

“State-capitalist” or “totalitarian state economy”

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*USSR: Proletarian or capitalist state, by
R L Worrall*

WITH THE SOCIALIST movement at its lowest ebb since 1914, the first necessity of the moment is to realise clearly the main reasons for this. For in order to grapple successfully with things as they are, it is necessary to see things as they are. In order to overcome that ignorance which is the inertia of history, and to loosen the bonds of existing conditions, those conditions must be analysed and described with scientific accuracy. Not for the sake of pedantry, but in order to release that human energy of social change which is made ineffective by doubt and confusion.

Above all, accurate knowledge, analysis and description of Russia is needed, to clear away the doubt and uncertainty, the revulsion and disappointment, which Stalin's regime has brought to the working class as a whole.

Ironically enough, one who has been the most outstanding opponent of Stalin has added to the confusion surrounding the nature of Stalin's regime. Leon Trotsky persists in regarding Russia as a workers' state, although that state has shattered proletarian democracy, putting the working class of Russia in a straitjacket, and killing or imprisoning tens of thousands of revolutionary internationalists.

The state in Russia is a "degenerate" and "distorted" workers' state, writes Trotsky, and so, in dutiful chorus, declare his followers. Still armed with the caustic pen which has been his lance, he cannot bring it to write that the former soviet system, whose growth he did so much to nourish, has been transformed into a new type of capitalist state, at the hands of Stalin and the bureaucracy. Living in the past, the last of Lenin's comrades is spellbound by the achievements of his former days.

In the political fantasy which is Trotsky's view of Russia, there yet remain some elements of realistic vision. In his latest work on the subject — *The Revolution Betrayed* — it is recognised that "of Soviets, there remains only the name" (p. 264). The territorial electorates of Russia's new constitution are "anything you will, but not soviets", and this has been a matter "of juridically liquidating the dictatorship of the proletariat" (p. 261). [1]

The bureaucracy which has destroyed the soviet system is recognised as having "unlimited power" (p. 133), and to be a "ruling and privileged stratum" (p. 191) — "an uncontrolled caste alien to socialism" (p. 255). That this bureaucracy has dealt crushing blows to socialism, and has destroyed workers' democracy in Russia, Trotsky knows, and sees that in that country there must be, "according to all evidences", a second "supplementary revolution — against bureaucratic absolutism" (p. 289).

But side by side with this partial lucidity, half-blind, quixotic sentiments appear, in the guise of either careless phrases or considered opinions. Trotsky writes of Russia as "a workers' state" (op. cit., p. 285), a "soviet state" (pp. 55, 198, etc.), and "a socialist state" (p. 197). The soviet bureaucracy, we learn, "has expropriated the proletariat politically in order by methods of its own to defend the social conquests" (p. 249)! The proletariat has been "expropriated politically" (in other words, deprived of political power), but the October revolution is "not yet overthrown" (p. 252).

The underlying cause of these contradictory statements (which their author will glibly explain as "dialectically" conceived) lies in a false view of the

dynamics of capitalist production, particularly in relation to private property. Contrary to common belief, private property is not a specific feature of capitalist production, having been a basic feature of practically every social system of civilisation. Private property has indeed been a specific feature of civilisation, and in that respect has been a basic principle of capitalism. But it is not a specific feature of capitalist production, nor is it essential to that mode of production in every phase of its development.

Nowhere in Capital does Marx place private property among the specific features of capitalist production. In volume three, the "three principal facts of capitalist production" are described as follows:

"1) Concentration of the means of production in a few hands, whereby they cease to appear as the property of the immediate labourers, and transform themselves into social powers of production. It is true, they first become the private property of capitalists. These are the trustees of bourgeois society, but they pocket the proceeds of their trusteeship.

"2) Organisation of labour itself into socialised labour, by social co-operation, division of labour, and combination of labour with natural sciences.

"In both directions the capitalist mode of production abolishes private property and private labour, even though it does so in contradictory forms.

"3) Creation of the world market... " [2]

Again, in the same volume, so neglected by students of Marx, he points out that capitalist production "is marked from the outset by two peculiar traits", namely:

"1) It produces its products as commodities... Its peculiar mark is that the prevailing and determining character of its products is that of being commodities ... so that wage-labour is the typical character of labour ... The principal agents of this mode of production itself, the capitalist and the wage worker, are to that extent merely personifications of capital and wage labour.

"2) The other specific mark of the capitalist mode of production. is the production of surplus-value as the direct aim and determining incentive of production. Capital produces essentially capital, and does so only to the extent that it produces surplus value..." [3]

Now the accumulation of capital, the aim and compelling motive of capitalist production, has become more and more a matter for State control and regulation since 1914. In the nineteenth century, this development was foreshadowed by the concentration of capital in the joint-stock companies. Marx

showed how capital was even then beginning to shed its garment of purely individual ownership, and was beginning to float on the social medium of public investment. In other words, the tendency was towards "the abolition of capital as private property within the boundaries of capitalist production itself" [4]. Thereby the employer of an enterprise, the "actually functioning capitalist", was on the way to becoming "a mere manager, an administrator of other people's capital", and the owners of capital "mere owners, mere money capitalists" [5].

II

Engels too was well aware that the essence of capitalism lay not in private property, but in that drive towards further accumulation of capital whose vehicle at the time was private property of a particular kind. Engels foresaw that the further development of capitalism, in the direction of State ownership of the means of production, could lead to the virtual abolition of private property, while the essence of capitalism yet remained. His brilliant forecast of State capitalism — held by Trotsky to be an impossibility in practice! — is as follows:

Just as at first the capitalist mode of production displaced the workers, so now it displaces the capitalists, relegating them, just as it did the workers, to the superfluous population, even if in the first instance not to the industrial reserve army.

But the conversion into either joint-stock companies or State property does not deprive the productive forces of their nature as capital. In the case of joint-stock companies this is obvious. And the modern state, too, is only the organisation with which bourgeois society provides itself in order to maintain the general external conditions of the capitalist mode of production against encroachments either by the workers or by individual capitalists. The modern state, whatever its form, is an essentially capitalist machine; it is the state of the capitalists, the ideal collective body of all capitalists. The more productive forces it takes over, the more it becomes the real collective body of all capitalists, the more citizens it exploits. The workers remain wage-earners, proletarians. The capitalist relationship is not abolished; it is rather pushed to an extreme. But at this extreme it changes into its opposite. State ownership of the productive forces is not the solution of the conflict, but it contains within itself the formal means, the handle to the solution.

"This solution can only consist in the recognition in practice of the social nature of the modern productive forces; that is, therefore, the mode of pro-

duction, appropriation and exchange must be brought into accord with the social character of the means of production. And this can only be brought about by society, openly and without deviation, taking possession of the productive forces which have outgrown all control other than that of society itself." [6]

III

In the present century, Lenin described the actual development of the tendency towards State Capitalism, terming imperialism "the era of the transformation of monopoly capitalism into State monopoly capitalism" [7]. In 1917, before the October revolution, he placed on the order of the day "the expropriation of the capitalists, the conversion of all citizens into workers and employees of one huge 'syndicate' — the whole State — and the complete subordination of the whole of the work of this syndicate to the really democratic State of the Soviets of Workers and Soldiers Deputies". [8] But Lenin did not regard even this step as an escape from the capitalist character of production. He recognised that the power held by soviets would consist (as the first phase of communism) of political power over capitalist economics, especially in the field of distribution. Referring to the "interesting phenomenon of communism retaining, in its first phase, 'the narrow horizon of bourgeois rights'", Lenin wrote in September, 1917:

"Bourgeois rights, with respect to articles of consumption, inevitably presupposes, of course, the existence of the bourgeois State, for rights are nothing without an apparatus capable of enforcing the observance of the rights. Consequently for a certain time not only bourgeois rights, but even the bourgeois State remains under Communism, without the bourgeoisie!" [9]

This possibility of "a bourgeois State without the bourgeoisie" was realised under Stalin, but in a form exceeding Lenin's anticipation of the temporary survival of bourgeois rights. For under Stalin, the bureaucracy set its heel on the growth of communism, while continuing to monopolize the socialised means of production.

After the October revolution, Lenin insisted that even State capitalism would be an advance on the system of individual capitalist ownership, scorning those opposed to the concentration of capital in trusts on the grounds that this would create the danger of State capitalism. Lenin welcomed the possibility of concentrating capital to the point of State monopoly, since this would create the essential industrial basis for State socialism, with its control of a

technically advanced economy by the workers, through soviet democracy. In a speech in May, 1918, he said:.

"Reality says that State Capitalism would be a step forward for us; if we were able to bring about in Russia in a short time State Capitalism it would be a victory for us. How could they be so blind as not to see that our chief enemy is the small capitalist, the small owner! ... State Capitalism is a step towards State Socialism... The domination of the small bourgeoisie by the other classes and by State Capitalism should be welcomed by every class conscious worker, because State Capitalism under Kerensky's democratic regime would mean a step towards Socialism, and under the Soviet Government almost complete socialism". [10]

Lenin is perfectly clear on the vital point that proletarian democracy is an essential feature of State socialism (as contrasted with State capitalism, which is merely control of production as a whole by the State). Proletarian democracy, he states, lies not only in exclusion of the bourgeoisie from the franchise, but also in the fact that "all bureaucratic formalism and restriction of elections are abolished; the masses themselves determine the order and time of elections, and every elected person is liable to recall" [11]. The masses, moreover, are drawn more and more into political life and administrative work.

Throughout Lenin's writings after 1917, there is the same emphasis on workers' democracy as the specific feature of State socialism: "By the overthrow of the bourgeoisie and the land-owners we have only cleared the way; we have not yet erected the structure of socialism". The whole idea of the State creating socialism through the accumulation of capital [13] on the basis of workers' democracy, is embodied in Lenin's rough-hewn phrase: "electricity plus soviets equals socialism".

IV

Now Trotsky is well aware that the absence of workers' democracy in Russia means the absence of Socialism, but at the same time he cannot bring himself to admit that capitalism now reigns in the land of the October revolution. Hence with regard to Russia ("the Soviet regime"!) we "abandon such finished social categories as capitalism... and socialism", and define Russian society as "transitional" [14] (capable of developing into socialism, or backwards into private property in the means of production).

To describe Russian society as transitional is certainly correct, but it does

not answer the questions: what is the aim and compelling motive of production in Russia? Is the State in Russia a workers' State or a capitalist State?

Trotsky, who has not yet arrived at the first of these questions, answers the second in this way: In Russia the bourgeoisie has been expropriated, and the means of production are owned by the State. The bureaucracy, which controls the machinery of State and rules the country, is not a class.

Therefore Russia is not a capitalist State. Therefore nationalisation (socialisation) of the means of production has made the State a workers' State (distorted by Stalinism).

To deny that Russia is a capitalist State, because the Stalinist bureaucracy is not a class, springs partly from an inability to distinguish structure from function. The structure of the bureaucracy, including the relative lack of private property relations, differs fundamentally from the structure of a bourgeois class, which in general is based upon the principle of private property. But the function of the bureaucracy is that of the bourgeoisie, namely, the accumulation of capital. Aside from the personal ambitions, incomes, extravagances and inefficiency of the bureaucracy, its social aim, objectively speaking, is the accumulation of capital in Russia — the production of commodities, the extraction of surplus-value from the working class, the realisation of this surplus-value as profits of the State and the conversion of profits into further State property, especially capital in the form of further means of production; more factories, more machinery, more mines, etc. This primary function of accumulating capital, which a bureaucracy now performs in its entirety for the first time in history, is not combined with working-class control of that bureaucracy, through soviets or other forms of industrial organisation of the proletariat. And precisely that fact makes the Russian State a capitalist instead of a workers' State. A new type of capitalist State, it is true, since the principle of private property still lies in the dust, but a capitalist State for all that, since the State, minus workers' democracy, pursues the aim and compelling motive of capitalism in general.

V

This does not mean that Russia is an imperialist State, for the bureaucracy has not reached that point of seeking to export capital and seize colonies which characterises the imperialist nations. Nor does it mean that Russia should not be defended against attacks on the part of imperialist nations. As pointed out by Lenin, State capitalism entailing the abolition of private property, is a step

forward in social evolution, and for this reason alone Russian State capitalism should be defended against the imperialist nations, which uphold the principle of private property. In addition, however, the special revolutionary potentialities of the Russian working class, derived from the experiences and traditions of the October revolution, contribute powerfully to the forces of social change, and demand protection by all socialists. Since those special potentialities of further revolutionary action would be crippled by an imperialist conquest of Russia, socialism requires the defence of Russia, even though workers' democracy has been destroyed by the bureaucracy.

To call Stalin's regime by its correct name — State Capitalism — does not imply the surrender of that regime to the forces of imperialism. The Russian type of State capitalism is capitalism, but it is also a transition stage to socialism — a transition stage in which the principle of private property has been abolished, and the means of production are withheld from proletarian control only by a precariously placed bureaucracy. The State's socialisation of production has made socialist appropriation the next step in Russia. Unless the forces of reaction succeed in reintroducing private property in capital, that next step will inevitably occur, as a result of the dialectic contradictions of the bureaucratic regime. Sooner or later, the Russian proletariat will succeed in establishing socialist appropriation of property in every sphere, as the world revolution proceeds to wreck the existing social system.

How narrowly Trotsky is capable of missing the truth is seen in his words on this very point, where he denies the practical possibility of State capitalism, on account of its being within easy reach of socialist appropriation. Hypothesising a bourgeois State which might "administer the whole national economy", he concludes: "such a regime never existed, however, and because of profound contradictions among the proprietors themselves, never will exist, the more so since in its quality of a repository of capitalist property, the State would be too tempting an object for social revolution" (op. cit., p. 246).

Before the very eyes of the man who wrote this, a State free from workers' control has been engaged in administering "the whole national economy", with the primary aim of accumulating capital. But because the State is a bureaucracy of self-seeking officials, instead of a "stock company" of bourgeois shareholders, this Marxist has refused to admit that the regime is State capitalism. To Leon Trotsky volume three of *Capital* seems to be a closed book.

Admitting that in Russia there is State capitalism, the further question remains: how could a proletarian revolution give rise to a capitalist regime, without the occurrence of a violent counter-revolution? But this seemingly innocent question contains a logical fallacy, namely, "begging the question". There has been a violent counter-revolution in Russia since October 1917, but one spread over a decade, from the time of the death of Lenin. By combining revolutionary phraseology up to 1933 with counter-revolutionary action, Stalin succeeded in preventing a mass uprising against the growing power of bureaucracy. By tricking, imprisoning, exiling or killing the revolutionary vanguard of the country, by means of a rigid censorship, and by canalising the revolutionary energy of the masses into the Five Year Plan, Stalin succeeded in violently suppressing his opponents in comparative secrecy — until the "Witchcraft Trials" revealed something of the internal transformation that had been occurring.

The question has been asked: was there ever a workers' State in Russia, since workers' democracy was thus nipped in the bud by the bureaucracy, just as it was emerging from the rigours of military communism?

There is overwhelming evidence to show that the degree of workers' democracy which did exist between 1917 and 1923 was something new in history, qualitatively distinct from any previous type of democracy; something which gave the character of a workers' State to the new regime. And as a result of that workers' democracy, embryonic though it was, the representatives of the working class, at the head of the new State, were able to conduct a policy of revolutionary internationalism.

How did Stalin's counter-revolution succeed in overcoming workers' democracy, without provoking a mass uprising? In reply Trotsky has given the basic factors responsible, but has concealed his own responsibility.

The economic and cultural backwardness of Russia, the preponderance of the peasantry, the isolation of the country from the rest of the world, the influence of the world market and of capitalist ideology, especially from 1923 to 1929, were the main factors which permitted the bureaucracy to break free from mass control, and to suppress workers' democracy. The fact that in post-revolutionary Russia the historical tasks of capitalist construction had still to be performed in the sphere of technique and industry, made it possible for Stalin and his associates to create a new type of capitalism, in the process of liquidating proletarian democracy. But what enabled Stalin and his supporters to realise this possibility, without any great mass resistance, was the miserable role played by Trotsky and other Russian internationalists in the years from 1923 to 1926. In those crucial years of Stalin's rise, Trotsky, as a "loyal" party member, confined his opposition to academic theses and passive resistance, waiting eighteen months before allowing his opposition to come to the knowledge of the masses. [15]

The revolution of 1917 — indeed a “locomotive of history” — has permitted Russia to cover several centuries in the space of twenty years. The fact that Stalin’s bureaucracy prevented Russia from developing socialism, has blinded many Marxists to another fact, namely, the progressive nature of the capitalist economy which the bureaucracy has established. For State capitalism, in so far as it completely socialises production, and so ripens society for socialist appropriation, government and law, is progressive. State capitalism as a social structure is the most advanced form into which capitalism can develop, prior to the transformation of its economy into State socialism — the first stage of communism.

VII

The historical role played by Stalin is thus a dual role, for in so far as he and the bureaucracy have concentrated capital in the hands of the State, to the exclusion of private enterprise and private property in the means of production, the regime has prepared the economic ground for socialism, which is the social stage immediately ahead of mere nationalisation of the means of production. On the other hand, the crushing of workers’ democracy and internationalism by Stalin’s bureaucracy, which has thus impeded the development of Russian society into socialism, has been a reactionary pressure, acting against the progressive force of the proletariat.

That is why it is not only possible but also necessary for socialists to attack and defend Stalin’s regime. To attack it as an anti-socialist political force — which the working class, especially the Russian working class — must eventually overthrow. On the other hand, to defend it against the forces of imperialism — of finance capital reaching out with its tentacles of private property for fresh colonial wealth.

The technical achievements of the bureaucratic regime, particularly those of the first Five Year Plan, arose as a result of internationalist politics, during the last year of Lenin’s life. But the subsequent technical progress of Russia, which canalized revolutionary human energy into a vast plan of industrialisation, and so laid the basis for another and higher phase of internationalism, had as its accompaniment the growth of nationalism. And this bureaucratic nationalism, supported by large sections of the peasantry and proletariat, has temporarily smothered internationalism which made possible the Five Year Plan.

In this process, capital and its destroyer — the forces of socialism — battle

against one other, in a contradictory unity which undergoes striking changes, as first one and then another of the protagonists dominates the process. February 1917 — capital triumphant; October 1917 — revolutionary internationalism. 1937-capital again triumphant, but on a higher plane of development; 1947-?.

One thing is certain: out of the continued expropriation of small private producers, and out of the continued exclusion of foreign capital from Russia, only socialism can come and must come, sooner or later, as the international economy of the country, with all its contradictions of inequality, invites the extension of socialisation from production to commodity distribution. Since only the rebirth of workers' democracy can perform this extension of socialisation, and since workers' democracy can only return by overcoming the violent opposition of the bureaucracy, the final solution of this dialectic process is dependent upon the social force — including the physical power — which the working class of Russia can gather for its second revolution against capital. And such social force is necessarily part of the international movement of the workers of all countries, against the present social system. In brief, both the life and death of Stalinism are determined by the dynamic, contradictory, and historically transient unity of capital and labour, evolving towards its own final destruction on a world scale.

VIII

Was the regime of Stalin inevitable? Trotsky constantly implies that it was, and in this way no doubt consoles himself for the pitiful manner in which he allowed Stalin to climb to power, from 1923 to 1926, without any mass resistance being aroused. [16] In addition to excusing himself by referring to the ebb of the revolutionary tide at the time, Trotsky now pretends that the productive forces of Russia are insufficient to permit the State being of a socialist character. In the Soviet Union, he writes, "the productive forces are still far from adequate to give the State property a socialist character" (op. cit., p. 255).

This is typical of the manner in which Trotsky periodically reverts to a mechanistic distortion of Marxism. The expansion or level of a nation's industrial productivity is thus made into an absolute criterion, determining whether a nation is "progressive", or whether socialism is possible for it. A certain (variable) level of productivity is of course essential for the existence of a workers' State. In the primitive economy of Abyssinia, for example, a workers' State could not exist. But with regard to a country possessing such a degree of industrialisation as Russia today, it is the sheerest mechanistic nonsense to

assert that the present condition of productivity is an absolute bar to the rebirth of a workers' State.

A workers' State formerly existed in Russia, when productivity was in a far lower condition than at present. The first workers' State was transformed into a bureaucratic State managing capitalist production (i.e., into a unique type of capitalist State), because the internationalist elements of the Russian working class leadership, making criminal errors during and after Lenin's last illness, failed miserably to withstand the growth of a bureaucratic, nationalistic leadership. Trotsky especially was not swept away by the ebb of the revolutionary tide, as his own autobiography would suggest. He rather floated helplessly out of office and out of power, confining himself to verbal protests, noble gestures, and inner party intrigues. It was such political factors which permitted the post-revolutionary development of Russia from embryonic socialism into State capitalism.

Above a certain point, a country's productivity facilitates or renders difficult the existence of a workers' State, but does not determine the possibility of a workers' State, this possibility depending upon political factors — ideological, theoretical, organisational, personal, etc. For almost the whole of Europe and for all North America, the level of production places the appearance of workers' States on the order of the day. Whether such States are born, and whether they continue to exist, depends chiefly upon the development of world economy on the one hand, and on the other upon the above mentioned political factors, belonging to the "superstructure" of society's economic basis.

As for the expansion of productivity of a nation, that alone does not necessarily signify that the nation is a "progressive" (vide Trotsky), in the sense of being an anti-capitalist unit. A nation such as Australia, which is a support as well as an appendage of British imperialism, is far from being "progressive" in that sense although its industrial economy is expanding. Poland again, where further industrialisation has been occurring, with an expansion of productivity, is now demanding colonies — a fact which amounts to a vigorous kick at Trotsky's obeisance before productive expansion as an idol of absolute value.

Nor does a regression of productivity necessarily imply the existence of a reactionary regime in the country concerned. After the October revolution in Russia, (owing especially to the world war and the civil war), lowered production caused such alarming effects as to necessitate the New Economic Policy. Yet Russia did not cease to be a workers' State, at that period. And the reason for this was that workers' democracy was still living in the Soviet Union, which could therefore pursue an internationalist policy for world socialism. Workers' democracy — the co-operative complement of the dictatorship of the proletariat — is an absolute necessity for the existence of revolutionary internationalism as the policy of a national State. Theoretically, this

flows from the conception of the proletariat as the only force capable of creating international unity, as a preliminary to that higher stage of communism of which Marx and Lenin wrote. And in practice, this conception has been verified, first, by the torrent of revolutionary internationalism which flowed from the beginnings of workers' democracy in Russia, from 1917 to the death of Lenin. And second, by the drying up of that torrent, as workers' democracy was suppressed by the Russian bureaucracy, during the first ten years of Stalin's regime.

IX

Revolutionary internationalism has ceased to be the policy of the Russian government, not because of some vague "degeneration" or "distortion" of a workers' State, but because in Russia there is now a new type of Capitalist State. There a bureaucracy is now devoted primarily to carrying out what is in general the function of the bourgeoisie, namely, the accumulation of capital. The fact that a fourth Russian revolution will be necessary in order to destroy Stalinism as Tsarism was destroyed, may be deplorable, but it is nevertheless a fact. Socialism is not to be made in a day, and much crude lava will flow in this volcanic century, before it becomes transformed into the fertile soil of a new civilisation. To know the essential nature of the social upheavals and main developments taking place, is the first need of a revolutionary internationalist. For all his brilliance, Trotsky has failed to keep pace with the present changes in the capitalist world.

Modern Quarterly, XI/2, winter 1939.

[1] The new Constitution of Russia has indeed set a legal seal on the annihilation of the soviets. Two national Chambers, monopolising legislation, separate the legislative from the executive bodies of the State, thus destroying a basic principle of workers' democracy. The electoral units of the national legislature are not based on the productive units of the working class, but are territorial units, i.e., parliamentary-like constituencies, electing one deputy to the legislature for every 300,000 of the population. And in these imitations of parliamentary constituencies, there is not even a choice of candidates at election time. The bureaucracy presents one candidate to be elected by each constituency! The so-called soviets are purely local executive organs of the bureaucracy. The

vital right of recall of a delegate to a governing body is conspicuous by its absence in the new Constitution. There is no longer even a trace of the soviet system in Russia, save the name "soviet".

[2] *Capital*, vol. 3, p.266 [Moscow edition], p.375 [Penguin edition]

[3] Idem, pp. 879-880 [Moscow edition], pp.1019-1020 [Penguin edition].

[4] Idem, p.436 [Moscow edition], p.567 [Penguin edition]

[5] Idem, p.436 [Moscow edition], p.567 [Penguin edition]

[6] *Anti-Dühring*, chapter 24

[7] *State and Revolution*

[8] Idem

[9] Idem

[10] Speech to the Plenary Session of the C. E. C. of the Soviets, reported in *Izvestia*, May 30, 1918, and published as a pamphlet by the Workers' Socialist Federation, London, 1921. [Lenin's Collected Works volume 27, pages 279-313].

[11] Lenin [Collected Works volume 27, pages 235-77]

[12] Lenin [Collected Works volume 27, pages 279-313]

[13] It will of course be realised that the means of production of a country remain capital so long as the system of wage labour and commodity production persists, even though the State be a workers' State.

[14] *The Revolution Betrayed*, p. 254.

[15] See *My Life*

[16] See quotations from Trotsky's writings in *Pravda* of that period, reproduced in the bulletin of G. Marlen's group. Also Max Eastman's *Since Lenin Died*. Marlen, incidentally, shares Trotsky's view that Russia is still a ("degenerate") workers' state.

State Capitalism or Totalitarian State Economy, by Rudolf Hilferding

The concept of "state capitalism" can scarcely pass the test of serious economic analysis. Once the state becomes the exclusive owner of all means of production, the functioning of a capitalist economy is rendered impossible by destruction of the mechanism which keeps the life-blood of such a system circulating. A capitalist economy is a market economy. Prices, which result from competition among capitalist owners (it is this competition that "in the last instance" gives rise to the law of value), determine what and how much is produced, what fraction of the profit is accumulated, and in what particular branches of production this accumulation occurs. They also determine how in an economy, which has to overcome crises again and again, proportionate relations among the various branches of production are re-established whether in the case of simple or expanded reproduction.

A capitalist economy is governed by the laws of the market (analyzed by Marx) and the autonomy of these laws constitutes the decisive symptom of the capitalist system of production. A state economy, however, eliminates precisely the autonomy of economic laws. It represents not a market but a consumers' economy. It is no longer price but rather a state planning commission that now determines what is produced and how. Formally, prices and wages still exist, but their function is no longer the same; they no longer determine the process of production which is now controlled by a central power that fixes prices and wages. Prices and wages become means of distribution which determine the share that the individual receives out of the sum total of products that the central power places at the disposal of society. They now constitute a technical form of distribution which is simpler than direct individual allotment of products which no longer can be classed as merchandise. Prices have become symbols of distribution and no longer comprise a regulating factor in the economy. While maintaining the form, a complete transformation of function has occurred.

Both the "stimulating fire of competition" and the passionate striving for profit, which provide the basic incentive of capitalist production, die out. Profit means individual appropriation of surplus products and is therefore possible only on the basis of private ownership. But, objects Mr. Worrall, did Marx not consider accumulation as an essential ear-mark of capitalism and

does not accumulation play a decisive role in the Russian economy? Is that not state capitalism?

Mr. Worrall has overlooked one slight detail; namely, that Marx refers to the accumulation of capital, of an ever-increasing amount of the means of production which produce profit and the appropriation of which supplies the driving force to capitalist production. In other words, he refers to the accumulation of value which creates surplus value; i. e., a specifically capitalist process of expanding economic activity.

On the other hand, the accumulation of means of production and of products is so far from being a specific feature of capitalism that it plays a decisive part in all economic systems, except perhaps in the most primitive collecting of food. In a consumer economy, in an economy organized by the state, there is not accumulation of values but of consumers' goods-products that the central power wants in order to satisfy consumers' need. The mere fact that the Russian state economy accumulates does not make it a capitalist economy, for it is not capital that is being accumulated. Mr. Worrall's argument is based on a gross confusion between value and use value. And he really believes that a socialist economy could do without accumulation!

But what then (and here we come to the basic question) is that central power that rules over the Russian economy? Trotsky and Worrall reply: "Bureaucracy." But while Trotsky refuses to consider the bureaucracy as a class (according to Marx a class is characterized by the place it occupies in the process of production), Worrall makes an amazing discovery. Soviet bureaucracy in its structure (which unfortunately he does not analyze) differs "basically" from any other bourgeoisie, but its function remains the same-the accumulation of capital. The fact that, despite great structural differences, the function can remain unchanged is, of course, a miracle that cannot occur in nature but- seems (according to Worrall) possible in human society.

In any case, Worrall accepts this as evidence that Russia is dominated by a bourgeois class and thus by state capitalism. He clings obstinately to his confusion of capital and the means of production and seems unable to conceive of any form of accumulation other than capitalist accumulation. He fails to understand that accumulation (i. e. the expansion of production) in any economic system is the task of the managers of production; that even in an ideal socialist system this accumulation can result only from the surplus product (which only under capitalism takes the form of surplus value), and that the fact of accumulation in itself does not prove the capitalist nature of an economy.

But does the "bureaucracy" really "rule" the economy and consequently the people? Bureaucracy everywhere, and particularly in the Soviet Union, is composed of a conglomeration of the most varied elements. To it belong not

only government officials in the narrow sense of the word (i. e. from minor employees up to the generals and even Stalin himself) but also the directors of all branches of industry and such functionaries as, for example, the postal and railway employees. How could this variegated lot possibly achieve a unified rule? Who are its representatives? How does it adopt decisions? What organs are at its disposal?

In reality, the "bureaucracy" is not an independent hearer of power. In accordance with its structure as well as function, it is only an instrument in the hands of the real rulers. It is organized as an hierarchy and subordinated to the commanding power. It receives but does not give orders. Any functionary, as Trotsky justly puts it, "can be sacrificed by his superior in the hierarchical system in order to decrease any kind of dissatisfaction." And these are the new masters of production, the substitute for capitalists? Stalin thoroughly exploded this myth when, during the last purges, he ordered shot, among others, thousands of industrial managers.

It is not the bureaucracy that rules, but he who gives orders to the bureaucracy. And it is Stalin who gives orders to the Russian bureaucracy. Lenin and Trotsky with a select group of followers who were never able to come to independent decisions as a party but always remained an instrument in the hands of the leaders (the same was true later with the fascist and national-socialist parties) seized power at a time when the old state apparatus was collapsing. They changed the state apparatus to suit their needs as rulers, eliminating democracy and establishing their own dictatorship which in their ideology, but by no means in practice, was identified with the "dictatorship of the proletariat." Thus they created the first totalitarian state — even before the name was invented. Stalin carried on with the job, removing his rivals through the instrument of the state apparatus and establishing an unlimited personal dictatorship.

This is the reality which should not be obscured by construing alleged domination by a "bureaucracy" which is in fact subordinate to the government to the same extent as are the rest of the people. This is true even though some modest crumbs from the master's table may be doled out to it — without, of course, a guarantee that other crumbs are to follow and at the price of constant danger to their very lives. Their material share does not constitute any important portion of the social product. Nevertheless, the psychological effect of such a differentiation may be quite considerable.

Important economic consequences flow from this fact. It is the essence of a totalitarian state that it subjects the economy to its aims. The economy is deprived of its own laws, it becomes a controlled economy. Once this control is effected, it transforms the market economy into a consumers' economy. The character and extent of needs are then determined by the state. The German

and Italian economies provide evidence of the fact that such control, once initiated in a totalitarian state, spreads rapidly and tends to become all-embracing as was the case in Russia from the very beginning. Despite great differences in their points of departure, the economic system of totalitarian states are drawing close to each other. In Germany, too, the state, striving to maintain and strengthen its power, determines the character of production and accumulation. Prices lose their regulating function and become merely means of distribution. The economy, and with it the exponents of economic activity, are more or less subjected to the state, becoming its subordinates. The economy loses the primacy which it held under bourgeois society. This does not mean, however, that economic circles do not have great influence on the ruling power in Germany as well as in Russia. But their influence is conditional, has limits and is not decisive in relation to the essence of policy. Policy is actually determined by a small circle of those who are in power. It is their interests, their ideas as to what is required to maintain, exploit, and strengthen their own power that determines the policy which they impose as law upon the subordinated economy. This is why the subjective factor, the "unforeseeable," "irrational" character of political development has gained such importance in politics.

The faithful believe only in heaven and hell as determining forces; the Marxist sectarian only in capitalism and socialism, in classes — bourgeoisie and proletariat. The Marxist sectarian cannot grasp the idea that present-day state power, having achieved independence, is unfolding its enormous strength according to its own laws, subjecting social forces and compelling them to serve its ends for a short or long period of time.

Therefore neither the Russian nor the totalitarian system in general is determined by the character of the economy. On the contrary, it is the economy that is determined by the policy of the ruling power and subjected to the aims and purposes of this power. The totalitarian power lives by the economy, but not for the economy or even for the class ruling the economy — as is the case of the bourgeois state, though the latter (as any student of foreign policy can demonstrate) may occasionally pursue aims of its own. An analogy to the totalitarian state may be found in the era of the late Roman Empire, in the regime of the Praetorians and their emperors.

Of course, from a social democratic viewpoint the Bolshevik economy can hardly be called "socialist," for to us socialism is indissolubly linked to democracy. According to our concept, socialization of the means of production implies freeing the economy from the rule of one class and vesting it in society as a whole—a society which is democratically self-governed. We never imagined that the political form of that "managed economy" which was to replace capitalist production for a free market could be unrestricted absolutism. The correlation between the economic basis and the political structure seemed to us

a very definite one: namely, that the socialist society would inaugurate the highest realization of democracy. Even those among us who believed that the strictest application of centralized power would be necessary or inevitable for the period of transition, considered this period only temporary and bound to end after the suppression of the propertied classes. Together with the disappearance of classes, class rule was also to vanish — that class rule which we considered the only possible form of political rule in general. “The state is withering away ...”

But history, this “best of all Marxists,” has taught us differently. It has taught us that “administering of things,” despite Engels’ expectations, may turn into unlimited “administering of people,” and thus not only lead to the emancipation of the state from the economy but even to the subjection of the economy to the state.

Once subjected to the state, the economy secures the continued existence of this form of government. The fact that such a result flows from a unique situation primarily brought about by war does not exclude a Marxist analysis, but it alters somewhat our rather simplified and schematic conception of the correlation between economy and state and between economy and politics which developed in a completely different period. The emergence of the state as an independent power greatly complicates the economic characterization of a society in which politics (i.e. the state) plays a determining and decisive role.

For this reason the controversy as to whether the economic system of the Soviet Union is “capitalist” or “socialist” seems to me rather pointless. It is neither. It represents a totalitarian state economy, i.e. a system to which the economies of Germany and Italy are drawing closer and closer.

Originally published (in Russian) in *Sotsialisticheskii Vestnik*, April 1940. English translation (by Nina Stein): *The Modern Review*, June 1947. Reprinted in *Essential Works of Socialism* (ed. Irving Howe) and in *The Marxists*, by C Wright Mills.