Internationalist Socialism vs. Nationalist Reformism, Part 1

The economic strategy of Leon Trotsky

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This is the first part of the lecture "Internationalist Socialism vs. Nationalist Reformism" delivered by Clara Weiss, Chris Marsden and Peter Symonds to the 2025 Summer School of the Socialist Equality Party (US) on the history of the Security and the Fourth International investigation. To supplement the reading of this part of the lecture, readers are encouraged to study Leon Trotsky's essay "Towards Socialism or Capitalism", a revised translation of which has been published by the World Socialist Web Site.

This lecture will focus on the strategic experiences of the international revolution based on which the Trotskyist movement consolidated itself as the sole continuation of revolutionary Marxism in the 20th and 21st centuries. At the center of the historical struggle of Trotskyism against Stalinism stood the perspective of international socialist revolution. One of the first major arenas in which this fundamental clash of historical perspective and class orientation emerged was that of Soviet economic policy. On October 15, 1923, 46 Old Bolsheviks declared their political solidarity with the positions of Leon Trotsky on questions of economic policy and inner-party democracy. They demanded the elimination of the "factional regime", the consolidation of planning and a strengthening of Soviet industry.[1] To understand the class issues involved in this conflict, it is, first of all, necessary to explain, if briefly, the origins and nature of the Soviet economy.

The origins of the Soviet economy

Trotsky's economic strategy in the struggle against Stalinism was a concretization of his conception of permanent revolution. As comrade Christoph Vandreier has explained in the previous lecture, with this theory he had anticipated, earlier and more clearly than anyone else, that the revolutionary overhaul in Russia would acquire a socialist and an international character. Trotsky's analysis was distinguished by its international approach: He proceeded not from the development of the economy in Russia, but the emergence of a globally integrated world economy and the entire historical development of the social revolution. On this basis, he recognized that countries of belated economic development like Russia would not simply replicate the development of France or England. Rather, because of their integration into the world capitalist system, they would undergo a process of "combined and uneven development."

While Russia before 1917 was still in many respects a backward and predominantly agrarian country, the capital and technology for Russia's industrialization had been provided by the leading European imperialist countries. As a result, factories in Russia had the most advanced technological equipment. The working class, while relatively small, was highly concentrated. Through its agricultural exports, the peasant economy too became dependent on the world market. The Russian bourgeoisie, meanwhile, was as dependent on world finance capital as it was impotent in the face of Tsarism.

Trotsky recognized that, under these conditions, the working class was the only class capable of realizing the unresolved tasks of the bourgeois democratic revolution. However, it would be compelled to do so through socialist measures. While Lenin, prior to 1917, envisioned a dictatorship of two classes, the working class and the peasantry, Trotsky understood that, as a class that depends upon private ownership of its means of production, the peasantry, would eventually come into conflict with the socialist measures of the revolution. An open conflict between the working class and peasantry could only be avoided through the extension of the revolution to more advanced countries, which would allow for a vast and rapid elevation of the productive forces. He, therefore, advocated a dictatorship of the working class, in alliance with the poor peasantry, as the opening shot for and integral part of the socialist overhaul of the global economy.

This perspective was confirmed in the entire dynamics of the revolutionary process which immediately acquired an international dimension, politically and economically. The conquests of the October Revolution had a far-reaching impact not only on Russian capitalism but on world imperialism. What were these conquests on a socio-economic level?

• First, the revolutionary government expropriated all major banks and cancelled Russia's foreign debt. At the time Russia was the largest foreign debtor in the world so this had an immense impact on foreign capital.

• Second, it expropriated and nationalized the major corporations, including those owned by German, French, Belgian, British or Japanese companies.

• Third, the Bolsheviks instituted a monopoly of foreign trade. This meant that all exports and imports were overseen and regulated by the Soviet state

• Fourth, the Bolsheviks instituted, if in a rudimentary form, the foundations for socialist planning

Upon the seizure of power, the Soviet republic was invaded almost immediately by imperialist armies, including from Germany, France, Britain, the US and Japan. The Red Army under Leon Trotsky had to defend and extend the conquests of the revolution in armed struggle. But although revolutionary movements erupted in Italy, Germany and Hungary, the working class failed to seize power because of the betrayal of Social Democracy. As a result, upon its formation in December 1922, the Soviet Union was limited to large portions of the former Russian Empire.

But while the revolution had abolished the rule of capital within the borders of the USSR, it did not remove the USSR from the impact of the dynamics of the world economy and imperialism. Given the isolation of the revolution, these dynamics were now refracted in the class relations

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within the USSR, above all the working class and the peasantry. This fundamental social conflict between imperialism and the socialist revolution or, put differently, between the world bourgeoisie and the working class, found its political expression in the ever more violent struggle by the Stalinist bureaucracy against the Trotskyist movement.

The New Economic Policy

In the spring of 1921, the Bolshevik leadership introduced the so called New Economic Policy which involved significant concessions to private capital. The immense sacrifices of the civil war—the loss of millions of workers and peasants to war, famine and disease and the destruction of much of the country's industrial and transport infrastructure—had exhausted the population. The peasantry had been brought to the brink of revolt. The setbacks of the international revolution meant that the Soviet republic would remain isolated for much longer than anticipated. Under these conditions, concessions to private capital were necessary to halt the unfolding collapse and enable an economic recovery.

What did the NEP involve? Peasants were allowed to engage in private trade to sell their produce. In the cities, basic principles of private enterprise management were re-introduced.

However, in contrast to pre-1917, the Soviet state retained control over foreign trade, i.e., peasants could not export grain and other produce on their own nor could industry managers simply import cheaper manufactured produce from the advanced capitalist countries. Industry and transport remained 90 percent nationalized. The levers of finance too were in the hands of the state. Thus, there was a constant struggle between an essentially capitalist sector—centered on agriculture—and a socialist sector, centered on industry. The social layers that benefited most from the "capitalist sector" were the private traders, wealthy peasants, the so called "red managers" and sections of the state bureaucracy that were involved in and mediated private trade. The class principally dependent on and linked to the socialist sector was the working class.

By 1923, it was clear that the NEP had preempted an economic collapse and facilitated a recovery. But this recovery was highly uneven. Industry had suffered far more severely and recovered less quickly than agriculture. [16] Meanwhile, private traders—i.e., rich peasants and traders (the so called "NEPmen)—dominated the grain trade. Thus, the danger was that the economic recovery would strengthen not the position of the working class, but that of pro-capitalist tendencies in Soviet society, centered in the countryside. In other words, the very successes of the economic recovery sharply posed the question: Towards capitalism or socialism?

Trotsky identified this core problem as early as April 1923. In his report to the 12th Party Congress he coined the term of the "scissors crisis." The collapse of industry and its inability to produce industrial goods for the countryside at high quality and low prices resulted in a growing divergence of prices for industrial goods (largely purchased by peasants) and prices for agricultural goods (largely purchased by workers)—the so called "scissors." In other words, industry could not satisfy demand.

This imposed limits not only on consumption, but also on exports and imports. This, in turn, further hindered the development of industry. In this situation, even a good harvest raised serious dangers: It would heighten the inability of the cities to satisfy the demand of the countryside and realize their produce. This would provide a further incentive to embolden private traders and rich peasants in their efforts to directly link up with world capital, and export grain outside the control of the Soviet state, that is, by eliminating the monopoly of foreign trade. If they were to succeed, they would become the social basis for the restoration of capitalism and the elimination of the gains of October. What then was the solution?

Throughout 1923-1927, Trotsky and the Opposition explained that this disproportion between agriculture and industry could only be overcome through a planned approach to the development of industry. At the same time, the state should increase grain exports and utilize the revenue to finance industrialization. Most importantly, Trotsky recognized that every advance of the Soviet economy inevitably heightened its dependence on the world capitalist market. In 1925, Trotsky explained,

> Precisely because of our achievements that we have entered the world market, that is to say, we became a part of the global division of labor, while remaining in a capitalist environment. Under these conditions, **the pace of our economic development will determine the strength of our opposition to the economic pressure of world capital and to the military-political pressure of world imperialism**.[2]

The question was *how* the Soviet leadership would manage and regulate it so as to extract the maximum benefit for the working class from it. Otherwise, pro-capitalist forces within Soviet society would inevitably exploit this same process for *their* benefit.

Trotsky insisted that the most advanced technological resources and, whenever possible, the capital of the world market be used to hasten the development of Soviet industry and increase the quality of its produce. Otherwise, Soviet industry would inevitably continue to fall behind world capitalist industry. To quote Trotsky again, "We can only comprehensively accelerate our own development if we are capable of using the resources which are flowing from the conditions provided by the international division of labor."[3]

This international approach to Soviet economic policy, which was based on a Marxist evaluation of the objective dominance of the world economy, was repudiated with the autarkic program of "socialism in one country". Proclaimed by Stalin in December 1924, it entailed a reaction against revolutionary internationalism and Marxism on a political but also on an economic level.

The history and class content of "socialism in one country"

On the surface, the conception might seem absurd. Indeed, it did have, as Trotsky often noted, a "metaphysical," i.e., irrational component. However, politically and theoretically, the conception of building "socialism in one country" had a long-standing tradition and represented real class interests. It was rooted in the same national-reformist outlook that had informed the policies of the revisionist wing of Social Democracy, culminating in its betrayal of 1914. One of the main theoreticians of nationalist reformism, Georg von Vollmar, had articulated the conception of an "isolated socialist state" in an essay from 1878. Ferdinand Lassalle, one of the founders of the German socialist movement, had advanced a national-statist orientation even earlier.

Lassalle viewed the state not as an instrument of class rule but as a supra-class entity that would ensure social progress. He appealed to the Prussian government to grant reforms to the working class and hasten the industrial development of Germany. Lassalle was convinced that socialism could and, in fact, should be achieved within a national framework. He conceived of socialism as the product of the struggle not of the working class, but of the "nation." In 1864, he wrote, "The world market belongs to that nation that first decides to embark on the introduction of this social

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transformation [i.e., socialism] on a grand scale. It will be the deserved reward for its energy and decisiveness."[4] Lassalle and von Vollmar thus articulated a kind of "bourgeois state socialism" that would allow for a more efficient and rapid development of a bourgeois Germany and its dominance on a world scale.

Like them, Stalin and Bukharin proceeded not from the world economy and the international class struggle but from a narrow national framework. Bukharin declared that the market forces unleashed by the NEP would not threaten socialist development but rather *encourage* a peaceful transition to socialism, within Russia alone, at the pace of a "tortoise." Bukharin claimed that the mere existence of the Soviet state ensured an evolution toward socialism in a single country. As he put it, "the general framework of evolution in our country is predetermined by the structure of the proletarian dictatorship."[5]

Such conceptions effectively declared the class struggle within and outside the USSR to be non-existent or at least inconsequential for the fate of the revolution. It was a recipe for prostration before the most embittered enemies of the working class and the revolution, and complacency in face of the threat of a military intervention by imperialism and the still overwhelming economic predominance of imperialism.

In class terms, "socialism in one country" expressed the interests of pro-capitalist social layers that had been emboldened by the NEP. They included not only wealthy peasants and traders but also large numbers of former Tsarist-era state officials who had been reintegrated into the economic and state apparatus and formed a substantial part of the bureaucracy. To the extent that they supported the Soviet state, they did so because they viewed it as a continuation of the old Russian state. Sometimes openly, sometimes tacitly, they expressed the hope that the socialist program of the October revolution would be cast aside for what they regarded as the "real issue": a great national revival of Russia.

Their moods were articulated bluntly by Nikolai Ustrialov, the head of the so called "National Bolshevik" tendency. The Opposition made the connection between the "National Bolshevism"—in essence a counter-revolutionary tendency among Soviet intellectuals and bureaucrats—and the economic course of the Stalinist leadership. It warned that the "Ustrialov course" would involve "a development of the productive forces on a capitalist basis by way of a gradual eating away of the conquests of October."[6]

No one spelled out this restorationist orientation more clearly than Bukharin, the leader of the party's right wing, who openly called upon the rich peasants to "enrich yourselves." Stalin was the leader of what the Opposition called the "centrist" faction within the Politburo: Wavering between the left and the right, it spoke most directly for the interests of the Soviet bureaucracy.

As a parasitic body on Soviet society, the bureaucracy expressed the pressure of world imperialism on the workers' state. Lacking independent roots and an essential function in the process of production, the bureaucracy was constantly balancing between different social forces. Engaging in ever more feverish zigzags, it was pragmatically responding to crises which, more often than not, were of its own making. The only consistent aspect of the line of the bureaucracy was its ever more determined and ruthless struggle against the revolutionary wing of the party under Leon Trotsky. Up until 1928, Stalin's faction conducted this struggle in a close alliance with the right wing around Bukharin. This is why Trotsky's used the term of the "right-centrist" downsliding for the period of 1924-1927. During these years, as comrades Chris Marsden and Peter Symonds will discuss in the next parts of this lecture, the Stalinist leadership complemented its adaptation to bourgeois layers within Soviet society with an orientation to the reformist labor bureaucracy in England and the national bourgeoisie in China.

The scope of the inner-party struggle

In concluding this part of the lecture, I want to emphasize that Trotsky understood, early on, that at stake in this struggle were not simply tactical issues or individual policies, but the continuity of Marxism and the fate of the world revolution. This class and historical understanding shaped all of his considerations and conduct in the inner-party struggle.

While most historians tend to focus on the struggle between Trotsky and Stalin as a contest between two individuals, Trotsky was very conscious that, however vicious the personal attacks on him were, he represented not just himself, but powerful class forces on a national and above all international level. He and other leaders of the Opposition had played the foundational role in the establishment of the Soviet state, its economic, political and academic institutions and its armed forces. In attacking the Opposition, the Stalinist leadership was repudiating the political positions and program and, ultimately, also the human personnel, which had been the basis for the success of the 1917 Revolution. Therefore, it was vital to preserve and train a cadre not only within the Bolshevik Party but the entire Communist International, based on a struggle for maximum political clarity about the fundamental strategic questions of the epoch.

It bears emphasis that in the 1920s, the Opposition was not only making policy proposals. Trotsky, Ivar Smilga, Georgy Piatakov, and hundreds of other Oppositionists were an integral part of the Soviet economic apparatus. They fulfilled often highly influential functions and enjoyed significant support in sections of the party and state apparatus.

This brief video clip shows Smilga and Trotsky at the opening of an electrical station, something that was a major event at the time. As late as October 1925, the *New York Times* viewed Trotsky, who was then only in charge of relatively minor functions within the economic apparatus, as the "leader of Russia's industrial army."

Thus, when we speak of a struggle, comrades must not perceive of it as an intellectual affair. This was not just a battle on paper. Trotsky and his supporters were driven into a minority position because of a dramatic shift in the world balance of class forces. But the outcome of this struggle was open. Every day, at virtually every party meeting, at every meeting of a leading or middle-ranking state institutions, leaders and supporters of the Opposition fought for their policies and indeed, were often able to set the tone.

Trotsky was never under the illusion that the contradictions of the Soviet economy and the revolution could be resolved through economic measures and a shift in state policy alone. Just as the revolution had been the outcome of global processes, its fate was going to be decided on a global scale. Between 1924 and 1927, the two most important battlefields of the world revolution were Great Britain and China.

The Declaration of the 46. Translation published on: https://www.wsws.org/en/articles/2023/10/16/yyac-o16.html

Leon Trotsky, *Towards Socialism or Capitalism.* Translation by this author.

Ibid.

Ferdinand Lassalle, *Herr Bastiat-Schulze Delitzsch, der ökonomische Julian, oder: Capital und Arbeit,* (Berlin: C. Ihring Nachf., 1874), p. 223.

Quoted in: *Platform of the Opposition: The Party Crisis and How to Overcome It* (September 1927), in: *The Challenge of the Left Opposition (1926-27),* ed. by Naomi Allen and George Saunders, (New York: Pathfinder Press, 1980), p. 323.

Ibid., p. 310.

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[1] The Declaration of the 46. Translation published on: https://www.wsws.org/en/articles/2023/10/16/yyac-o16.html

[2] Leon Trotsky, *Towards Socialism or Capitalism.* Translation by this author.

[3] Ibid.

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[6] Ibid., p. 310.

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