

Lecture 2

“Socialism in One Country” and the Soviet economic debates of the 1920s

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Nick Beams, national secretary of the Socialist Equality Party (Australia) and a member of the International Editorial Board of the WSWs, delivered two lectures at a summer school of the SEP in Ann Arbor Michigan in August 2007. The lectures deal with some of the crucial conflicts over economic policy in the Soviet Union during the 1920s. One of the motivations for the lectures was to answer the distortions advanced by the British academic Geoffrey Swain in his book Trotsky published in 2006. Further material can be found in Leon Trotsky & the Post-Soviet School of Historical Falsification by David North.

The analysis in *Towards Capitalism or Socialism*, one of the fruits of Trotsky's intellectual labours while working in the Concessions Commission and on other economic projects, is one of the most concentrated and far-reaching summaries of his perspective on the development of the Soviet economy. Its central ideas are completely distorted and falsified by Geoffrey Swain.

According to Swain, “Trotsky was never opposed to the idea of ‘socialism in one country’ if the correct economic policy were followed.” He was therefore “happy” to associate himself with this task and his essay [*Towards Capitalism or Socialism*] made “very clear” that the Soviet Union was “on its way to socialism.” [1]

Swain is here deliberately confusing two different issues for the purpose of falsifying Trotsky's position. Trotsky always insisted on the possibility and necessity of undertaking measures of socialist construction in the Soviet Union—contrary to the Stalinist caricature of permanent revolution which insisted that it claimed nothing could be done until there was a revolution in the West. Economic construction was both possible and necessary, but far from building socialism in one country, this very process created further problems and challenges.

In a 1922 preface to his book *1905*, Trotsky set out his position in a passage that was to be quoted repeatedly by his opponents: “The contradictions in the position of a workers’ government in a backward country, with an overwhelming peasant population, will be resolved only in an international context in the arena of the world proletarian revolution.” [2]

The opening pages of *Towards Capitalism or Socialism* set out some of those contradictions as they emerged in the sphere of the economy. The construction of socialism, Trotsky began by pointing out, depends on the growth of the productive forces, a process that involves engaging the personal interest of the producers themselves in the social economy.

In the case of workers, one method was to make their wages dependent on the productivity of their labour. The personal interest of the peasant arose from the fact that he functioned as a private individual producing for the market. And here emerged a crucial difference with the worker. While a system of wage differentials did not give rise to a class

differentiation—one worker, even though he is paid more than another, is still a worker—the enrichment of the peasantry does. As the individual peasant acquires more wealth he begins to employ others, brings more land under his control and begins to gain control over others through loans and other measures.

That is, a class differentiation begins to take place. Such a differentiation of course does not occur if the peasant economy does not grow. But the growth of peasant production—above all the increase in the supply of grain to the cities—is vital for the expansion and development of industry, upon which the development of socialist economy depends. Thus NEP was a highly contradictory process. There was a struggle within the NEP between capitalist and socialist tendencies. It was both a competition and collaboration between these tendencies. The only way to counter the inevitable process of class differentiation in the village was through the development of industry that would provide the basis for a higher form of production that could supersede individual peasant production—collectivised agriculture using advanced industrial machinery.

The right wing, with Zinoviev in the lead, insisted that the peasant could grow over into socialism through the development of cooperatives. Trotsky did not deny their significance but insisted that cooperatives as a form of organization were not sufficient. In order to advance the socialist reconstruction of agriculture it was necessary to industrialize it.

The occasion for *Towards or Socialism* was the publication of the 1925-26 control figures for the economy by Gosplan. Trotsky had two tasks: to refute the claims of the social democratic and Menshevik opponents of the revolution that the Bolsheviks had ruined the economy and that capitalism was returning, and to bring forward the new problems which confronted the Soviet economy as it restored industrial capacity to the levels of 1913 and embarked on a new era, not just of restoration but of new construction.

Trotsky pointed out that the Gosplan figures on the state control of the economy had a historic significance. They were the “first, though as yet imperfect, balance sheet of the first chapter of the great experiment of transforming bourgeois society into socialist society. And this balance sheet is entirely favourable to socialism.” [3]

No country, he continued, had been so ruined and exhausted by a series of wars as the Soviet Union. But in contrast to the capitalist countries, which had recovered with foreign assistance, the Soviet Union, the most backward, the most exhausted, had made a recovery entirely by her own efforts against the active opposition of the entire capitalist world. What was to account for this remarkable development?

“It is only owing to the complete abolition of feudal landholding and bourgeois property, only owing to the nationalization of all the principal means of production, to state socialist methods, and to the mobilization and distribution of the necessary resources, that the Soviet Union has risen

out of the dust and is now forcing its way into the system of world economy as factor of increasing importance.” [4]

For Trotsky, however, the task was not simply to note the achievements of the Soviet economy but to chart the course ahead by identifying the new problems and dangers—resulting from the very advances made by the Soviet economy—and pointing to the means to begin to overcome them.

The crucial question, he insisted, was not just the relationship between state and private industry within the Soviet Union—decisive as that was—but the “far more important” question of the relationship of Soviet economy to the world economy as a whole. As the Soviet economy entered the world market not only did its prospects increase, but also the dangers.

This was because the fundamental superiority of the capitalist states lay in the cheapness of goods—the market expression of the fact that they had a higher productivity of labour, and it was the productivity of labour that would determine, in the final analysis, whether capitalism or socialism was victorious.

“The dynamic equilibrium of the Soviet economy should by no means be considered as the equilibrium of a closed and self-sufficient unit,” he wrote. “On the contrary, as time goes on, our internal economic equilibrium will be maintained more and more by the accomplishments of our imports and exports. This circumstance deserves to be traced to its logical conclusion, with every inference drawn. The more we are drawn into the system of the international division of labour, the more openly and directly are such elements of our domestic economy as the price and quality of our goods made to depend on the corresponding elements in the world market.” [5]

A new yardstick had to be found to measure the progress of the Soviet economy. Up to that point it had been the degree to which industry, agriculture, transport and other sectors of the economy had returned to the levels achieved in 1913, the last year before the outbreak of war. Now that those levels had either been attained or were about to be reached, new criteria were necessary—coefficients that measured Soviet industry against the world market comparing both price and quantity. In this way it would be possible to identify economic weak points and to determine a rational plan for imports and exports. The development of such figures had clear implications for investment as well. It would be possible to determine the relative advantages and disadvantages of importing certain classes of machinery and equipment or trying to manufacture them domestically. Clearly in those areas where the Soviet coefficients were furthest from world standards, it would be more advantageous to import as opposed to those where the coefficients more closely approximated the international benchmark.

With the Soviet economy reaching or approaching its pre-war levels of production, the relationship to the world market underwent a change as well. In the period of War Communism, we recall, Trotsky had insisted on the need for Soviet Russia to rely on its own capacities lest the imperialists secure significant inroads into nationalized property in return for “a pound of tea and a tin of condensed milk.” But the recovery of the Soviet economy meant that new opportunities, as well as new dangers, were opening up.

Previously the world market had been considered from the standpoint of the economic dangers lurking within it. No one had been more insistent than Trotsky on the recognition of these dangers, which had to be combated with the measures of “socialist protectionism” embodied in the monopoly of foreign trade. But the capitalist world market not only contained great dangers, it also opened up new opportunities for the Soviet economy.

“It enables us to secure more and more access to the accomplishments of technology, to its most complex achievements. While the world market, when it adds a socialist economic system to its other units, conjures up certain dangers for this socialist system, it also affords the socialist state

powerful antidotes for these dangers, provided that the state properly regulates its economic intercourse. If we use the world market for our own ends in the right way we shall be able to considerably accelerate the process of altering the comparison coefficients in favour of socialism.” [6]

Contrast this analysis with the pronouncements of Stalin at the 14th congress of the Communist Party just four months later in December 1925. According to Stalin it was necessary to “conduct our economic construction in such a way as to convert the USSR from a country which imports machines and equipment into a country which produces machines and equipment. ... In this manner the USSR ... will become a self-sufficient economic unit building socialism.” [7]

In opposition to this nationalist outlook, Trotsky insisted that it was necessary to have regard for the complex system of interrelations that had existed before the war between the economy of capitalist Russia and the world market. Almost two thirds of the inventory of the factories had been imported from abroad and this condition remained virtually unchanged.

This meant, Trotsky continued, that it would not be advantageous to produce anything more than perhaps two fifths or at most one half of the necessary new machines over the next period. Any sudden leap to the production of new machinery would adversely disturb the relations between the various branches of the economy and generally retard the rate of economic development. Such retardation would be much more dangerous to the Soviet economy than the importation of foreign machines or necessary foreign commodities in general. [8]

Now let us return to Swain’s contention that Trotsky was “perfectly happy” with the conception that it was possible to build socialism in one country.

The importance of the Gosplan figures, Trotsky insisted, was that they showed the predominance of socialist tendencies in the economy over capitalist tendencies on the basis of the general advance of the productive forces. But that was just the starting point.

“If it were our intention (or rather, if it were possible for us) to remain an economically isolated state forever, we might consider this question solved in principle. Danger would then threaten us only in the political field, or in the event of a military penetration of our isolation from outside. But now that we have entered the field of the universal division of labour, economically speaking, and have thus become subject to the operation of the laws controlling the world market, the cooperation and struggle between the capitalist and socialist tendencies in the economy acquire far greater proportions, which involves greater and greater hardships.” [9]

So much for Swain’s falsifications. One can only concur with the conclusion reached by Isaac Deutscher that Trotsky had refuted the fundamental precepts of Stalin’s theory of socialism in one country even before it had been imposed as official policy.

We come now to a very important foundation of Trotsky’s analysis, one with far reaching implications not only for the historical struggle against Stalinism and its doctrine of socialism in one country, but for the contemporary struggle in which we are engaged for international socialism.

This is Trotsky’s conception of the objective significance of the international division of labour. Here the arguments in the sphere of economy are grounded on the same basic conceptions that were developed by Trotsky in his analysis of culture and his opposition to the theory of proletarian culture.

In the article *Culture and Socialism*, published in 1927, Trotsky began by explaining that historical society has developed as an organization for the exploitation of man by man. Consequently culture has served the class organization of society, and an exploiters’ society has given rise to an exploiters’ culture. Does this mean that we are against all the culture of the past?

“There exists, in fact, a profound contradiction here. Everything that has been conquered, created, and built by man’s efforts and that serves to enhance man’s power is culture. But since it is not a matter of individual man but of social man, since culture is a social-historical phenomenon in its very essence, and since historical society has been and continues to be class society, culture is found to be the basic instrument of class oppression. Marx said: ‘The ruling ideas of an epoch are essentially the ideas of the ruling class of that epoch.’ This also applies to culture as a whole. And yet we say to the working class: master all the culture of the past, otherwise you will not build socialism. How is this to be understood?”

“Over this contradiction many people have stumbled, and they stumble so frequently because they approach the understanding of class society superficially, half-idealistically, forgetting that fundamentally it is the organization of production. Every class society has been formed on the basis of definite modes of struggle with nature, and these modes have changed in accordance with the development of technology. What is the basis of bases—the class organization of society or its productive forces? Without doubt the productive forces. It is precisely upon them, at a certain level of their development, that classes are formed and re-formed. In the productive forces is expressed the materialized economic skill of mankind, our historical ability to ensure our existence. On this dynamic foundation there arise classes, which by their interrelations determine the character of culture.” [10]

It was from within this broad historical framework that Trotsky considered the development of the international division of labour, regulated through the operation of the world market, and its relationship to the question of socialist construction in the Soviet Union.

The international division of labour had been taken forward by capitalist economy, but it was an historical and social mechanism through which the productivity of labour had been increased and the productive forces developed.

In other words, in considering the international division of labour, it is clear that the same question arises as in the sphere of culture: what is the basis of the bases, the class organization of society or the development of the productive forces? That is, the international division of labour, through which the productive forces of mankind had been developed, was a more fundamental social category than the class organization of society. This meant that the development of socialist measures in the Soviet economy had to be undertaken in accord with the international division of labour and in that way the economic measures carried out in the Soviet Union would pre-figure the international socialist economy.

In an article published on August 1, 1925, Trotsky explained that, in the final analysis, economic processes would prevail over political barriers. “The world division of labour and exchange which derives from it is not disrupted by the fact that a socialist system prevails in one country while a capitalist one prevails in the others. ... The fact that the workers and peasants in our country wield state power and own trusts and syndicates in no way upsets the world division of labour, which results [not from ideology but] from differences in natural circumstances and national history.” [11]

This meant that the Stalinist perspective of keeping the Soviet Union economically isolated until the socialist revolution had spread internationally was false to the core. The future United States of Europe, indeed the future world socialist economy, was not simply a question of a political perspective. Rather, the political perspective was itself an expression of objective economic processes. It was, so to speak, lodged in the international division of labour itself. Socialism is justified historically to the extent that it can bring about a development of the productive forces—a development that takes place on the ground of the international division of labour.

Trotsky expressed these ideas in a number of places over the next

period. In 1927 he wrote: “A properly regulated growth of export and import with the capitalist countries prepares the elements of the future commodity and product exchange [which will prevail] when the European proletariat assumes power and controls production.” Accordingly, the building of socialism did not take place in distinct stages separated by an “abyss.”

The same idea is expressed in another way in the critique of the draft program for the Sixth Congress of the Comintern in 1928. The perspective of Stalin and Bukharin of “socialism in one country” envisioned the world socialist economy as being constructed from a series of national socialist economies, “after the manner in which children erect structures with ready-made blocks.”

“As a matter of fact, world socialist economy will not at all be a sum of national socialist economies. It can take shape in its fundamental aspect only on the soil of the worldwide division of labour which has been created by the entire preceding development of capitalism. In its essentials, it will be constituted and built not after the building of ‘complete socialism’ in a number of individual countries, but in the storms and tempests of the world proletarian revolution which will require a number of decades. The economic success of the first countries of the proletarian dictatorship will be measured not by the degree of their approximation to a self-sufficing ‘complete socialism’ but by the political stability of the dictatorship itself and by the successes achieved in preparing the elements of the future world socialist economy.” [12]

The circumstances surrounding the opening of the battle over socialism in one country in the Communist Party have provided material for conjecture over Trotsky’s motives and actions at the time. In the preface to the Russian edition of *Permanent Revolution* he made clear that the battle against socialism in one country involved all the central questions of a revolutionary perspective. The alternative of permanent revolution or socialism in one country, he wrote, “embraces at the same time the internal problems of the Soviet Union, the prospects of revolution in the East, and finally, the fate of the Communist International as a whole.” [13]

The conjectures over Trotsky’s actions arise because at the 14th party congress held in December 1925 at which the conflict first arose, the battle was initiated by Zinoviev and Kamenev while Trotsky remained silent. The triumvirate of Zinoviev, Kamenev and Stalin, which had come together in order to block and eventually exclude Trotsky from a leadership role, was now falling apart over the most fundamental question of perspective. Yet the initial battle did not involve Trotsky.

Commenting on these events, E.H. Carr wrote: “The split in the triumvirate at the fourteenth party congress left behind it one puzzling enigma: the position of Trotsky. Hostility to Trotsky was the main foundation on which the triumvirate had stood.” At the congress, however, Trotsky’s position had seemed the most rigid, Carr continued. “Though a delegate at the congress, he had sat haughtily throughout the proceedings, while the two new factions tore one another to pieces without rising to speak.” [14]

Deutscher, noting that the conflict between the triumvirs had been simmering for a year, commented: “This, it might have seemed, was the realignment for which Trotsky had waited, the opportunity to act. Yet throughout all this time he was aloof, silent about the issues over which the party divided, and as if unaware of them.” [15]

Geoffrey Swain, however, has a ready answer to hand. Despite all the frustrations brought by “interference” from the Politburo in economic decision-making, progress was being made “and he was prepared to work with Stalin to see it through.” [16]

And why would he come into conflict, given that, according to Swain, he agreed with Stalin that socialism could be built in one country if only the correct policies were carried out?

Trotsky's silence and apparent inaction in the face of the split in the triumvirate is only a "mystery" if it is considered from the standpoint of a struggle for political power. From this standpoint it would seem obvious to initiate a course of action designed to take maximum advantage of a split in the ranks of one's opponents. However, when viewed in the correct perspective, that is, from the standpoint of the issues of program and perspective with which Trotsky was concerned, the meaning of the events surrounding the 14th congress can be readily grasped.

The doctrine of socialism in one country had its origins in an article published by Stalin in December 1924 directed against Trotsky's theory of permanent revolution entitled "The October Revolution and the Tactics of the Russian Communists."

"According to Lenin," Stalin wrote, "revolution draws its forces above all from among the workers and peasants of Russia itself. According to Trotsky we have it that the indispensable forces can be found *only* 'in the arena of a world-wide proletarian revolution'. And what if the world revolution is fated to come late? Is there a gleam of hope for our revolution? Comrade Trotsky gives us no hope at all ... According to this plan, our revolution has only one prospect: to vegetate in its own contradictions and have its roots rot while waiting for the worldwide revolution." [17]

Just 10 months earlier, in his *Foundations of Leninism*, Stalin had summed up Lenin's views as follows: "The overthrow of the power of the bourgeoisie and the establishment of a proletarian government in one country does not yet guarantee the complete victory of socialism. The main task of socialism—the organization of socialist production—remains ahead. Can this task be accomplished, can the final victory of socialism in one country be attained, without the joint efforts of the proletariat of several advanced countries? No, this is impossible. To overthrow the bourgeoisie the efforts of one country are sufficient—the history of our revolution bears this out. For the final victory of Socialism, for the organization of socialist production, the efforts of one country, particularly of such a peasant country as Russia, are insufficient. For this the efforts of the proletarians of several advanced countries are necessary. Such, on the whole, are the characteristic features of the Leninist theory of the proletarian revolution."

However, by the end of the year the book was reissued with the affirmation that the "proletariat can and must build the socialist society in one country," followed by the assertion that this constituted the "Leninist theory of proletarian revolution."

The significance of the new doctrine, however, was not immediately apparent. E.H. Carr noted that it did not figure in the resolution drafted by Zinoviev that condemned Trotsky in January 1925. Stalin did not mention it in his speech on that occasion, and nobody thought of invoking it in the disputes over agrarian policy that took place in the winter of 1924-25. "Its original appearance in the article of December 1924 was followed by a three months' silence, during which the theory of socialism in one country seems to have been ignored by party leaders and publicists, including its author." [18]

It was Bukharin who took it up and developed it, arguing in the spring of 1925 that the counterpart of the recognition of the stabilization of capitalism had to be an acknowledgement of the possibility of building socialism in one country. The stabilization of capitalism in the West, he maintained, "to a certain degree influences the way we consider the question of our internal economic position." If it was admitted that capitalism in Western Europe is recovering, he continued, "does it not follow that this implies an end to our hope of building socialism? In other words, can we succeed without the direct help of a victorious European proletariat? This reduces to a question of the possibility of building socialism in one country." It was possible to build socialism as the resources would be acquired through a more vigorous application of labour. [19]

By the time of the 14th congress in December 1925 the political usefulness of the new doctrine as a weapon for beating the opposition was becoming ever more apparent. Socialism in one country was to become the nationalist doctrine of the rising bureaucracy as it consolidated its position in the battle against the program and perspective of socialist internationalism and Marxism.

When the conflict between the triumvirs erupted on the floor of the 14th congress Trotsky was taken by surprise. As he later told the Dewey Commission: "The expectation of a struggle between Stalin and Zinoviev and Kamenev was unsuspected at the Congress. During the Congress I waited in uncertainty, because the whole situation changed. It appeared absolutely unclear to me." [20]

Having been taken unawares, he sought to orient himself as to the meaning of the conflict and the tendencies that the opposing factions represented. On December 14, he made a note that outlined the method by which he would proceed.

"Neither classes nor parties," he wrote, "can be judged by what they might say about themselves nor by the slogans they raise at a given moment. This fully applies to groupings within a political party as well. Slogans must be taken, not in isolation, but in relation to all their surroundings, and especially in relation to the history of a particular grouping, its traditions, the selection of human material within it, etc." [21]

In the case of the Zinoviev-Kamenev grouping it was by no means clear what the opposition to the Stalin-Bukharin bloc signified. In the first place, Zinoviev had been in the forefront of the denunciations of Trotsky for "underestimating" the peasantry. The conflict, which had erupted in the lead-up to the congress, between the Leningrad organization, headed by Zinoviev, and the central committee undoubtedly had its social roots in the relations between the proletariat and the peasantry, Trotsky noted.

But no specific proposals had been advanced nor any platforms clarifying the basic principles elaborated. Furthermore, there was "extraordinary difficulty" in drawing out the precise nature of the class tendencies at work in the different factions because of the "absolutely unprecedented role" of the party apparatus. This had led to a situation where the Leningrad organization directed a resolution, virtually unanimously, against the central committee, while the Moscow organization—without even a single abstention—adopted a resolution against Leningrad.

Trotsky could not simply take on face value Zinoviev's newfound opposition to Stalin and his doctrine of socialism in one country. After all, it was not at all clear what Zinoviev's real position was.

In April 1925 he had told a party conference that Lenin had believed that the "full victory" of socialism was possible in "a country such as ours," but that as an international revolutionary, Lenin had "never ceased to underline the fact that without an international revolution our victory is unstable and incomplete." Thus, according to Zinoviev's jumbled logic, a "full" but "incomplete" and "unstable" victory of socialism was possible in one country.

The composition of the new opposition was a further complication. Sokolnikov, one of the leaders of the advocates of "financial orthodoxy," was among the leaders of the Leningrad opposition. His opposition to "socialism in one country" would come from the right rather than the left. Earlier he had been an advocate of weakening the monopoly of foreign trade—characterized by Trotsky as "socialist protectionism"—in the name of tighter control of government finances. "He was and remains," Trotsky wrote, "the theoretician of economic disarmament of the proletariat in relation to the countryside." In the absence of any clear, worked-out perspective from Zinoviev, Sokolnikov's program would have become the platform of the new opposition.

This danger was underscored by the fact that "Kamenev, Zinoviev and the others still consider industry a component part of state capitalism." In

1921, at the start of the NEP, Trotsky noted, Lenin had characterized the overall economic regime as state capitalism. But this was at a time when industry was in a state of paralysis and it was anticipated that economic development would proceed by way of mixed companies, some of them attracting foreign investment. In fact, this did not take place. Development occurred on more favourable lines and state industry ended up with the decisive position while mixed companies, concessions and leased enterprises took an insignificant share of the market. However, the leaders of the new opposition continued to use the term.

“They held this point of view in common two or three years ago, and advanced it in an especially persistent fashion during the 1923-24 discussion,” Trotsky wrote. “The essence of this point of view is that industry is one of the subordinate parts of a system that includes peasant economy, finance, cooperatives, state-regulated privately owned enterprises, etc. All these economic processes, regulated and controlled by the state, constitute the system of state capitalism, which is supposed to lead to socialism through a series of stages. In this schema, the leading role of industry completely vanishes. The planning principle is almost entirely pushed aside by credit-finance regulation [the program of Sokolnikov], which assumed the role of an intermediary between the peasant economy and state industry, regarding them as two parties in a lawsuit.” [22]

The essence of the question lay in the development of industry. Only in this way could fundamental changes be made in the countryside. The regulation of credit and finance did not include any principle of planning and could not contain any guarantee of an advance to socialism.

There was another aspect to the significance of planning and industrialization—the regime inside the party. Trotsky did not consider, unlike Zinoviev, that the central problem was Stalin as an individual. Rather Stalin and the bureaucratic regime he headed, based in the party apparatus, was, in the final analysis, an expression of the economic and cultural backwardness of the Soviet Union and the impoverished position of the working class. Therefore bureaucratism could only be overcome through a program of economic and cultural development, of which planning and industrialization were the key components.

Notwithstanding his concerns over the perspectives of the Leningrad leadership and the nature of the regime they headed, Trotsky concluded that the emergence of this opposition did represent, in a distorted manner, the growing opposition of the working class to the continuous concessions to the peasantry and the backsliding by the central leadership and that, by the same token, some of the hostility to Leningrad reflected the opposition of the countryside to the city.

It was considerations of this kind that led Trotsky to form a united opposition with Kamenev and Zinoviev. At the April 1926 Central Committee plenary sessions Trotsky proposed a five-year plan aimed at overcoming the shortage of industrial goods by 1931, including more progressive agricultural taxes and expanded capital commitments to industry. At the same meeting Kamenev put forward the view that industry was now lagging behind agriculture and this deficiency had to be overcome. This convergence of opinion led to the formation of the Joint Opposition.

Over the next 18 months Trotsky was to engage in a political struggle so intense that in comparison his conflicts with the triumvirs were “mere skirmishes.” Deutscher captures the scope of the battle: “Tireless, unrelenting, straining every nerve, marshalling matchless powers of argument and persuasion, ranging over an exceptionally wide compass of ideas and policies, and at last supported by a large section, probably the majority, of the Old Guard which had hitherto spurned him, he made a prodigious effort to arouse the Bolshevik party and to influence further the course of the revolution. As a fighter he may appear to posterity not smaller in the years 1926-27 than he was in 1917—even greater.” [23]

In the end the Opposition was defeated and Trotsky exiled. The roots of

the defeat lay, in the final analysis, in the further blows to the international revolution, now prepared by the policies of the Stalinist apparatus itself, which caused the masses to hold back. While the ruling factions needed only the passivity of the masses, the opposition needed their arousal and active involvement and that was not forthcoming under the impact of further defeats, especially the defeat of the Chinese Revolution in 1926-27.

While Trotsky held the preeminent position within the Opposition, Evgeny Preobrazhensky played a significant role in the sphere of economic policy. Preobrazhensky was to capitulate to the Stalin regime. But his analysis, and the theoretical conceptions within it, which led to his eventual recantation, contain important issues that have lost none of their relevance.

Preobrazhensky was born on 15 February 1886 in Bolkhov, a small town in central Russia established in the 13th century, and was shot in Stalin’s purge of 1937. The son of an Orthodox priest and Bible teacher, Preobrazhensky later maintained that his youthful radicalism developed in opposition to “all the religious quackery” he could see around him. While at high school he emerged as a political militant and founded a political journal. He joined the Russian Social Democrats in 1903 at the age of 17 and was arrested during his first year as a student at the Moscow University Law Department.

He took part in the 1905 Revolution, and, after its suppression, went to the Urals where was chosen to attend the 1907 all-Russia party conference in Finland where he met Lenin. Preobrazhensky was repeatedly arrested for his political activities and in September 1909 was sent to internal exile. When the February Revolution erupted he did not support the provisional government and was one of the first to accept Lenin’s April Theses.

During the negotiations at Brest-Litovsk in 1918, Preobrazhensky was among those who opposed the agreement and was closely aligned with Bukharin. Elected as an alternate member of the Central Committee in 1917, he became a full member in 1920. Preobrazhensky was one of those during the period of War Communism who sought to develop a system of centralized planning. He was a critic of the NEP from the beginning and as early as December 1921 criticized Lenin for describing War Communism as a mistake.

Preobrazhensky was a prominent signatory of the Declaration of the 46 in 1923, and, after the introduction of the NEP, was in sharp and continuous conflict with the theories of Bukharin, the chief spokesman of the right wing. In 1929, after the opposition had been crushed, Preobrazhensky was one of the first to break with Trotsky on the grounds that the Stalin regime had turned to the left and was implementing measures on industrialization demanded by the Opposition.

He was expelled again from the party in 1931 following the publication of his book *The Decline of Capitalism*, which expressed significant differences with Stalin’s chief economist Varga. Readmitted to the party in 1932, he made a recantation at the so-called Victors Congress in 1934, in which he made an attack on Trotsky. After being arrested and jailed in 1935 he served as a prosecution witness in the trial of Zinoviev in 1936. Arrested again in 1936 he was scheduled to be tried but did not appear and was shot in 1937 after refusing to confess.

Preobrazhensky’s major contribution to the debate on economic policy centred on what he called the law of primitive socialist accumulation, which was elaborated in articles and in his major book *The New Economics* published in 1926.

In the Soviet economy of the NEP, he maintained, there was a conflict between the law of value, through which the capitalist market was regulated, and the law of primitive socialist accumulation. The equilibrium of the Soviet economy was established “on the basis of conflict of [these] two antagonistic laws.” [24]

The concept of primitive accumulation was drawn from Marx’s analysis of the historical development of capitalism. Before the capitalist system

had developed to the stage where it could sweep away all earlier modes of production through the spontaneous operation of the market, it had to establish an initial accumulation of wealth. This primitive accumulation was achieved by means of colonial policy, the plundering of peasant production, the use of taxes and, above all, the use of force by the state.

Socialist production would in its full development achieve superiority over capitalism. But at this point, in the backward economy of the Soviet Union, it lagged far behind. Over time, it would be possible to carry out socialist accumulation by building up the means of production from the resources created from within the socialist economy. But that stage had not been reached. It was necessary to engage in “primitive socialist accumulation.” This involved “accumulation in the hands of the state of material resources mainly or partly from sources lying outside the complex of state economy. This accumulation must play an extremely important part in a backward peasant country, hastening to a very great extent the arrival of the moment when the technical and scientific reconstruction of the state economy begins and when this economy at last achieves purely economic superiority over capitalism.” [25]

Preobrazhensky rejected the claims by his right-wing opponents that he was proposing the type of harsh measures against the peasantry that had accompanied primitive accumulation under capitalism. The process of accumulation, he insisted, would take place through the pricing mechanism.

He explained the issues with the following example.

Industry; Agriculture

100 hours of labour; 150 hours of labour

100 units; 100 units

100 rubles; 100 rubles

The products of industry and agriculture have the same price. The inequality lies in the fact that grain, embodying 150 hours of agricultural labour, has been exchanged for industrial commodities embodying only 100 hours of industrial labour. In the world economy it might be assumed that grain, embodying 150 hours of agricultural labour, would be able to be exchanged for a greater quantity of industrial goods. But this is prevented by the monopoly of foreign trade. The unequal exchange provides the basis for accumulation by the socialist industrial sector in the form of new equipment and machinery, which lifts the productivity of labour leading to a change in the exchange relations.

Industry; Agriculture

100 hours of labour; 150 hours of labour

120 units; 100 units

100 rubles; 100 rubles

In the second stage the exchange is still unequal but the position of the peasantry has improved. It now receives 120 units of industrial goods compared to the 100 units previously. Preobrazhensky acknowledged that the appropriation of surpluses from the peasantry would “give rise to a certain discontent.” But at the same time such a policy would begin to create the conditions for overcoming that discontent by expanding industrial production and lowering prices, thereby lessening the exploitation of peasants by the merchants, as well as providing for the recruitment of new workers from the countryside. On the other hand, to continue with underaccumulation led to the continuation of the “goods famine” and a build-up of peasant discontent “so that this pressure from the countryside threatens our system of protectionism and the foreign trade monopoly.” [26]

Preobrazhensky was not content to describe the mechanisms of this process, he sought to discover what he believed were the objective laws which governed it. The economy was driven by the struggle to increase the means of production belonging to the state and this meant striving for the maximum primitive socialist accumulation.

“The whole aggregate of tendencies, both conscious and semi-conscious, directed towards the maximum development of primitive

socialist accumulation, is also the economic necessity, the compelling law of existence and development of the whole system, the constant pressure of which on the consciousness of the producers’ collective of the State economy leads them again and again to repeat actions directed towards the attainment of the optimum accumulation in a given situation.” [27]

This emphasis on the objective character of the law of primitive socialist accumulation, which presses itself on consciousness, becomes significant when we consider the reasons for Preobrazhensky’s capitulation to Stalin.

Preobrazhensky insisted that it was not enough to simply speak of the struggle between the socialist planning principle and spontaneity of the commodity economy because this said nothing about the particular phase of that struggle and the conditions under which it was developing.

Moreover, he maintained that the law of primitive socialist accumulation was based on tendencies within the development of capitalism itself that undermined the operation of the law of value. Because this analysis formed the basis of his eventual break from the Left Opposition and Trotsky, it is necessary to elaborate the fundamental questions of Marxist political economy, in particular the law of value, which are involved.

In *Capital*, Volume 1, Marx demonstrates that the value of any commodity is determined by the amount of socially necessary labour embodied in it. In a simple commodity society—a theoretical abstraction employed by Marx—commodities exchange in the market at their values. On the basis of this analysis, Marx shows how surplus value arises out of the purchase and use of the commodity labour power that the worker sells to the capitalist in the wage contract. Marx shows that surplus value arises from the very laws governing commodity exchange and emerges as soon as the buying and selling of labour power takes place. The origin of surplus value lies in the fact that labour power is a special commodity in that its expenditure in the process of production gives rise to more value than it embodies itself.

Marx’s method of analysis involves a continuous movement from the abstract to the concrete. In *Capital*, Volume 3, we no longer have the exchange of simple commodities, the products of the labour of individual producers. The commodities that now appear in the market are the products of capitalist firms, in which the proportions of the means of production [constant capital] to living labour differ across the range of industries.

The price of a commodity, now no longer the product of an individual producer but of a capitalist firm, will not be determined directly by the amount of new labour it embodies but will be such that it returns to the total capital that produced it an average rate of profit. This average rate is determined across society as a whole by the relationship of the total surplus value extracted from the working class to the total capital employed.

On the basis of this analysis Marx demonstrates that competition is the form of the struggle between different sections of capital to appropriate their share of the available mass of surplus value. If prices in one sector of the economy are at a level that returns capital in that sector a profit higher than the average rate, then capital from other sectors will move there, increase production, and lower the price until profit rates reach average levels again. However, if the firms already in that sector are able to prevent the entry of new capital, that is, if, for whatever reason, they are able to exert monopoly control, then profits in that sector will remain at higher than the average rate. The overall mass of surplus value will not have increased, but it will be distributed differently. The monopolized sectors of capitalist industry will have benefited at the expense of the more competitive sectors.

Preobrazhensky believed that Marx’s analysis of the impact of monopoly on the operation of the law of value had immediate relevance for the Soviet economy where the state sector operated as a giant trust or monopoly vis-à-vis the peasant producers competing in the domestic market. Furthermore, the Soviet economy as a whole functioned as a

monopoly in a world market that was increasingly dominated by giant trusts and monopoly corporations.

The state economy of the proletariat, he wrote, had arisen historically on the basis of monopoly capitalism. This led to the creation of monopoly prices on the home market of national industry, the exploitation of petty production and the expropriation of surplus profit. This situation formed the basis of the pricing policy in the period of primitive socialist accumulation. The further concentration of industry into the hands of a single state trust in the hands of the workers' state "increases to an enormous extent the possibility of carrying out on the basis of monopoly a price policy which will be only another form of taxation of private economy." [28]

But Preobrazhensky went further, insisting that with the development of monopoly capitalism the law of value had at least been "partially abolished along with all the other laws of commodity production which are connected with it." [29]

Free competition was not only being eliminated within national markets but increasingly on the world market where giant trusts, in particular those emanating from the United States, were becoming increasingly dominant. The equalization of the rate of profit—the mechanism through which the law of value operates—was rendered almost impossible between the trustified branches of production that had become "transformed into closed worlds, into the feudal kingdoms of particular capitalist organizations." [30]

We can begin to see here differences between the approach of Preobrazhensky and that of Trotsky. In his "Notes on Economic Questions," prepared in May 1926, Trotsky pointed to some of the dangers contained in Preobrazhensky's analysis.

"The analysis of our economy from the point of view of the interaction (both conflicting and harmonizing) between the law of value and the law of socialist accumulation is in principle an extremely fruitful approach—more accurately, the only correct one," he wrote. "Such analysis must begin within the framework of the closed-in Soviet economy. But now there is a growing danger that this methodological approach will be turned into a finished economic perspective envisaging the 'development of socialism in one country.' There is reason to expect, and fear, that the supporters of this philosophy, who have based themselves up to now on a wrongly understood quotation from Lenin, will try to adapt Preobrazhensky's analysis by turning a methodological approach into a generalization for a quasi-autonomous process. It is essential, at all costs, to head off this kind of plagiarism and falsification. The interaction between the law of value and the law of socialist accumulation must be placed in the context of the world economy. Then it will become clear that the law of value that operates within the limited framework of the NEP is complemented by the growing external pressure from the law of value that dominates the world market and is becoming ever more powerful." [31]

Trotsky returned to this point in January 1927: "We are part of the world economy and find ourselves in the capitalist encirclement. This means that the duel of 'our' law of socialist accumulation with 'our' law of value is embraced by the world law of value, which ... seriously alters the relationship of forces between the two laws." [32]

Trotsky maintained that industry in the Soviet Union had to be developed in accordance with the international division of labour. That is there was not an "abyss" between the structure of economy in the Soviet Union and that which would develop when the working class took power in the rest of Europe. Preobrazhensky had a different conception. If the proletarian revolution triumphed in Europe, then not only would the planning principle triumph as the method of organizing the economy "but the proportions and distribution of labour and means of production would be substantially different." [33]

The differences also extended to the type of industry that should be

developed. On many occasions Trotsky pointed to the fact that in the pre-war period almost two thirds of Russia's technical equipment was imported, while only one third consisted of home production, and even this third comprised the simplest machines. The more complicated, more important machines were brought in from abroad. In other words, economic policy should have regard for the pre-war international division of labour.

Preobrazhensky's analysis moved in another direction. The law of value, he maintained, exerted the least influence in the sphere of the production of the means of production where the state was both the monopolist purchaser and producer. "This means that heavy industry is the most socialist link in the system of our socialist economy, the link where the furthest progress has been made in the process of replacing market relations by a system of firm, planned orders and firm prices with the unified organism of the state economy." [34]

In fact, the law of value and the international division of labour could no more be ignored in this sphere than in any other. The production of the means of production, heavy industry, meant tying up large amounts of capital over an extended period of time, consequently diverting resources from other areas of the economy—light industry and the production of textiles, for example. Increased production in these areas, had it been able to go ahead, could have resulted in a greater flow of grain to market as peasants found more goods there that they wished to purchase.

This in turn would enable the state to sell more grain on the world market and with the increased export revenue purchase the required capital goods at less cost and a better quality than they could have been produced domestically. In other words, the decision on whether to go ahead with production of a piece of capital equipment depended not simply upon the relationships within that industry, but on those which prevailed in the Soviet economy as a whole and more generally the world market.

The same differences emerged in relation to the concessions policy—opening the Soviet economy to private international investment. Preobrazhensky warned of the dangers of concessions while Trotsky advocated a relaxation of the existing policy. In the early period the Soviet authorities were extremely cautious, one might say too cautious, he told a delegation of German workers in July 1925:

"We were too poor and weak. Our industry and our entire economy were too ruined and we were afraid that the introduction of foreign capital would undermine the still weak foundations of socialist industry. ... We are still very backward in a technical sense. We are interested in using every possible means to accelerate our technical progress. Concessions are one way to do this. Despite our economic consolidation, or more precisely, because of our economic consolidation, we are now more inclined than a few years ago to pay foreign capitalists significant sums for ... their participation in the development of our productive forces." [35]

Which is better, Trotsky asked at one point: the independent production of a poor and costly turbine or the dependent production of a better one?

When the Stalin leadership made a turn towards planning and industrialization at the end of 1928, largely in response to the crisis in grain supplies that its own policies had produced, Preobrazhensky was one of the first to shift away from the Opposition. In April 1929 he declared: "One has to make the fundamental and overall conclusion that the policy of the party did not deviate to the right after the Fifteenth Congress, as the Opposition described it ... but on the contrary, in certain substantive points it has seriously moved ahead on the correct path." [36]

Reviewing the contrasting positions of Trotsky and Preobrazhensky it can be seen that for Preobrazhensky the fundamental issue was planning and the industrial development of the Soviet Union. For Trotsky, however, these issues formed part of a broader perspective—the development of the world socialist revolution. Accordingly, the "left" turn by the bureaucracy

could not be separated from the disastrous policies it had pursued in the Comintern, leading to the defeat in China, or from the party regime.

For Trotsky the question of the party regime was inseparable from the question of industrialization and socialist development. It was not possible, he insisted in June 1925, to build socialism by the bureaucratic road and through administrative orders, but only through the initiative, will and opinion of the masses. “That is why bureaucratism is a deadly enemy of socialism. ... Socialist construction is possible only with the growth of genuine revolutionary democracy.” [37]

While Trotsky referred at times to the “law” of socialist accumulation, it meant something different for Preobrazhensky. The law of value in capitalist society operates as an objective tendency of development under conditions where the economic organization of society is not undertaken consciously. But the same cannot be said of the “law” of socialist accumulation—it does not simply impose itself on those who are directing the economic policies of the state. To be sure, there are objective connections and relationships on which decisions must be based, but very different outcomes will emerge depending on the decisions that are made.

Once they have been freed from the constrictions of feudalism, bourgeois market relations develop spontaneously, eroding and undermining other social formations. It is quite otherwise with socialist relations. They have to be developed consciously under conditions where it is possible, if the incorrect policies are followed, for a reversal to take place.

The Stalinist regime undertook its “left” turn because it felt endangered by the crisis in the economy—objective conditions forced it to act. But the measures it undertook—forced collectivisation and a virtual civil war in the countryside—created the conditions where, had they not been otherwise preoccupied, the imperialist powers could well have turned the situation to their advantage.

The differences between Trotsky and Preobrazhensky are by no means of mere historical interest. An examination of this question helps both to illuminate the underlying reasons for the collapse of the Soviet Union and to clarify the socialist perspective for the future.

Preobrazhensky, as we saw, based his analysis on the impact of monopoly capitalism on the law of value. The state economy established in the Soviet Union, he wrote, was “historically the continuation and deepening of the monopoly tendencies of capitalism, and so also the continuation of these tendencies in the direction of the further decay of commodity economy and the further liquidation of the law of value. If already in the period of monopoly capitalism commodity economy was, in Lenin’s expression ‘undermined,’ then to what extent have it and its laws—consequently, also its basic law of value—been undermined in the economic system of the USSR?” [38]

In other words, Preobrazhensky grounded his perspective on a certain historical form of capitalist development—the rise of national-based monopolies and trusts,

Trotsky, however, based himself on more fundamental processes, above all, on the inherent drive of the productive forces to leap over or drive through the confines of the bourgeois nation-state system. Internationalism for Trotsky was not an abstract principle but, as Richard Day rightly emphasizes, was the “subjective reflection of the objective course of economic history.” [39]

However, the tendencies which Preobrazhensky had identified operated over a considerable period of time and to the extent that the world economy was dominated by national-based monopoly corporations, the Soviet Union, functioning as a kind of giant economic trust according to the program of socialism in one country was able to achieve a certain measure of stability. It has been said, and not without justification, that nothing so much resembled the workings of the Soviet Union as the internal operations of General Motors when it functioned as “national champion” of the US during the post-war boom.

The processes that led to the development of national-based monopoly capitalism were very powerful. But the law of value had not said its last word. As we know, the law of value determines, in the final analysis, the average rate of profit. National-based monopoly capitalism—the regime of the national champions—could continue to function so long as the rate of profit did not fall. But by the mid-1970s the rate of profit had declined sharply. This led to a fundamental reorganization of the capitalist mode of production on a world scale. The processes of globalization based on the disaggregation of production across national borders and boundaries led to a new international division of labour. They made unviable the nationally based state economies of the USSR and the other Stalinist regimes. Preobrazhensky maintained that the state economy of the USSR was a continuation of the tendencies of monopoly capitalism. But those tendencies proved to be historically limited.

The new international division of labour, fashioned in the final analysis by the working of the law of value that he claimed had been overcome, resulted in a crisis in the Soviet economy. Fearing that this crisis would lead to a movement from below, the Stalinist bureaucracy completed the journey it had begun with the attack on Trotsky and the Left Opposition in the 1920s and organized the restoration of capitalism.

For Preobrazhensky’s analysis the most fundamental question was the growth of monopoly—that is the change in the relations between different sections of capital as they struggled to appropriate the surplus value extracted from the working class. For Trotsky the base of the bases—more fundamental than either property or market form—was the global drive of the productive forces.

Here Trotsky’s analysis has an immediate significance for the development of the perspective of socialism in the present epoch of globalized production. Does not this new structure of world economy mean that it will only be possible for the working class to come to power across the world all at once, or at least in several countries at the same time?

If not, then the following question arises: given the disaggregated nature of production and the fact that today the manufacture of almost any commodity involves processes that stretch whole continents and time zones and is no longer carried out within the confines of a single national state, how will it be possible for the working class, having come to power in one country, to sustain the economy for the period it takes for the socialist revolution to extend? In other words, if the globalization of production has sounded the death knell to regimes based on the program of “socialism in one country,” has it not also rendered impossible the taking and holding of political power?

Only if one leaves out of consideration the objective significance of the international division of labour. As Trotsky emphasized, this unfolds on the basis of fundamental shifts in the productive forces—the base of the bases—irrespective of ideology and property forms. The bourgeoisie will no doubt greet a successful socialist revolution in any part of the world with the same ferocity with which it met the Russian Revolution.

But the globalized character of production means that any attempts to isolate or blockade a workers’ state established in the present era will have far-reaching consequences for the world capitalist economy itself. Just consider in that regard the relationship between China and the United States.

In addition, the ferocious competitive struggle for markets and profits, which has been a driving force of globalization, will provide opportunities for a newly established workers’ state to tack and manoeuvre between the conflicting capitalist powers as the socialist revolution develops internationally.

And above all, the very nature of globalized production, which has forged the objective unity of the international working class on a scale never before attained, means that the socialist revolution will itself take the form of a global political movement, that, like the productive forces

themselves, will rapidly leap across time zones, national borders and continents.

Notes:

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6. *Towards Capitalism or Socialism*, p. 358.
7. Richard Day, *Leon Trotsky and the Politics of Economic Isolation*, Cambridge University Press, 2004, pp. 120-21.
8. *Towards Capitalism or Socialism*, p. 359.
9. *Towards Capitalism or Socialism*, p. 369.
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18. Carr, p. 43.
19. Day, p. 103.
20. *The Case of Leon Trotsky*, Merit, New York, 1969, p. 322-23.
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27. Preobrazhensky, *The New Economics*, p. 58.
28. Preobrazhensky, *The New Economics*, p. 111.
29. Preobrazhensky, *The New Economics*, p. 140.
30. Preobrazhensky, *The New Economics*, p. 152.
31. Trotsky, *Challenge of the Left Opposition 1926-27*, pp. 57-58.
32. Day, p. 147.
33. Preobrazhensky, *The New Economics*, p. 65.
34. Preobrazhensky, *The New Economics*, p. 178.
35. Day, p. 132.
36. Daniels, p. 374.
37. Day, p. 142.
38. Preobrazhensky, *The New Economics*, p. 141.
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