and difficulty of obtaining jobs in particular towns it is not insignificant. (26)

4. The fourth category of waste could be called the underutilisation of capacity, existing or potential. In the first place this occurs through the maldistribution of resources largely due to the fact that with everything in short supply all enterprises ask for as much as possible needed or not. Thus, in the case of the tractor example there are, according to the article, enormous amounts of spare parts in depots at collective farms over the country which lie unused partly because the farm wants to keep them in reserve and partly because no-one knows about them. In the second place there is capacity underutilised because of the breakdowns whether of supplies or of machinery inside the plant. (27) This reflects both poor quality and lack of planning. In the third place there is the so-

result of a relative absence of norms there is an unequal distribution of work over workers and to low employment over the day. The introduction on so-called scientifically based norms could lead to the dismissal of from 7%-22% of the employed.

23. Naseleniye, Trudovye Resursy SSSR, Valentey and Sorokin (eds.), (Moscow 1971), makes the point in some detail on pages 21-3 and again on page 186 that factories prefer to keep a reserve of labour so that scientific progress does not lead to labour being redeployed. As a result costs go up.

24. Ekonomicheskaya Gazeta, 1/71. The experiment at Shchekino involved the effective dismissal of a substantial section of the labour force and a redistribution of the saved wages among those who remained. In the examples given the workers were normally found other work as required by Soviet law. The essential point, however, is the large percentage of the labour force in the towns who are underemployed. See also 26 below.

25. In a detailed article in Smena, 10.5.1970, based on the 1969 Minsk demography conference, under the slogan of the need for women to be feminine, the view is purveyed that women are needed at home to provide a stable family. pp.22-4.

26. See Agan-Begyan, note 13, above who talks in 1964-5 of 25-30% unemployment in small and medium-sized towns. In a more recent work: Valentey and Sorokin (Eds.) op.cit. the nature of unemployment in small and medium sized towns is examined in some detail particularly in ch. 4.

27. See for instance Ekonomicheskaya Gazeta, no. 15 of 1967.

called “dissipation of resources” caused through plants and machinery taking much longer to construct or install than intended. This as anyone knows who has read the speeches of the Soviet leaders especially Khrushchev is a problem of massive importance because if too many plants or mills are in this situation a real situation of mills producing for more mills arises i.e. to finish existing plant more plants have to be constructed. In fact a moratorium had to be declared on construction of plants. When this occurs, as it normally does, however low the plan it will never be fulfilled. (28) It arises, in my opinion, not because Soviet plans are intended to be too taut but because they must be too taut whatever growth rate is set.

CAUSES OF WASTE

The last statement requires to be explained. Because the centre has little real information and only its most detailed and explicit instructions are actually followed, enterprises, by and large, simply follow the logic of the bonus-indicator-social reward system. Even though a lower output may be required by the centre, overfulfilment will automatically arise wherever it is possible and be duly rewarded while the consumer good sector being at the end of the chain will not receive the necessary resources. The extra parts and goods available will be immediately absorbed either by plants waiting or by storage depots of the enterprises in case of short supply in the future. There would then be a further clamour for new plants to produce goods in short supply. Workers with lower targets would work at lower rates. This sounds like a system out of control and that is what precisely what it is. Apart from the dozen or so indicators set by the centre such as steel, coal power etc. the rest of the centre’s job is largely organisational: to see that the economy does not collapse or if you prefer runs more smoothly. Their information is poor and the enterprise salaried personnel being only interested in maximising their own personal welfare will fulfil the formal instructions only, even that often results in an absurdity. Faced with a situation where it is to their benefit to maximise an indicator, whether it is called profit or anything else they will wrongly inform the centre as to their potential and produce a product mix most suitable to themselves. (29) If it is total

28. As referred to in note 11, Baibakov attributed the failure of last year’s plan in part to reasons of unfinished construction. In the detailed report in Pravda 30.1.73 we are informed that in many cases the plans on productivity and profits, in capital investment, have not been fulfilled. The period of time taken to complete the work has in many cases gone beyond the norm. The effect we are informed laconically is that ‘the volume of incomplete construction has increased’.

29. Thus we are informed of the Red Proletariat machine tool plant which produced 6118 units of a machine tool when they were required to produce only 75

output they will produce low quality useless goods of the correct amount, if it is total value sold they will produce high cost goods in the greatest demand, still of low quality in the absence of competition, and if it is profit they will use the worst quality materials for the job i.e. with lowest cost, spend the least time possible and produce a product of highest possible price and most immediate sale like the forging of ikons. or shoes with minute quantities of leather while avoiding the production of items which must take some time to sell as books. It is not that everyone is not aware of what should be produced or how it should be produced or what product mix is preferable. The enterprise staff know very well but it is not in their interest.

In other words not being able to be controlled from the centre the economy is not planned but administered. Liberman put the issue this way: "The old system of economic management was well suited to the attainment of its chief aim, to mobilize resources and concentrate them on the most urgent needs of the state. It was mainly aimed at quantitative, extensive growth of production."⁽³⁰⁾ The problem as I have shown by quotation is still there and the introduction of profit will not by itself change the situation. To have a planned economy there must be conscious control of the society and economy by the democratic representatives of the majority - the working class. If this is absent a series of conflicts and interests is set up both between and inside social groups with the result that the instructions of the central planners are only implemented in so far as they conform to the personal interest of the individuals while the elite planners receive only distorted information. As a result the basic conception of planning as facilitating a more rational organisation of the economy is lost. For that reason the viewpoint of those who regard the USSR as a workers' state or socialist because it is planned or planning as at any rate one of the symptoms are barking up the wrong tree. It is an organised or administered economy, with most of the economy under no-one's control. From the above quotation of Liberman it is clear that this is not a view unshared in the USSR and indeed a number of Western economists have come to the same view. ⁽³¹⁾ The problem with most of these people, however,

and consequently reduced another type of their production by half. The reason lay in the greater profitability of the overproduced machine tool. This illustration also has the merit of bringing out the point that the introduction of profit in the absence of the full paraphernalia of the market solves little. Andreev and Kiperman: *Planirovanie i stimulirovanie technicheskogo progressa, Voprosy Ekonomiki* 1, 1972, p.74.

30. Quoted by Michael Ellman in *Soviet Planning Today*, Cambridge 1971.

31 See above work of Ellman and also of Paul Craig Roberts: *Alienation and the Soviet Economy*. Ellman in this work and in his other excellent work *Economic Reform in the Soviet Union*, P.E.P. London 1969, has shown many of the forms of waste without trying to find the social causes.

is that they pose the problem in a fetishized way ignoring the social relations involved. Not being Marxists they also do not attempt to see the essential dynamic and laws operating in the system.

Historically it is clear that the organisation of the economy through a means which was at times little more than organised terror served to ensure a degree of industrialisation of the economy. Beyond that point, however, the only result has been that the system is producing increasing waste in spite of all attempts by the elite to halt the process. Waste is increasing because a more complex economy and modern industry demands greater exactness both in time and quality. Original industrialisation was enormously wasteful, pyramid-building, largely in terms of lives, but a modern industrialised economy requires intensive development. The more intensive and the more complex is the economy the longer the chain of command, and the less intelligible is industry to the administrators, and so the greater the distortions and their proportionate importance. The waste itself occurs because of a fundamental conflict between the need to organise the economy, and the self-interest of the individuals of the elite and intelligentsia. As I have been arguing it is fundamentally wrong to argue in terms of a conflict between planning or the law of planning and the market or law of value. Since there is effectively little more than an attempt to avoid waste squeezing out all consumption, the organisation of today has little in common with Preobrazhensky's concept of planning. The original conflict existed during NEP and reflected the social classes of the period so that a statement that planning or the law of planning in some sense exists today is nothing more than a more esoteric way of saying that there is in some sense a worker's state. It is time we updated our ideas especially when we realise that the social groups which came into existence are not the same as those in 1928-9. If we argue from the actual situation we have to recognise a different form of conflict deriving from this original conception of Preobrazhensky. Instead of a law of planning we can talk of a law of organisation which expresses the requirement of the elite that their occupations and privileges be maintained through the functioning of the economy. This is also essential to maintain their existence as a social group. Mandel has stated and I quote "the bureaucracy has not political social or economic means at its disposal to make the defense of its own specific material interests coincide with the mode of production from which it draws its privileges." (32) If we ignore for the time being some of the terms, the statement appears very dubious. The elite in so far as they fulfil their organisational tasks as managers and administrators, economic, political or military, do in fact ensure that production is developed. The fact that they at first used

32. *International Socialist Review*, June 1972, page 17.

naked force and terror to this end alters nothing, still less that it is not so far below the surface today. I would go further and state that in the absence of the tasks performed by the present Soviet elite - mobilisation, force and co-ordination, production would probably drop to a negative quantity. Mandel then maintains with Trotsky that the bureaucracy provide the basic dynamic of the system through their consumer interests. If this were all it becomes difficult to understand why there has been any development at all in the USSR. It would appear that it is occurring in spite of those who administer the economy but by whom? Growth does not happen mystically. Much has been made of scarcity by persons holding this view, but the elite for some time now has had incomes comparable with their opposite numbers in the West. If all they needed was to consume, they would trade Russian timber for British or more probably German consumer goods. In so far as they act in their own self interest it is mediated by their occupation which amounts to administering the society. A member of the capitalist class also acts in his own interests when he accumulates surplus value. The essential point is that they perform a certain social function in production which leads to the formation of a production relation. It should not be thought that the members of the elite are unaware of the contradiction between their own instructions and their fulfilment. On the contrary, they operate on the basis of non-fulfilment, of contradictory results to what is required. As a result they do perform an essential role in the existing system. If they were removed there would either be total collapse or another system.

The forms of waste outlined all have their basis in the antagonistic relations of a section of the elite, the intelligentsia and the working class in relation to the elite as a social group. That the basis of the contradictions lies in the self-interest, immediately expressed does not say that they are all interested in consumption. The essential point lies in the statement of Preobrazhensky: that the USSR had not the advantages of socialism but had lost the advantages of the capitalist economy. (33) If we translate this to the present day, this means that there is no incentive system which can work other than one which is capitalist or socialist. The incentive for the factory manager is on the one hand, his monetary reward conditional on fulfilling the success indicators, and on the other, the privileges and promotion which goes with a correct interpretation of the economic and political situation. It is because both these factors are at play that the centre's instructions are not simply caricatured. It is not an historical accident that the economic system is self-contradictory. It is a reflection of the

33. This was a constant theme in his work. In the *Vestnik Kommunisticheskoi Akademii* 2/1923 p.186 he put it this way: 'Undoubtedly historically considered the socialist form is higher than the capitalist. This is very comforting especially when the higher form works worse than the lower form'.

insecurity of the regime itself. Anyone who has read some of the work of the Soviet underground or has lived there any period of time has noted the all-pervading discontent present in the USSR. No doubt there are persons who are nationalists, anti-semites and those who are naturally docile but because the production relations are transparent most individuals in inferior social positions are dissatisfied with the system. Elite members are themselves dissatisfied because of the inefficiency of the system and the tight control needed. The only way the system can be maintained is through the effective atomisation of the population. This is achieved by the secret police operating through a series of means of social control conscious or unconscious. The essential point here is that the population is not able to effectively communicate at a level required to deal with essential problems in the economy. The effect is that no-one wants to report unpalatable information, no-one wants to take responsibility. In other words as between the enterprise director and the centre there is an impenetrable barrier which is rendered still worse because of a similar barrier existing both among individuals and among the social groups, the intelligentsia and the working class. It is, therefore, inevitable that each person will perform the minimum required whatever stimuli are introduced other than the introduction of a full scale market with all its social consequences. It is not a question of the law of value in operation but of each individual being privatised to a degree higher than has ever been experienced in any other society. The interests of the individual stand in sharp contrast to the apparent interests of the society, indeed in sharper contrast than in capitalist society. This attitude is most clearly demonstrated when Soviet emigres arrive and mostly proceed to show their sympathy for the right often the extreme right as the representatives of the rights of the individual.

At the level of society the contradiction expresses itself as an atomised society, atomised for stability, which must be integrated in order to function and this is done by elite organisation or what is called planning. It might also be expressed as a law of organisation both complementing and opposing a law of private benefit or interest.

LAW OF VALUE

The law of value has not been brought in till now to avoid confusion but a few comments must be made. For there to be the production of surplus value there clearly must be value and for there to be value there must be exchange. What Soviet economists say on this can be regarded less as descriptions of reality than as projections of what they would like to see. In any case there are all schools of thought from those who do not see the law of value operating to those who see it in the full panoply of its powers. Because of the censorship they cannot admit that the restrictions are far greater and qualitatively different from those under monopoly capitalism. In the first place

distribution which some people see as being under the law of value is to a large extent direct. Housing being allocated by the local factory or town soviet with a rent which is so close to zero as to make no difference is effectively outside its operation with certain exceptions. In regard to food those who have money and can use it are the fortunate. For most of the population particularly outside the biggest towns two things are more important than money: time (to stand in queues) and the right contact to obtain the food. This is not to speak of the not inconsiderable sector which grows it themselves. The private plot is widespread outside agriculture. In the second place since the prices fixed by the state have no relation to the cost and in the case of many consumer durables in so far as they exist are so great as to exclude purchase by the majority, their money has little value. For that reason a bonus of an extra 5 or ten rubles a month for most workers is meaningless. The one thing they will not do is work harder in response to such an incentive. Money which can hardly be spent is of not much use. Nor can it even serve as a store of value in view of the way the Soviet state has in the past refused to repay government debt to the population and arbitrarily devalued the internal currency, not to speak of the effect of enormous price jumps. Further, the real distribution differences as between the social groups are made in direct and natural form. Thus for instance the elite obtains its housing, chauffeur driven cars and de facto private cars, food, clothing, health, holidays etc. either free or at very low prices in their own special shops. It should not be believed that it applies only to the central committee, factory managers, army officers, the KGB all have their own supply institutions. Distribution in other words relates to social group directly through state allocation or through direct contact.

Within production itself, without competition, profit is nothing other than a technical phenomenon, targets are essentially based on physical indicators to this day and purchase and sale between enterprises are largely accounting phenomena. If then the law of value operates, it is so distorted as to be unrecognisable. Indeed the whole demand for the market would be unintelligible if the law of value already existed. Those who have studied this debate have long realised that the different Soviet schools in order to legitimise what they wanted had to declare that it already existed. If the law of value already exists in large measure then you are only asking that it take a more rational form. The sale of flats at prices which the workers cannot afford becomes easier to justify just as the production and sale of cars for the intelligentsia at high prices can be accepted as a rational extension of the existing pricing system. This is what is now happening but it must be recognised as a major change in the social system. The proposed introduction of the market may appear as a technical phenomenon to the fetishized Western (or Eastern) economist whether he calls himself a socialist or not, but it involves the ordinary member of the intelligentsia obtaining significant benefits at the expense of the working class. To sum up: if you start off with the assumption of the

law of value being dominant in the USSR no doubt you will never be dissuaded (Naville, Cliff, Mattick) but the distorted form in which it is then seen to exist, means that these authors spend more time explaining the deviations than in discussing the trends in the society.

It appears to me more useful and correct to regard the USSR as a society which historically overthrew capitalism but had its own dictatorship of the proletariat removed. The result is the existence of remnants of both formations. The effect has been to create an economic system of its own type with these survivals clearly traceable but also lacking the fundamental drives of both formations. It has therefore a higher level of contradiction than in any socio-economic formation. I shall show how this applies to the so-called bureaucracy and to the working class.

THE BUREAUCRACY AND THE WORKING CLASS.

Trotsky made a lot of sense when he referred to the existence of a bureaucracy ruling the Soviet Union before his exile and possibly for a number of years afterwards. Since the thirties, however, with the basic industrialisation of the USSR it is not true that everyone who works in the Soviet party or the government machine is privileged in terms either of income or of power. It was true in a period of generalised want that anyone who had a job in an office was much better off than anyone else who did not have those features. He also, because of the lack of complexity of the Soviet economy and few specialists was de facto in a position of control. These characteristics have not been present for decades now. The ordinary officials in the apparatus who handle the millions of applications made in the course of a year receive less than industrial workers and when there is a decision to be made which does not fit the instructions in handbooks he will not make it. There are now more than 14 million party members and it is not difficult to show that close to half of the male intelligentsia belongs to it and yet their wage and position is in many cases not much better than the ordinary semi-skilled worker. In other words the ruling and privileged group in the USSR is only a part of what is called the bureaucracy - it is its own elite.

I have called it an elite not a class for two reasons. In the first place historically, until twenty years ago, the rate of mobility was so high into the elite or highest social group, that this social group had not acquired sufficient cohesion to talk of a class. This as I have implied is no longer so today, social mobility both in and out of the elite is much reduced while its common interests have become more prominent. Nonetheless still today it is true to say that it is an internally contradictory social group. The socio-economic conflict between organisation and private interest exists within the elite itself making it an unstable group. Sections of it are indeed repressed, even if not to the same degree as the ordinary member of the intelligentsia. It is not necessarily a question as some authors as Parkin or Mallet

seem to think of the technocracy taking control(34). If one looks at the composition of the Central Committee one is immediately struck by the high proportion of engineers on it as well as by the very high proportion who have higher education. It is also dubious whether one can talk of different interests on that basis, as if some want efficiency and others do not. The essential difference lies between those who have to administer the society as a whole and consequently have to subordinate their immediate interests and those who do not. If the economic reforms require much higher prices of meat which would effectively make more meat available to those with more money but less for the working class so leading to increased work for the secret police they will think twice about the introduction of such measures. Nor do we have to assume as do some authors that the men at the top are bound to what exists as under another more efficient, market system they would be out of a job. On the contrary these men have skills which would be needed under any system but probably no less in a market system where the role of the organiser is not unknown. The contradiction which exists in the elite is at the heart of the system.

In the second place, since the time of Trotsky there has grown up a 9 million strong army of graduates who constitute what amounts to a separate social group with its own interests. At its higher levels it is part of the elite but the rest are excluded from power and have a standard of living not much higher than that of the working class and often indeed lower. It is they who would benefit most from the economic reforms and they who wish to change the economic system most. They are the most privatised and the most opposed to organisation, and they identify central administration and organisation with socialism. Not unsurprisingly they are the group most in favour of capitalism itself, usually in the form of an uncritical admiration for the United States and the effects of private enterprise. Not to anyone's astonishment the current five year plan proposes to increase their incomes faster than the working class, in order to assuage their discontent. Marxist theorists have acted up to now as if this social group has never come into being, as if they play the same role in the USSR as they do in the West. Where the means of production are nationalised power is exercised through occupational positions so that those like the intelligentsia who are not at the top of occupational ladder constitute a distinct social group based on their position in the division of labour in the society. Since they are physically separate from the working class and essentially compete with them for a division of the means of distribution and regard themselves as inherently entitled to a standard of living higher than the working class the two groups have hitherto stood in sharp opposition to each other. It is in large part a result of the atomisation of society that the working class and intelligentsia are

34. **Bureaucracy and Technocracy in the Socialist Countries:** Serge Mallet: Spokesman Pamphlet, no. 6, F. Parkin: **Class, Inequality and Social Order** (London 1970).

separated by an enormous social distance. The effect has been to stabilise an otherwise highly unstable system. Since the intelligentsia are highly elitist and are only interested in their own individual affairs they are cut off from the only force which can change the society and hence become extremely pessimistic, mystical (the Russian soul, believers in God) and nationalistic. The elite have therefore succeeded in maintaining the system in spite of itself. This is, of course, not its only means. The working class, despising as a result the intelligentsia, can be relied on to support the elite against the demands of the intelligentsia.

The intelligentsia, as indeed the society, is divided by a sexual exploitation which performs a similar mediating role to that of the negroes in the United States. The least well paid jobs among the intelligentsia and the working-class are performed by women. The almost total employment of women in the Soviet Union is part of what I have called a historical survival of the dictatorship of the proletariat but it has been undermined and almost turned into its opposite by the overwhelming proportion of women engaged in the least prestigious, least responsible jobs in the least important sectors of the economy. As a result men by and large receive on average at least 50 per cent more than women in pay. (35) Their larger pay and more responsible position is a direct consequence of the exploitation of women in the society. Quota systems and exclusions exist for certain faculties and jobs for women and, incidentally, Jews.

Finally I should like to discuss the contradiction between the working-class and the elite. I have argued that as there is a conflict between self interest and organisation it takes an extreme form as between the intelligentsia and the elite resulting in action of the type I have described at a factory level. At least the intelligentsia has its own benefit to promote: the working class has with certain exceptions at the fringes no incentive at all in production. It has found itself in a situation where the relations of production are transparent, where the privileges of the elite are obvious but it is atomised so that only occasional and spontaneous action is possible. The inevitable result is that production is done at the minimum level possible and since there is effectively neither sanction nor reward as they cannot be dismissed nor receive effective monetary compensation for extra effort they produce goods at the lowest possible quality with the slowest speed and minimum effort. (36) If not for the competitive campaigns and drives for higher quality, it is dubious whether very

35. See Rimashevskaya: *Ekonomichesky Analiz Dokhodev Rabochikh i Sluzhashikh*, (Moscow 1965) ch. 2.

36. That the alienated worker also turns to drink and other forms which reduce his capacity to work is to be expected. 'The apparently high incidence of drunkenness among working-class males with little education and medium to low skills suggest ... that certain forms of alcohol pathology may be connected with the deprivation and boredom of Soviet lower-class life'. Walter D. Connor *Deviance in Soviet Society*, (New York and London) 1972, p.57.

much more would be produced from year to year. This provides another basic reason for why taut plans always remain taut: the worker will adjust downwards but only with great difficulty upwards. To summarize; the worker alienates his labour in such a way as to maximize the waste in the economy and society. Effectively he is controlled through the internal passport which does not allow movement to the bigger towns, through a labour book, through a secret file and through the operations of the KGB in the plant not to speak of his place of residence, given by the plant. If one wishes to say that all this exists under capitalism he will be wrong. Such a degree of control as exists in the USSR has never existed anywhere.

A surplus is undoubtedly extracted from the worker which is to a large extent waste but that this be called wage-labour with the extraction of surplus value presupposes an exchange while the whole burden of what I have been saying is that there is only an enforced unity in production with a dubious return for both sides. There is a more or less transparent and enforced extraction of the surplus but it makes as much sense to call it wage-labour - surplus value as to call it feudalism. On the other hand it should be clear from what I have said that the elite in no sense can be said to be acting in the interest of the working class. In so far as the regime is in the interests of the working-class, as in terms of slack production discipline, this is only because the working class will tolerate nothing else. What the working class maintains it does almost in the same way as trade unions do in the West: through non-co-operation or direct action: strikes. A movement to the market would undoubtedly lead to income redistribution away from the working-class, unemployment and tighter labour discipline not to speak of higher prices for food. In so far as it has been introduced this is what has already happened but this should neither be understood as capitalism nor move away further from a worker's state. In its inherent logic it is a step towards capitalism as it will really introduce the capitalist incentive system based on profit and competition together with unemployment. At the same time the intelligentsia will be better off and the elite more secure. This is the trend and it is an inevitable trend only essentially halted today because the working class will not tolerate it, but the working class is in the contradiction that the existing system is sinking deeper into crisis - this year's harvest failure is no accident and waste is simply increasing so that if the market is not introduced they will probably gain little in the long run. Their only solution is socialism, the revolutionary overthrow of the ruling elite in Russia.