What was the USSR?
Part IV: Towards a theory of the deformation of value
Aufheben, May 7 2010

Aufheben's final article on the nature of the USSR, arguing that the Soviet Union was in fact a state capitalist system but where the law of value was deformed.

So our saga on the nature of the USSR draws to a close. While some readers have awaited avidly for each exciting instalment, others from the beginning thought we gave disproportionate space to this rather tired old topic.1 Another dissatisfied group may be the partisans of particular theories which were not given the recognition they feel they deserved.2 This was unavoidable considering the sheer number of theories one could have dealt with. The list of political tendencies which have considered that the USSR was a variety of capitalism includes 'anarchism, council communism, "impossibilism", many types of Leninism (including Bordigism, Maoism and a number arising out of Trotskyism), libertarian socialism, Marxist-Humanism, Menshevism, the Situationist International and social democracy.3 Some might also question why, of our previous parts, only one dealt with (state-)capitalist theories outside Trotskyism. Yet what is striking in looking at these alternatives is that none dealt adequately with the 'orthodox Marxist' criticisms coming from Trotskyism. If Trotskyism itself has been politically bankrupt in its relation to both Stalinism and social democracy - and this is not unrelated to its refusal to accept the USSR was capitalist - at a certain theoretical level it still posed a challenge. We restate the issues at stake in the first few pages below. While fragmented ideological conceptions satisfy the needs of the bourgeoisie, the proletariat must acquire theory: the practical truth necessary for its universal task of self-abolition which at the same time abolishes class society. Clearing some of the bullshit and clarifying issues around one of the central obstacles to human emancipation that the 20th century has thrown up, namely the complicity of the Left with capital, may help the next century have done with the capitalist mode of production once and for all.

Introduction

The problem of determining the nature of the USSR was that it exhibited two contradictory aspects. On the one hand, the USSR appeared to have characteristics that were strikingly similar to those of the actually existing capitalist societies of the West. Thus, for example, the vast majority of the population of the USSR was dependent for their livelihoods on wage-labour. Rapid industrialisation and the forced collectivisation of agriculture under Stalin had led to the break up of traditional communities and the emergence of a mass industrialised society made up of atomised individuals and families. While the overriding aim of the economic system was the maximisation of economic growth.

On the other hand, the USSR diverged markedly from the laissez-faire capitalism that had been analysed by Marx. The economy of the USSR was not made up of competing privately owned enterprises regulated through the 'invisible hand' of the market. On the contrary, all the principal means of production were state owned and the economy was consciously regulated through centralised planning. As a consequence, there were neither the sharp differentiation between the economic nor the political nor was there a distinct civil society that existed between family and state. Finally the economic growth was not driven by the profit motive but directly by the need to expand the mass of use-values to meet the needs of both the state and the population as a whole.

As a consequence, any theory that the USSR was essentially a capitalist form of society must be able to explain this contradictory appearance of the USSR. Firstly, it must show how the dominant social relations that arose in the peculiar historical circumstance of the USSR were essentially capitalist social relations: and to this extent the theory must be grounded in a value-analysis of the Soviet Union. Secondly it must show how these social relations manifested themselves, not only in those features of the USSR that were clearly capitalist, but also in those features of the Soviet Union that appear as distinctly at variance with capitalism.

The capitalist essence of the USSR

As we saw in Part III, there were a number of theories that emerged out of the Communist Left following the Russian Revolution that came to argue that the USSR was essentially a form of capitalism. Most of these early theories, however, had focused on the question of the class nature of the Russian Revolution and had failed to go far in developing a value-analysis of the Soviet System.[4] However, following Mattick's attempt to analyse the USSR of value-forms there have been a number of attempts to show that, despite appearances to the contrary, the dominant social relations of the USSR were essentially capitalist in nature.

Of course, any theory that the USSR was in some sense capitalist must reject the vulgar interpretation of orthodox Marxism which simply sees capitalism as a profit driven system based on private property and the 'anarchy of the market'. The essence of capitalism is the dominance of the social relations of capital. But what is capital? From Marx it can be argued that capital was essentially the self-expansion of alienated labour: the creative and productive powers of human activity that becomes an alien force that subsumes human will and needs to its own autonomous expansion.

Yet the alienation of labour presupposes wage-labour which itself presupposes the separation of the direct producers from both the means of production and the means of subsistence. Of course, in the 'classical form' of capitalism private property is the institutional means through which the direct producers are separated from both the means of production and the means of subsistence. The class of capitalists owns both the means of production and the means of subsistence in the form of the private property of each individual capitalist. In confronting the private property of each individual capitalist the worker finds himself excluded from access to the means through he can either directly or indirectly satisfy his needs. As a consequence he is obliged to sell his labour-power to one capitalist so that he can then buy his means of subsistence from another. Yet in selling their labour-power to capitalists the working class produce their future means of subsistence and their future means of production as the private property of the capitalist class. In doing so they end up reproducing the relation of capital and wage-labour.

Yet this social relation is not fundamentally altered with the institution of the state ownership of both the means of production and the means of subsistence. Of course the Stalinist apologists would claim that the state ownership of means of production meant the ownership of by the entire population. But this was quite clearly a legal formality. The Soviet working class no more owned and controlled their factories than British workers owned British Steel, British Coal or British Leyland in the days of the nationalised industries. State ownership, whether in Russia or elsewhere, was merely a specific institutional form through which the working class was excluded from both the means of production and the means of subsistence and therefore obliged to sell their labour-power.

In selling their labour-power to the various state enterprises the Russian workers did not work to produce for their own needs but worked in exchange for wages. Thus in a very real sense they alienated their labour and hence produced capital. Instead of selling their labour-power to capital in the form of a private capitalist enterprise, the Russian working class simply sold their labour-power to capital in the form of the state owned enterprise.

Whereas in the 'classical form' of capitalism the capitalist class is constituted through the private ownership of the means of production, in the USSR the capitalist class was constituted through the state and as such collectively owned and controlled the means of production. Nevertheless, by making the Russian working class work longer than that necessary to produce the equivalent of their labour-power the Russian State enterprises were able to extract surplus-value just as the counterparts in the West would do. Furthermore, while a part of this surplus-value would be used to pay for the privileges of the 'state bourgeoisie', as in the West, the largest part would be reinvested in the expansion of the economy and thus ensuring the self-expansion of state-capital.

Hence by penetrating behind the forms of property we can see that the real social relations within the USSR were essentially those of capital. The USSR can therefore be seen as having been capitalist - although in the specific form of state capitalism. However politically useful and intuitive correct this classification of the USSR may be, the problem is that by itself this approach is unable to explain the apparently non-capitalist aspects of the USSR. As anyone acquainted with Hegel might say 'the essence must appear!'. Capital may be the self-expansion of alienated labour but it is labour in the form of value. How can we speak of value, or indeed surplus-value, when there is no production of commodities, since without markets there was no real production for exchange?

These criticisms of state capitalist theories of the USSR have emerged out of the Trotskyist tradition. It is to this tradition that we must now turn to explore the limits of the state capitalist theories of the USSR.

The Trotskyist approach

The more sophisticated Trotskyist theorists have criticised the method of state capitalist theories of the USSR. They argue it is wrong to seek to identify an abstract and ahistorical essence of capitalism and seek to identify its existence to a concrete historical social formation such as the USSR. For them the apparent contradiction between the non-capitalist and capitalist aspects of the USSR was a real contradiction that can only be understood by grasping the Soviet Union as a transitional social formation.

As we saw in Part I, for Trotskyists, the Russian Revolution marked a decisive break with capitalism. As a consequence, following 1917, Russia had entered a transitional period between capitalism and socialism. As such the USSR was neither capitalist nor socialist but had aspects of the two which arose from the struggle between the law of value and of planning.

As a result Trotskyist never denied the existence of capitalist aspects of the USSR. Indeed they accepted the persistence of capitalist forms such as money, profits, interest and wages. But these were decaying forms - 'empty husks' - that disguised the emerging socialist relations in a period of transition. This becomes clear, they argue if we examine these 'capitalist forms' more closely.

Firstly, it may appear that in the USSR that production took the form of production for exchange and hence products took the form of commodities. After all, different state enterprises traded with each other and sold products to the working class. But for the most part such exchange of products was determined by the central plan not by competitive exchange on the market. As a consequence, while the state enterprises formally sold their outputs and purchased their inputs such 'exchanges' were in content merely transfers that were made in accordance with the central plan. Hence production was not for exchange but for the plan and thus products did not really assume the form of commodities.

Secondly, since there was no real commodity exchange, but simply a planed transfer of products, there could be no real money in USSR. While money certainly existed and was used in transactions it did not by any means have the full functions that money has under capitalism. Money principally functioned as a unit of account. Unlike money under capitalism, which as the universal equivalent, was both necessary and sufficient to buy anything, in the USSR money may have been necessary to buy certain things but was often very far from being sufficient. As the long queues and shortages testified what was needed in USSR to obtain things was not just money but also time or influence.

Thirdly, there were the forms of profits and interest. Under capitalism profit serves as the driving force that propels the expansion of the economic system, while interest ensures the efficient allocation of capital to the most profitable sectors and industries. In the USSR the forms of profit and interest existed but they were for the most part accounting devises. Production was no more production for profit than it was production for exchange. Indeed the expansion of the economic system was driven by the central plan that set specific targets for the production of use-values not values.[5]

Finally and perhaps most importantly we come to the form of wages. To the extent that Trotskyist theorists reject the Stalinist notion that the Russian working class were co-owners of the state enterprises, they are obliged to accept that the direct producers were separated from both their means of subsistence and the means of production. However, in the absence of general commodity production it is argued that the Russian worker was unable to sell her labour-power as a commodity. Firstly, because the worker was not 'free' to sell her labour power to who ever she chose and secondly because the money wage could not be freely transformed into commodities. As a consequence, although the workers in the USSR were nominally paid wages, in reality such wages were little more than pensions or rations that bore scant relation to the labour performed. The position of the worker was more like that of a serf or slave tied to a specific means of production that a 'free' wage worker.

We shall return to consider this question of 'empty capitalist forms' later. What is important at present is to see how the Trotskyist approach is able to ground the contradictory appearance of the USSR as both capitalist and non-capitalist in terms of the transition from capitalism to socialism. To this extent the Trotskyist approach has the advantage over most state capitalist theories that are unable to adequately account for the non-capitalist aspects of the USSR. This failure to grasp the non-capitalist aspects of the USSR has been exposed in the light of the decay and final collapse of the USSR.

Capitalist crisis and the collapse of the USSR

One of the most striking features of the capitalist mode of production is its crisis ridden mode of development. Capitalism has brought about an unprecedented development of the productive forces, yet such development has been repeatedly punctuated by crises of overproduction.

The sheer waste that such crises could involve had become clearly apparent in the great depression of the 1930s. On the one side millions of workers in the industrialised countries had been plunged into poverty by mass unemployment while on the other side stood idle factories that had previous served as a means to feed and clothe these workers. In contrast, at that time Stalinist Russia was undergoing a process of rapid apparently crisis free industrialisation that was to transform the USSR from a predominantly agrarian economy into a major industrial and military power.[6]

In the 1930s and the decades that followed, even bourgeois observers had come to accept the view that the Stalinist system of centralised planning had overcome the problem of economic crisis and was at least in economic terms an advance over free market capitalism. The only question that remained for such observers was whether the cost in bourgeois freedom that the Stalinist system seemed to imply was worth the economic gains of a rationally planned economy.

While it became increasingly difficult for Trotskyists to defend the notion that the USSR was a degenerated workers state on the grounds that the working class was in any sense in power, the USSR could still be defended as being progressive in that it was able to develop the forces of production faster than capitalism. To the extent that the rapid development of the forces of production was creating the material conditions for socialism then the USSR could still be seen as being in the long term interests of the working class.

Many of the state capitalist theorists shared this common view that the USSR was an advance over the free market capitalism of the West. While they may have disagreed with the Trotskyist notion that the Russian Revolution had led to a break with capitalism they still accepted that by leading to the eventual introduction of a predominantly state capitalist economy it had marked an advance not only over pre-Revolutionary Russia but also over Western capitalism.

This view seemed to be confirmed by the post Second World War development in Western capitalism. The emergence of Keynesian demand management, widespread nationalisation of key industries, indicative planning[7] and the introduction of the welfare state all seemed to indicate an evolution towards the form of state capitalism. For many bourgeois as well as Marxist theorists of the 1950s and 1960s there was developing a convergence between the West and the East as the state increasingly came to regulate the economy. For Socialism or Barbarism there was emerging what they termed a 'bureaucratic capitalism' that had overcome the problems of economic crisis.

As we noted in Part III, Mattick as one of the leading state capitalist theorist of the German left, rejected the claims that Keynesianism had resolved the contradictions of capitalism. Yet nevertheless he took the claims that the USSR had itself resolved the problems of economic crisis through rational planning at face value.

However, as we saw in Part II, by the 1970s it had become increasingly clear that the USSR had entered a period of chronic economic stagnation. By the time of the collapse of the USSR in 1990 only the most hard line Stalinist could deny that the USSR had been a bureaucratic nightmare that involved enormous economic waste and inefficiency.

State capitalist theories have so far proved unable to explain the peculiar nature of the fundamental contradictions of the USSR that led to its chronic stagnation and eventual downfall.8 If the USSR was simply a form of capitalism then the crisis theories of capitalism should be in some way applicable to the crisis in the USSR. But attempts to explain the economic problems of the USSR simply in terms of the falling rate and profit, overproduction and crisis etc. have failed to explain the specific features of the economic problems that beset the USSR. The USSR did not experience acute crisis of overproduction but rather problems of systematic waste and chronic economic stagnation, none of which can be explained by the standard theories of capitalist crisis.

As a consequence of this limitation of state capitalist theories, perhaps rather ironically, the most persuasive explanation of the downfall of the USSR has not arisen from those traditions that had most consistently opposed the Soviet Union, and which had given rise to the theories that Soviet Union was a form of State Capitalism, but from the Trotskyist tradition that had given the USSR its critical support. As we saw in Part II, it has been Ticktin that has given the most plausible explanation and description of the decline and fall of the USSR. Although in developing his theory of the USSR Ticktin was obliged to ditch the notion that the USSR remained a degenerate workers state, he held on to the crucial Trotskyist notion that the Soviet Union was in a transitional stage between capitalism and socialism. For Ticktin, Russia's transition to socialism was part of the global transition from capitalism to socialism. With the failure of the world revolution following the First World War Russia was left in isolation and was unable to complete the transition to socialism. As a consequence, the USSR became stuck in a half-way position between capitalism and socialism. The USSR subsequently degenerated into a 'non-mode of production'. While it ceased to be regulated by the 'law of value' it could not adequately regulated through the law of planning without the participation of the working class.

As we saw in Part II, it is within this theoretical framework that Ticktin argued that the USSR was the first attempt to make the transition from capitalism to socialism within the global epoch of the decline of capitalism that Ticktin was able to develop his analysis of the decline and fall of the USSR. However, as we also saw while his analysis is perhaps the most plausible explanation that has been offered for the decline and fall of the USSR it has important failings. As we have argued, despite twenty years and numerous articles developing his analysis of the USSR, Ticktin has been unable to develop a systematic and coherent methodological exposition of his theory of the Soviet Union as a non-mode production. Instead Ticktin is obliged to take up a number of false starts each of which, while often offering important insights into the nature and functioning of the USSR, runs into problems in its efforts to show that the Soviet Union was in some sense in transition to socialism. Indeed, he is unable to adequately explain the persistence and function of capitalist categories in the USSR.

If we are to develop an alternative to Ticktin theory which is rooted in the tradition that has consistently seen the USSR as being state capitalist[9] it is necessary that we are able to explain the non-capitalist aspects of the USSR that previous state capitalist theories have failed to do. To do this we propose to follow Ticktin and consider the USSR as a transitional social formation, but, following the insights of Bordiga and the Italian Left, we do not propose to grasp the USSR as having been in transition from capitalism but as a social formation in transition to capitalism.

But before we can do this we must first consider particular nature of the form of state capitalism.

The historical significance of state capitalism

Within the traditional Marxism of both the Second and Third Internationals state capitalism is viewed as the highest form of capitalism. As Marx argued, the prevalent tendency within the development of capitalism is the both the concentration and centralisation of capital. As capital is accumulated in ever large amounts the weak capitals are driven out by the strong. Capital becomes centralised into fewer and fewer hands as in each industry the competition between many small capitals becomes replaced by the monopoly of a few.

By the end of the nineteenth century the theorists of the Second International had begun to argue that this tendency had gone so far that the competitive laissez-faire capitalism that Marx had analysed in the mid-nineteenth century was giving way to a monopoly capitalism in which the key industries were dominated by national monopolistic corporation or price-fixing cartels. It was argued that the development of such monopolies and cartels meant that the law of value was in decline. Output and prices were now increasingly being planed by the monopolies and cartels rather than emerging spontaneously from the anarchy of a competitive market.

Furthermore it was argued that in order to mobilise the huge amounts of capital now necessary to finance large scale productive investments in leading sectors such those of the steel, coal and rail industries, industrial capital had begun to ally, and then increasingly fuse, with banking capital to form what the leading economic theorist Hilferding termed finance capital. Within finance capital the huge national monopolies in each industry were united with each other forming huge national conglomerates with interests in all the strategic sectors of the economy. The logical outcome of this process was for the centralisation of finance capital to proceed to the point where there was only one conglomerate that owned and controlled all the important industries in the national economy.

However, the growth of finance capital also went hand in hand with the growing economic importance of the state. On an international scale the development of finance capital within each nation state led to international competition increasingly becoming politicised as each state championed the interests of its own national capitals by military force if necessary. Against rival imperial powers each state had begun to carve out empires and spheres of influence across the globe to ensure privileged access to markets and raw materials necessary to its domestic capital. At the same time the development of huge monopolies and finance capital forced the state to take a far more active role in regulating the economy and arbitrating between the conflicting economic interests that could no longer be mediated through the free operation of competitive markets.

As a consequence, the development of finance capital implied not only a fusion between industrial and banking capital but also a fusion between capital and the state. Capitalism was remorselessly developing into a state capitalism in which there would be but one capital that would dominate the entire nation and be run by the state in the interests of the capitalist class as a whole. For the theorist of the Second International it was this very tendency towards state capitalism that provided the basis of socialism. With the development of state capitalism all that would be needed was the seizure of the state by the working class. All the mechanisms for running the national economy would then be in the hands of the workers government who could then run the economy in the interests of the working class rather than a small group of capitalists.

But this notion that state capitalism was the culmination of the historical development of capitalism, and hence that it was capitalism's highest stage, arose out of the specific conditions and experience of Germany at the end of the nineteenth century. Germany's rapid industrialisation following its unification in 1866 had meant that by the end of the nineteenth century it was seriously challenging Britain as Europe's foremost economic power. At the same time the rapid emergence of an industrial proletariat had given rise to the German Social Democratic Party which was not only the first but also the largest and most important mass workers party in the world and as such dominated the Second International. It is perhaps no surprise then that the Marxist theorists of the Second International, whether German or not, should look to Germany. But their generalisation of the development of capitalism of Germany to a universal law was to prove an important error.

This error becomes clear if we consider the other two leading capitalist powers at the end of the nineteenth century: Britain that had been the leading capitalist power throughout the century, and the USA, along with Germany were rapidly overtaking Britain in economic development. Of course, in both Britain and the USA capitalist development had seen the prevalence of the tendency of the centralisation and concentration of capital that was to lead to the growth of huge corporations and monopolies. Furthermore, partly as a result of such a concentration and centralisation of capital, and partly as a result of the class conflict that accompanied it, the state was to take on increasing responsibilities in managing the economy in the twentieth century. However, there was no fusion between banking and industrial capital nor was their a fusion between the state and capital on any scale comparable that which could be identified in Germany either at the end of the nineteenth century or subsequently in the twentieth century.

The international orientation of British capital that had become further consolidated with the emergence of the British Empire in the late nineteenth century, meant there was little pressure for the emergence of finance capital in Hilferding's sense. British industrial capital had long established markets across the world and was under little pressure to consolidate national markets through the construction of cartels or national monopolies.

Equally British banking capital was centred on managing international flows of capital and investing abroad and was far from inclined to make the long term commitments necessary for a merger with industrial capital. British industrial capital raised finance principally through the stock market or through retained profits not through the banks as their German counterparts did. While the British state pursued an imperial policy that sought to protect the markets and sources of raw materials for British capital it stop short there. The British State made little effort to promote the development of British capital through direct state intervention since in most sectors British capital still retained a commanding competitive advantage.

In the USA the concentration of banking capital was restricted. As a consequence there could be no fusion between large scale banking capital and large scale industrial capital. As a continental economy there was far more room for expansion in the USA before capitals in particular industries reached a monopolistic stage and when they did reach this stage they often faced anti-trust legislation. Furthermore, the relative geo-economic isolation of the USA meant that protectionist measures were sufficient to promote the development of American industry. There was little need for the US government to go beyond imposing tariffs on foreign imports in order to encourage the development of domestic industry. As a consequence there was not only no basis for the fusion of industrial and banking capital but there was also little basis for the fusion of the state with capital.

In the twentieth century it was the USA, not Germany, that took over from Britain as the hegemonic economic power. While it is true that the tendency towards the concentration and centralisation of capital has continued in the USA, that both state regulation and state spending has steadily increased, and that with the emergence of the industrial-military complex there has grown increasing links between the state and certain sectors of industry, the USA, the most advanced capitalist power, can hardly be designated as having a state capitalist political-economy. Indeed, with the rise of global finance capital and the retreat of the autonomy of the nation state, the notion that state capitalism is the highest stage of capitalism has become increasingly untenable.

If state capitalism is not the highest stage of capitalism as was argued by the theorists of the Second and Third Internationals then what was its historical significance? To answer this we must first of all briefly consider the particular development of industrial capitalism in Germany which were provided the material conditions out of which this notion first arose.

Germany and the conditions of late industrialisation

As Marx recognised, Britain provided the classic case for the development of industrial capitalism. After nearly four centuries of evolution the development of mercantile and agrarian capitalism had created the essential preconditions for the emergence of industrial capitalism in Britain by the end of the eighteenth century. Centuries of enclosures had dispossessed the British peasantry and created a large pool of potential proletarians. At the same time primitive accumulation had concentrated wealth in the hands of an emerging bourgeoisie and embourgeoified gentry who were both willing and able to invest it as capital.

The early decades of the nineteenth century saw the rapid industrialisation and urbanisation of Britain. By the mid-nineteenth century Britain had established itself as the 'workshop of the world'. Britain's manufacturers flooded the world markets, particularly those of Europe. The development of the factory system and the subsequent application of steam power meant that the products of British industry were far cheaper than those of European industries that were for the most part still based on handicraft production.

As a consequence much of the proto-industrial craft production that had grown up across Europe during the previous two centuries faced ruin from British industrial production. Whereas in Britain the emergence of industrial capitalism had seen a retreat in the role of the state and the emergence of laissez-faire, on the continent the ruinous competition of British industry forced the European states to take measures to protect and foster domestic industry. Indeed British economic competition meant there was no option for the gradual evolution into capitalism. On the contrary the European ruling classes had to industrialise or be left behind. If the domestic bourgeois proved to weak too carry out industrialisation then the state had to carry out its historical mission for it.

The 1870s marked a crucial turning point in the development of the formation of the world capitalist economy, particularly in Europe. The period 1870-1900 marked a second stage in industrialisation that was to divided the world between a core of advanced industrialised countries and periphery of underdeveloped countries. A division that for the most part still exists today.

The first stage of industrialisation that had begun in Britain in the late eighteenth century, and which had been centred on the textile industries, had arisen out of handicraft and artisanal industry that had grown up in the previous manufacturing period. The machinery that was used to mechanise production was for the most part simply a multiplication and elaboration of the hand tools that had been used in handicraft production and were themselves the product of handicraft production. At the same time the quantum of money-capital necessary to set up in production was relatively small and was well within the compass of middle class family fortunes.

The second stage of industrialisation that emerged in the final decades of the nineteenth century was centred around large scale steel production, and heavy engineering. Industrial production now presupposed industrial production. Industrial machinery was now no longer the product of handicraft production but was itself the product of industrial production. Industrial production had grown dramatically in scale and in cost. The quantum of capital necessary to set up in production was now often well beyond the pockets of even the richest of individuals. Money-capital had to be concentrated through the development of joint-stock companies and banks.

In Britain, and perhaps to a lesser extent France, the period of early industrialisation had created the presuppositions for the future industrialisation of the second stage. An industrial base had already been established while the accumulation of capital and the development of the financial institutions provide the mass of money capital necessary for further industrialisation. In contrast the division of Germany into petty-statelets that was only finally overcome with its unification in 1866 had retarded the development of industrial capital. As a consequence, Germany had to summon up out of almost nothing the preconditions for the second stage of industrialisation if it was not to fall irrevocably behind. This required a forced concentration of national capital and the active intervention of the state.

This was further compounded by Germany's late entrance into the race to divide up the world. The new industries that began to emerge in the late nineteenth century demanded a wide range of raw materials that could only be obtained outside of Europe. To secure supplies of these raw materials a race developed to divide up the world and this led to the establishment of the vast French and British Empires of the late nineteenth century. Excluded from much of the world, German capital found itself compressed within the narrow national confines of Germany and its immediate eastern European hinterland.

It was this forced concentration and centralisation of German capital and its confinement within the narrow national boundaries of Germany and eastern Europe that can be seen as the basis for the tendencies towards the fusion both between industrial and banking capital and between the state and capital that were peculiar to Germany at the end of the nineteenth century. As such the tendency towards state capitalism that was identified by the theorist of the Second International owed more to Germany's late industrialisation than to any universally applicable tendency towards state capitalism. Indeed, the twentieth century has shown, those economies that have managed to overcome the huge disadvantages of late industrialisation - such as Japan and more recently the 'Newly Industrialising Countries' (NICs) such as South Korea, Taiwan, Indonesia, Brazil and Mexico - state-led development has played a crucial part in their success.10

However, state capitalism only remained a tendency in Germany. In the USSR the fusion of the state and capital can be seen to have been fully realised. We must therefore turn to consider the case of the late development of Russia.

Russia and late Development

As we saw in Part I, the Russian autocracy had made repeated efforts to 'modernise' and 'industrialise' the Russian economy. With the abolition of serfdom in 1866 and the introduction of the Stolypin agrarian reforms in the early 1900s the Tzarist Governments had sought to foster the growth of capitalist agriculture. At the same time the Tzarist regime encouraged foreign investment in the most modern plant and machinery.

However, the Tzarist efforts to modernise and industrialise the Russian Empire were tempered by the danger that such modernisation and industrialisation would unleash social forces that would undermine the traditional social and political relations upon which the Russian imperial autocracy was founded. Indeed, the prime motive for promoting the industrialisation of the Russian Empire was the need for an industrial basis for the continued military strength of the Russian Empire. As military strength increasingly dependent on industrially produced weapons then it became increasingly important for the Russian State to industrialise.

As a consequence, the industrialisation of pre-Revolutionary Russia was narrowly based on the needs of military accumulation. While Russia came to possess some of the most advanced factories in the world the vast bulk of the Russian population was still employed in subsistence or petty-commodity producing agriculture. It was this economic structure, in which a small islands of large scale capitalist production existed in a sea of a predominantly backward pre-capitalist agriculture, that the Bolsheviks inherited in the wake of the October Revolution.

The Russian Revolution of 1917 was a dual revolution. On the one hand it was a proletarian revolution. It was the urban working class that brought down the Tzarist regime in February, defeated the Kornilov's counter-revolution in August and then, through the political form of the Bolshevik Party, seized political power in October. Yet although the Russian proletariat, in alliance with the peasantry, succeeded in sweeping away the Tzarist autocracy, and uprooting the semi-feudal aristocratic ruling class on which it rested the proletarian revolution was ultimately defeated.

The Russian proletariat failed to go beyond the situation of dual power in the streets and the factories that had arisen during period between the February and October Revolution. Unable to take over and directly transform the social relations of production the contradictions involved in the situation of dual power were resolved in favour of nationalisation rather than the communisation of the means of production. The consequences of which soon became clear with the re-introduction of Taylorism and the imposition of one man management in the Spring of 1918.

The Bolshevik Party, which had been the political form through which the Russian proletariat had triumphed, then became the form through which it suffered its defeat. The Leninists could only save the revolution by defeating it. The emergency measures employed to defend the gains of the revolution - the crushing of political opposition, the re-employment Tzarist officials, the reimposition of capitalist production methods and incentives etc., only served to break the real power of the Russian working class and open up the gap between the 'workers' Government' and the Workers. This process was to become further consolidated with the decimation of the Revolutionary Russian proletariat during the three years of civil war.

Yet, on the other hand, while the Russian Revolution can be seen as a failed proletarian revolution it can also be seen as a partially successful 'national bourgeois' revolution. A national bourgeois revolution, neither in the sense that it was led by a self-conscious Russian bourgeoisie, nor in the sense that it served to forge a self-conscious Russian bourgeoisie, but in the sense that by sweeping away the Tzarist absolutist state it opened the way for the full development of a Russian capitalism.

In the absence of the Russian Revolution, the Russian Empire would have probably gone the way of the Austrian-Hungarian Empire. The Russian Empire would have been broken up in the face of international competition. The more advanced parts may have then been reintegrated within the orbit of European capitalism, while the rest would have been dumped in the economically undeveloped world. However, the Russian Revolution had forged a strong state that, unlike the previous Tzarist regime, was able to fully develop the forces of production.

In the backward conditions that prevailed in Russia, capitalist economic development could only have been carried out by through the forced development of the productive forces directed by the concentrated and centralised direction and power of the state. It was only through state-led capitalist development that both the internal and external constraints that blocked the development of Russian capitalism could be overcome.

In Russia, the only way to industrialise - and hence make the transition to a self-sustaining capitalist economy - was through the fusion of state and capital - that is through the full realisation of state capitalism. Yet to understand this we must briefly consider the external and internal constraints that had blocked the capitalist development of Russia at the beginning of the twentieth century.

Underdevelopment

In The Communist Manifesto Marx remarks:

> The bourgeoisie, by the rapid improvement of all instruments of production, by the immensely facilitated means of communication. draws all, even the most barbarian, nations into civilisation. The cheap prices of its commodities are the heavy artillery with which it batters down all Chinese walls, with which it forces the barbarians' intensely obstinate hatred of foreigners to capitulate. It compels all nations, on pain of extinction, to adopt the bourgeois mode of production; it compels them to introduce what it calls civilisation into their midst i.e., to become bourgeois themselves. In one word, it creates a world after its own image.11

Of course, capital's inherent tendency to reproduce itself on an ever greater scale has led to the relentless geographical expansion of capitalism to the point where its has long since encompassed the entire globe. However, this process has been a highly uneven one. The concentration and centralisation of capital that has led to rapid capitalist development in one region of the world has presupposed the plunder and de-development of other regions of the world.

As we have already noted, in the late nineteenth century the development of industrial capitalism in Western Europe and North America imposed an international division of labour that still divides the world a hundred years later. The economic relations that served to promote the rapid accumulation of capital in the 'core' of world capitalism at the same time served to block the full development of industrial capitalism in the periphery of world capitalism. To this extent world capitalism became polarised.

In this process of polarisation Russia found itself in a peculiar position. On the one hand, as the impact of industrial capitalism spread eastwards across Europe from Britain, Russia was the last European country to confront the need to industrialise. As such it was the last of the late European industrialisers. On the other hand, Russia can be seen as the first of the non-western countries that sought to resist the impact of underdevelopment.

To understand this peculiar position that Russia found itself in at the beginning of the twentieth century, and how it shaped the transition to capitalism in Russia, we must briefly consider the question of underdevelopment.

Mercantile and Industrial capitalism

Capitalism, or more precisely the capitalist mode of production, only becomes established with the emergence of industrial capital. It is only when capital takes full possession of the means of production and transforms them in accordance with its own needs that capitalism becomes a self-sustaining economic system that can dominate society. However, where ever there has been the widespread use of money arising from the exchange of commodities capital has emerged in the distinct form of mercantile capital.

Mercantile capital has had an independent existence since the early period of antiquity. However, in pre-capitalist modes of production it has been ultimately parasitic. Mercantile capitalism is driven by profit. But it is a profit not based on the direct expropriation of surplus-value but on unequal exchange - buying cheap in order to sell dear. Mercantile capital was therefore always ultimately dependent on the predominant means of surplus extraction in any particular society.

Following the crisis in European feudalism in the fourteenth century and the subsequent emergence of the world market in the sixteenth century mercantile capitalism came in to its own and began to rapidly expand it influence. As such it had two contradictory effects. On the one side, mercantile capitalism brought with it an increase in the production and circulation of money and commodities and in doing so served to undermine the traditional pre-capitalist social relations. To this extent it prepared one of the essential preconditions for the development of the capitalist mode of production - the creation of an economy based on generalised commodity exchange. On the other side, insofar mercantile capitalism remained dependent on the traditional structures of society, it became a conservative force that blocked the development of an industrial capitalism.

Mercantile capitalism had grown up hand in hand with the development of the Absolutist State. In order to free itself from the feudal nobility the absolutist state was increasingly dependent on loans and money taxes that had become possible with the monatrisation of the feudal economy that was being brought about by the rise of mercantile capitalism. Yet, while the absolute monarchy was dependent on merchants and their bankers for loans and taxes, they in turn were dependent on the state for the defence of their monopolies and access to foreign markets.

However, although there was a certain symbiosis in the development of the Absolutist State and mercantile capitalism, the absolute state was careful to contain the development of mercantile capitalism. The excessive development of mercantile capitalism always threatened to undermine the existing social order on which the Absolutist State rested as traditional relations of authority were replaced by the cynical and impersonal relations of the market. Thus while the state encouraged merchants to profiteer at the expense of foreigners they were far less inclined to allow such profiteering to cause social discord at home. Hence the Absolutist State was keen to intervene to regulate trade, not only to protect the monopoly positions of the favoured merchants, but also to maintain social peace and stability.

In order to secure its sources of supply mercantile capital had from an early stage involved itself in production. To this extent the development of commerce led to the development of industry and commodity production. However, for the most part mercantile only formally subsumed production. Mercantile capital left unaltered the traditional craft based methods of production.

In the late eighteenth century, however, industrial capital began to in to its own with the rise of factory production and the application of steam powered machinery. Industrial capital directly expropriated surplus-value through its domination of the production process. As such it had no need for the privileges of bestowed by the state on merchant capital in order to make a profit. Indeed such privileges and monopolies became a block to industrial capital's own self-expansion. Under the banners of liberty and laissez-faire the industrial bourgeoisie increasingly came into conflict with the conservatism of mercantile capital and the established ruling classes that it upheld.

In the course of the nineteenth century industrial capital triumphed in Western Europe over mercantile capital and its aristocratic allies. As a consequence, mercantile capital became subordinated to industrial capital. It became merely a distinct moment in the circuit of industrial capital; dealing in the sale and distribution of commodities produced by industrial capital. The profits of mercantile capital no longer came to depend on state privileges but derived from the surplus-value produced by industrial capital in production. However, although mercantile capital became integrated with industrial capital in Western Europe its relation to industrial capital in other parts of the world was different.

From the sixteenth century mercantile capital had come to encompass the entire world. However, while in Europe the corrosive effects of mercantile capitalism on the established social order had been held in check by the state, in much of the rest of the world the impact of mercantile capitalism had been devastating:

In America and Australia whole civilisations where wiped out; West Africa was reduced to a slave market and no society escaped without being reduced to a corrupt parody of its former self.12

The conditions created by mercantile capitalism in these parts of the world were far from being conducive for the development of industrial capital. Industrial capitalism developed in Western Europe, and subsequently North America where capital had already been concentrated and where conditions were more favourable. As a consequence, industrial capital left mercantile capital to its own devises in the rest of the world. However, as Geoffrey Kay argues:

> If merchant capital retained its independence in the underdeveloped world, it was no longer allowed to trade solely on its own account but was forced to become the agent of industrial capital. In other words, merchant capital in the underdeveloped countries after the establishment of industrial capitalism in the developed countries in the nineteenth century existed in its two historical forms simultaneously. At one and the same moment it was the only form of capital but not the only form of capital. This apparent paradox is the specifica differentia of underdevelopment, and its emergence as a historical fact in the course of the nineteenth century marks the beginning of underdevelopment as we know it.13

As the agent of industrial capital merchant capital plundered the underdeveloped world for cheap raw materials while providing lucrative outlets for industrial commodities produced in the developed world. To the extent that it retained its independence mercantile capital shored up the conservative elites and blocked the development of industrial capital in the underdeveloped world. Hence:

> The consequences were doubly depressing for the underdeveloped world: on the one side the tendency of merchant capital to repress general economic development in proportion to its own independent development; on the other the reorganisation of whole economies to the requirements of external economic interests.14

The emergence of a world polarised between a core of industrially advanced economies and a periphery of underdeveloped economies was further compounded with the rise of international moneyed capital.

As we saw previously, the growth in the sheer scale of industrial production meant that the mass of capital required to set up in production increased beyond the means of most private individuals. Furthermore, the further development of industrial production itself presupposed the existence of industrial production. This had important consequences on the polarisation of the world economy and the process of underdevelopment.

Firstly, whereas in England and Western Europe industrial capital had been able grow up on the basis of the pre-existent craft production. In contrast undeveloped economies, like the late developing economies in Europe itself, could not simply repeat the evolutionary stages through which industry had involved in the core economies since they would be uncompetitive in the world market. Instead they had to make the leap and introduce modern plant and machinery. But such modern plant and machinery was the product of industrial production that for the most part did not exist in the underdeveloped world. It therefore had to be imported from the advanced industrial economies.

Secondly, the underdeveloped economies lacked the concentration and centralisation of capital necessary to finance of the most advanced capitalist enterprises. It therefore not only had to import productive capital in order to industrialise, it had to import moneyed capital either in the form of direct foreign investments by industrial capitals of the core economies or borrow money-capital from the international banks and financial institutions.

To the extent that the underdeveloped economies were able to attract foreign investment or loans it was able develop it industry. But such industrialisation was for the most part limited and orientated towards producing commodities demanded by the needs of capital accumulation in the more advanced industrialised economies. Its serfdom contributed to the creation of an industrial base on which a self-sufficient national accumulation of capital could occur. Furthermore, in the long term the interest or profits on such foreign investments were repatriated to the core economies and did not contribute to the further national accumulation of capital in the underdeveloped economies themselves.

Russia and the problem of underdevelopment

The defeat of the Russian Revolution as a proletarian revolution, and the subsequent failure of the world revolution that followed the First World War, left the Bolsheviks isolated and in charge of a predominantly backward and underdeveloped economy. The very existence of the Russian state, and with it the survival of the 'Soviet Government', now depended on the Bolsheviks carrying through the tasks of the national bourgeois revolution - that is the development of national industrial capital.

Yet in order to carry through such tasks the Bolsheviks had to overcome the formidable problems of underdevelopment that reinforced the internal obstacles to the modernisation and industrialisation of Russia. The two most pressing internal obstacles to the development of a national industrial capital were the problem of finance and the problem of agriculture.

Russian agriculture was predominantly based on small scale subsistence or petty-commodity production. This had two important consequences for industrialisation. Firstly, it blocked the formation of an industrial proletariat since the bulk of the population was still tied to the land. Secondly, the inefficient and backward nature of Russian agriculture prevented it from producing a surplus that could feed an expanding industrial proletariat.

To the extent that the Russian peasants could be encouraged to produce for the world market then there could be expected the gradual development of a capitalist agriculture. As production for profit led to an increasing differentiation in the peasantry some would grow rich while others would become poor and become proletarianised. But this was likely to be a long drawn out process. Profits would be small given the mark ups of the international merchants and the need to compete with more efficient capitalist agriculture on the world market. Furthermore, to the extent that the Russian peasantry produced for the world market, it could not provide cheap food for an expanding Russian proletariat.

The second important obstacle to industrialisation was finance. The backward character of Russian capitalism meant that there was little internal capital that had been accumulated. To the extent that Russia had industrialised it had been promoted by the state and financed through foreign investments. But with the revolution the Bolsheviks had repudiated all the foreign loans taken out under Tzarist regime and had expropriated foreign owned capital in Russia. Once bitten the international financiers were going to be twice shy about financing Russian industrialisation.

If the national development of industrial capital was to be achieved in Russia, if Russia was to make the transition to capitalism, then Bolsheviks had to subordinate the fleeting and transnational forms of capital - money and commodities - to the needs of national productive capital - the real concrete capital of factories, plant, machinery and human labour, rooted in Russian soil. This required that the Russian State take charge of capital accumulation - that is that the transition to a fully developed capitalism had to take the form of state capitalism.

Hence, while at the end of the eighteenth century the French Revolution had opened the way for the development of French capitalism by freeing capital from the embrace of the state, in Russia at the beginning of the twentieth century the Revolution opened the way for the development of capitalism by increasing the embrace of the state over capital.

The deformation of Value

The problem of the nature of the USSR restated

As we seen, the traditional Marxism of the Second and Third Internationals saw state capitalism as the highest stage of capitalism. As such state capitalism could be seen as the first step in the transition to socialism. As a consequence, Lenin could consistently argue against the Left Communists - from the imposition of one-man management and the reintroduction of Taylorism to the introduction of the New Economic Policy - that the immediate task of the Revolutionary Government, given the backward conditions in Russia, was first and foremost the development of state capitalism.

Of course, for Lenin the nationalisation of the means of production and the introduction of state planning introduced by the Revolution marked a decisive advance. Under the control of a Workers' State, state capitalism would be superseded by socialism. Subsequently, with the introduction of the five year plans and the collectivisation of agriculture Stalin could announce that the USSR had at last reached the stage of socialism and was on the way to a communist society. Trotsky was more circumspect. While acknowledging the rapid development of the forces of production that was being made under Stalin, he still saw this as a stage of primitive socialist accumulation that, while being an advance over capitalism, had yet to reach socialism.

To the extent that theorist of the capitalist nature of the USSR have accepted this conception of state capitalism they have been obliged to argue either that Russia never went beyond state capitalism in the first place or that at some point their was a counter-revolution that led to the USSR falling back into state capitalism. Yet, either way, by accepting that state capitalism is the highest stage of capitalism such theorists are led to the position of considering the USSR as an advance over western capitalism. This, as we have seen, is a position that was to become increasingly difficult to defend in the light the chronic economic stagnation of the USSR and its eventual decline and collapse. Indeed, such theories have been unable to explain the contradictions within the USSR that finally led to its downfall.

In contrast, we have argued that state capitalism, far from being the highest stage of capitalism, is a specific form for the late development of capitalism. Yet this presupposes that the USSR was indeed such a form of capitalism. To demonstrate this we must develop a value analysis of the USSR.

As we have seen, state capitalist theorists have argued that the USSR was essentially capitalist in that it was based on wage-labour. The workers in the USSR were divorced from both the means of subsistence and the means of production. As a consequence, in order to live, the Soviet workers had to sell their labour-power to the state enterprises. Having sold their labour-power the workers found themselves put to work. They found themselves external to their own subject activity. They did not work to produce their own needs, nor for the needs of their own families or communities, but for some alien other. While the workers worked as a means to obtain a wage through which they could survive, their labour became independent of them, directed towards aims that were not their own. In producing products that were not their own they served to reproduce their position as workers on an ever expanding scale.

Hence, like their counter-parts in the west, the Russian workers were subordinated to a process of production that was designed and developed to maximise production with scant regard to the living experience of the worker in production. As such the worker was reduced to a mere instrument of production. Like their counter-parts in the West, the Russian workers worked longer than that necessary to reproduce the equivalent of their labour-power. Thus, like the their counter-parts in the West, the Russian workers alienated their labour and were exploited.

If the relations of production were those of self-expanding alienated labour then they were the productive relations of capital. As such, in a fundamental sense the USSR was capitalist. But, as we have seen, the more sophisticated Trotskyist object. Capitalism can not be taken to be simply the apparent predominance of wage-labour. Capitalist production presupposes, both historically and logically, generalised commodity production in which labour-power itself has become a commodity. But, the Trotskyists insist, products did not assume the form of commodities in the USSR since there was no market. But if products did not assume the form of commodities then there can have been no real wage-labour since labour-power, as a commodity, can not be exchanged for other commodities. Wages were merely a means of rationing products.

The problem then can be stated as follows. Production in the USSR would seem to have been essentially a form of capitalist production, being based on waged labour; but capitalist production presupposes general commodity exchange. In the absence of the market it would seem that the exchange and circulation of wealth in the USSR did not assume the commodity-form and as such was distinctly non-capitalist. But if commodities did not exist neither could capital.

To resolve this problem we must first look at the unity of production and exchange that we find in fully developed capitalism. To do this we shall examine the Circuits of Industrial Capital that Marx sets out at the beginning of Volume II of Capital.

The circuits of industrial capital

As self-expanding value capital passes successively through three distinct forms: the money-capital, commodity-capital and productive-capital. Depending on which form of capital is taken as the starting point in analysing the overall circulation of capital we can identify three distinct circuits of capital each of which reveals different aspects of the circulation of capital.

The first circuit is that of money-capital (M...M'):

M - Cmop + Clp ...P...C'- M'

Here capital in the form of money (M) is used to buy means of production (Cmop) and labour-power (Clp) necessary to commence production. Hence with the exchange M - C capital is transformed from money into the form of commodities. These commodities (labour-power and the means of production) are then used in the process of production. As such they become productive capital, (P) which produces commodities of a greater value C'. These commodities are then sold for a sum of money M' which is greater than the original capital advanced M.

With this circuit capitalism appears clearly as a system based driven by profit. The circuit begins and ends with capital as money, and since money is homogenous, the only aim of this circuit is the quantitative expansion of capital as money, that is the making of a profit.

But this circuit not only shows how capitalist production is merely a means through which 'money makes more money', it also shows how capitalist production necessarily both presupposes commodity exchange and reproduces commodity-exchange. The circuit begins with the commodity exchange M - C, the purchase of means of production and labour-power (which of course is at the same time the sale of labour-power and means of production by their owners) and ends with a the commodity exchange C' - M', in which the sale of the commodities produced realises the capital's profit.

However, the process of 'money making more money' can only become self-sustaining if it at the same time involves the expansion of real wealth. This becomes apparent if we examine the circulation of capital from the perspective of the circuit of productive-capital (P...P').

P...C' - M' - C' ...P'

Here capital in production produces an expanded value of commodities C' which are then sold for an expand sum of money M' that can then be used to buy more means of production and labour-power in the commodity-form C'. This then allows an expanded productive capital P' to be set in motion in the following period of production From the perspective of productive capital, the circulation of capital appears as the self-expansion of productive capacity of capital - the self-expansion of the productive forces.

Capitalism now appears not so much as 'production of profit' but 'production for production's sake'. Capitalist production is both the beginning and the end of the process whose aim is the reproduction of capitalist production on an expanded scale. The commodity circulation (C' - M' - C') now appears as a mere mediation. A mere means to the end of the relentless expansion capitalist production.

The final circuit that Marx identifies is that of commodity-capital (C'...C').

C' - M' - C ...P ...C'

With this circuit we can see the unity of capital in circulation and capital in production. Capital as the circulation of commodities C' - M' - C appears side by side with the production of 'commodities by means of commodities'. The overall process of capitalist circulation therefore appears as both the production and the circulation of commodities.

An analysis of these three circuits of industrial capital would seem at first to confirm the Trotskyist position that capitalist production necessarily presupposes generalised commodity exchange. However, these circuits describe the fully developed capitalist mode of production not its historical emergence.

As we have argued, the national development of Russian capitalism had been impeded by its subordinate position in the world economic order. The independent development of capital in its cosmopolitan forms of merchant capital and moneyed-capital had acted to block the development of industrial capital. National capitalist development demanded capital in the real productive forms of factories, plant and machinery and the labour of a growing industrial proletariat. As a consequence, if Russia was to break free from its underdeveloped position imposed through the world market, productive-capital had to be developed over and against the independent development of capital-in-circulation i.e. money-capital and commodity-capital. The free exchange of money-capital and commodity-capital through the free operation of the market had to be restricted to allow for the development of productive-capital. Hence the free market was replaced by the central plan.

Hence, in taking up the 'historic tasks of the bourgeoisie' the state-party bureaucracy adopted the perspective of productive-capital. The more productivist elements of the Marxism of the Second International were adapted to the ideology of productive-capital. The imperative for the relentless drive to develop the productive forces over and against the immediate needs of the Russian working class was one that was not merely voiced by Stalin and his followers. Trotsky was even more of a superindustrialiser than Stalin. Indeed he criticised Stalin for not introducing planning and collectivisation of agriculture earlier.

The question that now arises where what were the implications of this subordination of capital-in-circulation to the development of productive-capital? We shall argue that these value-forms existed in the USSR, not as 'husks' as those in the Trotskyist tradition maintain, but rather as repressed and undeveloped forms.

To what extent did the Commodity-form exist in the USSR?

As we have seen, Trotskyist theorists place great importance on property forms when it comes to the question of the nationalisation of the means of production. State ownership of the means of production, and hence the abolition of private property, is seen as constituting the crucial advance over capitalism. However, although the state owned all the principal means of production in the USSR, the actual legal possession and operation of the means of production was left to the state enterprises and trusts, each of which was constituted as a distinct legal entity with its own set of accounts and responsibilities for production.

While Trotskyists have tended to gloss over this, seeing these legal forms of the state enterprises as being merely formal, Bettleheim has argued that the existence of these separate state enterprises, which traded with each other and sold products to the working class, meant that commodity-exchange did exist in the USSR. However, for Bettleheim, this separation of economic activity into a multitude of state enterprises was merely a result of the level of development of the forces and relations of production. The USSR had yet to develop to the point where the entire economy could be run as a giant trust as had been envisaged by Bukharin. It was therefore unable as yet to overcome the commodity-form. In contrast, we shall argue that this division of the economy into distinct state enterprises was an expression of the essentially capitalist relations of production.

What is a commodity? The simplest answer is that a commodity is something that is produced in order that it may be sold. But by itself this simple definition is inadequate for an understanding of the commodity as a distinct social form. It is necessary to probe a little deeper to grasp the implications of the commodity-form.

Any society requires that individuals act on and within the material world in order to appropriate and produce the material conditions necessary for the reproduction of themselves as social individuals. As such social reproduction necessarily entails the constitution and appropriation of material objects of social needs. However, in a society dominated by commodity production this process is carried out in a peculiar manner that gives rise to specific social forms.

Firstly, as commodity producers, individuals do not produce for their own immediate needs but for the needs of others that are both indifferent and separate from themselves. The results of their human activity - their labour - are thereby divorced from their own activity. The results of their labour stand apart from them as commodities that are to be sold. Secondly, as commodity consumers, objects of an individuals need do not emerge out of their own activity as social individuals but as the ready made property of some other - the producer - who is separated from them. As a consequence they find themselves immediately separated from their own social needs through the non-possession of material objects in the form of commodities.

As a consequence labour - the human activity of the producer - is separated from need - the needs of the consumer. Hence, for each particular commodity, producers are separated from consumers and are only subsequently united through the sale or exchange of the commodity. The relation between the consumer and the producer is therefore mediated through the exchange commodities - that is they are mediated through the exchange of things. To the extent that commodity exchange becomes generalised then the relations between people manifests themselves as a multitude of relations between things.

Because the relations of between human beings assume the form of the relations between things then these things assume the particular social form of the commodity. In producing a commodity the producer produces something for sale - that is the producer produces something that can be exchanged. What is important for the producer is that what is produced has the social quality that makes it exchangeable. In other words what is important for the producer is the value of the commodity. In contrast, for the consumer, what is important is that the commodity has a number natural properties that meet his own needs as a social individual but which he is excluded from by the non-possession of the commodity as an object - that is that it confronts him as a use-value. The separation of social needs from social labour is thereby reflected in the commodity-form as the opposition of use-value and value.

The commodity-form is therefore constituted through the opposition of its use-value and value, which manifests in material form the underlying opposition of labour from needs in a society, based on commodity production. However, although objects of need must exist in all societies - that is we must have access to distinct things, such as food, clothes and shelter, in order to live - use-values can only exist in opposition to value. Value and use-value mutually define each other as polar opposites of the commodity-form. A commodity can only have a value if it can be sold, but to sell it must have a use-value that some other needs to buy. But equally a commodity has a use-value only insofar as the qualities that meets the needs of the consumer confront that consumer as the ready made products of another's labour, and hence as natural properties from which they are excluded except though the act of exchange of another commodity with an equivalent value.

With commodity production social relations become reified. Society becomes broken up into atomised individuals. Indeed, as Marx argues, commodity relations begin where human community ends. Historically commodities were exchanged between communities and only occurred when different communities came in to contact. As commodity exchange develops traditional human societies break up, ultimately giving rise to the modern atomised capitalist societies.15

The society of the USSR would have seemed to be no less atomised and reified than those of western capitalism. To what extent was this a result of the prevalence of commodity relations? To answer this we shall first of examine whether there was commodity production in the USSR and then look at the question of the existence of commodity exchange.

To what extent did commodity-production exist in the USSR?

Under capitalism the worker, having sold his labour-power to the capitalist, works for the capitalist. As such the worker does not work for his own immediate needs but for a wage. The labour of the work is therefore external to him. It is alienated labour.

However, unlike the serf, the servant or the domestic slave, the wage-worker does not work for the immediate needs of the capitalist. The capitalist appropriates the labour of the wage-worker to produce something that can be sold at a profit. As such the prime concern of the capitalist is to make his workers produce a mass of commodities that are worth more than the labour-power and raw materials used up in their production. Hence, for both the capitalist and the worker, the product is a non-use-value - it is something that is produced for the use of someone else.

A commodity can only be sold insofar as it is a use-value for some others. Therefore the capitalist is only concerned with the use-value of the commodity that he produces to the extent that is a necessary precondition for its sale. For the capitalist then, use-value is merely the material form within which the value the commodity is embodied.

This twofold nature of the commodity as both a use-value and a value is the result of the twofold nature of commodity production. Commodity production is both a labour process, which serves to produce use-values, and a valorisation process that produces value of then commodity. Through the concrete labour appropriated from the worker the raw materials of production are worked up into the specific form of the product that gives it a socially recognised use-value. Through this concrete labour the value already embodied in the means of production is preserved in the new product. At the same time value is added to the product through the abstract labour of the worker.

In the USSR these relations of production were essentially the same. The workers alienated their labour. As such they did not produce for their own immediate needs but worked for the management of the state enterprise. Equally, the management of the state enterprise no more appropriated the labour from its workers for it own immediate needs any more than the management of a capitalist enterprise in the West. The labour appropriated from the workers was used to produce products that were objects of use for others external to the producers.

Like in any capitalist enterprise, the management of the state enterprises in the USSR, at least collectively, sought to make the workers produce a mass of products that were worth more than the labour-power and means of production used up in their production. As such the labour process was both a process of exploitation and alienation just as it was a two-old process of both abstract and concrete labour that produced products with both a use-value and a value i.e. as commodities.

Production in the USSR can therefore be seen as the capitalist production of commodities. However, while production in the USSR can be seen as a production for some alien other to what extent can it be really be seen as a the production of things for sale? This brings us to the crucial question of the existence of commodity exchange and circulation in the USSR.

To what extent did commodity exchange exist in the USSR?

As we have seen, within the circuit of productive-capital, (P...P'), exchange is primarily confined within the simple circulation of commodities (C - M - C) necessary to bring about the renewal of production on an expanded scale. Commodities are sold (C - M) by those who produce them and are purchased (M - C) by those who need them for the next cycle of production.

From the perspective of productive-capital commodity exchange is therefore a mere technical means that allows for the expansion of productive capital. A necessary means for overcoming the division of producers that arises out of the social division of labour of commodity production. However, the circulation of commodities is more than a mere technical matter. The buying and selling of commodities is the alienated social form through which human labour alienated from human needs is reunited with human needs alienated from human labour.

Under the classical form of capitalism this social form is market constituted through the collision of self-interested competing individuals. As Marx argues:

> Circulation as the realisation of exchange-value is implies: (1) that my product is a product only in so far as it is for others; hence suspended singularity, generality; (2) that it is a product for me only in so far as it has been alienated, become for others; (3) that it is for the other only in so far he himself alienates his product; which already implies; (4) that production is not an end in itself for me, but a means. Circulation is the movement in which the general alienation appears as general appropriation and general appropriation appears as general alienation. As much, then, as the whole of this movement appears as a social process, and as much as individual moments of this movement arise from the conscious will and particular purposes of individuals, so much does the totality of the process appear as an objective interrelation, which arises spontaneously from nature; arising, it is true, from the mutual influence of conscious individuals on one another, but neither located in their consciousness, nor subsumed under them as a whole. Their collisions with one another produce an alien social power standing above them, produce their mutual interaction as a process and power independent of them.16

Through the alien power of the market alienated labour is brought into conformity with alienated human needs. Products that do not meet needs expressed through the market do not sell. Labour embodied in a commodity that is excess of that which is socially necessary is not recognised. At the same time, the imposition of the commodity form on human needs serves to incorporate such needs into the accumulation of capital. New needs that give rise to new forms of commodities expands the range of material forms through which value can be embodied and expanded. To this extent the market brings human needs into conformity with alienate labour within the commodity form.

Yet while the alien power of the market arises out the conflicting social and technical needs of the individuals that make up society the alien power of the state does not. The state plan is necessarily imposed from outside the social-economy. There was thus a fundamental problem with reconciling social needs with alienated labour. This was reflected in the relation of use-value and value and the form and functions of money.

To what extent did Money exist in the USSR?

For Proudhon and his followers, the problems of capitalism arose from the existence of money as an independent form of value. For them, it was through the intermediation of money that capitalists were able to make profits and extract interest. As a consequence, Proudhonists proposed the direct expression of the value of commodities in terms of the labour time required for their production. Money denominated in units of labour time would simply act as a means of circulation that would in effect allow for the direct exchange of commodities in accordance with the labour expended in their production. Money would not be able to develop into a social power independent of the direct producers. However, through his critique of such Proudhonist proposals Marx showed that in a society of independent commodity producers money must necessarily assume an independent form of value distinct from all other commodities.

The labour embodied in a commodity is immediately private labour - or more precisely it is asocial labour. It is only with the sale of the commodity that this labour is recognised as being part of the total abstract social labour of society as a whole. Hence the value of a commodity is only realised or validated as such through the process of exchange. In production the value remains potential value - a potential based on previous cycles of production and exchange. When the commodity reaches the market it has an ideal price based on its potential value but this is not realised until the commodity is actually sold.

If too much of a particular commodity is produced in relation to social demand or if the quality is defective than some commodities are not sold or have to be sold at a discount. In cases such as these the actual labour embodied in commodities is not realised as abstract social labour. Indeed it is through this social mechanism that a commodity economy is regulated. If production of private commodity producers is to be brought into conformity with social demand than money can not be simply the direct expression of the labour embodied in commodities. It must exist as the independent form of value through which the labour embodied in commodities is socially recognised and validated as abstract social labour and hence as value.

As a consequence, Marx concluded that money as an independent form of value could only be abolished if the economy of independent commodity producers gave way to the planned production of freely associated producers. In this way the regulation of production by the market would be replaced by a social plan that would make labour immediately social.

As we have argued, the forced development of productive-capital in the USSR required the suppression of the development of money-capital and this involved the restriction of the development of money itself as an independent form. To this end the regulation of production by the market was replaced by economic planning. But this was not the planning of a classes society of 'freely associated producers' but a plan developed out of a society of atomised individuals based on class exploitation. As such the alien power of the market that stands above society was replaced by the alien power of the state. The imperatives of the state plan confronted the producers as an external force just as the external imperatives of the competitive market. The plan replaced the market as the regulator of commodity production but as such it did not over come the separation of labour from social needs that remained alienated from each other.

Money in the USSR: In so far as simple commodity circulation existed as a part of the circuit of productive capital in the USSR money entered as merely a means of circulation facilitating the exchange of outputs of the previous cycle of production for the inputs necessary for the next cycle of production. But whereas under fully developed capitalism such circulation could break down - a sale without a purchase or a purchase without a sale - in the USSR this was precluded by the state plan.

The state imposed plan that allocated capital to each industry, determined the output and set prices. To this extent the value of the commodities produced by each capital were not validated or realised through the act of their transformation into money but were pre-validated by their recognition as values by the state. Hence commodities had to be bought and money had to buy. The regulation of the commodity producers by the law of value was replaced by the state plan.

Yet while the alien power of the market arises out the conflicting social and technical needs of the individuals that make up society the alien power of the state does not. The state plan is necessarily imposed from outside the social-economy. There was thus a fundamental problem with reconciling social needs with alienated labour. This was reflected in the relation of use-value and value. This had important implications for the form and functions of money as it existed within the circuit of productive capital.

To consider this in a little more detail let us consider the two transactions that make up the simple circulation of commodities - firstly the sale of commodities produced by productive capital (C - M), and then the purchase, (M - C), which ensures the continued reproduction of productive capital. The commodities that have been produced by productive capital enter the market with an expanded value and a given specific use-value. The opposition of value and use-value within the commodity finds it expression in the external relation of money and the commodity. The commodity has a price, which is it express its value in a certain sum of money, and is a certain kind of commodity defined by its use-value. Thus money appears as the independent and external form of the value of the commodity while the commodity itself stands as it own use-value.

For example, let us take an enterprise producing tractors. At the end of the production period the enterprise will have produced say 100 tractors that are priced £10,000 each. The hundred tractors express their value as a price that is in the ideal form of a sum of money - £1million. This ideal money -the price of the tractors - stand opposed to use-value represented by the material form of the tractors themselves.

However, this ideal money, the price of the tractors which serves as the external measure the value of the tractors must be realised. The tractors must be sold. Given that the tractors can be sold then the expanded value of the tractors will now be transformed into the form of real money. The tractors will have been transformed into £1million. As such the abstract labour will find its most adequate and universal form - money.

With money the enterprise can now buy commodities for the next period of production. As the independent and universal form of value, money can buy any other commodity, which is it is immediately exchangeable with any other commodity. Yet our tractor firm only needs those specific commodities necessary for the future production of tractors say 10 tons of steel. Money need therefore only act as a mere means of circulation that allows 100 tractors to be exchanged for 10 tons of steel.

In the USSR money was constrained to the functions necessary for the phase of the simple circulation of commodities within the circuit of productive capital - that is as an ideal measure of value and as a means of circulation - and precluded money emerging fully as an independent form of value. Firstly, as we have seen, the value of commodities was prevalidated. The ideal price of the tractors was immediately realised as the value of the tractors since the sale was already prescribed by the plan. Thus while money acted as an ideal measure of the value of the commodities for sale it had no independence.

Furthermore, the money received from the sale had to be spent on the particular commodities necessary for the reproduction of that particular circuit of productive capital. The £1million brought by the sale of the tractors had to be spent on the 10 tons of steel (or similar inputs). As such money did not function as an independent and universal form of value. It was tied to the specific circuit of productive capital (in our case tractor production). It could not be withdrawn and then thrown into another circuit. It merely served as a means of circulation that facilitated the exchange of one specific set of commodities with another set of commodities.

With the restriction of money to a mere fleeting means of circulation, and with the pre-validation of the value of commodities, money could not function as the independent form of value. The commodity did not express its own value in the external form of money independent of itself but rather its value was expressed in terms of the commodities use-value. As a consequence the expansion of value did not find its most adequate expression in the quantitative expansion of value in the purely quantitative and universal form money but in the quantitative expansion of value in the qualitative and particular forms use-values. Value and use-value were compounded leading to the deformation of both value and use-value.

Indeed, in the USSR accumulation of productive-capital, that is the self-expansion of value, became immediately expressed in terms of the quantities of use-values that were produced (100s of tractors, tons of steel etc.). However, without the full development of money as money - money as the independent form of value - the content of such use-values did not necessarily conform to the needs of social reproduction. Money had to buy; it had to allow the exchange of commodities. It could not therefore refuse to buy sub-standard commodities. The quality of the use-values of commodities was ensured, not by money and hence the purchaser, but by the state plan. But the state plan, as we have argued, stood in an external if not an antagonistic position with regard to the various economic agents whether they were workers or state enterprises.

As a consequence, the use-values prescribed and ratified by the plan did not necessarily conform to social needs.

The consequences of constrained money: As we have seen, the existence of money as the independent and universal form of value ensures that use-values conform to social needs. But furthermore, money as the independent form of value is also a diffused form of social power.

However, as we have argued, in the USSR money was constrained to the functions strictly necessary for the circuit of productive-capital and social needs were prescribed by the state plan. This had two important implications. The persistence of non-capitalist social forms such as blat and endemic defective production.

Insofar as technical and social needs developed outside the framework prescribed by the state plan they had to be articulated by something other than by money. Money could only buy within the limit established by the plan. The purchasing power of money was limited. While everyone needed money, it was insufficient to meet all needs. As a consequence, non-monetary social relations had to be persevered. Influence and favours with those in authority, client relations' etc. - that is the system known as blat - became salient features of the Soviet bureaucracy as means of gaining access to privileged goods or as a means of getting things done.

As such blat emerged because of the restrictions placed on the functions of money due to its subordination to productive capital. As such blat was a distinctly non-capitalist - if not pre-capitalist - social form that involved direct personal and unquantifiable relations between people.[17]

However, as we noted the inadequacy of money in the USSR - it failure to function as the universal and independent form of value - also led to the endemic production of defective use-values which were to finally bring the demise of the USSR. This, as we shall see, was directly related to the class relations of production that arose from capitalist form of commodity production in the USSR. But before we consider this fatal contradiction of the USSR we must briefly consider the question of wages and the sale of labour-power.

The sale of labour-power

The reproduction of labour-power is of course an essential condition for the reproduction of capital. The reproduction of labour-power can be described as a simple epi-cycle in the circuits of capital as follows:

Lp - W - Cs

The worker sells his labour-power (Lp) for a wage (W), which he then uses to buy the commodities (Cs) necessary to reproduce himself as a worker.18 In essence this epi-cycle is the same as the simple circulation of commodities.

However, as we have seen, one of the most telling criticisms advanced by the Trotskyist critics of state capitalist theories of the USSR has been the argument that workers in the USSR did not sell their labour-power. Firstly, because if labour-power was to be considered a commodity then it must be able to exchange with other commodities but, as we have seen, Trotskyists denied that there were any other commodities in the USSR. Secondly worker was not free to sell his labour-power.

However, as we have argued, there was commodity production in the USSR and there was a restricted form of commodity circulation thus labour-power could be exchanged with other commodities via the wage. Nevertheless it is true that the freedom of workers to sell their labour was restricted. Through various restrictions, such as the internal passport system the movement of workers was restricted. To the extent that these restrictions on the movement of labour tied workers to a particular means of production then they can perhaps be considered more industrial serfs than wage-slaves.

But on closer inspection these legal restrictions on the movement of labour appear more as a response to exiting situation which were honoured more in the breach than in their implementation. With the drive to maximise production in accordance with the logic of the circuit of productive-capital labour-power had to be fully used. Indeed, full employment became an important element in the maintenance the political and social cohesion of the USSR from Stalin onwards. However, the maintenance of full employment led a chronic shortage of labour-power.

The fact that in reality workers were to a limited but crucial extent free to sell their labour-power is shown in the strategy of the managers of state enterprises to hoard labour. Indeed, the managers of state enterprises actively colluded with workers to overcome the restrictions to their mobility in their attempts secure sufficient labour-power to meet their production targets. Hence the legal restrictions to the free movement of labour-power were just that: attempts to restrict workers who were essentially free to sell their labour-power.

Ticktin was well aware of the importance of the chronic shortage of labour-power and consequence practice of labour hoarding by the state enterprises. However, Ticktin persisted in denying that labour-power was sold as a commodity in the USSR on the grounds that the wage was not related to the labour performed. For Ticktin, although workers often worked for piece rates which nominally tied their wages to amount they worked, in reality workers were paid what amounted to a pension that bore little relation to the amount of labour they performed.

As we argued in Part II, this argument overlooks the contradictory aspects of labour-power and its expression in the form of a wage. Labour-power is both a commodity and not a commodity. Although labour-power is sold as if it was a commodity it is neither produced or consumed as a commodity since it is not a thing separable from the person who sells it - but the workers own living activity.

The worker does not produce labour-power as something to sell. On the contrary he reproduces himself as a living subject of whom his living activity is an essential an inseparable aspect. Equally, having bought labour-power, capital can not use it in absence of the worker. The worker remains in the labour process as an alien subject alongside his alienated labour.

It is as a result of this contradictory nature of labour-power that the wage-form emerges. In buying labour-power capital buys the worker's capacity to work. But capital has still to make the worker work both through the sanction of unemployment and through the incentive of wages linked to amount the worker works. However, while the wage may be linked to the amount the labour the worker performs it is essentially the money necessary for the average worker to buy those commodities necessary for the reproduction of their labour-power. The extent to which the capitalist can make individual workers work harder by linking the payment of wages to the labour performed, rather than as a simple payment for the reproduction of labour-power, depends on the relative strengths of labour and capital.

Hence the fact that wages may have appeared like 'pensions' paid regardless of the work performed, rather than as true wages that appear as a payment tied to the work performed, does not mean that labour-power was not sold in the USSR. All that it indicates is the particular power of the working class in the USSR that, as we shall now see, was to have important implications.

Contradictions in the USSR: the production of defective use-values

As we saw in Part II, Ticktin has ably described the distortions in the political economy of the USSR. But rather than seeing such distortions as arising from the degeneration of a society stuck in the transition from capitalism to socialism they can be more adequately seen as distortions arising from an attempt to make a forced transition to capitalism from a position of relative underdevelopment. The drive to towards the development of the productive-capital that led to the fusion of the state and the replacement of the law of value by the law of planning can be seen to have led to the gross distortions and contradictions of the USSR.

Let us consider more explicitly the class basis of such distortions and contradictions.

Firstly, with the suppression of money as an independent form of value that could command any commodity the subjectively determined needs of the workers could not be expressed through the money form. The needs of the workers were instead to a large extent prescribed by the state. Thus as the wage did not act as an adequate form that could provide an incentive. After all why work harder if the extra money you may can not be spent?

Secondly, as we have seen, the forced development of productive-capital that precluded crisis led to the chronic shortage of labour. In conditions of full employment where state enterprises were desperate for labour-power to meet their production targets the sack was an ineffective sanction.

As a consequence, as Ticktin points out, the management of the state enterprises lacked both the carrot and sticks with which control their workforce. Indeed the workers were able to exercise a considerable degree of negative control over the labour process. Confronted by the imperative to appropriate surplus-value in the form of increased production imposed through the central plan on the one hand, and the power of the workers over the labour-process on the other hand, the management of the state enterprises resolved the dilemma by sacrificing quality for quantity. This was possible because the technical and social needs of embodied in the use-values of the commodities they produced were not derived from those who were to use these commodities but were prescribed independently by the central plan.

As a result, the quantitative accumulation of capital in the form of use-values led to the defective production of use-values. As defective use-values of one industry entered into the production of commodities of another, defective production became endemic leading to the chronic production of useless products.

Hence, whereas in a fully developed capitalism the class conflicts at the point of production are resolved through the waste of recurrent economic crises which restore the industrial reserve army and the power of capital over labour, in the USSR these conflict were resolved through the chronic and systematic waste of defective production.

Conclusion

As we pointed out in Part I, the Russian Revolution and the establishment of the first 'workers state' has had a profound impact in shaping our world. At first the apparent success of the Russian Revolution showed that there was a realistic alternative to capitalism. It showed that capitalism could be overthrown by the working classes and that a socialist, if not communist, society could be constructed on its ruins. As such it inspired generations of socialists and workers in their conflicts with the capitalism system, defining both their aims and methods.

However, as the true nature of the USSR began to emerge the perception that it was 'actually exiting socialism' became an increasing barrier to the development of an opposition to capitalism. If the socialist alternative to capitalism was a totalitarian police state in which you still had to work for a boss then most workers concluded that it might be better to merely reform capitalism. At the same time the attempts of the Stalinist Communist Parties across the world to subordinate the worker class movements to the foreign policy needs of the USSR further compounded this problem.

The struggle against both Stalinism and social democracy demanded an understanding of the USSR. The question of what was the USSR therefore became a central one throughout much of the twentieth century. It was a question, which as we have seen, was bound up with the associated questions of what is socialism and communism? What was the Russian Revolution? And indeed what is the essential nature of Capitalism?

Although from a communist perspective that takes as its touchstone the abolition of wage-labour as the defining feature of communism it would seem intuitive that the USSR was a form of capitalism, we have seen that the theories that the USSR was state capitalist have proved inadequate compared with the more sophisticated theories that have developed out of the Trotskyist tradition. To the extent that they have shared the tradition Marxist conception of the Second and Third Internationals that state capitalism is highest form of capitalism, state capitalist theories of the USSR have proved unable to explain either the apparently non-capitalist aspects of the USSR nor its decline and eventual collapse.

Indeed, while the Trotskyist theory of the USSR as a degenerated workers' state has become untenable given the chronic economic stagnation of USSR that became increasingly apparent after the 1960s, and which culminated in the collapse of the USSR in 1990, it has been Ticktin's radical reconstruction of this theory that has so far provided the most convincing understanding of the Soviet system and its decline and fall.

However, as we showed in Part II, Ticktin's theory still falls short of the mark. Rather than seeing the USSR as being a social system stuck in the transition between capitalism and socialism, we have taken up the point of departure suggested by Bordiga to argue that the USSR was in transition to capitalism.

We have argued that in order to break out of its backwardness and subordinate position within the world division of labour the state bureaucracy, which had formed after the Russian Revolution, sought to make the transition to capitalism through the transitional form of state capitalism. In its efforts to industrialise the Russian state sought the forced development of productive-capital that required the suppression of the more cosmopolitan and crisis ridden forms of money and commodity capital. However, while such forced capitalist development allowed an initial rapid industrialisation the distortions it produced within the political economy of the USSR eventual became a barrier to the complete transition to capitalism in Russia.

As such we have argued that the USSR was essentially based on capitalist commodity-production. However as a consequence of the historical form of forced transition to capitalism there was dislocation between the capitalist nature of production and its appearance as a society based on commodity-exchange. This dislocation led to the deformation of value and the defective content of use-values that both provided the basis for the persistence of the distinctly non-capitalist features of the USSR and led to the ultimate decline and disintegration of the USSR.

As we saw in the last issue in relation to the war in Kosovo the question of Russia remains an important one on the geo-political stage. The economic and political problems of breaking up and reintegrating the Eastern bloc in to the global structure of capitalism is one that has yet to find a solution, and this is particularly true of Russia itself.

The forced development of productive-capital for over half a century has left Russia with an economy based on huge monopolies unable to compete on the world market. At the same time the insistence by the ideologists of Western capitalism that all that Russia needed was deregulation and liberalisation has simply given rise to the emergence of money-capital in its most parasitical and predatory form. As a consequence, Russia re-subordination to the dictates of the international law of value has left it with one part of its economy reverting back to barter while the other is dominated by a mafia-capitalism that is blocking any further economic development. Hence, despite all the efforts of the USA and the IMF Russia still remains mired in its transition to capitalism.

- 1. Our introduction to the second article in Aufheben 7 was a response to the second group.
- 2. The ICC for example, complained that in out treatment of the Italian Left we fail to mention the contribution of the particular branch with which they identify, namely the Left Communists of France who refused to join the International Communist Party formed by 'Bordigists' in Italy in 1943. As it happens we have read the article they refer to - 'The Russian Experience: Private Property and Collective Property' (in Internationlisme, 10, 1946, reprinted in International Review, 61, 1990) and do consider it quite good. Its insight that the form of ownership may change, but the content - past labour dominating living labour - remains is a basic one shared with many other theories of state capitalism. But it is only a starting point. Unfortunately we see no sign that the ICC has managed to advance from this sound beginning. In a way the article in question points back to the theoretical rigour and openness of Bilan (Italian Left group in the '30s) rather than forwards towards the present sclerotic organisation which claims this heritage.

- 3. Capitalism and Class Struggle in the USSR: A Marxist Theory by Neal Fernandez (Aldershot: Ashgate, 1997). We have found this book useful for its comprehensive overview of the debate; its treatment of the strengths and weaknesses of the different theories; and its identification of the key problems that must be faced by a theory of the USSR grounded in Marx's critique of political economy. When it comes to the author's own 'new theory of bureaucratic capitalism', however, we are not convinced - we touch on this in footnote 16 below.
- 4. Indeed, when the foremost council-communist theorist, Paul Mattick, looked at the issue of value, his traditional Marxist assumptions along with his theoretical integrity led him actually to undermine the German Left's theory of state capitalism by accepting that value did not really exist in the USSR.
- 5. One state capitalist theory that accepted that 'profit' as it appeared on the surface of Soviet society was not profit in a Marxian sense was that developed by Raya Dunayevskaya. In pioneering work in the late 1930s early '40s, she undertook a functional analysis of the cycle of capital accumulation as it actually took place in the USSR. She saw that the role of the 'turnover tax' on consumer goods gave an entirely 'fictitious profit' to light industries, but this was "merely the medium through which the state, not the industry siphons off anything 'extra' it gave the worker by means of wages." And this is "why this 'profit' attracts neither capital nor the individual agents of capital." However, as she points out, even in classical capitalism, "the individual agent of capital has at no time realised directly the surplus value extracted in his particular factory. He has participated in the distribution of national surplus value, to the extent that his individual capital was able to exert pressure on this aggregate capital. This pressure in Russia is exerted, not through competition, but state planning." (Dunayevskaya, 'The Nature of the Russian Economy' in The Marxist-Humanist Theory of State-Capitalism (Chicago: News & Letters, 1992)). However, despite this recognition that in terms of 'profit' one had to see through the discourse of the Russian economists to the reality, she took their admission in 1943 that the 'law of value' did operate in the USSR at face value as, for her, an admission that it was state capitalist. She thus saw no reason to take theoretical analysis of the situation any further.
- 6. Of course, the USSR was having a different kind of crisis based on difficulties, in the absence of unemployment, in imposing labour-discipline which led to more and more use of terror against both the working class and even managers. See the Ticktin-influenced history of this period by D. Filtzer, Soviet Workers and Stalinist Industrialisation: The Formation of the Modern System of Soviet Production Relations 1928-1941 (London: Pluto, 1986).
- 7. At the height of tripartite corporatism in the 1960s attempts were made by governments in Western Europe to co-ordinate investment plans of the major companies that dominated the national economy along with state investments and wage demands in order to maximise capital accumulation, This was known as indicative planning.

- 8. One possible exception is Chattopadhyay's The Marxian Concept of Capital and the Soviet Experience (Westport CT: Praeger, 1994). In his analysis the specific capitalist development in the USSR (which he does not label state capitalist) was unable to effectively make the shift from extensive accumulation based on absolute surplus value to intensive accumulation based on relative surplus value and the real subordination of labour. To expand, it thus relied on drawing ever more workers and raw materials into production on the existing basis; it could not make the shift to the constant revolutionising of the relations and forces of production that intensive accumulation demanded.
- 9. An important issue for previous theories has been whether the USSR should be seen as 'state capitalist' or, as with Bordiga for example, simply as 'capitalist'. We shall argue below for a reconsideration of the meaning of 'state capitalism' that makes this issue redundant.
- 10. In the case of the NICs, this success has been relative. As recently seen with the Asian crisis, their development is still subsidiary to that of the more advanced capitalist countries.
- 11. Penguin edition, p. 84.
- 12. Geoffrey Kay, Development and Underdevelopment: A Marxist Analysis (London: Macmillan, 1975), p. 99.
- 13. G. Kay, op. cit., p. 100.
- 14. G. Kay, op. cit., p. 103.
- 15. One of the most striking features of capitalist society is the prevalence of atomization. Of course this atomization of society arises directly from the predominance of the commodity-form and the reification of social relations that this gives rise to. As Ticktin notes, such atomization was characteristic of the USSR. However, because he denies the existence of the commodity-form in the USSR Ticktin has to go through all sorts of contortions to explain it.
- 16. Grundrisse, pp. 196-197, Penguin edition.
- 17. For this reason we cannot agree with Neal Fernandez's assertion that 'blat' was itself a form of capitalist money. While an individual could be said to have 'more' or 'less' 'blat', it is not quantifiable and calculable in the discrete units necessary for it to play the role of money. Other attributes it lacks include universality and transferability. 'Blat' cannot play the impersonal dominating role which money as a 'real abstraction' is able to do. However, Fernandez has drawn attention to the role of this phenomenon, which expressed the constrained role of money in the USSR, part of the deformation of value. Blat played the role it did because proper money did not fully function.
- 18. Of course, such reproduction may involve other social relations like those around gender, age and so on.