

## **Was the Soviet Union "state capitalist" and "social imperialist"?**

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### **1. Introduction**

For more than 70 years, the existence of the USSR was one of the defining conditions for world politics, i.e. for class struggle at the international and national level as well as the politics of the communist parties. The dismantling of the Soviet Union and its allied states from 1989 came unexpectedly for both communists and Western imperialists, and plunged the communist movement into a deep crisis from which it has only begun to recover. To this day, the question of how to assess the Soviet Union, whether it should be defended or even combated, is a central question for the communist movement. The decisive factor for this question is whether the Soviet Union must be understood as a socialist state or essentially as a variant of capitalism and imperialism. While some Trotskyist currents began to call the Soviet Union "state capitalist" in the aftermath of Trotsky's death, the Communist Party of China and the Party of Labour of Albania in the 1960s adopted the view that the USSR after the 20<sup>th</sup> congress of the Communist Party of the Soviet Union (CPSU) in 1956, a form of capitalism under a new bourgeoisie had emerged. They see as evidence the dominance of certain revisionist views in the CPSU from 1956 and in particular the Kosygin reform of 1965, which they consider to have finally reintroduced capitalism. The majority of the communist world movement on the other hand, including the KPD in the Federal Republic of Germany and later the DKP (German Communist Party), continued to maintain that socialism was actually still being built in the USSR, the GDR and the other states that called themselves "real socialism". These completely contradictory points of view are to be examined scientifically here.

The analysis here will be limited to the Soviet Union. At various times, market-oriented economic reforms were introduced in almost all states that claimed to be socialist: in Hungary, the People's Republic of Poland, the ČSSR, the GDR, Cuba, North Korea, Vietnam, the PR of China, in Yugoslavia. Whether and when they reintroduced capitalism, or would have done if certain reforms had not been cancelled (as in the ČSSR 1968), must be examined in concrete terms. That would be far beyond the scope here. The author has already made an assessment of the production conditions in today's PRC elsewhere (Spanidis 2017), but of course this analysis must also be deepened. In any case, the Soviet Union was the first, the largest and strongest (in economic and military terms) of the states which, according to their own claim, built socialism. On their development, development in most other countries of "real socialism" was dependent.

Secondly, the analysis here will focus on the second variant of the "state capitalism thesis", according to which the transition from socialism to capitalism is dated to the 20th Party Congress in 1956. For if it can be shown that the Soviet Union was still socialist and not state capitalist after 1956 and until the 1980s, this should be the case even more so for the period before 1956 during which the planned economy was built up in the Soviet Union, and largely without market elements.

This text is not, of course, the first to try to answer this question. It draws particularly on the studies and collected data of Albert Szymanski (1979), who also analysed Soviet society in detail and concluded that socialism continued to prevail in the Soviet Union. In addition, the arguments of some representatives of the "state capitalism thesis" (SCT from here on) and the "Social Imperialism Thesis" (SIT) based on it are presented and discussed. To this end, the study will be based primarily on Western academic, i.e. bourgeois sources of the Soviet Union, which can be assumed to be unsympathetic to the Soviet Union and communism in

general. According to a presentation of the SCT and SIT, the economic changes in the Soviet Union after the 20th Party Congress of the CPSU are first examined; then the question is answered whether the Soviet Union was capitalist; then whether the claims of the SIT are true; then whether in the Soviet Union the democratic workers' control was really abolished and finally, which was the mode of production in the Soviet Union after 1956.

## **2. Variants of the State Capitalism and Social Imperialism Thesis**

### **The Trotskyist Variant of The State Capitalism Thesis**

Trotskyists, who see the Soviet Union and other countries that had committed themselves to building socialism as "state capitalist," often refer to the British Trotskyist Tony Cliff and his book "State Capitalism in Russia." Cliff saw himself as a supporter of Trotsky, but went beyond Trotsky's position. Trotsky had rejected the view that the Soviet Union was "state capitalist" and that the "bureaucracy" had developed into a new class, in most of his writings on the subject. His position on this, however, was contradictory: he described the alleged rupture that occurred with Stalin's inauguration as Secretary General as "the crystallization of a new privileged class, the creation of a new substructure for the economically ruling class" (cited after Cliff 1955). Trotsky here talked about a new ruling class, and some of his students, such as Cliff, refer to this section.

Those who seek a strict justification for Cliff's thesis will be disappointed. Cliff lists a number of (alleged or actual) phenomena in Soviet society that are intended to demonstrate the transition to "state capitalism": the weakening of the control of workers and trade unions over the enterprises, the increase of discipline at workplaces and in the military, forced labor, low living standards, harsh penalties for property offences, inequality in income distribution, etc. He claims: "*Partial negation of the Law of Value does not, however, free the economy from this law. On the contrary, the economy as a whole is subordinated to it even more.*" However, he develops no argument for this not exactly intuitive thesis that the partial repeal of the Law of Value would actually increase its effect. And: "*Under all these conditions, whatever their specific form, wage labour continues its antagonism to capital, surplus value continues to be produced, and continues to be converted into capital*". This claim, too, remains unfounded: Cliff does not reveal where he wants to discover the production of "surplus value" and accumulation of capital in the Soviet Union. Finally: "*In state capitalism as in the workers' state, the state is the owner of the means of production. The difference between the two systems cannot lie in the form of ownership*" (all quotations from: Cliff 1955).

Especially since Cliff gives few arguments for his position, it can be quickly refuted. This is therefore to be done at this point, so that the study can be limited in the further chapters to the second variant of the SCT, which claims that the transition to capitalism took place only in 1956. Cliff claims that in the Soviet Union capitalism prevails, not socialism, i.e. a completely different mode of production. However, there are to be no differences in ownership relations between "state capitalism" and socialism, since the state also owns the means of production in "state capitalism". According to the subtitle of his book, this is "a Marxist analysis." The view of Marxism, however, is exactly the opposite: modes of production differ from each other first and foremost in their relations of production and ownership, not by the degree of labor discipline or the distribution of income. The Law of Value that Cliff sees at work in the USSR under Stalin actually had little room for manoeuvre. The industrial enterprises were completely under the command of the planning authorities, they were allocated resources and thus had to meet mandatory planning targets. The companies thus produced not for profit, but for the fulfilment of centrally defined planning targets, which in turn were determined

according to what the planning authorities had determined as a social need. During the first decades, the planning targets were mainly set in physical quantities (tonnes, square meters, etc.). Output was the central headline goal, bonuses were paid out for its fulfilment (Hanson 2003, p. 28). So there was definitely no capitalism in the Soviet Union at that time, and Cliff's justification for his claim is far removed from the Marxist understanding of the capitalist mode of production. Its position can only be described as a serious revisionist deviation.

### **The State Capitalism Thesis for the Soviet Union After 1956**

After Stalin's death in 1953 and the 20th Communist Party Congress in 1956, the Soviet leadership first took cautious steps towards a more market-based control mechanism, followed by a more comprehensive reform in 1965 (see next chapter). That is why certain political forces, which invoke Stalin but reject the Soviet Union after 1956, believe that the restoration of capitalist relations took place in the Soviet Union in the 1950s.

For example, the German group "Kommunistischer Aufbau" writes: *"The 20th Congress of the Communist Party of the Soviet Union (CPSU) in 1956 marks the point at which the political representatives of this new class of exploiters – precisely the modern revisionists under the leadership of the Nikita Khrushchev – cemented their seizure of power and openly developed their policies towards the restoration of capitalism."* In their view, (similar to Cliff), the "bureaucracy" developed into a new class. Stalin, too, had failed to *"acknowledge that the struggle against bureaucratism was a form in which the class struggle continued in the Soviet Union and consequently class interests again clashed"*. At the 20th party congress, a revisionist group took over. *"They turned socialism, the mortal enemy of capitalism, into a bureaucratic state capitalism that just became a competitor in the competition for the domination of the world. Just as Germany, the USA, China and Russia are today"*. They state that there was *"a new capitalist class, which exploited the workers and appropriated the surplus value, an orientation of production towards profit"*. The Soviet state *"acts as a collective capitalist, it appropriates and distributes the surplus value among the various members of the new capitalist class"*. This distribution of the "surplus value" to the "new capitalist class" was achieved by high salaries for the directors of the company and the binding of the material bonuses for directors to the profits of the company (see above).

Profit was made the main target of the companies and an increasing share of the profits remained in the companies instead of being paid to the state. In addition, the means of production were again transformed into commodities. But there were still "remnants of socialism" which were only later removed, including the turning of the companies into 'financially independent enterprises' (Quotes from: Kommunistischer Aufbau 2016).

The so-called Marxist-Leninist Party of Germany (MLPD) takes a similar, even more vehement view: *"At the 20th Party Congress of the CPSU in February 1956, a new bourgeoisie led by Khrushchev seized political power in the Soviet Union. It propagated modern revisionism and gradually restored capitalism. On the basis of this state-monopoly capitalism of a new type, Soviet social imperialism emerged. Along with the United States, it became a hotbed of global reaction, exploitation, neocolonial oppression, environmental destruction, and preparation for imperialist war."* The countries of the Comecon and Warsaw Pact were forced into "neocolonial dependence on the Soviet Union". The dismantling of the Soviet Union in 1989-91, which the MLPD, like the bourgeois propagandists, calls "economic and political collapse", is not seen as the end of socialism: *"This was an expression of the bankruptcy of modern revisionism and exacerbated the general crisis of capitalism."* Therefore this "collapse" is ultimately seen as a positive event, because an exacerbation of the general crisis of capitalism would imply that the conditions for the world revolution are maturing further (quotes from: MLPD program, chapter F).

Many organizations that see themselves as Maoist also assume the existence of a capitalist society in the Soviet Union from a certain historical point. For example, the Maoist Communist Party of Peru, to which Maoist groups in Germany also refer, writes about the struggle *"against US imperialism and Soviet social imperialism, paper tigers, which are fighting for world domination and threaten the world with nuclear war, which must be condemned on the one hand and for which, on the other hand, one must prepare ahead in advance, in order to oppose it with People's War and to make the revolution."*(Communist Party of Peru 1988).

The SCT and SIT are not elaborated further in the texts of various political organisations quoted so far. The text of the "Kommunistischer Aufbau" is essentially based on two in-depth analyses in the books of Willi Dickhut, a co-founder and influential theorist of the MLPD, as well as the British Hoxhaist Bill Bland. The reasoning of these two authors should therefore be presented below in order to check their validity in Chapter 4.

### **Willi Dickhut**

According to Dickhut, Stalin fought the bureaucracy, albeit with the help of the bureaucratic apparatus itself, which is why, after his death, the bureaucracy could still come to power and restore capitalism. There was the "self-transformation of the bureaucracy from public servants into rulers of the state" (Dickhut 1988, p. 35; 40).

*"In this process, the bureaucracy changed from a petty-bourgeois stratum to a new bourgeois class, whose economic basis is a restored capitalist mode of production. This does not mean a simple reintroduction of private capital, but the establishment of bureaucratic monopoly capitalism. The main contradiction of this new capitalist social order is based on social production and collective bureaucratic-capitalist appropriation. The individual bureaucrat is not a private capitalist in the old sense, but the entire bureaucracy is a collective capitalist, a new state-monopolistic bourgeoisie. As the ruling new bourgeois class, it pursues a bourgeois class policy in order to safeguard the overall interests of bureaucratic capitalism. This development was gradual, with the achievements of socialism remaining alongside the new capitalist phenomena. It was not possible to liquidate them at once without the working masses rebelling against them"* (p. 42).

Of course, Dickhut, too, knows that in the Soviet Union the means of production continued to be state property. But he does not accept this counter-argument: according to him, the decisive question is which class holds state power in its hands and which class thus controls state property. He acknowledges that the Soviet economy somehow functioned differently from Western capitalism: *"In the Soviet Union, the new bourgeois state apparatus controls not only certain key positions of the economy, but almost the whole of economic life. In this case, therefore, it would be wrong to look for individual capitalists. (...) The external characteristics of the socialist economy (central planning, etc.) remain seemingly (?) untouched. It is no longer a state monopoly in the hands of the proletariat, but a capitalist monopoly of the state in the hands of the new bourgeoisie"* (p.90f). But since a capitalist economic system cannot be guided according to the same principles as a socialist one, since it is driven by the urge for higher profits, there was an urge that compels Soviet leaders to economic reforms that are acquiring more and more openly capitalist character (p. 91). After Khrushchev's overthrow, his successors had reversed part of his policy, but resumed the course of capitalist restoration and even accelerated it (p. 117). These reforms had left a larger share of the profits to firms than before, which, among other things, was due to the enrichment of the plant directors (p. 108). The purpose of introducing bonuses for directors would be to make the *"profiteering of a handful of new capitalists the driving force of the economy"* (p.123). But the premiums are only a secondary channel through which the

"bourgeoisie" appropriates surplus value: *"The main sources of enrichment of the new bourgeoisie are not the premiums and profits in the individual holdings, but the central state budget. (...) The top leaders of the new bourgeoisie are not the directors and managers who draw from the profits of the individual enterprises, but those officials, politicians and technocrats in the party, state and economic apparatus who are in Moscow or other centers. and skim the cream from the treasury."*(p. 140f). The amount of the dividend that each individual "capitalist" receives therefore would depend not on shareholding, but on his position within the state and party bureaucracy. In order to enter "the circle of the owners of the means of production", of course, one had to be a member of the CPSU (p. 359).

This "state monopolistic capitalism", according to Dickhut, is capitalism at its highest stage, that is, imperialism. Somehow the Soviet Union is even more monopolistic than Western monopoly capitalism: *"because competition in the internal market has been rooted out to an even higher degree in the Soviet Union than in the Western state-monopoly countries, (...) the tendency towards stagnation and rot is even more evident here."* (p. 358). Here, too, there is an *"urge for economic expansion, for capital exports and for the subjugation of other countries, the urge for aggression and war, for the redistribution of the world"* (p. 203). But the "Soviet social imperialists" would somehow not use the same methods as the US imperialists, for example by lending on much more favorable terms. But this, according to Dickhut, is a "fraud manoeuvre", *"for by its very nature the imperialism of the Soviet leaders is no different from that of the USA"* (p. 205).

In the other socialist countries, according to Dickhut, capitalism was, of course, restored under pressure from the Soviet Union. In the GDR, the *"Restoration of Capitalism took place relatively simple and unobtrusive (!)"* (p. 208). In Poland, on the other hand, *"with particular openness"*, as the collectivisation of agriculture has been largely reversed (p. 209). The Eastern European countries then became "colonies of social imperialism" (p. 218). The Soviet Union kept these countries dependent by forcing them to specialise in certain goods, whereas it was the only economy developed on all sides (p. 219).

According to Lenin, the decisive factor for imperialism is the increase in the importance of capital exports as a result of the monopolistic overripeness of the economy. If the Soviet Union was an "imperialist super power", capital exports should of course be found to have taken place somewhere. And Dickhut found it, namely in the form of the loans that the Soviet Union granted to other countries: *"Of course, the social imperialists cannot yet dare to set up factories, plantations or factories in foreign countries, which form exclusively their property, as is customary with the old imperialists. However, there are various forms of capital export. Soviet capital exports are mainly through loans and bonds, a form already well known in Lenin's time"* (p. 229). He also complains that the Soviet Union had charged excessive prices to its partners in the Council for Mutual Economic Assistance (CMEA) (p. 225).

What political consequences does Dickhut draw from his analysis? Essentially, that the Soviet Union should be combated as the main enemy of the working class: *"The main contradiction in the world today is that between social imperialism and socialist China."* (p. 300). In general, the working class is oppressed even more in the Soviet Union than in the West, because the Soviet trade unions – in his view probably in contrast to the "free" trade unions in Western capitalism – are controlled by the bureaucracy (p. 369). The Soviet proletariat must now build a new communist party in illegality in order to overthrow the CPSU (p. 371).

To sum up, Dickhut's approach is to classify the society of a country as capitalist based on political and ideological developments in this country (the coming to power of a group he considers revisionist). But knowing that Marxists analyze a society according to the mode of production that prevails in it, he embarks in the second step on the search for economic developments, which could confirm his preconceived conclusion. However, Dickhut refuses

to let facts challenge his conclusion: if he finds far-reaching economic reforms in a country that weaken the socialist character of social relations, such as in Poland, he points out triumphantly on these and speaks of an "open" counter-revolution. If, on the other hand, a central planned economy still prevails in a country, it is for him a "hidden" and unnoticed capitalist counter-revolution, as, for example, in the GDR. If he does not find any capitalists at all, he simply declares the state administration a capitalist class, etc. How it could be possible for a counter-revolution to take place, with no-one noticing anything and without significant change in economic relations, remains his secret.

## **Bill Bland**

Bill Bland takes a slightly different approach. Bland at least tries to prove the "capitalist restoration" in detail on the basis of economic changes in the economic system of the Soviet Union. However, he hardly analyses the real economic conditions, but refers mainly to statements of Soviet economists or politicians.

Bland, unlike Dickhut, claims that central economic planning in the USSR was abolished with the Kosygin reform. The reform had reduced the central directives that companies received and turned them into voluntary directives. Since the plans of the enterprises were constantly changing, it was no longer possible to draw up a comprehensive five-year plan (Bland 1995, Chapter 1). Profit was then introduced with the reform as a new regulator of production, in which the companies were to generate their own financial resources and, moreover, to realize a profit. *"Under the new system of cost accounting, however, profit -- now presented as "the supreme criterion of the efficiency of an enterprise" -- has replaced centralised economic planning as the regulator of social production"* (Chapter 2).

The profit is realized by the sale of the goods, thus the enterprises had to direct the production of their goods to the market. As buyers and sellers of the goods, the companies would thus be in competition with each other. Because firms adapt their production plans to the market, they have to move to such capitalist practices as market research and advertising (Chapter 3). In 1965 it was also decided that companies would have to pay for the investment goods they used instead of being allocated free of charge as before. Thereby, according to Bland, the means of production became a commodity again (Chapter 4).

State ownership of the means of production was also abolished because, according to the Statute on Socialist State Production Enterprises (adopted by the Council of Ministers on 4.10.1965), the company exercised the ownership of the company's assets. Under this Statute, companies also had the right to sell surplus equipment to other companies. The director also had the right to act on behalf of the establishment and to manage its property and financial resources (Chapter 6). As a result, the directors of the company became the owners of the production equipment of the plant. The difference with the managers in Western countries is only that the Soviet director is promoted and deposed by the state instead of by the shareholders, and that he can only profit from the company as long as he is in his post (chapter 7). After the 1965 reform, the firms could also hire and fire their workers relatively freely (Chapter 8). Since the workers had been expropriated and the means of production had been transferred to the new class of "Soviet capitalists", they no longer had any means of subsistence and had to sell their labor power to the new capitalist class. Labor is therefore again a commodity (Chapters 9 & 10).

In the new system, an attempt was made to set prices according to the real amount of work. The central planning authority set basic prices and standards, but the companies were able to set specific prices within a certain framework. This, according to Bland, made central planning impossible (Chapter 14).

Profit in the Soviet economy is defined by him in the same way as in capitalism, namely as the difference between price and cost of production. Thus, even the Soviet planners would admit that surplus value existed in the USSR (Chapter 17). Through the incentive funds, this surplus value is paid out to the managers of the establishments by the state, determining the amount of bonuses and having the bonuses confirmed by a government official (Chapter 18). The other part of the profits went into investment (Chapter 28).

Bland tries to prove the concentration and centralization of capital in the USSR with data. He refers to the political decision of the Soviet planners to aim for larger enterprises and thus achieve economies of scale (cost savings due to farm size). The concentration of production is even much greater in the Soviet Union than in the Western countries. The centralization of capital is actively promoted by the state by integrating less profitable enterprises into others by means of a decision of state authorities. In reducing the number of management personnel as a result of these concentration processes, Bland then sees evidence of a reduction in the capitalist class due to concentration processes (Chapter 30). This created a Soviet monopoly capital: Bland refers to the merger of enterprises into horizontal associations of the same branch of production or combines which combine plants in a production chain (Chapter 31). When the Soviet planners decided to reduce the investment rate, Bland sees it as an expression of the tendency to stagnation, which is an economic law in monopoly capitalism (Chapter 28). If, due to misplanning, surplus production occurs, which can then be exported, or if branches of production intended for the production of foreign exchange are developed for export in the USSR, Bland sees this as a confirmation of the law of capitalism to lead to overproduction (Chapter 34).

Of course, Bland also assumes that the working class was exploited. He tries to prove this by the fact that income is distributed unequally and that the officials of the CPSU enjoyed extensive privileges (Chapter 33). "*the contemporary Soviet Union has the class structure of a typical capitalist society*" (Chapter 35). Accordingly, the CPSU, as the ruling party, could only represent the interests of the capitalist class, or more precisely not the entire capitalist class, but only of the most powerful monopoly groups (Chapters 36 & 37). Bland's conclusion: "*On the basis of Marxism-Leninism, therefore, the contemporary Soviet state -- despite its trappings of red flags -- is a fascist-type state of a new type, in which the contemporary Communist Party functions essentially as did the fascist parties in Fascist Italy, Nazi Germany and Falangist Spain.*" (Chapter 37).

Here we can summarize that Bland, in part in contrast to Dickhut, wants to prove that the Soviet Union is essentially a normal capitalist society. According to him, it functions economically just like Western capitalism and serves the appropriation of the surplus product by individual capitalists, while Dickhut takes refuge in the construction of the bureaucracy as "total capitalists".

Although a more comprehensive review of the SCT is only carried out in chapter 4 of this text, it should be noted here that Bland's reasoning is consistently flawed and unscientific. As will be shown later in this article, his conclusions usually do not follow from the evidence he cites, sometimes this evidence even proves the opposite. He also cites in many places the discussions between Soviet economists as evidence, from which he draws conclusions concerning real economic structures, although in some cases they were only proposals for reform. His argument is, on the whole, unoriginal, because it consists in seeking appropriate comparisons for certain processes in the Soviet Union in capitalist societies which have a formal similarity with them, but which, in their content, are fundamentally dissimilar.

### **3. Economic reforms in the Soviet Union after Stalin's death**

## **Economic reforms of the Khrushchev era (1953-64)**

In order to examine the thesis that after Stalin's death the Soviet Union had become capitalist again, we shall first give an overview of the economic reforms adopted in the 1950s and 60s.

In the first years following Stalin's death, there were no significant economic changes. During the Khrushchev era, individual measures were adopted to reform the planned economy, but these did not involve a fundamental reorientation of the entire economic system. Rather, they prepared such a realignment, and this took place in 1965, i.e. after Khrushchev's resignation, as part of the so-called Kosygin reform.

During the rapid industrialization of the Soviet Union, during which Stalin was general secretary of the Communist Party, industrial growth took place with enormously high growth rates. This growth was extensive to a high degree, i.e. an ever-increasing output was achieved through the increasing use of resources and manpower. This necessarily meant that the foundations for this growth would not endure indefinitely and that, at a certain point, it would be necessary to move towards a more intensive growth path, which would promote the further development of productive forces mainly through productivity improvements, quality improvements, widening of product variety, etc. Already at the beginning of the 1950s, economic growth slowed down significantly: from 8.9% per annum in 1946-50 to just 4.9% in 1951-55. This level was then maintained through the 1960s and declined significantly from the 1970s onwards (Hanson 2003, p. 5).

The looming economic problems demanded answers. Any Soviet leadership would have faced this task. However, problem solving in a society is never something neutral. They benefit one class and go at the expense of the other, they consolidate one mode of production and prevent another. At the end of his life, Stalin had intervened in the economic debates of Soviet economists and opposed the expansion of commodity-money relations within the framework of the planned socialist economy. In particular, he objected to the proposal of some economists to sell the machine tractor stations to the collective farms. He saw this as a strengthening of the collective farms as separate owners, an expansion of the commodity economy and thus a retreat on the way to communism (Huar 2002, p. 155f; Schnehen 2016, p. 58f). There was also a comprehensive ideological campaign against the thesis of the chairman of the State Planning Commission Vosnessensky and other economists who argued that the Law of Value was a necessary regulator of production in socialism (Brar 2007, p. 167f).

The new leadership around Khrushchev, on the other hand, sought the solution of the problems in strengthening the decision-making autonomy of the enterprises and thus the development of market relations. Two issues are to be stressed here: First, all forced deliveries by farmers from their private cultivation were abolished and the machine tractor stations (MTS) in agriculture were sold to the collective farms (kolkhozy) and state farms (sovkhozy) (Hanson 2003, p. 57). This meant that private agricultural production was given greater leeway in the context of collectivized agriculture, because farmers were now able to sell their products entirely on the market themselves. The sale of MTS to the agricultural enterprises meant, on the one hand, a high financial burden or debt, which they now had to pay off through future profits (Hanson 2003, p. 57). On the other hand, an important economic instrument of the state was abandoned in order to control the implementation of the plan and increase efficiency in the countryside by providing equipment and trained personnel to operate it (Schnehen 2016, p. 55f).

Secondly, towards the end of Khrushchev's term of office, an industrial pilot project was initiated in two textile companies (Bolshevichka and Mayak), which was later extended to a few hundred companies in the consumer goods industry. The two farms were "liberated" from



output targets and were entitled to conclude purchase agreements with suppliers and customers. They then converted their production to products which promised the highest possible profit on the basis of the prices set by the state (Hanson 2003, p. 96; Adam 1989, p. 40).

Finally, under Khrushchev, promoted by the party and state leadership, a discussion began on economic reforms, in which Stalin's economic policy views were fundamentally attacked and reforms towards an expansion of the commodity-money relationships were demanded. Probably the most influential contribution to the discussion in this context appeared on September 9<sup>th</sup> 1962 in the central party newspaper Pravda, its author was Evsei Liberman. Liberman proposed a system of economic planning in which farms should remain state property and maintain binding targets, but a central part of these targets should be the realisation of profit. From this profit the companies were to finance their investments, but also the bonuses for workers and managers (Liberman 1962).

### **Liberman's proposals and the Kosygin reform of 1965**

Liberman's contribution already essentially contained the principles of the great reform, which was then decided in 1965 under the new leadership of Brezhnev and Kosygin. Khrushchev's era can thus be seen as a preparatory period for more comprehensive changes that followed. Other projects of the Khrushchev party leadership that are not discussed here, such as the huge Virgin Lands program, the decentralization of the economic administration on the level of republics and the dissolution of the industrial ministries (a measure that was reversed with the Kosygin reform in 1965) as well as major investments in the chemical industry, also fell into this era.

The political prerequisite for turning away from the strictly planned economic methods practiced so far was to extensively discredit Stalin and the results of his term of office and to remove the leading cadres who continued to follow his political line. Khrushchev achieved the former essentially through his "secret speech" at the 20th party congress of the CPSU, in which he spread numerous untruths about his predecessor (Furr 2014). The latter he achieved by the deposition and murder of Lavrentiy Beriia in 1953 and a few years later the (bloodless) removal of Molotov, Kaganovich and Malenkov from the Politburo of the party. This cleared the way for Khrushchev's course and, last but not least, for a slow change of orientation in economic policy.

The Kosygin reform was decided at the plenum of the Central Committee of the CPSU in September 1965 after a report by Prime Minister Alexei Kosygin. With the reform, the mechanisms of the implementation of the plan changed considerably: the number of planned targets imposed on the enterprises was reduced from 38-40 to nine - including the volume of the enterprise's sales of goods, its profit and its profitability rate. (Adam 1989, p. 41). Previously, production output had been the main indicator of the enterprises, which now only had a secondary importance (Hanson 2003, p. 104).

A tax was imposed on each enterprise on its invested means of production in order to create an incentive to save investment goods. The company had to pay this tax from its profits, as well as the repayment of interest on investment loans from the state bank. In addition, three funds were created in each company: A bonus fund, from which material bonuses were paid to workers and management; a fund, from which the company paid social and cultural services to its workers; and finally a development fund, from which productive investments were financed. All three funds were wholly or partly dependent on the indicators of goods sales (i.e. sales figures) and profit or profitability (Adam 1989, p. 42f). Thus, successful sales and the realization of a profit became the central yardsticks for the economic success of the

enterprise. However, the new indicators were themselves bound to the centrally defined plans: The incentive funds were fed by profits, which in turn depended on norms set by the ministries (Schroeder 1971, p. 40). The companies were also given the right to sell surplus means of production in order to finance additional investments (Schroeder 1971, p. 44).

Since the companies now had to generate the financial resources for the modernisation of their plants themselves, part of the economic investment was shifted from the central government to the company level, i.e. decentralised. However, these investments naturally had to be incorporated into the production plans of the enterprises. However, these plans could only be proposed by the companies and then had to be approved by the higher state authority. The volume of investment could also be controlled by the state through the granting of loans by the state bank (Adam 1989, p. 41f; 49). In any case, the companies could hardly decide for themselves what they produced because the product mix was prescribed by the central plan and only the quantity ratio of the main goods in the product mix could be determined by the companies (Hanson 2003, p. 104).

In addition, the reform created the possibility of horizontal exchange relations between companies - i.e. the companies could conclude contracts among themselves for purchases and sales, i.e. trade directly with each other. However, they were bound by the prescribed planning objectives, whereas their trading partners were determined by the plan, so that the management could only make decisions on such trading relationships within a very limited framework (Adam 1989, p. 44). Wholesale prices continued to be set by the central plan and were now adjusted so that an average business could make a profit (Hanson 2003, p.103).

So much for the theory. In practice, the reform was implemented only incompletely. Originally it had been thought that with the conversion of the entire industry to the new system, the development funds in the enterprise should account for 5.5-6% of the stock of fixed investments. In reality, however, this share was only 2-3%, as the industry ministries withheld part of the funds to make centralised investments and the companies were also obliged to participate in investments of the central plan such as road construction. In the planning period 1966-70, which followed the reform, the central investment plan exceeded the available funds. However, since centralized investments had priority in principle, there was little scope for decentralized investments by the companies. The importance of bank loans as a source of investment financing also fell short of expectations, and in 1968, for example, they accounted for only 3.4% of modernisation investments (Adam 1989, p. 50). The importance of horizontal trade relations between enterprises was also limited in practice. As the enterprises continued to be prescribed comprehensive production and material allocation plans, with much of the output already firmly planned in the distribution plans, little remained for the enterprises to trade at all. *“And an enterprise that tried to spend the roubles accumulated in its production-development fund on new equipment or a building extension ran into a problem: all (or almost all) equipment and building materials were pre-empted by existing allocation plans; they already had an address to go to.”* (Hanson 2003, p. 106).

Originally, the full implementation of the reform had been planned for the years 1966-68. In reality, implementation was slower and it was not until the end of 1970 that the reform had been largely implemented - meaning that 90% of the enterprises with 92% of the output (however incomplete) had been converted to the new system (Schroeder 1971, p. 38).

Some parts of the reform were in fact not implemented at all. This was the case, for example, with the planned conversion of industry ministries to self-financing, which was only implemented in one of dozens of ministries (Schroeder 1971, p. 39).

In a 1970 survey of plant managers, 56% of those surveyed stated that the decision-making autonomy of companies was not significantly higher than before the reform. This result can

certainly also be seen in the light of the fact that many directors would have preferred greater autonomy from the plan and were therefore dissatisfied. In addition, 44% saw significantly more scope for their management to make decisions. Nevertheless, this result also points to the rather limited impact of the reform on the planning system (Schroeder 1971, p. 43).

Finally, parts of the reform were reversed because the hoped-for economic success failed to materialize and, on the contrary, new problems had arisen as a result of the reform (see below). In 1971, for example, companies were again forced to set binding targets for labor productivity growth and the bonuses of the directors were tied to these targets. The same was done in 1973 with planned targets for improving product quality. In 1976, the ministries were given more leeway to set bonus-determining targets for companies. In 1981, a complicated package of measures committed the companies to greater economy in the use of raw materials (Schroeder 1990, p. 38). The significance of profit as an indicator and the decision-making scope of the individual companies were thus gradually reduced again and the powers of the central planning authorities were extended again accordingly.

Even in theory, the reform was not intended to expand market relations as much as the economic experiments conducted with some companies in the late Khrushchev period had. In practice, the weight of the central plan over decentralised operational decisions and commodity-money relationships remained far greater.

### **An Assessment of the Impact of the Kosygin Reform**

The Kosygin reform had the declared aim of creating incentives for efficiency gains. It completely failed to achieve this goal. True, the trend towards a slowdown in growth was halted for a few years and, to a lesser extent, productivity growth was also strengthened. However, partly these were also simply statistical effects - statistically speaking, productivity increased without changes in the production process due to high depreciation and liquidation of excess inventory - and for other reasons: Better weather and therefore better agricultural performance and increased organisational stability of the planning system (Schroeder 1971, p. 44f). In contrast to the economically and politically devastating reforms of the Khrushchev era, the Kosygin reform did not lead to a disastrous administrative chaos, but contributed to its cure through the reintroduction of centralized ministries of industry and the centralized administration of enterprises through the creation of production associations.

Nevertheless, it must be assumed that the effect of the Kosygin reform on the Soviet economic system was politically and economically negative, thus undermining the socialist system. Politically, because the revisionist view of "socialist commodity production" and the Law of Value as the regulator of production under socialism prevailed for good and gained more and more influence in the following decades. Thus the laws of the socialist mode of production, the central planning of production and distribution of goods according to the growing needs of society, were ignored or theoretically watered down. Soviet economists such as Liberman, Gatovsky, Leontiev etc. mistakenly assumed that elements such as profit and commodity exchange could be integrated without contradiction into the system of a socialist planned economy, although the principle of the planned economy points precisely in the opposite direction: Orientation of production towards an overall social plan and not towards the profit expectations of the individual companies.

It is not surprising that such misconceptions also have negative economic effects because they undermine the socialist system. The bourgeois economist Vladimir Kontorovich had already analysed this relationship very astutely when the Soviet Union still existed. Kontorovich estimates that the effect of the Kosygin reform on growth was probably negative.

By greatly upgrading the profit target for the enterprises and reducing the number of products for which the Council of Ministers set output targets, new possibilities arose for the plant managers to reach their planning target by shifting the product mix towards more expensive products and introducing new products with higher prices. Such behaviour, however, had nothing to do with the needs of Soviet society and the economy, because it was based only on prices set by the state.

Secondly, the reform put little emphasis on technological progress by paying less and less bonuses for innovations. This reduced the rate of productivity gains (Kontorovich 1988, p. 310).

Third, and this is probably the crucial point, through the reform two conflicting principles of economic governance, central planning and market governance, came into constant conflict with each other. The partial decentralization of investments diverted investments from centrally planned uses, which were, however, an important means for the planning authorities to ensure economic equilibrium. The allocation of a smaller number of physical output targets (i.e. expressed in use value rather than prices) meant that supply and demand for the products concerned, for which there were no longer any central specifications, could no longer be balanced at all. Constant imbalances between production figures and real needs were therefore unavoidable. The introduction of aggregated planning targets in monetary terms (profits and sales) therefore damaged the consistency of the plan (Kontorovich 1988, p. 312f).

Kontorovich therefore argues that the incomplete administrative implementation of the reform was by no means responsible for the fact that the reform did not improve economic performance, but on the contrary that it saved the Soviet Union from worse. It was precisely for this reason that the Soviet planners often attempted to delay, weaken or completely prevent the implementation of the reform, because they rightly saw it as a threat to the planning balance (Kontorovich 1988, p. 314).

As an interim conclusion, it should be noted here that the Kosygin reform undermined the system of the Soviet planned economy in various ways by, on the one hand, giving impetus to economic-theoretical views incompatible with central planning and, on the other hand, undermining the consistency of the planned economy. The measures taken did not contribute to solving the undoubtedly existing economic problems. In the following decades, only a minority of Soviet economists (or computer scientists such as Viktor Glushkov) and communist cadres sought solutions to these problems on the basis of a consolidation of the planned economy.

Secondly, it must also be noted that the reform did not affect the core mechanisms of the planned economy and that its real effect on the functioning of the Soviet economy was limited by its very incomplete implementation. A closer examination of the Soviet planned economy in the following chapter will confirm this finding.

#### **4. was the Soviet Union capitalist from a certain point in time?**

##### **The question**

The chapter heading is the crucial question that the article wants to answer. It goes without saying that the last years of the Soviet Union's existence will be ignored here, as there is a consensus that Soviet society had switched to capitalism by 1991. The question at stake, however, is when this transition took place. Did counterrevolution in the USSR prevail in the late 1980s or earlier? There are essentially two positions that start from an earlier time of counterrevolution: First, the Trotskyist current around Cliff, which sees Stalin's political victory against his political opponents in the Communist Party in the 1920s as the decisive break. On the other hand, various currents oriented towards Mao Zedong or Enver Hoxha,

according to which the 20th Party Congress of the CPSU in 1956 and the political-economic changes in the following years, especially the reform of 1965, mark the point in time where the Soviet Union returned to capitalism.

In Marxist terms, the question is which economic laws were predominant in the Soviet Union. Were these the capitalist laws, the laws of socialism, or those of a completely different mode of production?

The laws of the capitalist mode of production (CMP) were comprehensively analyzed by Marx in "Capital", which was continued by Lenin in his analysis of the imperialist stage of capitalism. They cannot be comprehensively developed or explained here, but are only briefly presented for reasons of space.

The fundamental contradiction of the CMP is the contradiction between socialized production and private appropriation of the products. This means that in capitalism, production forms a overall societal context and can only function as such, but at the same time private ownership of the means of production increasingly proves to be the restraint of a rational application of the means of production, i.e. for the development of the productive forces.

### **The Laws of the Capitalist Mode of Production**

The fundamental economic law of the CMP is the Law of Surplus Value: The capitalists appropriate and accumulate surplus value by exploiting the labor force. This law comes into effect by the competition between capitalists. Through the generalized assertion of the CMP, i.e. through the ever more universal working of the Law of Surplus Value, the Law of Value, too, is granted universal validity for the first time in history. For the Law of Value, the regulation of exchange relations, i.e. the distribution of the produced values ultimately according to the socially necessary labor time, in pre-capitalist modes of production only worked in marginal areas of society. Only with the emergence of capitalism does it generally regulate production and exchange - and by itself produce its own modifications, so that ultimately it is only expressed through mediation steps. In the third volume of "Capital", Marx already analyzes how the tendency to balance profit rates historically prevails through competition, permanently changing price relations. Thereby it is not the value of a commodity, but its "production price" that determines its market price.

The accumulation of capital is synonymous with the constant concentration of ever larger means of production under the same command. This concentration tendency is supplemented by the - equally compellingly - law of centralization of capital by merging smaller capitals into larger units. Concentration and centralization logically and historically turn into monopoly capital at a certain point, which to a certain degree can raise prices and thus realize permanent monopolistic extra-profits through a value transfer from the non-monopolised sectors in favor of the monopolies. This leads to a renewed modification and further development of the Law of Value.

In the monopolistic stage of capital, the balancing of profit rates is then permanently restricted and monopoly prices develop for the realization of monopolistic extra profits. The monopoly becomes more and more the barrier of the further development of the productive forces and thereby causes intensified rivalries, war and reaction.

Finally, for Marx, "*in every respect (...) the most important law of modern political economy*" (cf. MEW 42, p. 641, translated by the author) is the law of the tendential fall of the profit rate: in capitalism, the share of capital invested in machines, raw materials, etc., i.e. in "dead labor", is constantly increasing compared with that invested in "living labor", i.e. wages for the workers. Because more and more masses of capital are set in motion by less and less

labor, but at the same time only human labor creates value, the share of surplus value in relation to invested capital decreases - the profit rate tends to fall with the development of capitalism.

### **Did the capitalist laws work in the Soviet Union?**

If the Soviet Union was capitalist, all these laws must have worked in the Soviet economy. More than that, the basic functioning and development of the Soviet economy must have been dominated and determined by these laws. Analysis shows, however, that this does not apply to any of these economic laws.

The capitalist fundamental contradiction between social production and private appropriation had no effect in the Soviet Union. In socialism, as in mature capitalism, production has a social character, i.e. it functions only as a social context, as the sum of its parts. However, in contrast to capitalism, appropriation is also socialized, since the products belong to the state, which in turn assigns them to the areas of investment and consumption. Exactly this was the case in the Soviet Union: the enterprises and their products belonged to the state, their distribution as well as their production were subordinated to a central, overall societal plan.

There was private ownership and private production in the Soviet Union, but these were very limited in scope: There was legal private production in the form of small pieces of land that were heavily regulated by law, most of which was worked for personal consumption. The work of artists was also partly private. In addition, there was a legal limbo for various services, such as repairs, which were often offered privately. Lastly, of course, all forms of criminal economic activity were "private", such as blackmail, prostitution, stolen goods, illicit distillery, etc. However, the absolute majority of production in agriculture, industry and services was planned directly by the state and (Hanson 2003, p. 13). These forms of criminal economic activities grew massively in the 1960s, 1970s and 1980s. They became an ever greater problem for the planned economy because, first, they led to a permanent drain of resources from the formal, planned economy (the most significant form of economic crime was the theft and sale of state property) and, second, they enabled the emergence of an (illegal) petty bourgeoisie that developed an interest in the reintroduction of capitalism. The scale of these activities is by nature difficult to estimate, but all estimates agree that they eventually reached enormous proportions and grew ever stronger after the 1950s. In their outstanding book, Roger Keeran and Thomas Kenny attribute a decisive role to these developments in creating the material preconditions for counterrevolution (Keeran/Kenny 2010, p. 62ff).

However, the state-owned enterprises belonged neither to the party officials nor to the plant directors, who are described by the proponents of the SCT as the "new bourgeoisie". Plant managers administered the plants only as their legal representatives within the framework of the provisions of the law and the plan and in accordance with the institutions of workers' control. The enterprises were not their property, they could not freely dispose of their assets. They could not sell the companies, transfer them to another production site, to another industry or even to another country, and certainly not pass them on to their descendants. So if Bland claims that the ownership of the company was transferred to the directors as a result of the 1965 reform, this is completely false.

The directors themselves were appointed and dismissed by the state and had the function of executive employees (Statute on the Socialist State Production Enterprise 1966, henceforth: Statute 1966, p. 23). They differed from managers in capitalism, who play the role of "functioning capitalists", in that they were not appointed by the shareholders, having to increase their returns, but were accountable to the state and the party for plan fulfillment.

The activities of the company were essentially prescribed by the central plan, with somewhat more room for manoeuvre for the directors after 1965. Article 29 of the “Statute on the Socialist State Production Enterprise” of 1966, which regulated the duties of the enterprises after the Kosygin reform, states: “Failure by the enterprise to fulfill its delivery plans and assignments is a gross violation of state discipline, for which the officials responsible will be held to account in conformity with established procedure” (Statute 1966, p. 16).

About the formulation of the plans, articles 43 and 44 stated: “*The enterprise, proceeding from its target figures, will draw up – with the broad participation of its workers and employees, and with account of the needs of the national economy, its ties with its customers and marketing and trading organizations, and the conditions for further development of these ties – draft long-term and annual plans covering all of its operations, in accordance with fixed indices. The superior body will examine, together with the enterprise, and approve the long-term and annual plan targets for the fixed indices.*” (Statute 1966, p. 17). In simple terms, this meant the following: The company was assigned target figures by the planning authority. It then drew up plans with different durations for meeting the targets. These plans were confirmed (or not) by the state planning authority and were then obligatory for the operation. The plant director was legally responsible and therefore accountable.

Even after 1965, a number of plan indicators remained strictly obligatory for the enterprises, including the volume of output sold, the volume of centralized investments, targets for the development of new technology, the allocation of material inputs to production, wage funds (i.e. the sum of wages payable) and operating profit. It was only on the basis of strict adherence to these guidelines that the enterprises were entitled to draw up independent plans for other objectives (Bor 1967, p. 33). The fact that the reform made the volume of sales instead of the volume of production the central indicator did not mean any significant increase in decision-making autonomy for the enterprises, because almost all production was already assigned to a target at fixed prices and the enterprise could therefore rarely choose between several customers (Hanson 2003, p. 106).

In principle, different plans were drawn up according to economic sector (industry, construction, technology development, etc.), degree of aggregation (plant, collective farm, association, ministry, department, etc.) and duration (“operative”, i.e. one day to several months; “ongoing” for one to two years, “long-term” for 5-7 years, “general” for 15-20 years). All these plan types were of course related to each other, could not contradict each other and thus formed a single plan system (Bor 1967, p. 38). In principle, planning in the production of investment goods was strictly planned through and bindingly specified in detail. In the consumer goods industry, on the other hand, the companies had greater decision-making autonomy with regard to the production range, without superior bodies having to approve every step. They were only given more aggregated (i.e. more general) target figures, which could be broken down in detail by the companies themselves. Of course, companies in the consumer goods industry were also bindingly subordinated to the central plan (Bor 1967, p. 47).

Bland's assertion that a central plan was no longer possible in the Soviet Union is therefore absolutely false and does not arise from the statements of Soviet authors, whom he quotes for it. In reality, these authors only express the fact that the extended decision-making powers of the individual companies made it more difficult to draw up a central plan and inevitably led to inconsistencies. Of course they do not question the well-known fact that in the Soviet Union the central plan nevertheless continued to regulate production and set binding standards for the companies.

## **On the Concept of "State Capitalism"**

Now these facts are widely known, which is why proponents of the SCT resort to the conceptual construction of a “state capitalism”. This is supposedly somehow not normal capitalism, since there was obviously no private capital. Dickhut is therefore talking about the state acting as a “collective capitalist”. The state thus appropriated the “surplus value” and distributed it to the “new bourgeoisie” of directors and functionaries. Can there be such a “capitalism”?

Marx, in any case, answered this question clearly: "*Conceptually, competition is nothing but the inner nature of capital, its essential purpose, appearing and realized as interaction of the many capitals on each other, the inner tendency as external necessity. Capital exists and can only exist as many capitals (...)*" (cf. MEW 42, p. 327, translated by the author.). Marx rightly emphasizes here: There can be no capitalism without private capitalists. The competition of capital is not a marginal aspect of the CMP, it is not something that capitalism could also do without. Only through the competition of the “many capitals” can the Law of Value assert itself at all. For value is not simply a yardstick for comparing different products with one another; it is the underlying law that determines the exchange between private, i.e. isolated and competing producers on the market. Only in interaction between competing capitals can the socially necessary labor time assert itself as the yardstick for exchange. According to Marx, this process does not happen consciously, but as a blind law: "*The different proportions, in which different types of work are reduced to simple work as their unit of measurement, are fixed by a social process behind the backs of the producers*" (cf. MEW 23, p. 60, translated by the author). The CMP is thus necessarily an *anarchic* mode of production without a consciously planning center because of its fundamental laws. Central planning of the macroeconomic chaos is only possible to a very limited extent, in the sense that the conditions of competition are subject to certain framework conditions. The abolition of competition, on the other hand, inevitably means the abolition of capitalism. The state can only function as a collective capitalist if there are also individual capitalists whose competing individual interests are combined in the state to form a collective interest. This clearly means that there can be no “state capitalism” in this sense, i.e. without private capital. The view that with the help of the state it would be possible to overcome the anarchic character of the CMP (and thus also its tendency to cause crisis) without overcoming capitalism itself corresponds to the revisionist idea of “organized capitalism” as advocated by Rudolf Hilferding. Thus Hilferding declared before the party congress of the SPD in 1927: "*Organized capitalism in reality means the principal replacement of the capitalist principle of free competition by the socialist principle of planned production*" (quoted from Zilkenat 2017, translation by the author). It is well known that this view formed the theoretical basis for social democracy's departure from the struggle for revolution.

### **Value and Surplus Value**

The Law of Value played only a subordinate role in the Soviet economy: in the informal shadow economy, i.e. precisely where state power had lost control; and otherwise in the planned formal economy only to the extent that the producers themselves could decide on the exchange of their products. However, this was only the case to a very limited extent, since the volume, object and prices of exchange were fixed by the state: After the Kosygin reform, the companies were able to decide for themselves which material inputs they wanted to buy and in what quantities, but prices were still fixed centrally. The directors' room for manoeuvre was also limited by the fact that the volume of sales (until 1965 it had been the volume of production), the physical quantities of the main goods in the product mix, the sum of centralized investment funds that the company received and many other elements were still centrally determined (Hanson 2003, p. 103). This meant that the companies could only decide



for themselves how exactly they would meet the targets, not *whether* they would have to meet them at all.

The Law of Value expresses itself in the fact that the value, i.e. the socially necessary labor time of a commodity determines its price. In the Soviet Union, prices were, as already mentioned, part of the central plan. The State Planning Committee Gosplan and the State Price Committee issued general binding rules for the calculation of costs and prices. They also confirmed the wholesale and retail prices of the main goods and services. However, many wholesale prices (for trade between enterprises) were also set locally by the Councils of Ministers of the Union Republics or regional committees of the Soviets. In certain cases, wholesale prices were set by the enterprises themselves according to the rules laid down (Bor 1967, p. 171f). This combined centralized pricing with a certain autonomy of the republics and enterprises. However, the requirements meant that large deviations in pricing, which would have severely disturbed the planned equilibrium, were hardly possible. The most important decisions and frameworks were made by the Gosplan. Under these circumstances, the Law of Value could not play a predominant role, but only a clearly subordinate one.

Because the prices were not determined by the market, i.e. not by the Law of Value, but centrally, the price level remained the same for a long time. Inflation is a regularity of monopoly capitalism, because monopoly capital can enforce constant price increases. Prices did not rise in the Soviet Union. Retail prices for all consumer goods in 1975 were only 1% higher than in 1955 (Szymanski 1979, p. 43). This corresponds to an annual inflation rate of just over 0%. In a capitalist economy, such low inflation, especially over a period of 20 years, would be a major economic problem because such a level is dangerously close to deflation. In the Soviet Union this problem obviously did not exist because prices were not adjusted over long periods of time.

Was surplus value in the Marxist sense produced and distributed in the Soviet Union? The answer to this question can actually already be found in the last section. Surplus value presupposes the existence of value, for surplus value is nothing other than the difference between the value of the commodities produced and the capital advanced, i.e. expenditure on machinery, raw materials, wages, etc. Surplus value is the goal of production in capitalism, because capitalist enterprises are constantly forced by competition to accumulate, i.e. to constantly expand and improve their production. In a centrally planned economy without private ownership of the means of production, there is no basis for the production of surplus value. For the enterprises then still have to produce a surplus, but the amount of this surplus is planned and is not formed by the Law of Value, i.e. by competition. The production of a surplus, in Marxist terms a surplus product, is necessary in every society in which "production on an extended scale" (Marx), i.e. a further development of society, is to take place.

This surplus product takes on the form of surplus value only under very specific conditions. Namely, if firstly it has the form of value, i.e. if the surplus product has been produced for sale on the market, and secondly if production and appropriation are separated. So we can only speak of surplus value if there is a bourgeoisie that lets the surplus product be produced by foreign labor and then appropriates it itself. In the Soviet Union neither of these conditions was fulfilled. The "profit" in the Soviet Union was mainly an accounting quantity of planning and not, as in capitalism, an expression of the exploitation of one class by another. It was not profit in the Marxian sense, the monetary expression of surplus value. Such "profits" existed in the enterprises of the Soviet planned economy from the very beginning. They were not introduced only in 1965, even though only then did they turn into one of the central planning indicators. In the Soviet Union, "profit" was defined as the difference between the price of the product and the production costs incurred by the enterprise (Bor 1967, p. 182). However, both the prices of the products and the volume of the products sold as well as the production costs were part of the plan. If these targets were met, the "profit" was calculated automatically.

Since there was no surplus value in the Soviet Union, there could also be no “capital” in the Marxist sense. Of course, the companies continued to invest and expanded their production. However, this is something that socialist enterprises inevitably do. But there was no urge to accumulate more and more profit as an end in itself.

### **On the Role of "Profit" in the Soviet Union - Was There a "New Bourgeoisie"?**

Among the proponents of the SCT, great ideological confusion arose from the fact that through the Kosygin reform "profit" once again became a central target for the fulfilment of operational plans. As it was shown, however, what was here called "profit" was not profit in the capitalist sense, as Marx had analyzed it in "Capital". The quantity of "profit" was also planned centrally in the planned economy, i.e. given to the companies. And, of course, the "profit" was not appropriated and accumulated privately either. A large part of it was transferred to the state budget. The part that remained in the company was used for bonus payments to workers and directors, social and cultural benefits for the workers, as well as part of the investments. The majority of the investments, however, continued to be made by the central plan. Only 20% of productive investments were to be decentralized, i.e. carried out by the companies themselves, although in practice it was even less for various reasons. The remaining 80% of the investments were made directly by the planning authorities (Schroeder 1971, p. 44). Bland tries to prove the opposite here by pointing out that even the centralised investments were partly financed by the companies' own funds (Bland 1995, Chapter 28). However, he ignores the much more decisive issue: this means that 80% of the investments, including those investments that were financed from accumulated funds of the enterprises, were directly centrally planned and only 20% were subject to a certain decision-making autonomy of the enterprises – these too, however, within the framework of comprehensive and detailed binding plan specifications.

The "profit" of the enterprises was thus essentially used to finance the state budget and the centrally planned investment activity instead of being appropriated by private individuals.

Evsei Liberman, the spiritual father of the Kosygin reform, explained the new importance attached to "profit" as follows: "*Why do I choose profit as the indicator? Because profit generalizes all aspects of operation, including quality of output. The prices of better articles have to be correspondingly higher than those of articles that are outmoded and not properly suited to their purpose*". (Liberman 1965, p. 38f). Liberman is right that "profit" under the new planning system was intended to meet the goal of better integrating quality and productivity gains into production planning. He is also right that this new role of "profit" did not mean the reintroduction of capitalism. The fact that the reform nevertheless went in the wrong direction is another story (see Chapter 3).

The agencies of central planning did not distribute the surplus produced to the various sectors and companies according to profit criteria, as would inevitably happen under capitalism, but according to the criterion of social benefit. Since the 1950s, for example, more and more resources have been invested in agriculture in order to safeguard society's food supply in view of its chronic efficiency problems (Hanson 2003, p. 113).

The Kosygin reform had given farms the right to sell surplus machinery, equipment and other materials and to channel part of the proceeds into the fund for productive investments. The aim of this measure was to reduce underutilised production capacities and convert them into productive investments. However, this right did not apply to the means of production of the company in general and, according to the company statutes, was only possible if the higher authorities themselves had not already re-allocated the surplus materials (Statute 1966). The volume of such sales never exceeded 1% of the total transfer of capital goods in the Soviet

economy (Szymanski 1979, p. 44). This means that more than 99% of the means of production continued to be centrally allocated by the state. Although the companies now had to pay for these funds as well, prices were not set on the market and the scope and costs of the investments were also largely prescribed by the plan specifications. The "purchase" of means of production by the enterprises was thus essentially an administrative act within the framework of central planning. Under these conditions, it is hardly to be taken seriously, when Bland claims that the means of production have become a commodity.

The argument that the directors had appropriated 'surplus value' through the bonuses (Bland 1995, Chapter 18, Dickhut 1988, p. 123) must also be rejected. The directors were, as was shown, employees of the state economic apparatus and were paid by the state for their work. In principle, the same applied to the manual workers in the plant. The salaries of the directors were on average higher than those of the industrial workers, but not substantially. In the middle of the 60's, a leading director of the plant, not counting bonuses, earned 190-400 rubles a month. This was 1.2 to 2.7 times higher than the average salary of a worker. However, there were also wage differences among manual workers. A miner earned 210 rubles, more than the managing directors of many companies. In 1956, the upper 10% of employees earned 4.4 times as much as the lower 10%, in 1964 the factor was only 3.6, in 1970 3.2 (Szymanski 1979, p. 63f). The bonuses of the directors are not included here, but accounted for only about 25-30% of their income, so they do not fundamentally change the order of magnitude. In addition, workers also received bonuses for good performance, which made up an important part of their income. It cannot therefore be assumed that bonuses would fundamentally change the picture (Szymanski 1979, p. 69). If the directors had been a "new bourgeoisie", it would have been very strange that they did not earn much more than their workers and that their own incomes constantly approached those of the workers instead of them using their power for self-enrichment.

Were the party and state functionaries the "new bourgeoisie" that appropriated the surplus value? That, too, can hardly be seriously claimed. A minister of the USSR earned on average four times as much as a normal worker (Szymanski 1979, p. 66). Such differences were not irrelevant and naturally led to differences in living standards. In today's FRG, they correspond roughly to the order of magnitude of the income difference between a poorly paid worker in the social services sector and an employed senior physician in a hospital. No Marxist would declare these differences small or irrelevant, but likewise no Marxist would describe state-employed doctors as the "new bourgeoisie" who appropriated the surplus value. In the Soviet Union, the highest salaries, which were paid to very few people, were paid neither to officials nor directors, but to famous artists and scientists with up to 1,500 rubles (Szymanski 1979, p. 64).

In any case, the differences in income in the Soviet Union are only meaningful to a limited extent. They tend to appear higher in the statistics than they were in reality, because many basic consumer goods, e.g. food and housing, were heavily subsidised by the state and many services such as education, health, culture, sport, childcare, etc. were provided either completely free of charge or very cheaply. This "social wage" accounted for 23% of workers' income in 1940, compared with 35% in the 1960s (Szymanski 1979, p. 67f). This further levelled the differences in income, because everyone had equal access to these everyday necessities.

Sometimes the opposite argument is put forward: According to this claim, the social differences in the Soviet Union were in reality greater than the income differences suggest, because functionaries had privileged access to "luxury" consumer goods such as cars. Statistically, however, there are no signs of such an effect. For example, factory managers owned a car about 2.5 times more often than a worker in industry, which roughly corresponds to the wage difference (Szymanski 1979, p. 68).

Social inequality is hardly a special feature of capitalism - it has existed in all developed and even in primitive societies. From the perspective of Marxism, what is decisive is the form through which inequality is reproduced, i.e. the way in which the surplus product is appropriated. Is the unequal distribution an expression of exploitative property relations or is it a limited and temporary phenomenon in a still unfinished socialist society? In societies that are based on exploitation, inequality is constantly produced anew precisely through exploitation, and because the exploiting class also controls the state. In the Soviet Union this happened through the plan and the differences were gradually reduced. Those who already accept unequal incomes as proof of the existence of an exploiting class have not only said goodbye to Marxism by declaring the level of income to be the decisive criterion rather than the relation to the means of production, but should also come to the conclusion that in the Stalin period the "new bourgeoisie" was much more pronounced than later under Brezhnev, when social inequality was significantly lower.

### **Was the labor force a commodity in the Soviet Union?**

The central characteristic of the CMP is that the labor force in it becomes a commodity. In this respect, capitalism differs from other exploitative modes of production. In capitalism, workers are forced to sell their labor force because they have no ownership of the means of production. A labor market emerges in which buyers and sellers of labor power meet each other. This labor market is determined by the laws of competition and by the balance of power between classes, which is why the payment of wages cannot follow a central plan. In capitalist economies there is structural unemployment, or, as Marx put it, an "industrial reserve army". This reserve army is produced by capitalism because capital is constantly looking for profitable investment opportunities but does not find enough such opportunities to hire all job-seeking proletarians. Full employment can only ever occur in historically exceptional situations, when an exceptionally strong accumulation of capital becomes possible due to a very favorable combination of various factors. Even then, in this phase of growth, the next crisis will inevitably be prepared, which will involve putting workers on the streets.

The reserve army is also necessary for capital to push down the wages of the entire working class through competition by the unemployed.

There was no industrial reserve army in the Soviet Union. Involuntary unemployment of able-bodied people was virtually non-existent in the Soviet Union. It amounted to about 0.5% of the working population, which is considered full employment in bourgeois economic terms. Moreover, it was exclusively of a short-term nature: a worker who had to change his job for whatever reason could be considered unemployed for a very short period until he had found his new job. It was the kind of unemployment that was unavoidable under socialism and that was not a social problem. Longer-term unemployment on a larger scale did not exist in the USSR because the aim of production was not profit but the satisfaction of social needs. Therefore there was no permanent surplus of labor, but on the contrary a permanent shortage. Increases in labor productivity did not lead to the dismissal of workers into misery, as in capitalism, but served the steadily rising standard of living, the reduction of working hours, better national defense, etc. Voluntary unemployment was considered social parasitism and illegal (Hanson 2003, pp. 172, 241).

For every citizen of the Soviet Union, the right to a job was enshrined in the constitution and implemented in practice. But not only the right to any job was given, also the right to retain a given job was largely secured and only subject to a few restrictions. The dismissal of a job, which did not mean unemployment, but the transfer to another job, was only possible under certain conditions: e.g. if the company was liquidated and the workers were therefore transferred to another job, if a worker systematically did not fulfil his duties or excessively

truated the work. However, even then, the factory director could not simply dismiss the worker, as is the case in capitalism, but had to obtain the consent of the local and works committees of the union. And even then, the worker could appeal to the Labor Court to reclaim his job. The labor courts were not, as in capitalist countries, instruments for enforcing class rule over the workers. Therefore, in about 50% of the cases, workers won the trial and in this case were restored to their position (Szymanski 1979, p. 49f).

All these facts are ignored by Bland when he claims, with reference to the company statute, that the dismissal of workers in the Soviet Union had become possible. However, it clearly states: "The director (...) will hire and dismiss personnel in accordance with labor legislation" (Statute 1966, p. 23). However, it was precisely this labor legislation that Bland "overlooks" that did not permit dismissals as in capitalism.

Since there was no labor market in the Soviet Union (i.e. no competition among the workers despite free choice of job), but a legally anchored and actually implemented claim to work, since the workers were not dependent on the sale of their labor force and thus on the arbitrariness of the capitalists, but rather made their work available to society and were "remunerated" for it with a share of the constantly increasing social wealth, it cannot be said that the labor force was a commodity. What was paid in the form of "wages" was only formally similar to the capitalist wage, but from a social and economic point of view it was something quite different.

### **Concentration, centralization and cycles of crisis?**

Because in the Soviet Union hardly any legal space was left for the Law of Value to unfold, the laws of capitalism based on it could certainly not develop - not even to some extent. The Law of Value, where it can actually unfold, necessarily leads to the concentration and centralization of capital: some enterprises successfully accumulate capital, while others fail (concentration); the uneven development gives rise to the possibility of taking over capital from other enterprises (centralization). In the Soviet Union, all decisions to merge or split production units (e.g., the introduction of production associations) were purely political decisions aimed not at achieving any monopoly profits, but at facilitating production planning. The creation of large enterprise groups in industrial associations, which was decreed in 1973, was merely intended to introduce a further layer into the planning hierarchy. The production associations or industrial associations were thus supposed to take over some of the details of the planning for the companies they comprised, which were thought to be difficult to plan at the centralized level. In addition, many companies had previously produced their own parts and components due to supply difficulties instead of purchasing them from other companies.

The associations were now to achieve that the supply of the companies could be regulated more efficiently within the association and that the companies could therefore concentrate again on their own tasks (Hanson 2003, p. 144). Obviously these were (presumably sensible) changes in the planning system, which only on a very general level had something to do with the capitalist tendency towards concentration and centralization of capital: In the sense that the development of productive forces is accompanied by the increasing socialization of production, regardless of the prevailing mode of production. The fact that this was something quite different from capitalist concentration and centralization is also shown by the fact that the stronger integration of production was not accompanied by a reduction in the number of administrative personnel, i.e. the alleged "capitalists". On the contrary, in 1966-85 the number of ministries of industry rose from 31 to 57 and state administration personnel by 82% (Schroeder 1990, p. 38).

Bland rightly points out that the concentration of production in the USSR was much stronger than in the Western capitalist countries. He considers this fact to be evidence of the mature monopoly capitalist character of the Soviet Union. In reality, however, it proves exactly the opposite: the Soviet Union has always been at a much lower level of development of the productive forces than, for example, the USA, Germany or Japan. If the Soviet Union had been capitalist, one would expect under these circumstances that the degree of concentration of production would also have to be significantly lower than in the capitalist countries, since the concentration and centralization of capital is essentially driven by the development of the productive forces in accordance with the laws of motion of capitalism. The fact that in the USSR the number of enterprises was smaller but their size and the number of workers per enterprise higher than in the Western countries is precisely because it was a centrally planned and not a capitalist economy.

Since the means of production in the Soviet Union did not turn into capital, at least not in the sense in which Marx uses the term, since accordingly there could be no tendency towards concentration and centralization, no monopoly capital developed, of course. In capitalism, the monopoly is a stage in the development of capital that emerges through the economic laws of motion of capitalism and becomes the dominant form of capitalist property and production relations. Monopoly capital differs from non-monopoly capital in that it is able to permanently raise prices within certain limits due to its control of certain areas of production and distribution. It can thus force a flow of surplus value from non-monopolistic to monopolistic capital and achieve a permanently increased monopoly profit. In the USSR, however, prices were centrally planned and fixed and permanently did not rise. The "profits" were also centrally planned. Monopoly capital is unimaginable under these conditions.

In capitalism, due to the prevailing economic laws, there are cyclical crises. In capitalism, the accumulation of capital constantly produces factors that stand in the way of further economic expansion (increases in the price of constant capital and wages, disproportion between sectors, production beyond social demand, etc.). Therefore, every upswing is followed by a crisis and a downturn. In these, capital in the form of commodities and money is destroyed and part of the working class is pushed into the industrial reserve army. Had the Soviet Union been capitalist or become capitalist at some point, a crisis cycle would also have developed in it. In any case, the period between 1956 and the end of the 1980s is too long to represent an uninterrupted capitalist boom. However, the facts are clear. Economic output in the Soviet Union has risen almost every year since the end of the war until 1990. Only in 1963 and 1979 did severe crop failures due to climatic factors lead to slumps (Hanson 2003, p. 241). There was no economic cycle in the Soviet Union, nor economic crises, but more or less linear growth (see chart 1). This statement alone is sufficient to prove that the Soviet Union could not have been a capitalist society in the Marxist sense. Conversely, claiming that the Soviet Union was capitalist, basically means that crisis-free capitalism is possible. However, there is no serious theoretical or empirical basis for this bourgeois position.

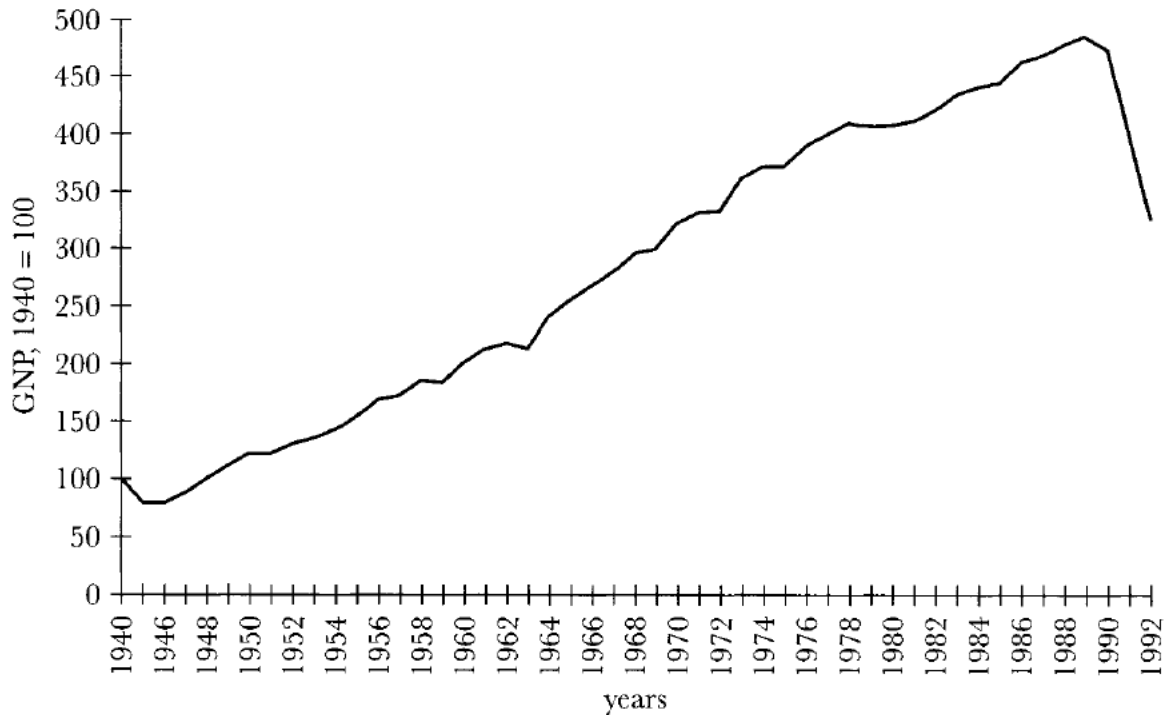


Figure 1: Soviet Gross National Product 1940-1992, copied from Hanson 2003, p. 242.

Where there is no exchange of commodities between independent enterprises and no competition between the enterprises, there is also no room for a convergence of the profit rates into an average profit rate. The "profit rate" in the Soviet Union was, as has been mentioned, a quantity relevant to central planning and not a blind law. Because the "profits" and "profit rates" of the companies were arithmetical values that were ultimately determined politically, and thus not an expression of surplus value appropriated by a ruling class, there was no tendency of the rate of profit to fall in the Soviet Union either. Whether the profit rate rose or fell in a given period was a planning decision. In capitalism, on the other hand, it is impossible to determine a profit rate politically because it is based on the dynamics of capital exploitation, which as a blind law is largely beyond the reach of political power and is determined by the totality of the laws of the CMP - laws that had no effect in the Soviet Union.

The result of the study can therefore be summarized briefly: The Soviet Union was not a capitalist society. It was neither "state capitalist", nor "bureaucratic capitalist", nor any other form of capitalist.

### **5. was the Soviet Union "social-imperialist"?**

#### **The question**

After the break between the CPSU and the CP of China as well as the Party of Labor of Albania, the Chinese and Albanian leadership, as well as the political forces oriented towards them, also advocated the thesis of a Soviet "social imperialism". The claim that the Soviet Union was not only capitalist but also imperialist is a logical consequence of the SCT. According to the Marxist-Leninist understanding of capitalism, capitalism lawfully produces imperialism as its highest stage. Had the Soviet Union in fact been capitalist, it would have been expected to develop imperialist traits.

This would, of course, have to be proven by the economic structure of the Soviet Union. Imperialism cannot be meaningfully spoken of without monopoly capital because, as Lenin

has shown, the monopolies are agents of the international expansion of capital, the cause of its stagnation and the expression of the rottenness of the capitalist mode of production. As has been shown, Bland, for example, is therefore trying to discover the capitalist laws of motion of the concentration and centralization of capital in the Soviet Union. The absurd contorted maneuvers which he resorts to have been pointed out and refuted in the previous chapter. It was also shown how the argumentation about a Soviet monopoly capital automatically collapses with this.

When the USSR is called imperialist, other economic arguments are often used, especially the claim of economic exploitation of other countries. Imperialist states benefit from the exploitation of labor in less developed capitalist countries because of monopolistic extra-profits. Through the monopoly positions of their capital and the higher development of productive forces, two closely related factors, they can bring about a constant transfer of value from the less developed countries to the imperialist centers. To maintain their increased monopolistic profit rates, the imperialists fight among themselves for outlet markets, cheap supplies of raw materials and investment opportunities. According to the claims of the SIT, the Soviet Union did exactly the same: the "social imperialism" of the Soviet Union also had *"the urge for economic expansion, capital export and subjugation of other countries, the urge for aggression and war, for a new division of the world"* (cf. Dickhut 1988, p. 203).

The assertion that the Soviet Union had economically exploited countries within its "sphere of influence" should therefore be examined separately.

### **Was Eastern Europe "exploited" by the Soviet Union?**

This exploitation would have to be proven above all by the USSR's trade relations with the Eastern European countries. These countries were economically integrated with the Soviet Union in the Council for Mutual Economic Assistance (CMEA or Comecon) and were the Soviet Union's most important trading partners. In fact, Dickhut, for example, asserts an economic exploitation of Eastern Europe by the Soviet Union: These countries according to him had become "colonies of social imperialism" (cf. Dickhut 1988, p. 218, translation by the author).

Now there are numerous Western bourgeois studies on economic relations within the CMEA. However, bourgeois economists, i.e. political opponents of the Soviet Union, have found no signs of "exploitation" of Eastern Europe by the USSR. On the contrary, there was widespread agreement among them that, in fact, the Soviet Union accepted enormous economic costs to support its Eastern European allies (Crane 1986, 60). In the CMEA, trade was not conducted based on the prices of the capitalist world market, but on the basis of a complicated price-setting system.

Firstly, this system favored the prices of processed industrial goods and pushed down the prices of raw materials and energy sources. However, the Soviet Union mainly imported industrial products from Eastern Europe and exported mainly raw materials and energy sources to these countries. Thus the composition of its foreign trade had exactly the opposite structure to the typical foreign trade profiles of developed capitalist countries. On the capitalist world market, the terms of trade between industrial goods and raw materials also developed in favor of industrial goods, which was an important mechanism by which the developed imperialist countries could consolidate their economic dominance. However, in the CMEA, where prices did not develop according to capitalist market laws but were negotiated politically, this tendency was even more pronounced and thus even less favorable for the Soviet Union (Lavigne 1983, 136; Hanson 2003, p. 156).



Secondly, there was an orientation towards the development of world market prices by aligning trade prices within the CMEA with the average world trade prices of the previous five years. As a result, short-term price fluctuations only prevailed in a subdued manner and with a time lag. In particular, this meant that the Soviet Union was only able to benefit to a very limited extent from the rapid oil price increases of 1973 and 1979/80 in its trade with Eastern Europe, while the Eastern European countries were spared a large part of the burden of the high oil price. This applied in particular to the GDR and Czechoslovakia, which continued to receive cheap oil at the same prices as before 1975 on the basis of agreements concluded in 1966/67. As a result, the Soviet Union lost huge export profits that it would have realized if it had sold the oil on the capitalist world market instead (Lavigne 1983, 138). But it did not even take full advantage of the improvements in the terms of trade that would have been possible for the Soviet Union within the CMEA rules. For the moving price formula described above should have allowed the SU to improve its (very unfavorable) terms of trade by 40% in 1975-80, while the real improvement was only 21% (Lavigne 1983, 139). In the previous period (1955-74), however, the terms of trade for the Soviet Union had deteriorated by 20% due to the price development of various commodity groups, so that the oil price increase only roughly restored the previous level of exchange relations (Lavigne 1983, p. 136).

This trading system within the CMEA had been created in the mid-1950s. Since the end of the war, a different system had existed under which the goods were exchanged according to the average time worked. However, this system led to rather unfavorable exchange relations for the Eastern European countries and caused some discontent in these countries, which is why it was replaced by the new system from which the Eastern European countries clearly profited (Szymanski 1989, p. 105).

The Soviet Union had enormous trade surpluses with the Eastern European countries most of the time. These amounted to 2.5 billion rubles in the period 1966-70, 1971-73 there was a deficit of about 1.7 billion rubles for the USSR, then 1975-80 enormous surpluses of almost 6 billion rubles. By 1981 the Soviet surplus had reached over 3 billion rubles or 13% of Soviet exports. But these surpluses were by no means an expression of their economic dominance at the expense of other countries, as in the case of developed capitalist countries (e.g. Germany). For they did not lead to a value transfer from Eastern Europe to the Soviet Union. Trade in the CMEA was settled in a non-convertible CMEA currency, which is why Soviet trade surpluses outside the CMEA were worthless. So as long as the Eastern European trade partners would not balance the accumulated Soviet surpluses with trade surpluses of their own - which never happened - the Soviet trade surpluses were nothing but enormous economic transfers to the other CMEA countries (Lavigne 1983, 140).

Another mechanism that economically favored the Eastern European countries at the expense of the Soviet Union was loans in Soviet rubles. As a rule, these were granted on a long-term basis and at very low interest rates. Often the repayment was even negotiable, stretched over longer periods or cancelled altogether. The volume of such loans, from which above all the recipient countries profited at the expense of the Soviet Union, increased rapidly: from a total of about 4 billion rubles of outstanding Soviet loans to Eastern Europe in 1977 to 14.6 billion rubles in 1983. Especially the GDR and the People's Republic of Poland profited from this. Finally, due to the increase in anti-communist activities in the country in 1981, the PR of Poland received a large loan in foreign (i.e. Western) currency from the CMEA banks and the Soviet Union. Because the Soviet Union itself had to earn these foreign currencies through its own exports, this was a particularly remarkable case of economic support (Crane 1986, 32).

Although the economic performance of the Soviet Union lagged behind that of the United States, the Soviet Union provided economic aid to Eastern Europe and Cuba alone that far exceeded total economic aid from the United States to all countries, thanks to favorable trade

and credit conditions. In 1971-83, a total of US\$ 153.6 billion flowed from the Soviet Union to the Eastern European allies and Cuba, but only US\$ 109.83 billion in economic aid from the USA to all their allies (Crane 1986, p. 14, both figures in 1984 prices). Other socialist countries, such as North Vietnam, also benefited from such economic aid from the Soviet Union. According to a much cited estimate, the additional costs for the Soviet Union in trade with Eastern European countries (i.e. the benefits that those countries received) in the period 1970-84 amounted to about one-third to one-half of the total volume of Soviet exports. These figures were partly criticized as too high, but also lower estimates show that the Soviet Union accepted immense costs to support allied countries economically (Crane 1986, p. 6).

Dickhut accuses the Soviet Union of exporting capital to the countries it supposedly "subjugated" through joint investment projects. He believes that this is proof that the Soviet Union is behaving in the same way as the imperialist countries. In reality, the Soviet Union did not export capital. It participated in investment projects carried out in cooperation with allied countries, but the production facilities created by them became the property of the country in which they were built when the project was completed. In any case, most of these projects were in the Soviet Union itself: These were mainly the creation of production capacities for resource extraction, in which the Eastern European countries participated and were reimbursed for their investment in the form of free supplies of raw materials. In most cases, both sides profited from these projects. They had little in common with imperialist capital exports (Crane 1986, p. 11).

Proponents of the SIT are also aware, of course, that unlike the imperialist countries, the Soviet Union did not develop an internal urge to export capital because its economy followed completely different laws. However, they bend the facts according to their ideological preconceptions by presenting lending as the main form of Soviet capital export (Dickhut 1988, p. 225). However, as mentioned before, the Soviet Union granted loans at very low interest rates and on a long-term basis. It was not, or at most very subordinately, concerned with financial profits, but with promoting the economic development of its allies. Of course, this was also in its own interest, as the Soviet Union wanted to avoid political unrest and instability among its allies. This motivation is also reflected in the fact that, after every political crisis in an Eastern European country, the Soviet Union significantly increased its deliveries to that country: in 1957 to Poland and Hungary, in 1968 to the CSSR, in 1971, 1976, and in 1980/81 again to Poland, which, as already mentioned, was also supported by a large loan in 1981 in order to stabilize the system in view of the growth of the counterrevolutionary opposition (Crane 1986, p. 32).

Finally, proponents of the SIT claim that the Soviet Union "forced" its allies to specialize in certain goods while developing a balanced and all-round economy itself (Dickhut 1988, p. 219). This description, too, is untenable. First of all, the Eastern European countries of the CMEA were not forced by anyone to specialize in their production. There were only non-binding specialization agreements which were intended to achieve a more efficient division of labor within the CMEA. Secondly, this division of labor did not lead to an "all-round economy" in the Soviet Union, but rather to a specialization in the supply of oil, gas and other raw materials. And thirdly, an agreement on the division of labor is obviously not the same as "exploitation", especially if, as in the CMEA, it benefits all participants (Crane 1986, p. 12). Between socialist countries, and as such the CMEA states understood themselves, it is not necessarily desirable or possible for each country to develop each branch of production independently. On the contrary, this would entail high costs and efficiency losses. It was thus in the interest of all countries involved, and not just the Soviet Union, that they could obtain certain groups of goods from their allies on favorable terms instead of producing them themselves.

So there can be no serious claim that the Soviet Union economically exploited Eastern Europe. The bottom line is that economic relations between the Soviet Union and its allied countries had a strong impact in favor of the latter and at the expense of the USSR. The Soviet leadership was to a large extent prepared to bear these costs in order to stabilize its allies economically and politically and thus demonstrate the superiority of socialism to the outside world. However, the extent to which the Soviet Union bled to death through its generous economic aid was increasingly perceived as an intolerable burden in the 1980s. At the 1984 CMEA summit, the Soviet delegation therefore declared that it wanted to change its economic relations with Eastern Europe. Above all, it called for a change in the very unfavorable exchange relations in favor of the Soviet Union and a reduction in Soviet trade surpluses. Despite the disadvantages for the Soviet Union, no attempt was made to change the price setting system in the CMEA (Crane 1986, p. VI).

### **Were other countries "exploited" by the Soviet Union?**

Trade with allied countries outside Eastern Europe also followed a similar pattern. For reasons of space, let's limit ourselves to the example of Cuba: the USSR bought a large proportion of Cuban exports, most of which consisted of sugar. The Soviet Union, on the other hand, supplied many processed industrial products. Thus, unlike in Eastern Europe, Soviet-Cuban trade resembled the typical exchange between developed and underdeveloped capitalist countries. The difference here, too, is that there was no exploitative relationship and no unequal exchange in favor of the Soviet Union. For in its exchange with Cuba, the USSR paid prices that in some cases were far above world market prices. In 1960-70 the prices paid were always higher than the world market prices, with the exception of 1963. In 1968 they were 5.5 times the world market price. By paying a constant price to Cuba, the Soviet Union largely shielded the country from destructive fluctuations on the world market. For the Soviet Union, this trade was very unfavorable because it paid high prices to the Cubans, because it recorded a constant trade surplus and because its ships often had to carry much more freight to Cuba than they could bring back to the Soviet Union. As a result, a large part of the cargo capacity of Soviet freighters remained unused. Cuba's permanent trade deficits with the Soviet Union were offset by Soviet loans on favorable terms. In 1972 the debts were renegotiated: Now, the Cubans had to repay their old debts as well as new loans only starting from 1986 over a time-span 25 years, and without having to pay any interest. (Tsokhas 1980, S. 330). In addition, the Soviet Union supported the development of the Cuban economy in other ways, for example by sending specialists and helping to develop certain industrial sectors and improving planning methods (Tsokhas 1980, p. 340ff). So was Cuba exploited by the Soviet Union? Did the Soviet Union replace the USA as the new imperialist power in Cuba? That can hardly be claimed.

In an interview in 1974, Fidel Castro made the following correct assessment: *"How can one compare the relations we have with the Soviet Union and those that existed with the United States? The Soviet Union has given us easy payment terms, has helped us obtain credit elsewhere, and has had the greatest consideration for us in financial matters. With reference to the United States ... they owned the Cuban economy... The Soviets don't own a single mine in Cuba, a single factory, a single sugar mill. So that all the natural resources, all the industries, and all the means of production are in our hands."* (quoted from Tsokhas 1980, p. 328).

This is not to say that economic relations with the Soviet Union did not also have questionable aspects. The high specialization in sugar production had on the one hand economic advantages, like any specialization, but also increased the dependence on the Soviet market, which the Cubans were to feel very painfully when later under Gorbachev trade

relations were broken off practically overnight. However, all this has little to do with "exploitation".

What were the Soviet Union's relations with capitalist countries like? The Soviet Union also provided economic aid to some underdeveloped capitalist countries. These were mainly countries in the vicinity of the Soviet Union (India, Iran, Syria, Turkey, etc.) or countries whose governments were politically opposed to the Western imperialists (Egypt, Algeria, Chile, etc.). More than 95% of this aid to capitalist countries took the form of export credits, i.e. deliveries of goods against later payment, which could usually be stretched over 12 years, but which could often be postponed again even then. Here, too, debts were often cancelled. As a rule, the repayment of loans was possible in the form of products from those companies that were built from scratch with Soviet assistance. This also had the advantage that these countries had a sales market for their goods, which was often hardly possible on the capitalist world market. The Soviet approach contrasted with the "economic aid" of Western countries, which demanded the repayment of loans in dollars. This forced the underdeveloped countries to gear their economies to exports to the developed capitalist states (Szymanski 1979, p. 152f).

In addition, the Soviet Union also generally offered relatively generous terms in its trade with underdeveloped capitalist countries. For example, Indian exports to the Soviet Union were paid higher prices than on the world market (Szymanski 1979, p. 157ff). The People's Republic of China presented itself as the leading power of the "Third World" peoples fighting for their liberation and defamed the Soviet Union's relations with these countries as "social imperialist". In reality, however, Chinese economic aid to the underdeveloped countries hardly showed any qualitative difference to Soviet aids (Szymanski 1979, p. 156). In both cases there can be no talk of imperialism.

In its foreign trade with the non-socialist part of the world, the Soviet Union was of course also subject to the laws of global capitalism. For example, it could not arbitrarily lower the prices of its exports because, conversely, it had to pay regular prices for imports from capitalist countries. The Soviet Union took advantage of certain leeway to offer its trading partners in the "Third World" the best possible conditions. However, their foreign trade did not take place entirely outside the given world market conditions dominated by imperialism. However, the Soviet Union had not created this imperialist economic order; on the contrary, it had taken up the cause of overthrowing this order. The exploiters of the peoples of the world and unscrupulous defenders of the global exploitative order were and still are the imperialist states and not the Soviet Union.

### **The Foreign Policy of the Soviet Union**

The Soviet Union supported movements around the world that rebelled against the exploitation and plundering of the working class and other oppressed strata. It supported the struggle of the ANC and the South African Communists against the reactionary apartheid regime, including the training of armed units. The same applied to the Angolan liberation movement MPLA, which according to CIA estimates received US\$4 billion in military aid from the Soviet Union in 1975-1985 and support from up to 1700 military advisers for its struggle against South Africa and its allies (CIA 1985, p. 7). The liberation struggle of the Vietnamese people against US imperialism was also strongly supported. According to the CIA, Moscow supplied North Vietnam with military equipment worth US\$1.4 billion (CIA 1971) in 1965-70 only to build its air defence system. The North Vietnamese air defence became so powerful that the USA lost more than 3700 fighter planes and more than 4800 combat helicopters in the air war against North Vietnam and in the Vietnam War (Feldbauer 2013, p. 60). In addition, large quantities of tanks, artillery, planes, helicopters, infantry

weapons and ammunition were delivered to North Vietnam, which equipped the liberation movement in South Vietnam with these weapons and finally enabled the victory against US imperialism and the dictatorship in South Vietnam. The list of examples in which the Soviet Union has supported and built progressive, anti-imperialist and revolutionary movements with great effort could easily be continued.

Of course one will also find examples of questionable foreign policy decisions of the Soviet leadership. These cannot be discussed here in detail. Communists can and must criticize the fact that the foreign policy of the USSR, like that of the other socialist countries, was in many cases inconsistent. In fact, considerations of power politics for the promotion of their own state interests coexisted with the interest in supporting socialist or anti-imperialist movements. These were not always identical and often the first aspect outweighed the second - but that was nothing new, because since its beginnings the USSR had to make foreign policy compromises, some of which had bitter consequences for those affected. This was the case with cooperation with Kemalist Turkey, with which the Soviet Union helped to make ethnic cleansing possible; it was also the case with the Greek Civil War, where the USSR refrained from military support for the Communists and generally refrained from offensive tactics in the years following the Second World War. In some cases, Moscow also supported bourgeois national liberation movements such as the government of Nasser in Egypt, the Baath Party in Syria, Sukarno in Indonesia, and so on, which was also justified by the revisionist theory of the "non-capitalist path of development," according to which the path to socialism should be possible without the dictatorship of the proletariat and the leadership of a CP. Nevertheless, it cannot be claimed that the Soviet Union as a whole betrayed the revolutionary movements in the world, as it usually stood at the side of the liberation movements. And the statement of problematic foreign policy actions of the Soviet Union has nothing at all to do with "imperialism".

### **Was there a "Soviet social imperialism"?**

The indication that the Soviet Union pursued its own interests in Vietnam, Cuba and other Third World countries can hardly be used as an argument for the SIT. On the one hand, it would be difficult to convincingly prove that the Soviet Union acted *only* out of self-interest and that the ideological and political convictions of those acting did not play a role in this, or were only a pretext in order to justify an expansive foreign policy. Overall, there is nothing to suggest that the Soviet leadership cadres of the time, such as Brezhnev, Kosygin, Gromyko, Andropov, etc., were not also convinced of the communist idea, albeit already with clear revisionist influences and a tendency towards diminishing intensity of these convictions. Secondly, proponents of the SIT would have to explain why the Soviet Union, in pursuing its own interests, tended to be on the side of the worldwide struggles for progress and liberation, in stark contrast to the USA (or other leading imperialist powers), which almost without exception supported reaction and fascism everywhere, if not practicing it themselves. If one takes Lenin's theory of imperialism seriously, then imperialism politically means "urge for violence and reaction" (LW 22, p. 273). The reactionary character of imperialism "inside" and "outside" is indeed a necessary law because monopoly capital expresses and permanently intensifies the historical obsolescence of the capitalist mode of production. It produces stagnation, over-accumulation and obstacles to technical progress, which is why expansion to other countries and thus conflict with competing monopolies are necessary consequences. If the Soviet Union were to be equated in its social structure with the imperialist states or merely a "state-capitalist" variant of them, then the same political consequences would have to materialize in it: complete and relentless support of worldwide reaction and constant attack on the living standards of workers in their own country. As has been shown, the prevailing

tendency in the Soviet Union was exactly the opposite. This is further proof that the Soviet Union was by no means imperialist.

The SIT is based on an astonishing lack of theoretical understanding and the renunciation of Marxist analysis. That the qualitative difference between the Soviet social order and imperialism is not understood, regardless of how one assesses a certain political leadership or certain political measures in the SU, shows an underdeveloped understanding especially of capitalism and imperialism.

As has been shown, the Soviet Union exchanged mainly raw materials for industrially manufactured products in its foreign trade. While the developed imperialist countries export complex, capital- and technology-intensive goods, they receive from the underdeveloped countries above all resources and goods of low processing level. This enables them to make high monopoly profits. So if one thinks that "imperialism" can be identified above all in trade relations, then one should rather come to the conclusion that the Soviet Union, being the leading power of the CMEA, was "exploited" by the GDR, the CSSR and the PR of Poland rather than the other way around. This statement would obviously also be absurd. The reason is that exploitation can only take place on the basis of antagonistic class relations, whereas in the countries of the CMEA completely different economic laws worked. The assertion that the Soviet Union "exploited" its allies thus has no relation whatsoever with reality. Through its anti-Soviet distortions of facts, it plays into the hands of bourgeois anti-communism and especially the East European nationalists.

## **6. Was the Soviet Union a "dictatorship"?**

### **The question**

Marxists cannot take a class-neutral approach to the question of whether a state is a "dictatorship" or not. In a fundamental sense, every state is a class dictatorship and the essential difference between them depends on the question which class exercises power over which. This does not mean that there are not also important differences e.g. between bourgeois democracy or a military regime and fascism, but all these forms have in common that they express the dictatorship of capital over the working class. Socialism, on the other hand, is the dictatorship of the proletariat and thus the rule of the direct producers, the laborers. Socialism thus presupposes a democratic society in a completely different sense than bourgeois democracy, namely in the sense of comprehensive control of the masses over social life, production and the state. However, we often hear that the Soviet Union was a dictatorship in which there was no freedom of opinion and no democracy. Allegedly, it was particularly authoritarian (or "totalitarian") under Stalin. This view represents the standard in bourgeois propaganda, but also the various Trotskyist currents essentially support it. Maoists or other currents oriented to either Mao or Enver Hoxha, on the other hand, mostly hold the position that until Stalin's death in the Soviet Union the proletariat exercised power, but after that proletarian democracy was abolished.

In the Soviet Union under Stalin's leadership there were indeed, contrary to the propaganda of a "totalitarian dictatorship", manifold forms of mass mobilization, open discussion about the construction of socialism and participation (for a more detailed description and corresponding literature references see Kubi 2015). This cannot be presented here and is not the issue discussed here. Instead, the issue here is whether the proletariat was deprived of power in the Soviet Union after 1956.

We have seen that in the USSR after 1956 the bourgeoisie was not in power, since there was no bourgeoisie at all. Many Trotskyists recognize this fact, but still deny that the working class ruled the Soviet Union - while the economic foundations of socialism remained intact,

political power was allegedly exercised by the bureaucracy. To challenge these assertions, it is necessary to take a closer look at the forms of power and political decision-making in the Soviet Union.

### **Political Participation in the Soviet Union**

In the Soviet Union, it is well known that it was not possible to choose between several parties in elections. People did not vote for parties, but for or against candidates. In each case one candidate was nominated for an office to be filled. This procedure was the same before 1956, since Stalin's and some other party leaders' attempt to introduce elections with several competing candidates had failed in 1936 (Getty 1991).

In bourgeois society, the fundamental questions of social life are subject to the requirements of capital accumulation, which is why a comprehensive rule of the masses over all areas of life is not possible at all. Bourgeois "democracy", i.e. the illusion that the people in capitalist society determine the political processes, can therefore only be generated by formal electoral processes and, according to bourgeois understanding, consists mainly in the electoral process itself or in the choice between different bourgeois parties. From this point of view, of course, the political system of the Soviet Union must appear completely undemocratic.

Does the election procedure described automatically mean that decisions in the Soviet Union were not made democratically? A look at the course of political processes in the USSR does not support this conclusion. Let us start with the elections to the Soviets. First of all, there was also an element of democratic participation in the election process itself, as it was also possible to vote against a candidate. If the majority of voters rejected a candidate, he was not elected and the post had to be filled with another candidate in a new electoral process. In 1965, 208 candidates for the local Soviets were rejected in this way.

More importantly however, it was only the last step in a much longer selection process. Candidates were nominated at the meetings of working people and their mass organizations, after they had been able to present and discuss their political positions. Everyone at these meetings had the right to propose candidates. This process was not specific to the Soviet Union, but was also found in other socialist states, including the People's Republic of China (Szymanski 1979, S 81f).

Elections to the Soviets, however, were only one of many mechanisms of democratic control. Thus, the work of the Soviets was supported and controlled by permanent commissions in which many other people participated and exerted influence on decision-making. Thus, many opinions were expressed and taken into account in the discussions within the Soviets before a concrete measure was decided (Szymanski 1979, p 82).

The main forums for public debate, criticism and opinion-forming were the mass media, supplemented by specialized journals and conferences. The two national newspapers Pravda and Izvestia were important forums for conflicting positions. Overall, the Soviet press was full of public debates on a very wide range of topics: From economic and legal reforms to problems of agriculture and environmental pollution to criticism of officials and incompetent economic administration. In fact, not all positions could be expressed in the press, which is the starting point for the bourgeois accusations of lack of freedom of expression: the existence of the Communist Party, socialism as a system, communism as a goal, and the personalities of the top state and party leaders were largely excluded from criticism. But individual political measures were not (Szymanski 1979, p. 83f). These debates reached deep into the Soviet social structure. Everyone had the opportunity to participate in them. Not all letters to the editor and articles from the masses could be published, since their number was far too great. In 1970 alone, the Pravda received about 360,000 letters and the Izvestia about 500,000. If

they were not published, the newspapers forwarded them to the relevant state bodies, which were affected by the criticism and legally obliged to react to suggestions and complaints within 15 days. However, the newspapers were not only forums and mediators of public discussion, but also exercised criticism themselves. Journalists actively searched for corruption, incompetence on the part of management or party and state officials and followed up critical clues from the masses. Complaints often had consequences, including criminal prosecution and disciplinary measures against officials. Attempts to suppress criticism were scandalized in the press (Szymanski 1979, p. 85).

While the big newspapers were of course administered by a permanent editorial board, the workers produced their own wall newspapers, which were displayed in shops, industrial plants, educational institutions and farms, expressing the views, suggestions and criticism of the masses (Szymanski 1979, p. 86).

The decision-making process was therefore essentially as follows: there was a legislative proposal, then a period of very extensive public discussion, then a revised version of the law is adopted, which implements the results of the criticism (Szymanski 1979, p. 84).

The Soviet constitutions, which laid the foundations of the political and social system, emerged as a result of broad democratic discussion processes. This was the case with the 1936 Constitution, where some 51 million people participated in 500,000 meetings to discuss the Constitution, had lively and controversial discussions, and were able to achieve many changes to the draft (Getty 1991, p. 24ff). But it was also true in 1977 when, according to Bland and others, the Soviet Union had long since become a "fascist state". After the publication of the draft constitution, a comprehensive popular debate took place in which more than 140 million people participated. These discussions resulted in about 400,000 proposed amendments, which led to changes in the final constitutional text. In particular, it was criticized that possibilities for democratic participation were too little, which led to a clear expansion of the participation possibilities in the final version: The powers of the plant collectives were extended to the inter-company level, their educational function emphasized and the nature of their co-determination specified (Höhmann/Seidenstecher 1980, p. 20; 25).

Minor violations of the law were tried in local courts (so-called courts of comrades) established in 1959 and consisting of citizens elected by the mass organizations. The living conditions in residential blocks were administered by the inhabitants themselves through elected committees. The Soviets were controlled by People's Control Commissions, whose task was to inspect companies and public institutions and uncover abuses. These commissions were established at all levels by the Soviets and operated with state authority. In 1975-76 there were already 9.4 million people working in these commissions, while in 1963-64 there were only 4.3 million (Szymanski 1979, p. 87).

The military of the Soviet Union saw itself as an organ for the defense of the workers' and peasants' power, in the time of the system conflict increasingly also as part of the international revolutionary forces and to assist liberation movements on an international scale (Szymanski 1989, p. 112). In addition to the regular army, there were also more direct forms of arming the working class in the form of People's Militias and People's Police. Since the 50s, these units were increasingly granted powers and grew in numbers. In 1970 the People's Militia consisted of six million volunteer Soviet citizens under arms (Szymanski 1989, p. 87). In the Eastern European countries of the Warsaw Pact, workers in the factories were also armed, such as the "Combat groups of the working class" in the GDR.

The participation of workers and peasants in the various organs of Soviet power grew steadily. The share of ordinary workers and peasants in the deputies of the Supreme Soviet rose (according to the narrow definition of the two groups) from 11% in 1954/55 to 36% in 1972/73. Among the city Soviets, the proportion of workers rose from 27.7% to 59.5%. In the



party, the proportion of workers rose from 32% to 40.7% (Hough 1976, p. 11). At the same time, the level of education of these population groups continued to rise sharply, making the conditions for political participation better, especially for industrial workers and peasants (Hough 1976, p. 13). The government, too, was essentially recruited from the working classes: Of the 47 government ministers of the USSR in 1966, 40% came from the industrial proletariat, 27% from the peasantry; the parents of 15% were low-level employees and only 18% came from the intelligentsia. The Central Committee and Politburo of the CPSU were composed of about 90% people with a modest social background (Szymanski 1979, p. 74).

Western bourgeois political scientists therefore assume that the political participation of the masses in the Soviet system tended to increase during this period. Jerry Hough concludes that many forms of participation in the USSR are comparable to forms of participation in bourgeois "democracies" in the West (Hough 1976, p. 14f). In doing so, however, he ignores the essential difference between the two systems: In capitalist countries, participation only means political integration into the exploitative system, since central decisions follow the constraints of capital accumulation and are made by a small number of members of the ruling class. Class antagonism and class domination can never be abolished by bourgeois "democracy". In the Soviet Union, on the other hand, as was shown, there was no exploiting class to control the state apparatus. Shop floor democracy thus had a completely different character: it was not about the establishment of "social peace" to make capitalist processes smoother, but about the inclusion of the masses in the administration of socialized production. Central planning was generally oriented toward social needs, and the fact that this character was also preserved in concrete individual cases was to be ensured by the control rights of the workers in the factory.

### **Participation of workers in the company**

Workers' control over production was certainly imperfect in many respects, but it was real and fundamentally different in character from the "workplace codetermination" in some capitalist countries. Trade unions were a central mechanism of workers' control. Membership in them was not compulsory, yet about 95% of all workers were union members (Szymanski 1979, p. 55). The trade union committee elected by the workers had extensive powers. A dismissal of workers was only possible with its explicit consent (Höhmman/Seidenstecher 1980, p. 27). The committee organized general meetings, production consultations and conferences at which workers discussed aspects of company life. The management was obliged to examine criticism and suggestions from the various workers' meetings within a limited period of time and then to report on any changes implemented. The union entered into a collective agreement with the management, in which the working conditions, participation, social and housing conditions of the workers and many other issues were agreed upon. The implementation was compulsory for the management and violations were punished, while for the workers and the trade union organizations only "politico-moral obligations" without any legal obligation resulted. This imbalance arose because collective agreements were primarily meant to be instruments for workers' control of management, not vice versa.

The committee had extensive rights to criticize and make proposals, and in some areas it had the sole right to make decisions: this applied above all to the administration of social security, recreation and leisure activities, cultural events and medical care, all of which were financed from company funds (Höhmman/Seidenstecher 1980, p. 31f; 35; Szymanski 1979, p. 53f).

The company statute imposed far-reaching obligations on every company: "*The enterprise will make available to the trade union factory, plant or local committee of the trade union, free of charge, buildings, premises, structures, gardens and parks belonging to or rented by it, that are intended for cultural, educational, health, physical culture and sports activities*

*among the personnel of the enterprise and their families, as well as Young Pioneer camps (...) The enterprise will provide free of charge: its medical-sanitation institution (center) – the premises, with heating, lighting, water, protection, cleaning and repairs; the canteen and other catering establishments situated on its territory or belonging to it and serving its personnel” (Statute 1966, p. 14).*

Enterprises had to draw up technical development plans (OTM plans) which included, among other things, which new goods were to be produced, which machinery was to be introduced, which was to be modernized, which working conditions were to prevail, etc. These plans were drawn up at the workplace itself and all the staff were involved. The staff then also examined proposals for technical innovations and the most important of these went to the production conferences. The draft plan for the plant was then discussed at the workplace, at the staff meetings and in the party groups before it was submitted to the management for approval (Bor 1967, p. 51f).

The workers and their organizations (trade union organizations, party organizations, mass organizations) were involved in the elaboration of the production plans of the companies and measures for the implementation of the plan through Permanent Production Consultations, which were compulsory in all larger companies (Höhmman/Seidenstecher 1980, p. 39). Other institutions, such as the work brigades and the counter-planning movement, also provided other forms of worker control and co-determination (Höhmman/Seidenstecher 1980, p. 29f; 46f).

Workers' control over enterprises was thus organized via a large number of mechanisms. It was not abolished in 1956, but rather attempts were even made to extend it further. In 1957 the production conferences were reintroduced, the party cells within the companies were given more influence vis-à-vis the management and the trade unions were given the right to conclude collective company agreements (Szymanski 1979, p. 54ff).

Overall, the study of the political system and economic decision-making mechanisms in the Soviet Union leads to the conclusion that the position taken by anti-Soviet authors (whether from the left or the right) that the Soviet Union was a dictatorship of a bureaucratic stratum over and against the people is untenable. There were certainly shortcomings in the exercise of workers' control over the state and the economy, both in the letter of the law and in its actual implementation. The questions of where proletarian democracy was limited in the Soviet Union, where it became a formal ritual, what were the causes of this respectively, and how such negative developments contributed to the destruction of the Soviet Union must be examined comprehensively, critically, and honestly. However, the anti-Communist distorted view that the USSR was simply a "bureaucratic dictatorship" or had become one in 1956 is in complete contradiction with such a scientific analysis.

Essentially, despite these limitations, the political institutions in the Soviet Union were those that the working class had given itself to create a production and political superstructure in its own interest.

## **7. What was the dominant mode of production in the Soviet Union?**

### **The question**

The previous chapters explained why the Soviet Union cannot be regarded as a capitalist state even after 1956. However, it has so far been left open which mode of production actually prevailed in the Soviet Union. It is obvious that the Soviet Union could in no way be characterized as capitalist. Was it therefore automatically socialist? Or was it dominated by another, possibly still unknown mode of production that was neither capitalist nor socialist?

The second position, for example, seems to be held by Lebowitz when he sees the Soviet Union not socialist, but claims that in it there were "vanguard relations of production", shaped by the dominance of the Communist Party (Lebowitz 2012).

Such a position could only be defended if one could justify the emergence of a new ruling class with the "bureaucracy". If this is not the case, if there is no class other than that of the direct producers who rule the means of production, if the working class is not exploited, then we must assume socialist production relations.

### **The question of Soviet bureaucracy**

Anyone who claims that "bureaucracy" came to power in 1956 (or at some other time) must first answer the following question: What was the fundamental difference between the bureaucracy before and after 1956, so that one can speak of a change in production conditions and political power? This could not have happened merely through a change in personnel in the leadership and a change of the ideological course. In Marxist terms, political and economic power are necessarily interrelated, i.e. the rise of a new class to power must also be expressed in fundamental economic upheavals, as was the case with the bourgeois revolutions or the October Revolution. It was precisely these fundamental upheavals that did not occur in 1956 and subsequent years, as shown above. Although there were relevant changes in the planning system, these took place within the framework of the centrally planned economy.

Sometimes the representatives of the SCT retreat to the fact that the takeover of the party leadership by a revisionist group around Khrushchev meant the break with socialism and thus the transition to a kind of state capitalism. This view, however, is bare idealism. Socialism is not simply a system of ideas, but a mode of production. It is not possible to make meaningful statements about a form of society by referring only to the ideas of political leaders. Conversely, no one would speak of the dictatorship of the proletariat under the popular-front governments in Spain or France because the communist parties were involved in the government. What is decisive is the economic basis, the expression of which is the superstructure.

So what was the "bureaucracy" in the Soviet Union? It was not the owner of the means of production, nor was it a class of its own. Like the industrial workers, "bureaucrats" were employed by the state. Because of their higher incomes, one can speak of a social stratum (or several) with certain decision-making powers. Does this fundamentally contradict the Soviet Union's claim to have been a socialist society?

Only representatives of a utopian concept of socialism can answer this question in the affirmative. For it is true that in socialism the economic differences between productive and administrative tasks must gradually be abolished, but it is also clear that this cannot happen immediately and that there are numerous activities for which specialized knowledge is required.

In every previous state, a bureaucracy has always served the aims and character of that state, so it has been bound to a certain political program with a certain class content. This content results from the dominant mode of production, even if there is some scope for different models and competing factions. In the Soviet Union, the dominant mode of production was the centrally planned economy, and the administrative stratum also served to fulfil the goals of this mode of economy. It did not always do this efficiently and unselfishly, but it did it because it had to. If, from a certain point in time, interests have emerged from the ranks of this stratum which sought a return to capitalism, this does not contradict the statement that the character of the bureaucratic stratum consisted in carrying out administrative tasks for the planned economy. On the contrary, these pro-capitalist aspirations developed precisely as a

fundamental contrast to the dominant planned economy system. For in the Soviet system the activity of the "bureaucracy" did not serve its self-enrichment and was essentially not its free decision, but rather dictated by various forms of worker control and by the central planning goals.

### **Was the Soviet Union socialist?**

For Marxism, socialism is not a finished state, but a constantly progressing process of development. The Soviet Union also deliberately described itself as socialist rather than communist in order to illustrate the difference between an early stage of development of the new society and the goal of development. Marx described socialism as a society "*as it emerges from capitalist society, i.e. economically, morally, spiritually, in every respect still afflicted with the moles of the old society from whose womb it comes*" (cf. MEW 19, p. 21, translated by the author). Nevertheless, capitalism is already overcome here, the means of production are socialized and administered according to a central plan. The fundamental economic law of the socialist mode of production is the centrally planned increase of productive forces with the aim of satisfying needs at an ever higher level.

These criteria were fulfilled in the Soviet Union until the end of the 80s: The Soviet Union remained a centrally planned economy, the decisive means of production were socialized, and planning was geared to social needs. There were numerous shortcomings, both in the preparation and implementation of plans and in issues of proletarian democracy and other areas. The Soviet Union was not a "perfect" socialist society, but there is no such thing as that in reality. Nevertheless, it was a socialist society, a workers' state and a centrally planned economy in which the needs of society, and especially of industrial workers and peasants, were the goal of production. Since the fundamental achievements of the revolution remained intact after 1956 and in many respects were even further developed despite revisionist misorientations on other issues, it would still have been possible to correct shortcomings and undesirable developments through political and economic reforms. Such efforts have been made time and again.

After all, the CPSU was not a homogeneous revisionist bloc, but contradictory in itself. This resulted from the fact that on the one hand it claimed to be the vanguard in a socialist society, but on the other hand in various areas (political strategy, understanding of the state, the alleged possibility of peaceful development under imperialism, questions of economic policy, etc.) it came into contradiction with Marxism-Leninism. The prevailing course was thus not uncontroversial and the path that ultimately led to the restoration of capitalism was not straightforward. Thus, in 1983, an article by Ignatovsky, an important functionary of the central planning authority Gosplan, appeared in the theoretical central organ of the party. Ignatovsky called for a comprehensive return to planning targets in physical terms, criticized the use of value measures as planning indicators, and generally argued against the use of the market mechanism in socialism. Such positionings were not isolated cases, even if they remained in the minority (Hanson 2003, p. 167).

The task of the communists in the Soviet Union thus continued to be the struggle for the correct line to build socialism, even and even more so when the party leadership's orientation was mistaken. The task of the communists here too was the struggle against opportunist and revisionist distortions of Marxism-Leninism, while at the same time defending the socialist system that continued to exist in the USSR. These were, after all, deficiencies in the implementation of socialism that could have been corrected within the framework of socialism - quite the opposite of capitalism, in which the question is not how to correct some deficiencies but how to overthrow the system as a whole by revolution.

Finally, it must be noted that there is a difference between revisionist and counterrevolutionary forces and tendencies. Revisionism means the abandonment of essential components of Marxism-Leninism. In this way it represents an obstacle to the construction of the communist movement and socialism and prepares a favorable ground for counterrevolution in socialist societies. This does not mean, however, that a communist party that is permeated by revisionist deviations can easily be evaluated as a "counterrevolutionary". Rather, it is important to understand the contradictions of such parties, to understand revisionist degeneration not as a unique moment but as a gradual process, and to fight revisionism accordingly without throwing out the proverbial baby with the bath water. This is also true of the CPSU and the Socialist Unity Party (SED) in the GDR: while revisionist views spread in these parties, for decades they continued to be oriented toward the construction and in principle toward the defense of socialism. In general terms, they continued to be revolutionary parties, even though this revolutionary character was increasingly undermined. It was not until the second half of the 1980s that counterrevolutionary forces asserted themselves in these parties, taking the course towards capitalism.

## **8. Concluding Considerations**

### **1987-91: The Real Counterrevolution**

Capitalism had been abolished in Russia and the later Soviet Union by the October Revolution and did not raise its ugly head again until the end of the 1980s. The people of the Soviet Union noticed this difference very well. While there was an ideological change of course in 1956, socialism remained in place and provided constantly improved living conditions for the population. Even though there was a gradual decline in some areas and socialist power was no longer able to adapt to changing conditions, this development remained contradictory. The expansion of revolutionary achievements in some areas (e.g., expansion of social rights and formal opportunities for democratic participation) happened simultaneously with setbacks in other areas.

The situation at the end of the 1980s was quite different. After the counterrevolutionary group in the party leadership around Gorbachev and Yakovlev had prevailed in the intra-party struggles, the "reforms" from 1987 increasingly took on an open pro-capitalist and anti-socialist character. That year, the "Law on Individual Labor Activity" adopted a new form of "cooperatives," which in reality represented a barely veiled legalization of private enterprises and thus the reintroduction of exploitation. The number of these companies, often closely linked to the criminal milieu, exploded rapidly. By the end of 1988 they already employed about one million workers, by the end of 1989 already five million (Keeran/Kenny 2010, p. 139). In December 1987, the Politburo decided that in future the state would no longer buy all products from industrial companies, but only 50%. The other half had to be sold on the market from one day to the next. The party leadership thus plunged the national economy into chaos and into a breakneck downward spiral from which it would not recover (Keeran/Kenny 2010, p. 160). At the political level, the 19th Party Conference in June 1988 was a decisive milestone in the counterrevolution: anti-Communist parties were legalized, the CPSU's claim to leadership was abolished, and Gorbachev was given new executive powers with which to govern authoritatively. A few months later, the secretariat of the Central Committee was dissolved, depriving the party leadership of its ability to work. (Keeran/Kenny 2010, p. 149). In foreign policy, the allied countries were dropped and one unilateral concession after the other was made to US imperialism. On December 25, 1991, the red flag over the Kremlin was raised for the last time. A right-wing group in the leadership of the Communist Party had succeeded, where Hitler and generations of Western imperialists had failed: The Soviet

Union, the first, most powerful, largest and most long-lived socialist state in history, was obliterated for good. The bill for this was paid by the working class, which had not successfully defended its state: with capitalism, unemployment immediately resurfaced. With counterrevolution in the 1990s, 150 million people in Eastern Europe and the Soviet Union practically overnight fell below the poverty line (Keeran/Kenny 2010, p. 10).

### **Revisionist “antirevisionism”**

The supposedly "anti-revisionist" attitude of the groups that analyze the Soviet Union as "state capitalist" and "social imperialist" proves itself to be revisionist in reality. The basis of these theses is a false and insufficient understanding of what capitalism and imperialism are. Anyone who thinks they are discovering "capitalism" in the Soviet Union can only have developed this position either out of complete ignorance of the real social conditions in that state, or out of a false, non-Marxist understanding of capitalism. The renunciation of Marxism goes so far with some advocates of this thesis that the Marxist concept of capitalist mode of production is in fact completely abandoned and replaced by a concept according to which "capitalism" is a catchword empty of content for all countries that are politically rejected. Superficial analogies to capitalism, such as the use of "profits", "wages", "markets", etc., are used as evidence of the existence of "state capitalism", although they had a completely different social content, a completely different economic function, on the basis of the socialist mode of production in the Soviet Union. This view is essentially bourgeois because it does not take as its starting point the Marxist concept of the mode of production, which makes it possible to analyze the laws of a social formation on the basis of the property relations prevailing in it; instead, this view makes use of a similar concept of capitalism to that contained in the bourgeois concept of "market economy". In this bourgeois thinking, instead of a holistic analysis of the laws of structure and development of the mode of production, only individual mechanisms (markets, competition, etc.) are emphasized, without placing them in the context of social relations, i.e. the exploitation of one class by another. Similarly, the SCT confuses certain changes in the planning mechanism due to the Kosygin reform (upgrading of the plan indicator "profit", strengthening of relations between enterprises, etc.) with a transition to capitalism, although the foundations of the socialist mode of production obviously continued to exist.

The concept of socialism behind these ideas is also wrong, because it is based on a moralizing concept of socialism as an ideal society, where the dominant mode of production is no longer used as the decisive differentiator. Thus, there is basically a relapse behind scientific socialism, into utopian ideas of socialism.

Because these theses themselves are revisionist, they have nothing to contribute to understanding the history of the communist movement and the reasons for the spread of revisionism in it. On the contrary, they stand in the way of a scientific and self-critical analysis of the history of communism. By no longer recognizing Soviet socialism as such, it is also impossible to correctly analyze and classify the errors in the construction of this socialist society. This also makes it impossible to pose the question how such mistakes can be avoided and how better answers to certain problems can be found in the future.

Since the SCT and the SIT have nothing to do with historical reality, they are of course also not plausible to the masses and become entangled in obvious contradictions: How can it be that there were allegedly "capitalist" states which for decades knew no crises and no unemployment, in which the other capitalist laws did not apply either, in which economic development benefited the masses, which promoted equality of the sexes and nationalities and promoted not reaction and war all around the world, but revolutionary liberation movements?

If all this is supposed to be possible in a "capitalist", a "social imperialist" or even a "fascist" state, why should socialism be needed at all?

### **Political consequences of the thesis of state capitalism and social imperialism**

Politically, these theses lead to the withdrawal of critical solidarity from the first and most important proletarian state in history and to a comfortable attitude of no longer having to defend Soviet socialism against its enemies. But the Soviet Union, and especially in Germany the GDR, are still the bourgeoisie's favorite enemies and worst nightmare, and not without reason. In these countries the power of capital had been crushed, the possibility of a different and despite all its shortcomings much better society was proven in practice. The gains of Soviet socialism for the working class were enormous and continued to expand into the 1980s. In 1950-1980, per capita consumption of consumer goods increased by about 3% annually. The availability of food per person rose from an average of 2030 calories per person in 1929, before the establishment of the central planned economy, to 3400 calories in 1970 (Allen 2003, p. 132f; 136). Everyone had a secure job, comprehensive rights at work, guaranteed holidays with low-cost leisure activities and a secure future. Housing and everyday necessities were greatly reduced in price so that everyone could afford them. Education and healthcare were free and at a high level. The level of education of Soviet citizens was the highest in the world in terms of the number of books owned and read, the frequency of visits to museums, theatres, concerts, etc. Illiteracy, which was still ubiquitous in 1917, had been virtually eradicated by the Soviet Union in the 1980s. All in all, despite some negative excesses, it was a society with high social equality (Keeran/Kenny 2010, p. 2ff). All this was achieved even though the Soviet Union experienced the most terrible war and destruction in human history and was then forced into a four-decade arms race against the world's leading military power. No capitalist country would have made such achievements possible. They are historically unique and the only plausible explanation is the superiority of socialism as a system.

The Soviet Union was not a "new imperialism" either, but remained an ally of the international communist movement, the revolutionary and anti-imperialist liberation movements, the workers' movement and other progressive forces in the world until it was crushed by counterrevolution. Even the comparatively high standard of living of the working class in the post-war decades in Western Europe was, among other things, a result of the existence of socialism: because socialism existed as a real counter-model in Eastern Europe and the Soviet Union, the imperialists had to make social concessions to the working class in order to repress communist influence in the class. It is also significant that the imperialists' hostile attitude toward the Soviet Union did not change fundamentally after 1956. The anti-Communist strategists in Washington, Bonn, London, etc., unlike, for example, the supporters of the Communist Party of China, were well aware that the Soviet Union was still a socialist state and that its very existence posed a deadly threat to imperialism. While a large part of the currents oriented towards China or Albania still hold to the wrong positions of the SCT and SIT today, individuals and organizations later distanced themselves from them. A positive example in this sense is the famous American revolutionary Harry Haywood, who in the 1980s criticized and rejected as idealistic the Mao line and the CP of China, according to which capitalism had been restored in the Soviet Union and had developed into "social imperialism" and the main enemy of the peoples (Haywood 1984).

Whoever does not fight the anti-communist propaganda against the USSR, the GDR and the other socialist countries offensively, but withdraws from it by parroting anti-communist slanders, leaves the struggle for historical memory to the lies and distortions of the ruling class. Anyone who seriously equates the Soviet Union with fascism and with Nazi Germany in particular (cf. Bland 1995, Chapter 37) surpasses even the most right-wing variants of "totalitarianism" theory. Those, of all people, who stylize themselves as defenders of Stalin's

line, have thus in fact withdrawn their support from the gigantic work carried out under Stalin's leadership by the masses and millions of communists. Instead of standing on the side of those communists who led the struggle for the correction of false developments in critical solidarity, they focused on the "revolutionary" overthrow of the supposed "new bourgeoisie," i.e., the overthrow of the CPSU and workers' power. Some of them accuse the people and the communists of the Soviet Union, who overthrew the fascist regime, its war of annihilation and factory-like mass murder in Germany with unimaginable victims, of having created a fascist state of the type of German fascism themselves. In the worst cases these forces openly took the side of counterrevolution and celebrated the crushing of socialism by imperialism in 1989-90 as an act of liberation (e.g. the MLPD, see above). Thus they are objectively in line on this question with the Western imperialist centers, which understandably celebrate the destruction of the Soviet Union until today as a victory of historical dimensions. This fact is also the reason why the secret service of the FRG and other Western European countries actively promoted the spread of various "pro-Chinese", i.e. anti-Soviet currents in order to harm the Soviet Union and the GDR as their main enemies. While in the 50s and 60s each year about 17 million printed materials from the GDR were intercepted by the West German secret service for being a threat to the state, this state specifically promoted the dissemination of Chinese propaganda materials among the West German communists (Jacoby 2017).

## **Conclusion**

Revisionism, which has increasingly asserted itself in the Soviet Union and the international communist movement and still characterizes numerous communist parties in the world, must be criticized and fought against. It is an obstacle, if not the fundamental obstacle in general, to the reconstruction of the communist movement and a renewed attempt at socialism. This is all the more true, however, of the variant of revisionism that has been analyzed and criticized in this text: The anti-Soviet revisionism propagated by the CP of China and the Party of Labour of Albania in the form of the state capitalism thesis. If a force sees itself as a communist party but is unable to distinguish a socialist society from a capitalist one, its scientific basis must be questioned. The reconstruction of the Communist Party cannot take place on an unscientific basis like the state capitalism thesis, but only through the scientific application and further development of Marxism-Leninism.

It is not a question of denying the historical merits of the CP of China in socialist construction in China or Mao's role in the Chinese Revolution. The same applies to Enver Hoxha and Albania. It is also not about it to characterize all political forces, which orient themselves at it, in a general way as counterrevolutionary. But where they have distanced themselves from the scientific method of Marxism, they must be criticized for it.

Finally, the reconstruction of a Marxist-Leninist party presupposes a self-criticism of our current of the mistakes of the CPSU and the communist parties associated with it. This self-criticism, which must also include an analysis of the causes of counterrevolution, must be carried out and much remains to be done in this area.

Those currents which, following the CP China and the Party of Labour of Albania, have adopted a hostile attitude towards the Soviet Union and the other socialist countries or have defended the revisionist theses on "state capitalism" and "social imperialism" must, however, all the more exercise comprehensive self-criticism. This would include, above all, developing a scientific Marxist standpoint on socialist construction in the Soviet Union, Eastern European and other socialist states, recognizing socialism in these countries as a historical reality, and defending it in critical solidarity against the slander of the class opponent.



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