

# COMPASS

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# AN OPEN LETTER TO THE 'NEW COMMUNIST PARTY'

## Introduction

At a recent meeting organised in London by the 'New Communist Party', some speakers expressed the view that during the Khrushchev-Brezhnev era the Communist Party of the Soviet Union was pursuing a Marxist-Leninist, socialist course, and has pursued a revisionist, anti-socialist course only since about 1985.

I should like to express the opinion that this view cannot be reconciled with known facts.

## The Abolition of Centralised Economic Planning

One of the essential features of a socialist society is that production is planned in the interests of the working people. But from 1955, only two years after Stalin's death, revisionist economists like Evsei Liberman were writing in Soviet economic journals of the 'necessity' of freeing the economy from 'excessive' centralised direction and giving greater freedom to the directors of enterprises to decide what and how much the enterprises in their charge should produce:

"These shortcomings in economic management should be eliminated . . . by developing the economic initiative and independence of enterprises". (E. G. Liberman: 'Cost Accounting and Material Encouragement of Industrial Personnel', in: 'Voprosy Ekonomiki', No. 6, 1955).

By September 1965 Liberman's basis thesis had been adopted by the Central Committee of the Communist Party:

"The work of enterprises is regulated by numerous indices which restrict the independence and initiative of the personnel of enterprises, diminish their sense of responsibility for improving the organisation of production. . . .

It has been found expedient to put a stop to excessive regulation of the activity of enterprises, to reduce the number of plan indices required of enterprises from above".

(CC, CPSU: Decision 'On Improving Management of Industry . . . ', in: 'The Soviet Economic Reform: Main Features and Aims'; Moscow; 1967; p. 147).

"To extend the economic independence and initiative of enterprises the number of plan assignments set to enterprises by ministries and departments has been reduced to a minimum".

(A. N. Yefimov: 'Long-term Plans and Scientific Forecasts', in: 'Soviet Economic Reforms: Progress and Problems'; Moscow; 1972; p. 16).

In fact, the 'indices' of the 'economic reforms' ceased to be directives, binding on the enterprises, and became mere 'guidelines' which enterprises could follow or not as they chose:

"Control figures will be handed down to the enterprises, not as precise directives, but rather as guidelines for drawing up their plans".

(E. G. Liberman: 'Plan, Direct Ties and Profitability', in: 'Pravda', 21 November 1965).

So, as enterprises were transferred to the 'reformed' system, they proceeded in practice to plan their own production -- even to the types and qualities of commodities they would produce:

"These enterprises (i.e., those working under the reformed system -- WBB) now draw up their production plans themselves".

(V. Sokolov, M. Nazarov & N. Kozlov: 'The Firm and the Customer', in: 'Ekonomicheskaya Gazeta', 6 January 1965).

"Enterprises decide what range of goods to produce in terms of physical quantities and total value of sales . . . and other economic indicators".

(B. I. Braginsky: 'Planning and Management in the Soviet Economy', in: 'The Soviet Planned Economy'; Moscow; 1974; p. 125-26).

This system was known euphemistically as

" . . . planning 'from below'".

(R. Belousov: 'The Chief Thing is Economic Effectiveness', in: 'Pravda', 13 November 1964).

Under this system, the state can influence the economy not directly by means of economic directives, but only indirectly by the kind of 'economic levers' that are used by the state in orthodox capitalist countries:

"The attempt to make broader use of economic levers and economic stimuli in planning of a welcome reaction against the administrative conception of a plan".

(L. Alter: 'Incentives must be linked with the Long-Term Planning of an Enterprise', in: 'Voprosy Ekonomiki', No. 11, 1962).

#### Profit as the Regulator of Production

The abolition of centralised economic planning as the regulator of production required its replacement by a different regulator, which could only be profit, defined by contemporary Soviet economists as

" . . . the difference between the price and the cost of production".

(L. Gatovsky: 'The Role of Profit in a Socialist Economy', in: 'Kommunist', No. 18, 1962).

So, under the 'economic reform' profit became the regulator of production:

"Production will be subordinated to changes in profits".

(G. Kosiachenko: 'Important Conditions for the Improvement of Planning', in: 'Voprosy Ekonomiki', No. 11, 1962).

"Under conditions of cost accountability, the sum total of economic levers in the long run influences the enterprise through . . . profit".

(B. Sukharevsky: 'The Enterprise and Material Stimulation', in: 'Ekonomicheskaya Gazeta', No. 49, 1965).

"In the profitability controversy some economists have based their objections to making it a regulator of social production on the contention that profit is a capitalist category. Such objections, of course, are untenable".

(B. Sukharevsky: 'On Improving the Forms and Methods of Material Incentives', in: 'Voprosy Ekonomiki', No. 11, 1962).

So, under the 'economic reform',

" . . . profit serves as the most generalising criterion of the enterprise's entire activity".

(L. Leontiev: 'The Plan and Methods of Economic Management', in: 'Pravda', 7 September 1954)

and the supreme criterion of the efficiency of an enterprise is the index of profitability -- that is, the profit made by an enterprise in a year as a percentage of its total assets:

"The most generalised index of an enterprise's activity is the index of profitability, computed as the ratio of profits to production assets".  
(P. Bunich: 'Economic Stimuli to Increase the Effectiveness of Capital Investments and the Output-to-Capital Ratio', in: 'Voprosy Ekonomiki', No. 12, 1965).

"This index (of profitability — WBB) . . . is widely used in capitalist countries (for this is neither more nor less than the rate of profit on invested capital)".

(I. Kasitsky: 'The Main Question: Criteria for Premiums and Indices Planned for Enterprises', in: 'Voprosy Ekonomiki', No., 11, 1962).

#### The Role of the Market

Profit, the regulator of Soviet production since the 'economic reform', is realised not in the production of commodities but in their sale:

"Profit is determined on the basis of the goods marketed, and not on

the basis of those produced".

(G. Kosiaschenko: 'The Plan and Cost Accounting', in: 'Finansy SSSR', No. 12, 1964).

Thus, regulation of production by profit means, in fact, regulation by the market:

"We must acknowledge that . . . the market mechanism plays a regulating role in . . . production".

(L. Konnik: 'Planning and the Market', in: 'Voprosy Ekonomiki', No. 5, 1966).

It means regulation by the forces of supply and demand which operate in an orthodox capitalist country:

"Since commodity production exists, the objective economic law of demand and supply . . . operates".

(L. Gatovsky: op. cit.; p. 89).

Soviet economists who supported the 'economic reform' claimed, like their counterparts in orthodox capitalist countries, that these market forces, operating through the profit motive, regulate social production in such a way as to satisfy -- as far as existing productive resources at a particular time will permit -- the requirements of the people:

"Increase of profit . . . is one of the means . . . to satisfy most fully the requirements of the people".

(L. Gatovsky: op. cit.).

It is admitted by these economists that the 'demand' to which production may be geared through the market is 'effective demand', the demand expressed in terms of the money which potential consumers are able and willing to expend on the market for commodities:

"Uneven distribution of incomes between different sections of the population results in that the groups in the lower brackets do not fully

satisfy their prime needs, while groups in the higher brackets are able to satisfy less essential needs".

(A. Rumyantsev: 'Management of the Soviet Economy Today: Basic Principles', in: 'Soviet Economic Reform: Progress and Problems'; Moscow; 1972; p. 28).

"Industrial enterprises try to curtail the production of relatively unprofitable and especially totally unprofitable items despite the fact that they enjoy high consumer demand".

(A. Levin: 'Economic Incentives for Meeting Consumer Demand', in: 'Voprosy Ekonomiki', No. 4, 1972).

The basing by enterprises of their production plans on their assessment of the market has brought about the development of such features of orthodox capitalist countries as market research:

"It is essential to conduct market research for practical purposes".

(L. Gatovsky: op. cit.; p. 88).

salesmanship:

"Business is much better at the stores which have the best trained staff of sales assistants. . . .

The motto there is: 'Not a single customer must leave without a good purchase'".

(V. Sokolov, M. Nazarov & N. Kozlov: op. cit.).

and advertising:

"Business is much better at the stores which . . . advertise best".

(V. Sokolov, M. Nazarov & N. Kozlov: ibid.).

Payment for Production Assets

Clearly, the rate of profit made by an enterprise could have no reality if production assets of varying amounts continued to be allocated to

enterprises by the state without cost, as had been the Soviet practice under socialism. Consequently, in order to make the rate of profit a reality, the 'economic reform' introduced the practice of charging enterprises for the use of their production assets (including natural resources such as land, minerals and water). This principle was endorsed by the Central Committee of the Communist Party in September 1965:

"It is necessary to introduce deductions in favour of the state budget from the profits of enterprises in proportion to the value of the fixed and circulating assets allocated to them, with these deductions being considered as payment for production assets".

(A. N. Kosygin: 'On Improving Industrial Management, Perfecting Planning and Enhancing Economic Incentives in Industrial Production', in: 'Izvestia', 28 September 1965).

In 1965 the annual payments to the state for the use of production assets averaged 15% of the value of the production assets being used by the enterprise.

(L. Vaag: 'According to a Single Rate of Profit', in: 'Ekonomicheskaya Gazeta', No. 45, 1965).

Later, an alternative method of payment for production assets was introduced: the payment of a lump sum. This could be paid out of the enterprise's own funds or financed by means of a bank credit repayable with interest.

#### Credit and Interest

As in the case of production assets, the rate of profit made by an enterprise could have no reality if finance of varying amounts continued to be allocated to enterprises without cost, as had been the practice under socialism. In order that the rate of profit could be made a reality, therefore, it was necessary that finance be made available to enterprises exclusively in the form of bank credit, repayable by the enterprise with interest:

"Gratuitous financing . . . will be increasingly replaced by credit,



i.e., by a form of loan to the enterprise that must be returned".

(L. Gatovsky: 'Unity of Plan and Cost Accounting', in: 'Kommunist', No. 15, 1965).

This principle was included in the 'economic reform' introduced in September 1965:

"The use of credits must be expanded".

(A. N. Kosygin: op. cit.).

By 1976 more than 50% of the circulating assets of enterprises came from bank credits:

"At present every second ruble of circulating assets in industry comes from credit, with the share of credit in agriculture, trade and other branches being even higher".

(A. N. Kosygin: 'Guidelines for the Development of the National Economy of the USSR for 1976-1980', 25th Congress of CPSU; Moscow; 1976; p. 42-43).

and in 1967 the standard rate of interest was raised to 4 to 4.25% for short-term loans and to 4.5 to 6% for long-term loans.

(A. H. Hermann: 'East-West Finance', in: 'The Banker', Volume 121, No. 546; August 1971; p. 878).

Consequently, where an enterprise is in process of repaying a bank credit, the rate of interest becomes the lower limit of permissive profitability for the enterprise:

"The level of interest becomes the lower limit of permissible profitability".

(P. Bunich: op. cit.).

As in an orthodox capitalist country, under the 'economic reform' bank credit is normally advanced to an enterprise only against security:

"Credit must be secured. . . . Only in special cases . . . are loans issued by the State Bank without such security".

(K. N. Plotnikov: 'Soviet Finance and Credit', in: 'The Soviet Planned Economy'; Moscow; 1974; p. 221).

The rate of interest on credit was fixed at a high government level in order that it could be utilised -- as in orthodox capitalist countries -- as an 'economic lever' to influence the economy:

"Credit is used as an instrument for influencing the economy".

(M. Pessel: 'Credit and its Development under Current Conditions', in: 'Nauchnye Doklady Vyssei Shkoly: Ekonomicheskie Nauki', No. 9, 1972).

#### Ownership of the Means of Production

In Soviet revisionist propaganda of the 1960s, the means of production were still being presented as 'publicly owned'. But the Statute on the Socialist State Production Enterprise, adopted by the USSR Council of Ministers on 4 October 1965, gives an enterprise rights of possession over the production assets it holds:

"The enterprise will exercise the rights of possession . . . of the property under its operational control".

(Statute on the Socialist State Production Enterprise, in: M. E. Sharpe (Ed.): 'Planning, Profit and Incentives in the USSR', Volume 2; New York; 1966; p. 291).

Consequently, the acquisition of production assets by an enterprise is described as 'purchase':

"The single approach to managing the economy is displayed . . . in granting enterprises equal rights . . . to buy means of production".

(P. G. Bunich: 'Methods of Planning and Stimulation', in: 'Soviet Economic Reform: Progress and Problems'; Moscow; 1972; p. 36).

That the terms 'rights of possession' and 'purchase' are not here being used

inexactly is shown by the fact that the Statute gives the enterprise the right to lease or sell the means of production it 'possesses':

"The enterprise will exercise the rights of . . . disposal of the property under its operational control. . . .

The enterprise may lease to other enterprises and organisations . . . buildings and structures, as well as production, warehouse and other facilities assigned to it. . . .

Surplus equipment . . . may be sold by the enterprise to other enterprises and organisations. . . .

Sums obtained from the sale of material values representing fixed assets will remain at the disposal of the enterprise".

(Statute on the Socialist State Production Enterprise, in: M. E. Sharpe (Ed.): op. cit., Volume 2; p. 291, 293, 295).

The transfer of the ownership from the state to an enterprise is not its transfer to an agency of the state, for the 'socialist state production enterprise' is described as an

" . . . independent enterprise",  
(Ibid.; p. 291).

and

"The state is not responsible for the obligations of the enterprise, and the enterprise is not responsible for the obligations of the state".  
(Ibid.; p. 291).

Indeed, Soviet revisionist economists were at pains to dismiss allegation that the enterprises are not really independent as 'groundless bourgeois propaganda':

"Another bourgeois concept . . . denies the economic independence of . . . enterprises. . . . It is not difficult to prove the groundlessness of this argument".

(S. Khavina: 'In the Crooked Mirror of Bourgeois Theories', in: 'Ekonomicheskaya Gazeta', No. 44, 1965).

Furthermore, the property rights of an enterprise are vested in its director:

"The enterprise is headed by a director. . . .

The director of the enterprise may, without the power of attorney, act in its name, . . . dispose of the property and funds of the enterprise". (Statute on the Socialist State Production Enterprise, in: M. E. Sharpe (Ed.): op. cit., Volume 2; p. 310-11).

#### The New Soviet Capitalist

The director of a Soviet enterprise has thus been, since the 'economic reforms' of the 1960s, the effective owner of the means of production (other than natural resources), and has full legal responsibility for their operation:

"The rights of the enterprise that relate to its production and economic activity are exercised by its director".

(Statute on the Socialist State Enterprise, in: M. E. Sharpe (Ed.); op. cit., Volume 2; p. 299).

"The industrial managers bear full responsibility for the production sectors entrusted to them".

(A. N. Kosygin: op. cit.; p. 42).

And since this responsibility is primarily to ensure that the enterprise under his control makes the maximum possible rate of profit, he, in Marx's words,

" . . . becomes a capitalist. . . . He functions as a capitalist, that is, as capital personified and endowed with a consciousness and a will".

(K. Marx: 'Capital', Volume 1; London; 1974; p. 151).

As a writer in the 'Harvard Business Review' expressed it in 1971:

"Many Soviet managers would fit into any corporate hierarchy in the

United States and do exceptionally well".

(M. I. Goldman: 'More Heat in the Soviet Hothouse', in: 'Harvard Business Review', Volume 49, No. 4; July/August 1971; p. 15).

In February 1971 the 'Institute of Management of the National Economy' was opened in Moscow as the first Soviet 'business school'.

(Z. Katz: 'The Nachalik (Executive) Class in the USSR'; Cambridge (USA); 1973; p. 25).

The writer in the 'Harvard Business Review' already quoted comments:

"The Russians have again turned to the non-Communist world; they are creating a network of business schools".

(M. I. Goldman: op. cit.; p. 15).

Under the 'economic reform', the director of a Soviet industrial enterprise was appointed by and could may be dismissed by the state -- in practice, until quite recently, by a decision of the leadership of the Communist Party:

"The director of the enterprise is appointed and relieved of his post by the superior body".

(Statute on the Socialist State Production Enterprise, in: M. E. Sharpe (Ed.): op. cit., Volume 2; p. 310).

#### The Right to Hire and Fire

Under the former socialist system, a worker could be dismissed only for grave misconduct (usually involving a criminal offence in connection with his work) and then only with the consent of the trade union committee at the enterprise:

"Soviet labour legislation . . . permits the dismissal of a worker by management only with the agreement of the factory and local trade union committee and on grounds stipulated by law".

('Trudovoe Pravo: Entsiklopedichesky Slovar'; Moscow; 1959; in: R. Conquest: (Ed.): 'Industrial Workers in the USSR'; London; 1967; p. 19).

An important element of the 'economic reform' was to give the managements of enterprises relatively unhindered powers to dismiss workers as part of a rationalisation programme:

"Shop heads have the right to hire and fire".

(S. Kamenitser: 'The Experience of Industrial Management in the Soviet Union'; Moscow; 1975; p. 40).

"The size of the wage fund will also be determined by the enterprise".

('Direct Contracts are expanding', in: 'Ekonomicheskaya Gazeta', No. 3, 1965).

"From now on the enterprises will not be assigned the number of people they are to employ. The introduction of comprehensive cost accounting . . . will, naturally, reveal surplus labour at some enterprises".

(L. Gatovsky: 'Unity of Plan and Cost Accounting', in: op. cit.).

#### The Secondary Accumulation of Capital

Under the socialist state which formerly existed in the Soviet Union, the working class was the collective owner of the principal means of production.

With the 'economic reform' of the 1960s, however, as has been shown, the Soviet working class was expropriated of these means of production, which became the property of a new class of Soviet capitalists in the shape of the directors of industrial enterprises.

This process is essentially a repetition of that which Marx, describing the original development of capitalist society out of feudal society, called the primitive accumulation of capital:

"The capitalist system presupposes the complete separation of the labourers from all property in the means by which they can realise their labour. . . . The process, therefore, that clears the way for the capitalist system can be none other than the process which takes away from the labourer the possession of his means of production, a process that transforms, on the one hand, the social means of subsistence and

production into capital, on the other, the immediate producers into wage-labourers. The so-called primitive accumulation, therefore, is nothing else than a historical process of divorcing the producer from the means of production".

(K. Marx: op. cit., Volume 1; p. 668).

We may call this repetition of the process of primitive accumulation in the Soviet Union the secondary accumulation of capital.

#### The Sale of Labour Power

Marx demonstrated that a worker who does not have access to any means of production of his own has no way to live except to sell his labour power, his capacity for work. Since, as has been said, the Soviet workers have been expropriated of the means of production which they owned under socialism, they now have no way to live except to sell their labour power to the new class of Soviet capitalists:

"A working person constantly retains the right to dispose freely over his labour power. He realises this right by concluding a labour agreement with the enterprise".

(A. Sukhov: 'Labour Mobility and its Causes', in: 'Nauchnye Doklady Vyssei Shkoly: Ekonomicheskie Nauki', No. 4, 1972).

The term 'dispose over' is clearly a euphemism for 'sell'.

#### The Value of Labour Power

Marx pointed out that the value of labour power is determined, like that of any other commodity, by the amount of socially necessary labour time required for its production, that is, by the value of the means of subsistence conventionally -- in a particular society at a particular time -- required for the maintenance of the worker and his dependents. Although Soviet revisionist economists may deny that, in their society, labour power is a commodity with a value, they admit that 'the expenditures of labour on the cost of reproducing labour power' is 'assessed in value terms' which are precisely equivalent to the value of labour power as analysed by Marx:



"The objective factor which determines this level (of wages -- WBB) is the need to provide factory and office workers . . . with the means of livelihood sufficient for the reproduction of labour power".

(Y. L. Mannech: 'Wages Systems', in: 'The Soviet Planned Economy'; Moscow; 1974; p. 230).

"The cost of reproducing skilled labour power is the value assessment of equivalents of the living means that form the fund for the compensation of labour power".

(E. N. Zhiltsov: 'Concerning the Subject of the Economics of Higher Education', in: 'Vestnik Moskovskogo Universiteta: Seriiia Ekonomika', No. 1, 1973).

#### The Price of Labour Power

In a competitive labour market the price of labour power (i.e., the level of wages) fluctuates like the price of any other commodity around its value in accordance with the relation of supply to effective demand on that market:

"Wages will rise and fall (in a competitive labour market -- WBB) according to the relation of supply and demand. . . . Within these variations, however, the price of labour (power -- WBB) will be determined . . . by the labour time necessary to produce this commodity -- labour power".

(K. Marx: 'Wage-Labour and Capital', in: 'Selected Works', Volume 1; London; 1943; p. 262).

Where and when there is a relative shortage of particular kinds of labour power, enterprises compete with one another for this labour power:

"Circumstances prompt new enterprises to entice personnel, especially skilled personnel, from old enterprises. Such a practice is widespread".

(E. G. Antosenkov: 'The Availability of Housing and Persinnel Turnover', in: 'Izvestia Sibirskogo Otdelenya Akademiy Nauk SSSR: Seriiia Obshchestvennykh Nauk', No. 11, 1972).

In this competition for labour power, enterprises make use of such



attractions as bonuses and welfare services. Already in 1972 revisionist Soviet economists admitted that the high mobility of Soviet workers was due to the competitive search for better conditions:

"Manpower turnover is influenced by a number of factors that are basically connected with working conditions or with differences in levels of material well-being. . . .

Approximately 50% of all persons leaving their jobs at their own volition do so for these reasons".

(L. Kuprienko: 'Influence of the Standard of Living on the Movement of Labour Resources', in: 'Voprosy Ekonomiki', No. 3, 1972).

"In 1967 5.5 million persons moved from one city to another, 3.1 million moved from villages to cities, and 1.5 million moved from cities to villages. In addition, several million persons moved from one village to another".

(V. Perevedenstev: 'Migration of the Population and the Utilisation of Labour Resources', in: 'Voprosy Ekonomiki', No. 9, 1970).

The Soviet labour market was given concrete form in 1967 by the establishment of labour exchanges called 'Manpower Utilisation Agencies':

"In 1967 Republic Manpower Utilisation Agencies were established. They are responsible for job placement for workers and employees".

(V. Korshagin: 'Utilisation of Manpower Resources in the New Five-Year Plan', in: 'Planovoe Khoziaistvo', No. 4, 1971).

Marx held that in a capitalist society real wage levels tend to rise with the development of the productive forces. The aim of the capitalist class, however, is to try to ensure that, if real wages grow, they grow more slowly than the growth of the productivity of labour. In these conditions, the proportion of national income accruing to the working class falls despite the rise in real wages, i.e., exploitation increases. This is naturally also the policy of the Soviet capitalist class:

"The priority growth of labour productivity over the growth in

wages must be strictly observed".

('Soviet Economy Forges Ahead'; Moscow; 1973; p. 18-19).

This aim was achieved during the period of the '9th Five-Year Plan' (1971-75), when average wages rose by 20% while the average productivity of labour rose by 23%.

(A. N. Kosygin: 'Guidelines . . .'; op cit.; p. 13, 18).

Naturally, therefore, most revisionist Soviet economists agreed that the one aspect of 'centralised economic planning' which should be retained is State control of wage levels:

"Centrally established basic rates and salaries constitute, as before, the basis of wages. . . .

State regulation of wages is necessary. . . .

The new system of economic stimulation of production preserves the state regulation of wages".

(B. Sukharevsky: 'The Enterprise and Material Stimulation'; op. cit.).

#### Managerial Salaries

The managerial and higher technical personnel of a Soviet industrial enterprise receive monthly salaries. The salary of an enterprise director was in 1974 up to 7.2 times the basic wage rate of the average shop floor worker:

"A foreman's salary in a top-category section is 10-20% higher than the basic wage rate for a highly-qualified worker. . . . Shop superintendents in the higher group are paid more than twice as much as a foreman in the lowest group. The salary paid to an enterprise director is never more than treble the salary of a foreman".

(Y. L. Manevich: 'Wages Systems'; op, cit.; in: p. 251-52).

However, the wage/salary differential between shop floor workers and management personnel formed only a minor part of the actual income differential between these categories; as will be shown, the greater part of the latter accrued from differentials in 'bonus payments'.

'Price Control'

Under the socialist system which formerly existed in the Soviet Union, the prices of commodities were fixed by the state. Although in fixing the price of a commodity, its value was taken into account, the actual price was determined in accordance with the state's assessment of social requirements. Thus, over a considerable period of time, the price of vodka was fixed above its value in order to discourage its consumption; on the other hand, the price of clothing was fixed below its value to assist the working people in the purchase of clothes. As a result, vodka enterprises made an above-average rate of profit, while clothing enterprises made a below-average rate of profit.

But the rate of profit could become a reality, could function as the regulator of production, only if this 'voluntaristic' method of fixing prices were abandoned, and prices were brought into line with values. In the propaganda campaign which preceded the 'economic reform', therefore, the demand was put forward that prices should be brought into line with values:

"Prices must . . . reflect the socially necessary outlay of labour".

('Programme of the Communist Party of the Soviet Union'; Moscow; 1961; p. 83).

The new 'State Committee for Prices' established under the 'economic reform' was charged with elaborating a new system of prices,

" . . . basing its decisions on the need to bring prices as close as possible to levels of socially necessary outlays of labour".

(A. N. Kosygin: 'On Improving Industrial Management . . .'; op. cit.; p. 30).

The 'price reform' was put into force first for wholesale prices on 1 July 1967, resulting the raising of wholesale prices by an average of 8% for industry as a whole, and by an average of 15% for heavy industry.

(L. Maizenberg: 'Improvements in the Wholesale Price System', in: 'Voprosy Ekonomiki', No., 6, 1970).

Some wholesale prices were, in fact, raised by large amounts -- e.g., that of

coal by 78%.

(V. Sitnin: 'Wholesale Prices: Results and Tasks', in: 'Ekonomicheskaya Gazeta', No. 6, 1968).

The aim of this price reform was stated to be that of creating conditions under which each 'normally functioning enterprise' could function 'profitably':

"The wholesale price reform . . . was intended to create conditions for profitable work in all branches of industry and each normally functioning enterprise".

(V. Sitnin: op. cit.; p. 26).

In fact, the wholesale price reform brought about a rise in industrial profit considerably higher than had been anticipated:

"The planning of the new wholesale prices . . . was based on the projection that industry-wide profitability would be approximately 15%. In fact, however, in 1968 it proved to be 20.1%, and in the case of enterprises operating under the new system of planning and economic incentive it was 22.9%".

(I. Sher: 'Long-term Credit for Industry', in: 'Voprosy Ekonomiki', No. 6, 1970).

But the wholesale price reform was only a first step in the 'price reform', the fundamental aim of which was that prices should fluctuate according to the varying relation between supply and demand on the market. The next step, therefore, was to give enterprises the power to fix prices themselves:

"Measures to increase the flexibility . . . of price formation have also been adopted recently. . . . According to these methods, enterprises themselves change prices of their output".

(P. G. Bunich: 'Methods of Planning and Stimulation', in: op. cit.; p. 43). 'Soviet

The difficulty of reconciling this conception with the fiction that

centralised economic planning, including price control, was being maintained, was solved by presenting the central 'planning organs' as issuing 'price norms' while leaving enterprises to fix 'concrete prices':

"It is essential to incorporate . . . the centralised confirmation of base prices and their norms . . . and the establishment of concrete prices by enterprises or associations themselves".

(A. Komin: 'Problems in the Methodology and Practice of Planned Price Formation', in: 'Planovoe Khoziaistvo', No. 9, 1972)..

Naturally, these 'concrete prices' often departed fundamentally from the 'price norms' issued by the central 'planning organs':

"Experience .. . has shown that subsequent price revisions fail to maintain the continuity of long-range and current plans not only with respect to targets in terms of value but also with regard to general value proportions".

(V. Kotov: " 'Prices: The Instrument of National Economic Planning and the Basis of the Value Indices of the Plan', in: 'Planovoe Khoziaistvo', No. 9, 1972).

#### The Retention of Profit by the Enterprise

In order that profit could function as the regulator of social production under conditions where production is planned by the enterprises themselves, each enterprise must retain sufficient of the profit it makes to enable adequate material incentives to be drawn from it to influence the directing personnel of the enterprise responsible for making that profit:

"It is necessary to leave to the enterprises more of their profits".

(A. N. Kosygin: 'On Improving Industrial Management . . .'; op. cit.).

In consequence, the average proportion of an enterprise's profit retained by enterprises rose between 1966 and 1969 as follows:

1966: 26%  
 1967: 29%  
 1968: 33%  
 1969: 40%

(N. Y. Drogichinsky: op. cit.).

### 'Economic Incentives'

Under socialism wages were, as far as was possible, proportional to the quantity and quality of work performed, while other material incentives were based on fulfilment or over-fulfilment of the economic plan.

The abolition of centralised economic planning and the establishment of the profit motive as the regulator of social production required the replacement of this system of material incentives to the personnel of an enterprise by one based on the rate of profit made by the enterprise and drawn from that profit:

"It is necessary to introduce a system under which the enterprise's opportunities for increasing the remuneration of its workers and employees would be determined, above all, by . . . greater profitability of production. . . . The enterprises must have at their disposal — in addition to the wage fund -- their own source of rewarding personnel for individual achievements and high overall results of enterprise operations.

This source must be a part of the profit obtained from the enterprise".  
 (A. N. Kosygin: 'On Improving Industrial Management . . . '; op. cit.; p. 25-26).

"Under the new conditions, the stimulating role of profit rises considerably. . . .

The material incentive funds . . . will be created from profits. The funds must be considerably larger than the previously existing enterprise fund. . . . The greater the profit obtained from the enterprise, the higher will be the allotments to the incentive funds and the fund for the

development of production".

(V. Garbuzov: 'Finances and Economic Stimuli', in: 'Ekonomicheskaya Gazeta', No. 41, 1965).

In the four years from 1966 to 1969, the average size of the material incentive funds of enterprises rose four times.

(N. Y. Drogichinsky: 'The Economic Reform in Action', in: 'Soviet Economic Reform: Progress and Problems'; Moscow; 1972; p. 207).

### 'Socialist Profit'

As has been shown, under the 'economic reform' profit became the motive and regulator of social production. But, seeking to present themselves at this time as continuing to 'build socialism', the Soviet revisionists described this profit as

" . . . socialist profit".

(E. G. Liberman: 'The Plan, Direct Ties and Profitability'; op. cit.).

Although denying that 'socialist profit' arises from exploitation of the working people, the definition of 'profit' given by revisionist Soviet economists since the 'economic reform' --

"Profit is formed directly from the difference between the price and cost of production".

(L. Gatovsky: 'The Role of Profit in a Socialist Economy'; op. cit.).

-- is virtually identical with that given by Marx for surplus value (profit in the broad sense) in an orthodox capitalist society:

"Surplus value is the difference between the value of the product and the value of the elements consumed in the formation of that product".

(K. Marx: 'Capital', Volume 1; London; 1974; p. 201).

So, tacitly accepting that 'socialist profit' does not differ in essence from profit in orthodox capitalist countries, revisionist Soviet economists fell back on the argument that there is nothing wrong in principle with profit



in orthodox capitalist countries; what is wrong — and what distinguishes it from 'socialist profit' is — they say, its distribution:

"The evil of capitalism lies not the drive for profit, but in its distribution".

(V. Belkin & I. Berman: 'The Independence of the Enterprise and Economic Stimuli', in: 'Izvestia', 4 December 1964).

"Under socialism profit . . . is distributed in the interests of the people".

(L. Gatovsky: 'The Role of Profit in a Socialist Economy'; op. cit.).

This argument will be examined in the next two sections.

#### The Distribution of 'Socialist Profit'

If profit was to be in reality the motive and regulator of Soviet production, then the lion's share of the bonuses paid out of an enterprise's 'material incentive fund' had to go to those personnel of an enterprise whose economic decisions primarily determined the rate of profit made by the enterprise -- that is, to the personnel of the management:

"We must raise the role and responsibility of the heads of enterprises . . . for the fulfilment of profit plans".

(G. Kosiachenko: 'Important Condition for the Improvement of Planning'; op. cit.).

The size of bonuses paid to managerial personnel is determined outside the enterprise, by the state:

"Bonuses to directors of enterprises, their assistants, chief engineers, heads of planning departments, chief bookkeepers and heads of technical control departments are approved by the chief executive of the higher agency",

(Y. L. Manevich: 'Wages Systems'; op. cit.).

the prime criterion for determining the size of the bonuses paid to managerial



personnel being the rate of profit made by the enterprise:

"The fulfilment of profit plans . . . should be one of the criteria for granting bonuses to certain categories of managerial personnel".  
(G. Kosiachenko: 'Important Condition for the Improvement of Planning'; op. cit.).

"The main indicators for awarding bonuses to managerial workers at enterprises are fulfilment of the plan for sales and an increase in profitability".  
(S. Kamenitser: op. cit.; p. 134).

On the other hand, the size of the bonuses paid to the workers of an enterprise is determined officially by the director:

Bonuses to directors of enterprise . . . are approved by the chief executive of the higher agency, and those given to all other employees by the director of the enterprise".  
(Y. L. Manevich: 'Wages Systems'; op. cit.).

The size of the bonuses paid to the workers of an enterprise is very different from size of those paid to managerial personnel.

Soviet official statistics show that in 1966 management personnel received 43.9% of the material incentive fund, while workers received 50.7%.  
(N. Y. Drogichinsky: op. cit.; p. 194).

But about this time the personnel engaged in industry was classified as follows:

Management personnel: 4%

Workers: 96%

(Z. Katz: 'Patterns of Social Stratification in the USSR'; Cambridge (USA); 1972; p. 78).

It follows that 1% of the personnel received 12.3% of the bonuses if they were in management, and 0.5% if they were workers. Thus, on the average each

member of the management received almost twenty-five times the bonus received by each worker.

In fact, the distribution of 'socialist profit' under the Soviet 'economic reform' differs in no way from the distribution of profit in orthodox capitalist societies where profit-sharing schemes are in force.

#### Environmental Pollution

The 'economic reform' required each enterprise to maximise its profits and minimise its production costs. But this aim conflicts with the social need to minimise the environmental pollution arising out of production:

"The implementation of pollution control programmes leads to the worsening of the cost-accounting performance of enterprises".

(N. Fedorenko & K. Gofman: 'Problems of Optimisation of the Planning and Control of the Environment', in: 'Problemy Ekonomiki', No. 12, 1972).

As a result, since the 'economic reform' environmental pollution in the Soviet Union has reached dangerous levels, as in orthodox capitalist countries:

"In the Soviet Union . . . unpurified gases are discharged into the atmosphere, unpurified waters are discharged into rivers and water basins, there is soil erosion, etc."

(G. Khromushin: 'Problems of Ecology'. in 'Vorposy Ekonomiki", No. 8, 1973).

"For all the variety of causes behind the deterioration of the environment in the United States and the Soviet Union, both these countries are now faced with the practical need to check this process. .

. . .

The harm caused to bodies of water by effluents from pulp-and-water, chemical fibre, and other factories is well-known. Every day they discard thousands of tons of polluted water into rivers, lakes and oceans.

damage caused by these effluents is incalculable".

(K. Ananichev: 'Environment: International Aspects'; Moscow; 1976; p. 118, 123).

Soviet environmentalists agree that one of the two chief causes of atmospheric pollution is motor transport:

"The chief sources of air pollution today are the power industry and motor transport".

(K. Ananichev: *ibid.*; p. 120).

and that the difficulty in producing a non-noxious motor vehicle is economic, not technical:

"Of course, it is possible in principle to develop a motor vehicle which does not emit poisonous or harmful exhaust fumes. This, however, would be . . . very costly".

(K. Ananichev: *ibid.*; p. 97).

They proposed, therefore, that

" . . . the number of motor vehicles . . . be reduced by withdrawing from use a tremendous number of private cars".

(K. Ananichev: *ibid.*; p. 97-98).

But, in fact, exactly the opposite occurred. The 'Five-Year Plan' for 1971-75 envisaged

" . . . a fourfold increase in car production. This tremendous increase in the number of motor vehicles poses the threat of large-scale air pollution".

(K. Ananichev: *ibid.*; p. 121).

#### National Discrimination

In Stalin's view the national policy of the Communist Party of the Soviet Union should include assistance from the Russian Federation to the

" . . . to make it possible for the backward peoples to catch up with central Russia in political, cultural and economic respects".

(J. V. Stalin: Report on the Immediate Tasks of the Party in the National Question, 10th Congress of the RCP, in: 'Works', Volume 5; Moscow; 1953; p. 39).

"I understand our policy in the national question to be a policy of concessions to non-Russians. . . . That policy is undoubtedly correct".

(J. V. Stalin: Reply to the Discussion on the Central Committee's Organisational Report, 12th Congress of the RCP, in: *ibid.*,; p. 235).

In fact, however, differences in the economic, social and cultural levels between the Union Republics -- as shown in official statistics of industrial productivity, per capita national income, per capita living space, etc. -- increased after the 'economic reform'.

('Narodnoe Khoziaistvo SSSR v 1960 Godu'; Moscow; 1961;

'Narodnoe Khoziaistvo SSSR v 1970 Godu'; Moscow; 1971;

V. N. Bandera & Z. L. Melnyk: 'The Soviet Economy in Regional Perspective'; New York; 1973).

In economically backward Uzbekistan, for example, cotton growing for 'export' to the industrialised Union Republics was made the basis of the Uzbek economy:

"In developing the agriculture of Uzbekistan . . . we need an agricultural complex on a cotton basis".

(N. I. Mukhitdinov, in: 'Materialy Obedinennoi Nauchnoi Sessii po khlopkovodstvu, sostoiashiesia v. g. Taskkente 15-21 Oktiabria 1957 g'; Tashkent; 1958).

This policy led to an actual decline in food production per capita in Uzbekistan:

Food Production in Uzbekistan (kilograms per capita)

|           | 1959 | 1965 |
|-----------|------|------|
| Meat:     | 18.1 | 14.5 |
| Milk:     | 95.0 | 89.7 |
| Grains:   | 62.2 | 59.3 |
| Potatoes: | 24.8 | 16.1 |
| Fruits:   | 23.4 | 19.0 |

(V. S. Nekhai: 'The Production of Foodstuffs and the Level of Consumption in Relation to Population', in: A. M. Aminov (Ed.): 'Razvitie i Sovershenstvovanie Sotsialisticheskikh Proizvodstvennykh Otnoshenii v Period Stroitelstva Kommunizma'; Tashkent; 1968).

Investment

In the days of socialism in the Soviet Union, investment was allocated in a planned way to enterprises by the state without charge. Since the 'economic reform, however, enterprises have to buy new means of production and only in exceptional cases have investment funds been provided for this purpose by the state:

"At the present time . . . only in exceptional cases will the means (of investment -- WBB) come from the budget".

(V. Batyrev: 'The Economic Reform and the Increasing Role of Credit', in: 'Kommunist', No. 2, 1966).

By 1970 78.8% of total investment was coming from the enterprises' own funds.

(I. Shur: 'Long-term Credit in Industry'; op. cit.).

The establishment of 'production development funds' in enterprises brought about a large increase in the enterprises' funds available for investment: from 120 million rubles in 1964 to 4,000 million rubles in 1967 -- an increase of more than 33 times.

(A. N. Kosygin: 'On Improving Industrial Management . . .'; op. cit.).

Production development funds come from profits and the sale of 'superfluous' means of production.

(B. Sukharevsky: 'New Elements in Economic Incentives', in: 'Voprosy Ekonomiki', No. 10, 1965).

Any investment made by an enterprise over and above the funds available in its production development fund must normally be obtained in the form of a bank credit, repayable with interest. But by 1974 only 3.3% of investment was being effected through bank credits, as a result of

" . . . the high profitability of other majority of existing enterprises, which makes it possible to make capital investments from their own resources".

(V. N. Kulikov: 'Some Problems of Long-Term Crediting of Centralised Capital Investments;', in: 'Finansy SSSR', No. 5, 1974).

In determining its investment policy, an enterprise is, of course, guided by its assessment of what will maximise its rate of profit:

"In making investments . . ., an enterprise will choose the course that provides for the biggest rise in profitability".

(T. S. Khachaturov: 'The Economic Reform and Efficiency of Investments', in: 'Soviet Economic Reform: Progress and Problems'; Moscow; 1972; p. 156).

Despite the great increase in the size of enterprises' funds available for investment since the 'economic reform', the growth rate of investment has declined markedly:

|                        |     |
|------------------------|-----|
| 1966-70:               | 43% |
| 1971-75%:              | 42% |
| 1976-80 ('projected'): | 25% |

('Soviet Economy Forges Ahead'; Moscow; 1973; p. 16.

A. N., Kosygin: 'Guidelines . . .'; op. cit.; p. 11, 69).

This, of course, is in line with the practice in orthodox capitalist countries in conditions of monopoly, where maximum profitability frequently

accrues from continuing to operate means of production after they have become obsolescent.

### Rationalisation and Redundancy

As in an orthodox capitalist country, the search for maximum profitability brought about a rise in the productivity of labour, brought about

" . . . the rationalisation of production".

(S. Starostin & G. Emdin: 'The Five-Year Plan and the Soviet Way of Life', in: 'Planovoe Khoziaistvo', No. 6, 1972).

and widespread redundancy. Enterprises

" . . . discontinued the employment of superfluous personnel".

(A. N. Kosygin: 'On Improving Industrial Management . . .'; op. cit.; p. 28).

"The replacement of workers by machinery is quite striking".

(V. I. Mayevsky: 'Socialist Industry: The Basis of the Socialist Economy', in: 'The Soviet Planned Economy'; Moscow; 1974; p. 33).

From 1964 on, 'surpluses of labour' -- a euphemism for unemployment -- were being reported from various regions of the country:

"In certain regions of the country, particularly in small towns, surpluses of labour have appeared".

('Trud', 3 November 1964).

This unemployment occurred particularly among young workers. In 1964 two-thirds of school-leavers in Rostov district and more than half in Kursk district failed to find jobs within the 'planned period'.

('Pravda', 23 July 1965).

This situation was reflected in the establishment in 1966 of a 'Youth Employment Service',

('Pravda', 6 February 1966).

with unemployment, in 1930):

"The solution of an urgent problem of long standing -- the problem of material support for released personnel -- is extremely important".

(E. Manevich: 'Ways of Improving the Utilisation of Manpower'; op. cit.).

and in a campaign to persuade women workers to cease working on the grounds that 'a woman's place is in the home':

"The level of female employment seems excessive to us. Their greater involvement in social production in the last decades has been one of the factors underlying the decline in the birth rate, which will have negative consequences".

(V. Perevedentsev: 'Migration of the Population and the Utilisation of Labour Resources'; op. cit.).

#### The Concentration and Centralisation of Capital

Marx showed that the economic laws of capitalism lead to the concentration of capital, of means of production, in increasing amounts in the hands of individual capitalists. The proportion of Soviet enterprises with a gross output in excess of 500,000 rubles rose from 61.8% in 1960, to 70.8% in 1963., to 74.8% in 1963.

('Soviet Economy Forges Ahead'; Moscow; 1973; p. 176).

Already by 1967 concentration of capital had reached a much higher level than in the most advanced orthodox capitalist countries:

#### Proportion of enterprises employing more than 500 workers:

|               |       |
|---------------|-------|
| USSR:         | 24.4% |
| West Germany: | 1.8%  |
| Britain:      | 1.5*  |
| USA:          | 1.4%  |
| France:       | 0.5%  |
| Japan:        | 0.3%  |



Average Number of Workers per Enterprise:

|               |     |
|---------------|-----|
| USSR:         | 565 |
| West Germany: | 83  |
| USA:          | 48  |
| Britain:      | 45  |
| France:       | 18  |
| Japan:        | 17  |

(I. Kvasha: 'Concentration of Production and Small-Scale Industry', in: 'Voprosy Ekonomiki', No. 5, 1967).

Soviet economists admit that smaller enterprises in the Soviet Union suffer from the same disadvantages described by Marx in the case of orthodox capitalist countries:

"Small enterprises are faced with difficulties. Since their economic stimulation funds are not big, they are not always able to build cultural and service establishments and houses and also to undertake measures for the development of production".

(N. Y. Drogichinsky: op. cit.; p. 217).

Marx points out that the economic laws of capitalism lead to the centralisation of capital, of means of production, that is, their concentration in the hands of a decreasing number of capitalists, and the process of centralisation of capital is stimulated by the role of the banks. While relatively unprofitable enterprises could be put into liquidation under 'bankruptcy laws' which were similar to those in orthodox capitalist countries, most such enterprises were 'reorganised' by merging them with one or more other enterprises:

"Small enterprises are being enlarged, reorganised into big ones".

(A. M. Rumyantsev: 'Management of the Soviet Economy Today: Basic Principles'; op. cit.; p. 17).

Soviet Monopoly Capitalism

Lenin revealed that, as a result of the operation of economic laws inherent in the capitalist economy, competitive capitalism gave way, at a

certain stage of its development, to monopoly capitalism or imperialism, in which a relatively small number of capitalist groups with monopolistic power dominate the economic life of society. In the Soviet Union such large groupings with monopolistic power are called 'production associations':

"The systematic establishment of production associations is a necessary requisite for improving the organisation of production and management. . . . The need for setting up production associations (combined works) was emphasised in the 24th Congress decisions".  
(N. Y. Drogichinsky: op. cit.; p. 221-22).

By 1973 some 5,000 'production associations' had been formed.

(B. Gubin: 'Raising the Efficiency of Socialist Economic Management'; Moscow; 1973; p. 86).

Like monopolies in orthodox capitalist countries, Soviet 'production associations' could take the form of 'trusts' (i.e., cartels in which the enterprises within the 'production association' retain their managerial independence) or of 'firms' and 'combines' (in which the enterprises within the 'production association' have a single managerial apparatus, with the smaller enterprises functioning as subsidiaries:

"Associations . . . may include enterprises which fully preserve their independence or enterprises which have been turned into subsidiaries".  
(S. Kamenitser: op. cit.; p. 37).

'Production associations' have, of course, great advantages in profit-making over even large individual enterprises. Most of them have their own design, research and development divisions and are financially completely self-sufficient:

"A production association headed by a big enterprise offers a number of advantages".  
(N. Y. Drogichinsky: op. cit.; p. 220).

"Large-scale production amalgamations embracing not only enterprises but also design and research and development organisations have everything

they need for a rapid introduction of new developments in science and technology".

('Soviet Economy Forges Ahead'; Moscow; 1973; p. 234).

Since the 'economic reform', the average rate of profit in Soviet enterprises has increased from 16.7% in 1961-65 to 21.3% in 1966-70.

(N. Y. Drogichinsky: op. cit.; p. 208).

and the average profit per worker has increased as follows:

|       |              |
|-------|--------------|
| 1965: | 1,485 rubles |
| 1966: | 1,773 rubles |
| 1967: | 2,027 rubles |
| 1968: | 2,217 rubles |
| 1969: | 2,549 rubles |

(N. Y. Drogichinsky: op.cit.,; p. 204).

In the period 1971-75 total profit amounted to

" . . . nearly 500,000 million rubles",

A. N. Kosygin: 'Guidelines . . .'; op. cit.; p. 41).

an increase over the period 1966-70 of

" . . . 50%".

(A. N. Kosygin: 'Guidelines . . .'; op. cit.; p. 41).

The formation of 'production associations' has greatly accelerated rationalisation and its attendant 'releases of surplus labour':

"Great savings were effected by the organisation of associations in the oil-refining industry. As a result of setting up the 'Kuibyshevneft' association, the managerial offices of 7 oil-drilling enterprises, 11 oilfields and 51 oil-producing and drilling sections were abolished. This enabled the release of over 1,000 workers and a saving of 1.3 million

rubles in the annual remuneration fund".

(B. Gubin: 'Raising the Efficiency of Socialist Economic Management'; Moscow; 1973; p. 108).

One of the principal advantages possessed by a monopoly is its ability to maintain its prices (and so its rate of profit) at a higher level than would be possible under conditions of competition. Thus, Soviet economists were compelled to admit that the formation of monopolistic 'production associations' led to a tendency for prices to rise, i.e., a tendency to inflation:

"Our experience points to the existence of a dangerous trend towards arbitrary price rises".

(L. Maizenberg: op. cit.).

And, as in orthodox capitalist countries, Soviet monopolies do not hesitate to use their control of the production of a particular commodity to create artificial shortages for the purpose of increasing their prices and profits:

"Certain forms of the existing system of distribution . . . frequently lead to an artificial shortage".

(N. Fedorenko: 'Current Tasks of Economic Science', in: 'Voprosy Ekonomiki', No. 2, 1974).

"With coffee prices up fivefold, suppliers released rare stocks into the store".

('Coffee in Moscow', in: 'Guardian', 2 March 1978).

As a result of all these factors, Soviet monopolies succeeded in significantly raising their rates of profit during the 1960s:

"The 'Elektrosila' association in Leningrad in the 1966-1969 period . . . increased . . . profits by 110%".

(B. Gubin: op. cit.; p., 108).

### The Exploitation of the Working Class

In the 1970s Soviet revisionist economists and politicians were still maintaining that, despite the 'economic reforms', Soviet society continued to operate on the principle of

" . . . the distribution of income according to the quantity and quality of work done",

(Y. L. Manevich: 'Wages Systems'; op. cit.).

although it was admitted that this principle

" . . . operates . . . with many deviations".

(Y. L. Manevich: *ibid.*; p. 229).

As has been shown, these 'deviations' included the receipt by managerial personnel in Soviet industry of bonuses which were up to 100 times those received by shop floor workers. Such huge differentials can, by no stretch of the imagination, be reconciled with the principle of 'distribution of income according to quantity and quality of work performed'. They represent, in Marxist-Leninist terminology, the exploitation of the working class.

### The Market Problem

Marx made it clear that, by reason of the anarchic character of production in a capitalist society and the fact that, in such a society, the workers receive in wages the equivalent of only as part of the value they produce, every capitalist society faces a market problem. By 1965 Soviet revisionist economists were admitting that the Soviet economy was facing such a market problem:

"The market problem exists not only for consumer goods but also for means of production".

('Pravda', 23 June 1965).

One attempt to alleviate the Soviet market problem has been the great expansion of credit sales:

"Credit sales . . . are acquiring more and more significance for the development of retail trade in our country. . . . The share of goods sold on an instalment basis is increasing: from 1.8% in 1960 to 5.7% in 1967".

(V. Ilin & B. Koriagin: 'The Sale of Goods to the Public on Credit', in: 'Nauchnye Vyssei Doklady Shkoly: Ekonomicheskie Nauki', No. 7, 1969).

This market problem brings about pressure to find markets abroad for goods which cannot be sold at home:

"The growth of production leads to the greater requirement for foreign markets".

(M. Senin: 'Socialist Integration'; Moscow; 1973; p. 119).

"We intend to expand the country's export potential systematically. .

. .

The problem arises of setting up a number of export-oriented industries to meet the specific requirements of foreign markets".

(A. N. Kosygin: 'Guidelines . . .'; op. cit.; p. 45).

In 1967 fuel, raw and other materials, and foodstuffs constituted 62.5% of Soviet exports.

(M. Senin: op. cit.; p. 99).

But the production of such commodities for export is significantly less profitable than the production of manufactured goods:

"In the export field the operation of the extractive industry is less profitable than that of manufacturing industry".

(M. Senin: op. cit.; p. 243).

Naturally, therefore, Soviet revisionist economists urged that steps be taken to change the pattern of Soviet exports in the direction of manufactured goods:

"The high growth rates in engineering and other manufacturing industries and measures to raise the technical level and product quality

create prerequisites for increasing the share of the manufacturing industries' produce in Soviet exports".

('Soviet Economy Forges Ahead'; op. cit.; p. 100).

#### The Role of the Communist Party of the Soviet Union

The Communist Party of the Soviet Union, founded as a political party representing the interests of the working class, has been said since 1961 to represent the interests of 'the entire Soviet people':

"Our Marxist-Leninist Party, which arose as a party of the working class, has become the Party of the entire people".

(N. S. Khrushchev: Report on the Programme of the Communist Party of the Soviet Union, 22nd Congress, CPSU; London; 1961; p. 90).

But in a society which contains classes with antagonistic interests -- and it has been shown that the Soviet Union had become such a society by the 1960s -- it is impossible for a single party to represent the interests of 'the entire people' and any claim to do so must be dismissed as mere demagoguery.

And where a capitalist class exists, as in the Soviet Union since the 1960s, a political party which does not represent specifically the interests of the working class must represent the interests of the Soviet capitalist class.

Consequently, since the 'economic reform' the Communist Party of the Soviet Union represented the interests of the Soviet capitalist class.

#### The Character of the Soviet State

According to Marxism-Leninism, a state is essentially a machinery of force by which one social class rules over the rest of the people. The Soviet State established in Russia by the revolution of November 1917 was officially described as a machinery of force in the hands of the the working class, as 'the dictatorship of the working class'.

In 1961, however, the leaders of the CPSU declared that the Soviet state



was no longer the dictatorship of the proletariat, but had become an organ representing the interests of 'the entire people':

"In our country, for the first time in history, a State has taken shape which is not a dictatorship of any one class, but an instrument of society as a whole, of the entire people. . . .

The dictatorship of the proletariat is no longer necessary".  
(N. S. Khrushchev: Report on the Programme of the Communist Party . . .';  
op. cit.; p. 57, 58).

But Marxism-Leninism teaches us that in a society which contains antagonistic classes -- and, as has been demonstrated, Soviet society has been such a society since the 1960s -- the state can only be the machinery of rule of the dominant social class, and any claim that it represents the interests of 'the entire people' must be dismissed as mere demagogy.

Since the Soviet revisionist leaders admit that the Soviet state is no longer the dictatorship of the working class, it must be the machinery of rule of the new capitalist class.

But Lenin demonstrated that monopoly capitalism -- such as came to exist in the Soviet Union after the 'economic reform' -- inevitably develops into state-monopoly capitalism, in which the state ceases to be the machinery of rule of the capitalist class as a whole and becomes that of the most powerful groups of monopoly capitalists, and in which the intervention of the state extends into every facet of social life:

"In . . . state-monopoly capitalism the monstrous oppression of the mass of the toilers by the state -- which is becoming merged more and more with the all-powerful capitalist combines -- is becoming ever more monstrous".

(V. I. Lenin: Preface to the First Edition of 'The State and Revolution', in: 'Selected Works', Volume 7; London; 1946; p. 5).

"Imperialism -- . . . the era of the transformation of monopoly capitalism into state-monopoly capitalism -- has particularly witnessed an unprecedented strengthening of the 'state machine' and an



unprecedented growth of its bureaucratic and military apparatus".  
(V. I. Lenin: 'The State and Revolution', in: *ibid.*,; p. 32).

Thus, the Soviet revisionist Prime Minister Aleksei Kosygin described in 1965 how the industrial Ministries would 'rely on' the trusts, firms and combines in their respective fields, and would 'hand over' to them many operative functions:

"Within industries a network of cost-accounting amalgamations . . . will exercise direct management over their respective enterprises. . . . The Ministries will rely in their work on the cost accounting amalgamations, handing over many operative functions to them".  
(A. N. Kosygin: 'On Improving Industrial Management . . .'; *op. cit.*).

Furthermore, the Soviet state which came into being through the 'economic reform' of the 1960s, was not of the 'parliamentary democratic' type such as exists in Britain at the present time.

Within 'parliamentary democracy' the legal right exists for the formation of political parties with the declared aim of transforming the structure of society; and the legal right exists for such parties to hold public meetings and demonstrations, to publish journals and leaflets, to contest elections, and so on.

But in the Soviet society of the 1960s, 1970s and early 1980s such rights did not exist. The Communist Party of the Soviet Union -- representing, as has been shown, the interests of Soviet monopoly capital -- was the sole legal political party and functioned as 'the leading and guiding force of Soviet society':

"The period of full-scale communist construction is characterised by a further enhancement of the role and importance of the Communist Party as the leading and guiding force of Soviet society".  
(Programme of the Communist Party of the Soviet Union; Moscow; 1961; p. 122-23).

Consequently, the Soviet state of the 1960s, 1970s and early 1980s was --

despite its false trappings of red flags -- a fascist-type state in which the Communist Party functioned essentially as did the fascist parties in Fascist Italy, Nazi Germany and Falangist Spain.

#### Conclusion

The theses that the Communist Party of the Soviet Union remained a Marxist-Leninist Party and the Soviet Union remained a socialist society until the mid-1980s cannot be reconciled with the known facts.

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