

HISTORICAL MISSION

This, again, is the historical mission of the proletariat, in first overthrowing capitalism, creating its own rule and through the socialist revolution carrying forward the transition to completely classless society, to overcome all the fetters and remnants of capitalism, to suppress and eliminate capitalism, the capitalist class and class society generally, to reverse what has been the previous fact, that the productive process had mastery over mankind, and for the first time to establish the conditions where mankind consciously and voluntarily, as Mao says, transforms itself and the world; where mankind, through its conscious organization of society, confronts and transforms nature and really begins for the first time to move completely away from the animal kingdom and begins, really for the first time, human history.

In summation: capitalism arose on the basis of the extension and generalization of commodity production—including the fact that human labor power becomes a commodity. So long as commodities have not yet been completely eliminated, the basis for capitalism cannot be completely eliminated—and this is a crucial point under socialism, where the continued existence of commodities provides a major part of the soil for capitalist restoration.

But just as surely as capitalism arose on the basis of the extension and generalization of commodity production, the basis for capitalism, for the division of society into classes, will be eliminated with the elimination of commodities and the achievement of communism, with its great principle, "From each according to his ability, to each according to his needs."

Social-Imperialism and Social-Democracy, Cover-Up of Capitalism in the USSR

(or How Martin Nicolaus and the October League Have "Restored" Socialism in the Soviet Union)

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In October, 1974 the Revolutionary Union, a national communist organization which played a key role in the formation of the Revolutionary Communist Party, USA, published an important analysis of the development and workings of Soviet social-imperialism entitled *Red Papers 7: How Capitalism Has Been Restored in the Soviet Union and What This Means for the World Struggle (RP7)*. At its foundation the RCP adopted this book as one of its own publications.

Since publication of *RP7* it has become more important than ever that the working class and masses of people be armed with a correct understanding of the true nature of Soviet society. In the current world situation, with the continuing contention between the two superpowers, the U.S. and the USSR, intensifying daily and with the danger of a new world war growing steadily from this, it is essential that the working class recognize clearly the class nature, not only of our own rulers, but also of our rulers' main rivals, the capitalists of Soviet Russia.

Moreover, even today when in the U.S. the question of seizing state power and establishing the dictatorship of the proletariat is not yet an immediate question, it is still important that the U.S. working class begin to develop a scientific and class conscious understanding of the nature of socialist society and the transition to communism, so that we can have the clearest possible picture of our final goal and so that we can be prepared to seize on any opportunity presented to us to move forward from capitalism into a whole new stage of human history.

In this context, of the rapidly changing international situation on the one hand, and of our own struggle for socialism in the U.S. on the other, continuing discussion and study, debate and struggle, centered on the theses and arguments of *RP7* can be one

very important way for communists, advanced workers generally, and other revolutionary forces to deepen their grasp of these complex and crucial questions.

PART 1: OPPORTUNIST LINE HIDDEN BEHIND DISTORTION AND SLANDER

One attempt to contribute to this discussion, an article entitled "Critique of Red Papers 7: Metaphysics Cannot Defeat Revisionism," appeared under the signature of Martin Nicolaus, a self-styled "revolutionary intellectual" and English-language translator of Marx's *Grundrisse*, in the pages of *Class Struggle* (No. 2, Summer 1975), the "theoretical" journal of the October League (OL).

Unfortunately, behind a rather flimsy shield of purported scholarship and not-so-witty sarcasm, this article only distorts the correct understanding of the class nature of Soviet society and of the process by which capitalism was restored there presented in *RP7*. In the manner for which the October League has become justly famous, it offers little more than pages of distortions, misquotes, and outright falsehoods. Characteristically the author is more concerned with finding new ways to hurl muck at the authors of *RP7*, calling them revisionists, Trotskyites, and anarchists all at once, than he is with advancing his readers' knowledge of the subject.

For instance, Nicolaus' contention that *RP7* ends up in fact saying that capitalism has not been fully restored in the Soviet Union but is only being restored or "will inevitably be restored" (which Nicolaus falsely claims to quote from an unnamed page of *RP7*!), must surely come as a surprise to even a careless reader of that book. The pages of *RP7* abound with numerous examples of how the Soviet economy has been completely reorganized along capitalist lines.

For instance, the discussion of the Shchekino Chemical Combine "experiment" on page 49 describes the development of speed-up and unemployment under Soviet capitalism. And while the Soviet Union has yet to experience a classic capitalist overproduction crisis, *RP7* explains how the recent disasters in Soviet agriculture stem precisely from the reintroduction of "the fundamental contradiction of capitalism and imperialism everywhere—the contradiction between private appropriation and social production of wealth." (p. 56) Indeed, on this same page, where according to Nicolaus the startling thesis that capitalism has not yet been fully restored in the Soviet Union is supposedly advanced, we can read a description of how the primacy of the capitalist law of value means the development of capitalist competition. This is then followed by a crystal-clear statement that "*This is what is happening in the Soviet Union today.*" (emphasis added) Today, Mr. Nicolaus, not tomorrow.

Or, similarly, Nicolaus distorts and slanders *RP7*'s discussion of the achievements of Soviet socialism, claiming that "The whole period is painted a dull grey; and indeed the authors characterize this span of years simply as 'the first period in the restoration of capitalism.' This basic approach is very near in spirit and method to the Trotskyist view of Soviet socialism, much as it pays lip-service to Stalin."

No deal, Mr. Nicolaus. *RP7* takes a clear stand on the Stalin question and in defense of the Soviet workers' state. On page 15 we read that "During these years the working class was firmly in power and proletarian policies were being followed in most areas." An entire section is devoted to answering the question "How did the working class build socialism in the Soviet Union?" What *RP7* does not do is spend idle pages waxing eloquent about the very real achievements of the Soviet workers under socialism, solely to create the "sense of loss" which Nicolaus finds lacking. *RP7* takes the correct stand of analysing the past to learn for the present and future. Its authors are not afraid to emphasize the very bitter and sharp class struggle which continued throughout the socialist period, and they do not hesitate to sum up the weaknesses and, yes, the errors of the proletariat and its party. This is not done to minimize or slander the achievements of socialism, in the style of the Trotskyites, but to reveal the causes for the proletariat's defeat so soon after Stalin's death.

As *RP7* states: "Soviet social-imperialism grew from the soil of the Stalin era, from the particular contradictions and struggles that exist under the dictatorship of the proletariat and assume the forms we have discussed during the period of socialist construction under Stalin's leadership. But many more things also took root in this soil, some good, others not so. To understand where the healthy flowers of workers' power, industrialization, economic planning, collective agriculture, lost out to the weeds of revisionism and capitalism is the very difficult task at hand." (p. 20) It is in this spirit that the history of Soviet socialism is discussed.

But if the Nicolaus article were simply an assorted collection of misquotes and distortions its "argument" could be readily dismissed with an admonishment to those who have not yet done so to read *RP7* for themselves so as to set the record straight. And, indeed, such a reading does quite a bit to take the wind from Nicolaus' sails.

However, beneath all the slick distortions, all the quoting out of context, *there is a line*. The mudslinging and the misquotes have a purpose. They disguise the fact that Nicolaus is in fundamental disagreement with one of the most basic theses of *RP7* and of the Marxist-Leninist theory of the dictatorship of the proletariat—namely, the thesis that socialism is a form of class society and that under socialism class struggle continues. This class struggle is

most fundamentally a *political struggle*. The question of whether a society is moving forward through socialism towards communism or whether capitalism has been restored is, in essence, a question of which class rules and whether or not the basis for eliminating exploitation is being laid. It is not, fundamentally, a question of which forms characterize the organization of the economy, the "free" market, or some type of planning. In opposition to this correct view, Nicolaus supports the position that the essential difference between capitalism and socialism is the difference between the anarchy of the market and the rationality of planning.

PART 2: NICOLAUS REDEFINES SOCIALISM

Nicolaus begins his attack with a frontal assault on *RP7's* definition of socialism which emphasizes the fact that socialism is, in essence, a transitional form between capitalism and communism, completely classless society. The definition is presented on page 9, at the close of a section entitled "What is Socialism?" This section stresses that "only socialist revolution can eliminate the anarchy, destruction and misery caused by the capitalist system" and notes that "socialism resolves the basic contradiction of capitalism by doing away with the *private* ownership of the means of production and the *private* appropriation of the surplus produced by the collective, socialized labor of the working people." (p. 7) But it also notes that "The new socialist relations described by Marx and Engels cannot be established at the stroke of a pen. The final triumph of socialist relations comes from a process which takes time and conscious struggle, class struggle." (p. 9)

Hence, *RP7's* definition lays stress not on any predetermined level of development of socialist economic forms, but upon the degree to which the working class, under the leadership of its Communist Party, is consciously transforming all of society and gradually overcoming the legacy of capitalist production relations.

This does not satisfy Nicolaus who raises as the main question to be answered, "Does the law of value dominate the relations of production or are they dominated by planning?" Now one thing which is stressed throughout *RP7* is that the law of value will continue to operate and have considerable influence for quite some time under socialism. Even where the socialist economy is mainly a planned economy, the planners must still keep in mind the dictates of this law in order to gradually restrict its operation and eventually abolish its basis, commodity production. Planners cannot simply decide to build thirty steel mills, for instance, simply because the working class needs these. They must take into account factors of cost and even of profitability which are still largely determined through operation of the law of value.

Nicolaus argues that *RP7's* definition which places emphasis on

the political dominance of the proletariat over the bourgeoisie and not on the economic dominance of planning over the market, tends to merge capitalism with socialism. He points to the Soviet NEP period of the early 1920s, when the Soviet working class was forced to retreat from the system of "war communism" to make use of what Lenin termed "the forms and techniques of state-capitalism," and notes that "by this definition, Soviet state-capitalism during the early NEP period definitely qualifies as 'socialism.'"

Absolutely correct, sir! This was "socialism" because the working class ruled. And even though the workers were forced to step backward somewhat at this time, this retreat was designed to *strengthen* the rule of the proletariat and the leadership of its Party. Would Nicolaus like to make the key dividing line between socialist Russia and capitalist Russia the start of the first Five Year Plan and not the revolution of October, 1917 (as several bourgeois historians have tried to do before him)? Would he like to argue that state-capitalism (and not just its "forms and techniques," as Lenin saw it) was the dominant system in the Soviet Union until it was overthrown, not by the masses in proletarian revolution, but by the plan? If so, and he does, then he misses not only the crucial overriding question of which class rules, but of the particular fact that, during the early NEP period the *proletarian state* exercised control over "the forms and techniques of state-capitalism" and over the remaining capitalist relations and forces.

In fact, the "forms and techniques" not only of state-capitalism, but of individual capitalism too, continue to play a very important role in all socialist societies even where in the main the socialist ownership of the means of production has been established. This is one reflection of the continued existence of the law of value and of classes and class struggle under socialism.

In China just before the Cultural Revolution, ten years after private ownership of the means of production had been virtually eliminated in industry and a planned economy instituted, Mao Tsetung declared that the majority of factories were in the hands of capitalists and run according to the logic of capitalism! But China was, and has remained, the leading socialist country in the world. And even today in China the issue has not been entirely settled with respect to the system of ownership.

In every socialist country that has yet existed in the world the overwhelming majority of agricultural enterprises are owned collectively by the peasants who work them and not by the proletarian state. While these farms mobilize the cooperative efforts of thousands, and while communists on the farms struggle to lead the masses in putting the interests of the whole society above those of the one collective, still production under this system is not simply for the overall good but also ties individual income to the output of the collective farm itself, as well as to the work of the indi-

vidual.

Yet collectivised agriculture is one very important form of *socialist* property, representing a tremendous advance from individual farming. It is a form in transition. The goal of the proletariat is to gradually transform these farms into state farms through a step-by-step struggle against the capitalist class relations which continue to exist even in the collective form. And, despite Nicolaus' protestations, this struggle takes place through *stages*, with the form of socialist property undergoing a transformation from a lower to higher level. It is the dictatorship of the proletariat and not just planning which makes this struggle possible.

The point is that even under socialism many of the forms which we associate with capitalism continue to exist. This is because under socialism, as Stalin pointed out so forcefully in his *Economic Problems of Socialism in the USSR*, and as Mao Tsetung stressed, especially in the period just before his death, commodity relations have not yet been fully overcome. The law of value does exist and does influence production (and not just distribution) under socialism even though its sphere of operation is increasingly restricted as the political power of the working class is strengthened, the initiative, participation and conscious action of the masses is encouraged, and as the productive forces are developed on this basis. The continued influence of the law of value and the existence of capitalist forms reflect the continued existence of antagonistic classes and of class struggle.

The continued operation of the law of value under socialism stems from the fact that in practice real ownership of the means of production by the working class is not entirely complete and this is reflected in the continued existence of "bourgeois right" in distribution according to work and exchange by means of money. It is also seen in the continued persistence of what the Chinese term the "three major differences," between workers and peasants, between town and country in general, and between mental and manual labor. These can only be eliminated step-by-step as, in the course of strengthening proletarian dictatorship and building socialism, the sphere of operation of the law of value is more and more restricted.

Now, one might ask, since the law of value is the law which regulates the market, how is it possible for this law to still operate under planning? The answer is simply that planning by itself is a classless concept. The question is planning for whom and what purpose? The capitalists plan every day. They plan to achieve the highest rates of profit for themselves. On the level of the single enterprise the capitalists plan production and sales to maximize the rate of profit. And on the state level the capitalists can also engage in planning, as in many countries in Western Europe. However, as *RP7* points out, "these plans are drawn up only to insure the pro-

fitability of major monopolized industries." (p. 3)

Socialist planning is not based on maximizing profit. Under socialism planners must plan the economy with the political interests of the working class at heart; they must seek to increasingly involve the masses of workers in the planning process. But this takes time, and for a long time, when the bourgeoisie still exists, the planners must continue to resort to financial calculations, and take account of cost and profit factors. Hence, *RP7* notes that "In all socialist societies established so far, money, rather than the direct calculation of social labor time, continues to be the chief means by which goods are evaluated and distributed. Monetary value and physical magnitudes (weight, length, etc.) are used by the state planners to allocate resources and measure production." (p. 8)

Nicolaus questions this formulation, contending that it "muddles up the rather crucial fact that in Soviet socialist planning, the allocation and measurement of resources and of production in physical terms played the leading and decisive role, while the financial system played the passive role of bookkeeper and expediter."

In this sentence our critic reveals quite a bit more than perhaps he had hoped. For to say that the financial system played "the passive role of bookkeeper and expediter" is to deny that, as Marx said, "economic categories are only the *abstract expressions* of actual production relations." (*Critique of the Gotha Programme*) The financial system was not just a bookkeeper under Soviet socialism nor has it been in any socialist system. To contend that the Soviet financial system was simply a bookkeeping operation is to deny that the socialist system is regulated by knowable economic laws and that among these is the law of value, a law which is expressed through financial accounts and lets us know that the basis for capitalist restoration persists.

Under Soviet socialism the operation of the financial system reflected the fact that planners had to take into account costs of production as determined by the law of value. Careful bookkeeping was needed because the proletariat could not simply deny the operation of the economic laws which exist independent of man's will. Under capitalism man is a slave to the laws of the economy precisely because under that system the proletariat is not free to utilize its scientific knowledge of these laws to "restrict their sphere of action, utilize them in the interests of society and 'harness' them..." (*Economic Problems of Socialism*)

In the Soviet Union in the '30s the same viewpoint held by Nicolaus led some planners to make serious "voluntarist" errors, acting as if the workers could do just about anything under planning without taking into account factors of cost and "value." While refuting the revisionists in the Party who sought to restore the profit motive to the Soviet economy in the late '40s, Stalin also argued against this voluntarist view as a mirror-image of the same bourgeois line.

Both the view which restores the law of value as regulator of the economy and the view which totally denies the influence of this law share in common an idealist denial that the working class can consciously transform society by grasping and utilizing in its own interest the objective laws which govern society. If the proletariat attempts to suppress the law of value to an extent greater than objective conditions permit—as would happen if the financial system is viewed simply as a bookkeeping operation—then this can only lead to intensification of bourgeois resistance through the appearance of black markets and the consequent demoralization of the masses.

Stalin pointed out that “True, the law of value has no regulating function in our socialist production, but it nevertheless influences production, and this fact cannot be ignored when directing production.” (*Economic Problems of Socialism*) Failure to recognize this fact amounts to failure to recognize and combat the continued existence, and resistance, of the bourgeoisie!

So, Nicolaus’ unspoken definition of socialism sets that system apart from all other systems principally through its emphasis on planning. This, as we have seen, leads him away from the fundamental Marxist principle of, in Mao’s words, “taking class struggle as the key link.” The application of this same classless approach also leads Nicolaus into a hopeless muddle when he attempts to formulate a definition of capitalism.

According to *RP7*, “It is the creation of surplus value by the workers and the appropriation of this value in various forms by the capitalist class, to be disposed of according to the needs and desires of that class, which is the distinguishing feature of the capitalist system.” (p. 5) Nicolaus objects to this statement and in particular to a later reference which calls this the “fundamental law” of capitalism. Instead, he gives distorted emphasis to the character of labor power itself as a commodity, one of the essential aspects of capitalism.

Now at first glance this would really seem to be quite a formalistic and academic difference since *RP7* does emphasize this all-important feature of the capitalist system. After all, under capitalism the commodity character of labor power is expressed precisely in the extraction of surplus value, since no capitalist in his right mind would purchase labor power except to create surplus value through the employment of that power in production. What then is Nicolaus’ objection? Surely someone who took such umbrage at what he imagined to be ill treatment of Stalin by the authors of *RP7* must find it difficult indeed to contradict Stalin, who said that “Most appropriate to the concept of a basic economic law of capitalism is the law of surplus value...” (*Economic Problems of Socialism*)

The problem is that Nicolaus confuses the commodity character

of labor power with the commodity character of the means of production and seemingly treats the two as interchangeable. He notes that while *RP7* recognizes the commodity character of labor power, “it still leaves out the other half, namely that capitalism is distinguished from other systems of commodity production in that not only labor power but also the means of production become commodities.” In other words, as will become even clearer, for Nicolaus the buying and selling of labor power and the extraction of surplus value this entails are really just a reflection of the buying and selling of the means of production which is the real distinguishing feature of capitalist production.

As we shall see more fully, this reflects Nicolaus’ view that what constitutes capitalist restoration in the USSR is the fact that—to a limited degree—“reforms” in the Soviet economy allow managers and enterprise directors to buy and sell means of production and labor power outside the state plan. If this were not so, according to Nicolaus, the Soviet economy would not be capitalist. But, in fact, the overwhelming form of buying—and exploiting—labor power is not this “free enterprise” at the enterprise level, but appropriation of surplus value by the capitalists in control of the state, ministries of the economy, large production associations, etc. through the plan. Capitalism in the USSR is *highly developed state-capitalism*. Nicolaus’ insistence on making the essential feature of capitalism “free market” buying and selling of means of production and labor power—and his insistence, in effect, that the two must go hand-in-hand—leads him completely away from a correct analysis of capitalism, especially its main features in the USSR.

In fact, the buying and selling of the means of production, although most extensive under capitalism, exists to varying degrees in all commodity systems, even where commodity production is not the main, or generalized, form of production. Under feudalism and slavery, for example, the lords and slavemasters were free to buy and sell both land and what tools and primitive machinery did exist at the time. But only with capitalist relations does the sale and purchase of labor power for the purpose of extracting surplus value become possible.

Nicolaus thus views capitalism as a system characterized by the regulation of production according to the dictates of the law of value, i.e., according to trade in the means of production. Now certainly the domination of the law of value is one characteristic of capitalism, but the law of value is the general law for all forms of commodity production and it cannot be said to be the distinguishing feature of capitalist society. Stalin explained quite well why this is so:

“The law of value is primarily a law of commodity production. It existed before capitalism, and, like commodity production, will

continue to exist after the overthrow of capitalism, as it does, for instance, in our country, although, it is true, with a restricted sphere of operation. Having a wide sphere of operation in capitalist conditions, the law of value, of course, plays a big part in the development of capitalist production. But not only does it not determine the essence of capitalist production and the principle of capitalist profit; it does not even pose these problems. Therefore it cannot be the basic economic law of modern capitalism." (*Economic Problems of Socialism*)

Nicolaus looks at capitalism not from the vantage point of the working class, whose labor power is exploited by the capitalists, who sees the product of its socialized production turned into chains to further enslave it, but from the viewpoint of the "alienated" petty bourgeois intellectual who is shocked and repelled by the "vulgarity" of a society organized according to mercantile principles. For him socialism does not advance beyond capitalism through the elimination of exploitation, but only through the elimination of competition and the market.

PART 3: NICOLAUS TAKES PLANNING AS THE KEY LINK

Armed with this false conception of the difference between capitalism and socialism, our OL scholar sets out to refute the historical presentation of how capitalist relations of production have been restored in the Soviet Union found in Chapters 2 and 3 of *RP7*. First off, he decides that the authors "dismiss the dramatic power struggles of 1956-57, culminating in the palace coup of June, 1957..."

Certainly the rise to power of Khrushchev was important. The takeover of the proletariat's fortress, its Communist Party, from within, which Khrushchev led, and his revisionist assault on the fundamental principles of Marxism-Leninism, which reached a high pitch in 1956, were surely, as *RP7* declares, "the crucial turning point in the restoration process." (emphasis in original) (p. 53) However, to understand this rise to power, to explain it fully, in the Marxist fashion and from the proletarian class point of view, it is necessary to speak of far more than "palace coups." And we have heard enough of content-less inner-Party "power struggles" from the legions of bourgeois "China watchers." The rise of Khrushchev was a real class struggle! And *RP7* places special emphasis on revealing just how he and his cohorts got to where they did. The rise to power of Soviet revisionism is discussed in class terms, showing how the continuing existence of capitalist production relations under socialism means that the bourgeoisie will continue to be engendered under socialism and continue to strive for a political comeback, basing its main hope on the representatives of its class hidden in the leadership of the

Communist Party itself.

Thus, in contrast to bourgeois presentations of these events, *RP7* does not put much stress on detailing a blow by blow account of the inner-party struggle of the mid-'50s. After all, most of the available factual information relevant to such an account comes from the most dubious of sources anyway and, no doubt, the most damning information is still hidden somewhere in the bowels of the Kremlin. What *RP7* does stress is the sharpening class struggle in the Party during the post-WW2 years, in the spirit of revealing the real contradictions faced by the Soviet proletariat and analyzing the unsuccessful attempts made by Stalin and others to deal with them in a way to prevent capitalist restoration.

Nicolaus, of course, is incapable of grasping any of this since for him the class struggle under socialism is merely an empty phrase which he repeats because he finds it in *Peking Review*. If one accepts his classless conception of what separates the two systems, then one must wonder what on earth the two classes have to struggle over. Did Khrushchev and his ilk struggle against the planned economy because they wanted the right to give up control of the economic power of the Soviet state in order to set up their own businesses? Of course not! The class struggle was not a struggle between advocates of a "free" market and advocates of a plan. The Khrushchevite capitalist roaders wanted to place the pursuit of profit in command of the planning process. They aimed to make the accumulation of profit and the endless cycle of accumulation-investment-accumulation the goal of production with this blind accumulation of profit ending up in the hands of an exploiting class. On the other hand, the genuine communists wanted to strengthen the rule of the working class, mobilize the masses to suppress the bourgeoisie and continue to lead the masses in exercising conscious control over what was produced, and in the interest of the workers and the masses of people.

It is illuminating that Nicolaus wants more talk of "palace coups" but ignores the important discussion of the role played by Nikolai Voznesensky which appears in Chapter 2 of *RP7*. "Voznesensky believed that socialism represents only the most rational and orderly organization of the economy through planning. He did not believe that planning had to be in the interests of the workers and politically controlled by them." (p. 18) His role was important in paving the way for future revisionists, like Kosygin, who studied at his feet. And his line is, in fact, remarkably compatible with Nicolaus'!

But the most serious difference which our critic has with the account of capitalist restoration presented in *RP7* centers on its presentation of the famed economic "reforms" of 1965.

The whole thrust of Nicolaus' line is that the capitalist system in the Soviet Union was "created by the 1965 measures," failing to put the main emphasis on the consolidation of revisionist leadership in the Communist Party. Thus, Nicolaus concentrates his heaviest fire on *RP7*'s discussion of these "reforms."

In describing how the new Soviet bourgeoisie has restored capitalist relations of production since the overthrow of proletarian rule in the mid-'50s *RP7* begins with an account of the measures taken by Khrushchev. Although these measures wreaked havoc with the stable planned economy which the working class had painstakingly created, they did not accomplish the full restoration of capitalist relations in the economy. Instead Khrushchev's main contribution to bourgeois rule was "to destroy the centralized power of the proletarian state" and "to negate the achievements of socialism by breaking up the centralized rule of the working class and dismantling socialist institutions." (p. 53) Khrushchev lost his position of power because under his "leadership" the economy fell into shambles and chaos and new capitalist forces had to come forward to "restore order."

It fell to Brezhnev and Kosygin, who led the Soviet bourgeoisie in dumping Khrushchev, to systematically stabilize and restructure the economy according to consistent monopoly capitalist principles—which they were forced to do by the laws of capitalism and the actual class relations (productive relations) now existing. The 1965 "reforms" played the major role in this effort.

What was the main thrust of these reforms? Did they reorganize the economy into one where hundreds of thousands of individual firms compete freely on the open market? Actually no, although as we shall see market relations, that is, the law of value, began to assume the major role in the formulation of planning policy. What the "reforms" did was drastically reshape the "planning" process to conform to the capitalist nature of the new ruling class. These new capitalists were not out to develop the economy in an all-round way in the interests of the working class. They were out to accumulate the greatest amount of surplus value for themselves. They looked at the means of production, not as resources for the proletariat, but simply as accumulated dead labor which could be worked by living labor to produce profit—i.e., they looked upon the accumulated wealth of the socialist proletariat as *capital* belonging to them as an exploiting class.

Thus the reform reorganized the economy so as to insure the maximum profitability of key industries. This meant that local enterprises were granted considerably more autonomy, and were, in fact, freed to enter into some market-type deals, but this was

done only to facilitate the accumulation of profit by the bourgeois class controlling the state. Planning was now guided by the dictates of the law of value, since profit was in command, but the enterprises and ministries themselves were not transformed into independently functioning capitalist firms. In short, the key features of the 1965 "reforms" were "the introduction of profit maximization as the goal of production and the consequent realignment of the economy according to the dictates of the law of value, and also the institution of capital charges and interest leading to the treatment of the means of production as capital." (p. 50)

How is it possible for the accumulation of profit to be the goal of production and for the law of value to assume a regulating role without the full reinstatement of the kind of market generally associated with capitalism? The answer to this question lies in an understanding both of the differences between competitive capitalism and monopoly capitalism and the specific features of Soviet state-monopoly capitalism. Under competitive capitalism many individual firms compete on the market. Under monopoly capitalism, or *imperialism*, the highest stage of capitalism, a handful of monopoly corporations which combine banking and industrial capital dominate the economy and compete even more viciously, although the operation of the law of value is restricted somewhat since these giants can often fix prices above their value even as they compete with each other on the open market and in many other ways. Intense competition also goes on among different finance capitalists *within* these giants for control of them and their profits.

Under imperialism production is still for profit and not use. As Alfred Sloan, former president of General Motors once said, "GM is in the business of making money, not cars." And within each monopoly corporation the law of value still regulates production, since profit is still in command, even though there is no "market," in Nicolaus' sense, within the company.

By way of shedding some light on this let's look at probably the "purest" monopoly we have in the U.S.—the Bell System telephone company, A.T.&T. This multi-billion dollar company is probably bigger than most Soviet ministries. And each year A.T.&T. makes up a budget, its own "plan" designed to ensure that the company, with all its many subsidiaries and divisions, "earns" the maximum profit possible. Were the company run by the working class under conditions of proletarian dictatorship, maximization of profit and "cost accounting" according to the law of value would still play a role in formulating this plan, reflecting the fact that socialism is still a commodity system with classes and class struggle. But overall the interests of the working class would be dominant. So the accumulation of greater wealth would be achieved not through grinding speedup but by unleashing

the initiative of the workers to expand production by grasping revolution (and phone service might be made available to the masses at a price below its actual value, to meet their needs).

But under monopoly capitalism the Bell system plans its budget to maximize profit and to hell with its workers (and the masses generally). Moreover, when Bell makes up a budget for one of its divisions, say, Western Electric which makes telephone equipment, they don't just give them the materials and workers they need. They budget money. A.T.&T. management says to the management of Western Electric, "Here's X amount of funds for capital construction (machinery), Y amount for raw materials, and Z amount for your wage bill. The way we figure it you should charge A amount for phones, B for accessories, etc. Now go out there and earn as much money as you can for us. And we'll let you keep a certain percentage as an incentive." (There are even cases where giant corporations are experimenting with the method of giving the management of their subdivisions a *general fund* and letting them have a go at making the most profit as they can—deciding themselves how much to spend on wages, machinery, etc. This certainly doesn't make these corporations *more capitalist*.)

The manager of Western Electric will do everything in his power to earn as much as possible. He'll institute speedup, he'll run the lines overtime, etc. And he'll even enter into cutthroat competition with other Bell divisions because if he does well in this competition then maybe one day he'll get to run the entire company. So even though A.T.&T. has a "plan" the whole company is run according to the profit motive and the law of value and there are conflicting interests and struggle at the top levels of the Bell system.

This is (in somewhat simplified terms, of course) how "planning" and the main forms of competition for accumulation of surplus value are carried out in the post-reform Soviet Union. Except that in the Soviet Union capital is much more highly concentrated than under any previously existing capitalist system and there is still a single state "plan." But in the Soviet Union today the ministries and the overall economy operate along principles not fundamentally different than those summarized in the example above, making clear that the law of value can act as the regulating force even where the "market" forms that Nicolaus erroneously insists must characterize capitalism do not predominate or even play a decisive role. And, as *RP7* points out, in the USSR today the law of value not only regulates the production of the various ministries, enterprises, etc., but also regulates exchange between them and production and exchange throughout Soviet society as a whole.

As *RP7* notes, "In any capitalist economy the fundamental contradiction is between the social nature of production and the pri-

ween centrifugal (decentralizing) and centripetal (centralizing) forces: on the one hand, the anarchy of production and spontaneity of the market, on the other hand, the tendency toward concentration and monopoly. These two tendencies exist together and the development of one does not mean the elimination of the other. In fact, as Lenin noted, the development of monopoly *increases* competition, and exists together with it." (emphasis in original) (p. 51)

In the Soviet Union the concentration of capital and the degree of monopoly is much greater than in other monopoly capitalist societies since all previous forms of imperialism are based on the historical legacy of competitive capitalism while Soviet social-imperialism is built on the highly centralized foundation established under the socialist system. The 1965 measures did mark a definite concession to the centrifugal market forces, but this did not change the fact that the system is still based on state-capitalist ownership and control.

Under any form of monopoly capitalism, although competition between rival capitalists does exist in the "free market" it increasingly moves into the board rooms, the state institutions and the political arena, and into imperialist war. Under Soviet state-monopoly capitalism there is competition between different ministries, Production Associations, regions and industries and between rival capitalist forces within these. As yet this competition is still largely confined to the upper reaches of the Communist Party where the different interests battle it out for political influence, and to the meetings which work out assignments according to the plan. Competition is not mainly market place competition, but it is *real* competition and reflects the *real* anarchy of capitalist production—the dog-eat-dog pursuit of profit—nonetheless.

Thus Nicolaus' charge that *RP7's* description of the Soviet economy is a "reproduction in another form of the revisionist Karl Kautsky's theory of 'ultra-imperialism'—the theory of the unification under a single center of all the imperialists..." is pure bunk. The fact happens to be that the Soviet social-imperialists, representing a younger, "hungrier" imperialist power than their U.S. rivals, are indeed more "united" than the imperialists of most other countries. But this is not because they have no "market" in which to compete with one another. In the Adam Smith world of Martin Nicolaus the capitalists may have no *political* interests and may not engage in *political* competition which is an expression of their more fundamental economic rivalries. But this certainly does take place in the real world, including in the Soviet Union. Whether Soviet managers have wide range to buy or sell on the market or not, competition *must* rule the Soviet system because the managers, the Party officials, in short, the capitalists, are

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3. The Soviet Economy Under Brezhnev and Kosygin: The Full Establishment of Capitalist Relations of Production
4. Soviet Social-Imperialism Around the World
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(although not always in clear form *personal*) profit.

Similarly Nicolaus' accusation that *RP7* has "discarded any semblance of a Marxist-Leninist theory of fascism" is also rubbish. *RP7* compares the Soviet economy to the Nazi economy, in which "competition between monopolies was held in check by the state which used its control over military spending as one key lever of authority and influence. The economy, of course, remained thoroughly capitalist but the state played the leading role." (p. 51) Nicolaus triumphantly refutes this comparison by informing us that the British scholar, Tim Mason—who is not a Marxist, but one of whose articles the authors of *RP7* found illuminating and hence footnoted—was "soundly thrashed" in some obscure German journal ten years ago when he advanced what Nicolaus assures us was a similar notion.

Well, no matter what anyone thinks of poor Tim Mason, the analysis of the Nazi economy in *RP7* is still correct. Nicolaus attacks *RP7* for not simply employing Dimitrov's 1935 definition of fascism as "the open terrorist dictatorship of the most reactionary, most chauvinistic, and most imperialist elements of finance capital." It would not be appropriate in this article to comment on the relevance of the Dimitrov line to the concrete conditions faced by the working classes of Europe in the late '30s, but clearly this definition is not proper to an analysis of fascism today in the USSR—or to the situation in the U.S. This definition has been used by the likes of Nicolaus and the OL to argue that there is a "progressive," non-fascist section of the bourgeoisie with whom we can and must unite.

One might ask Nicolaus who are the "less reactionary, less chauvinistic and less imperialist elements of finance capital" struggling against the rule of the fascists in the Soviet Union today? Perhaps the enterprise managers, whose "independence" is constantly trampled on by the top-level state-monopolists? Does Nicolaus, who views the "free" market as the quintessential expression of capitalism triumphant in the USSR, now want the Soviet workers to join with these smaller capitalists in some kind of "anti-monopoly, anti-fascist front" similar to what the Communist Party revisionists advocate in this country?

In attempting to refute the argument which is presented in a detailed fashion in Chapter III of *RP7* Nicolaus is forced to perform some pretty fancy footwork and his slickly phrased argument aims to sow confusion everywhere. We would strongly recommend that our readers study this chapter closely, especially its final section, as the most effective way of getting past Nicolaus' distortions. For, according to him, the chapter is merely a confusing jumble of contradictions which flip-flops like Jimmy Carter back and forth between saying that the reforms weakened centralism and strengthened centralism.

To the best of our knowledge Nicolaus is the only reader of *RP7* to have been confused by this. Of course, we must offer at least a partial apology because to some small degree his confusion may stem from our error. In the second column of page 53 there is a very unfortunate misprint. Whereas earlier in the text the introduction of the Production Associations in 1973 was correctly described as a further centralization (concentration) of the economy, on this page the word *decentralization* was inadvertently substituted for the word *centralization*. Maybe this explains our critic's confusion, but we think not, since virtually every observant reader of *RP7* that we know of quickly noted this as a misprint since it so clearly contradicts the thrust of the chapter's argument.

At any rate, in spite of his confusion, Nicolaus does put forward his own version of the "reforms." To his mind the most important measure taken in 1965 was not the reinstatement of the profit motive, but the consequent establishment of a "free" market in the means of production.

Well the "reforms" did in fact do this to a limited degree, and more important, since planning is now for profit, there is fierce competition for control of capital between enterprises inside the "plan." But Nicolaus to the contrary, the "free" market in capital goods outside the plan has never developed into a significant sector of the Soviet economy. The fund available to Soviet enterprise managers for purchase of capital goods outside the plan amounts in most firms to only between 2% and 5% of the value of fixed capital, which is not enough for the firm to make any significant investment on its own. As *RP7* notes, in 1969 an average of only 15% of all profit was retained at the enterprise level which includes funds for incentive payment purposes. In that year 99% of all exchange in producer goods was allocated and paid for according to plan. Indeed, free market exchange of capital goods accounts for a somewhat larger share of the capital goods allocations in China today!

So, in the end, Nicolaus runs head on into a brick wall—the facts. For were Nicolaus to carry through his petty bourgeois conception of socialism as planning and capitalism as the market he would have to deny that the Soviet Union is in fact a capitalist state. Because in any truly meaningful sense of the term the Soviet economy is definitely not a market economy. It is a state-monopoly capitalist economy in which there is a unified and directed state plan designed to ensure the highest profitability of key industries and firms and which is based on the exploitation of the working class by the bourgeoisie, most especially the *state-monopolists*, for private gain.

PART IV: CAPITALIST RESTORATION IN THE USSR THROUGH THE EYES OF NICOLAUS

Since the appearance of the *Class Struggle* article Nicolaus and the OL have published a book, *Restoration of Capitalism in the USSR*, which aims at a more complete analysis of the development and inner workings of social-imperialism. This work first appeared as a wordy and seemingly interminable series of articles in the *Guardian*. (Nicolaus was an editor of that newspaper during the period when the OL and the *Guardian* revealed the fundamental unity behind their respective opportunist lines in an unproductive and comic courtship of convenience).

The book does contain some interesting factual material, especially in a few of the later chapters, but this is rendered useless and worse by the political line it is marshalled to defend. For though the book abandons the unprincipled polemic of the earlier article, it still puts forward the same rotten "theory." Moreover, Nicolaus manages to sneak in some additional confusion, presenting all sorts of things in a distorted and imprecise manner. While long on verbiage, the book is decidedly short on constructive and enlightening analysis. What has been said about Nicolaus' response to *RP7* basically holds here as well.

While a full and in-depth critique of this volume seems unnecessary, several comments are in order. One of the most striking things about Nicolaus' book is its presentation of the rise to power of Soviet revisionism which takes up much of the first third of the volume. Nicolaus offers precious little about the *class forces* which led to the revisionist takeover. In the opening chapters he catalogues the many achievements of Soviet socialism with no real commentary on the role played by class struggle in this and with virtually no summation of the strengths and weaknesses of Party leadership. Then, in two chapters entitled "Bourgeois Right" and "Old Soil," Nicolaus offers his explanation of how, despite what he has described, capitalism could still develop anew in the Soviet Union.

The first chapter seems to be presented mainly as a concession to the recent Chinese political campaign to strengthen proletarian dictatorship, since its analysis is not really continued through the rest of the work. In discussing the persistence of bourgeois right under socialism Nicolaus summarizes some points made by a Chinese article on the subject. But Nicolaus tries to use this article—which deals with bourgeois right in spheres other than ownership—to put across the incorrect assessment that bourgeois right exists under socialism *only* in the sphere of distribution and not ownership. This is quite convenient for Nicolaus since he believes that the introduction of planning eliminates the basis for capitalist property relations.

In the next chapter, "Old Soil," Nicolaus tries to describe the origins of the new Soviet bourgeoisie, emphasizing correctly that this bourgeois class was not the old expropriated bourgeoisie but "a new bourgeoisie engendered within socialism." However, when Nicolaus points to where this new bourgeoisie came from, he misses the mark by a wide margin. According to him the new Soviet bourgeoisie is basically constituted in two social groupings: the collective farmers and "engineering and management personnel."

Now both these groups were important breeding grounds for capitalist elements. But enterprise directors, engineers and collective farm chairmen are, in fact, pretty small fish in the Soviet sea. The real capitalists who today rule the Soviet Union are state-capitalists who control the top leadership of the Communist Party itself.

As *RP7* explains: "Party and state officials who themselves depart from Marxism-Leninism and adopt the class stand and world outlook of the bourgeoisie, use the lower, 'intermediate strata' as their social base, promote their privileges and tendencies to bourgeois ideology, and use them to stifle the initiative of the working class."

But, "there is fierce struggle continually at the top ranks of the Party, between those taking the socialist and capitalist roads. This is part of the overall struggle within socialist society between the bourgeoisie and the proletariat, but is also the sharpest focus of this struggle. This is why Mao Tsetung has summed up—both from the experience of the Soviet Union and China (as well as other socialist countries today)—that the main focus of the class struggle under socialism is within the Party itself and particularly in its top ranks, and that the target of the proletariat in this struggle is the 'handful of capitalist roaders' who repeatedly emerge, especially within the top Party leadership." (p. 13)

Indeed, within the past year Mao once more stressed that under the dictatorship of the proletariat "You are making the socialist revolution and yet don't know where the bourgeoisie is. It is right in the Communist Party—those in power taking the capitalist road."

Of course Nicolaus does eventually come round to dealing with the inner-party struggle in the USSR. However, he does so without in any way connecting it to class forces. There is scant mention of the struggle within the Party before Stalin's death and the struggle after 1953 is portrayed as one between personalities—a classless "power struggle" complete with backstabbing and, of course, a "palace coup." Nicolaus' account of these years is taken almost verbatim from the writings of various bourgeois "Kremlinologists," especially Edward Crankshaw, Khrushchev's journalistic biographer.

The rise of Khrushchev and other capitalist roaders in the Party is attributed by Nicolaus not to the class struggle itself but simply

to "a certain mood of self-satisfaction among many of the leading cadre." Such a mood did develop after WWII, as *RP7* also notes, but the point to understand is how this reflected a shift in the class forces. For Nicolaus it is all simply a matter of morale. The key question for him is the mistakes and poor leadership of individuals. In effect Nicolaus argues that the whole revisionist takeover can be attributed simply to Stalin's untimely death. As he says, "All of this, however, would probably still not have been sufficient to ensure a revisionist victory if there had been among Stalin's closest associates in the party a leader of a stature and ability comparable to Stalin's own."

So, the cat is out of the bag, Mr. Nicolaus. You do *not* believe with Mao that "the people and the people alone are the motive force in the making of history." It is the "great man," the "genius," that decides the fate of mankind! Well Nicolaus and his OL backers may fall for this garbage, but Marxist-Leninists look a bit more deeply at such questions.

So in Nicolaus' book the capitalists led by Khrushchev spring from nowhere, take advantage of a crisis in morale, and seize power in a secret "palace coup!" Once in command they proceed to consolidate their rule and, in 1965, under Brezhnev and Kosygin, get around to restoring capitalism in the Soviet Union.

Nicolaus devotes quite a bit of space to discussing the 1965 "reforms." Once again the lynchpin of his analysis is the contention that the means of production have been transformed into commodities. Now, of course, this is in truth the case, but not at all in the sense that Nicolaus describes.

According to Nicolaus this has not been accomplished within the sphere of planning and under the overall dominance of the ruling class of state-capitalists which emerged from the ranks of the Communist Party leadership, but on the level of the individual enterprise. He argues that the 1965 "reforms" set loose the enterprises to compete freely with each other on the open market for the purchase of principal machinery and the equipment of industry. In this context Nicolaus places special emphasis on measures designed to locate control over investment at the enterprise level through retention of profits at this level. He cites Soviet statistics which indicate that by 1969 40% of profit was retained at the enterprise level.

This, however, is a distortion. While the reforms drastically reduced the number of plan indicators sent down to the firm by superior organs, and placed the criteria of profit maximization in command, and while provisions were made for retention of a portion of enterprise profit as an incentive for accumulation, this did not necessarily mean that major investment decisions involving the purchase of producer goods could be made outside the plan by enterprise directors. A considerable portion of retained profit

was not channelled into investment at all but into incentive funds which have become a principal source of managerial remuneration supplementing basic salary. Moreover, Nicolaus' figure includes some portion of reinvestment in variable capital (the wage bill) and minor technological improvements. Major investments in additional capacity or major technical improvements must still be centrally approved, reflecting the dominance of the central state-capitalists which Nicolaus denies.

The serious limitations on the "reforms" in decentralizing investment were very quickly noted by most observers of the Soviet economy. For example, in 1967, one bourgeois scholar—who has a better understanding of this than the "Marxist scholar," Nicolaus—described these restrictions like this: "The state, as the sole owner of the means of production, determines the distribution of profit, the share it takes, and the destination of the remainder. It should be emphasized that the state maintains its *commanding post* not only in distribution between the enterprise and the budget, but also between the shares of profit destined to augment current personal income, housing and welfare measures, and the enterprise's development, considerably restricting the enterprise's maneuverability of resources. These are the crucial control weapons ensuring that the budget will be provided with sufficient revenue (especially worth noting here is the novel 'free' remainder of profit), that current consumption will not be augmented at the expense of investment, and generally that the enterprise should not have enough funds to allow it to get out of hand. The strict control over decentralized funds is essential to the system. Yet such funds can hardly be called decentralized for the enterprise cannot decide at will in what manner they should be spent. The lack of autonomous disposal of funds circumscribes the scope of financial reforms." (George R. Feiwel, *The Soviet Quest for Economic Efficiency*)

Even where the "reforms" did formally grant autonomy to the enterprises, in the real world this has very often been ignored. As originally conceived the reform granted the managers the right to develop their own plans for the size and composition of the work force. But in many instances when the enterprises actually began to adjust staffing, the Soviet journal *Sotsialisticheskii Trud* reported that the central authorities detected "undesired" results (particularly, a padding of white-collar staff to the detriment of overall profitability) and intervened to impose plan targets.

With respect to investment Nicolaus stresses the importance of the Production Development Fund. Yet even in the initial concept of the reform this decentralized investment was intended ultimately to comprise only a fifth of total industrial investment. And in practice enterprises complained that the total sums in the funds were far too small to be of great use, and that their employ-

ment has been severely restricted by red tape. The utility of the funds is further reduced by the fact that state economic plans do not provide adequate materials and construction facilities for such decentralized investment, and ministries redirect unutilized funds to other purposes.

No wonder then that, as *RP7* reported, Soviet managers themselves are clearly dissatisfied with the meager measure of "freedom" afforded them under the reform. In a 1970 survey of Soviet enterprise directors over half the respondents complained that the extension of independence to the enterprises under the reform was insignificant.

In fact, this whole aspect of the 1965 measures is fast becoming a memory in the Soviet Union as the state-capitalists tighten up their economy, consolidate their dominance over all the lesser strata of the Soviet bourgeoisie, increase investment in tightly controlled war production, and in general strive to gear up the social-imperialist economy for an impending confrontation with their U.S. imperialist rivals. In 1973 considerable autonomy was stripped from the enterprises through the formation of giant "Production Associations," which represented a considerable concentration of capital. At the 25th Soviet Party Congress this year the speeches of Brezhnev and Kosygin did not even mention the 1965 decisions, but instead called for further emphasis on creating large-scale units in industry, construction and agriculture; on tighter planning of the use and distribution of producer goods (the means of production); and on improving central control of planning. Indeed, in late 1975 N. Drogichinsky, head of the Department of New Methods of Planning and Economic Stimulation of the USSR Gosplan, writing in the authoritative journal *Sotsialisticheskaja Industriia*, outlined several measures for the restoration of "iron discipline" in the execution of plans.

Thus it is Nicolaus and not *RP7* who takes the Soviets blindly at their word. Like most bourgeois commentators Nicolaus fails to go beyond appearances. He is sort of a little league John Kenneth Galbraith of the Soviet economy. In the mid-'60s Galbraith advanced the ridiculous thesis that the capitalists were no longer in control of the U.S. economy. He argued that in this "new industrial state" the owners of capital are being reduced to impotent coupon clippers and that real power rests increasingly with the managers and technocrats. This absurd idea is exactly what Nicolaus is saying in his book about the Soviet economy. The new bourgeoisie, he says, did not develop at the top levels of the Communist Party. The state-capitalists do not utilize their control of the formerly proletarian state to extract surplus value. The real capitalists are the "little guys" who run the firms. How ridiculous!

PART V: NEW WRINKLE ON OLD REVISIONISM

Nicolaus' line which states that capitalism is equivalent to the market and socialism equivalent to planning is not a new one. In fact, his line has been a favorite of the Soviet revisionists who claim that their economy cannot be capitalist since it is run according to a plan and who, like Nicolaus, are quite eager to have us ignore the *class content* of planning, liking nothing more than to steer us from the more fundamental political question of which class runs the state and all of society. It has also been taken up by the Trotskyites who, in words, stand opposed to revisionism but who have always argued that it is central planning which is the main characteristic of socialism. This is why, despite all their ranting and raving about "Stalinist bureaucrats," the Trotskyites still characterize both the Soviet Union and socialist China as "deformed workers' states," completely obscuring the fundamental differences between bourgeois and proletarian class rule.

In 1968, following the brutal Soviet invasion of Czechoslovakia, Paul Sweezy, one of the editors of the journal *Monthly Review*, formulated a somewhat less slick version of Nicolaus' line. In the mid-'60s Sweezy played an important role as one of the first in the U.S. progressive movement to recognize that the new Soviet rulers were revisionists. But since Sweezy's understanding was not based on a scientific Marxist-Leninist analysis which recognized that, as Mao put it, "the rise to power of revisionism means the rise to power of the bourgeoisie," he has since found himself in the position of upholding imperialist actions of the Soviet Union, becoming an apologist, for example, for Soviet-Cuban aggression in Angola, in much the same style as the opportunist editors of the *Guardian*. While justly and forthrightly condemning the Soviet action in Czechoslovakia, Sweezy's 1968 article tried to show that this invasion stemmed from the Czechs having gone further in strengthening the market than did their Soviet bosses. The strong implication was that competitive capitalism and the "free" market, as in Yugoslavia, for instance, are somehow more capitalist than monopoly capitalism or imperialism, and that the Soviet rulers were somehow opposed to a "full" restoration of capitalism.

In response to this article Charles Bettelheim made several key points which may well be directed equally to Nicolaus. Bettelheim correctly noted that "to put emphasis on the existence of a 'market' (and therefore also on the existence of money and prices) in defining the nature of a social formation, means precisely to put emphasis on the *surface*, on what is immediately 'apparent'—it is consequently a failure to come to grips with underlying relationships. These exist at the level of production, i.e., at the level of basic social relationships." According to Bettelheim, the development or retreat of market forms under socialism is "an *index* of

the evolution of social relationships, but it is no more than an *index*." "What characterizes socialism as opposed to capitalism," he says, "is not the existence or non-existence of market relationships, money and prices, but the existence of the domination of the proletariat, of the dictatorship of the proletariat." (Sweezy & Bettelheim, *On the Transition to Socialism*)

This statement is absolutely correct, for as Lenin stated:

"Those who recognize *only* the class struggle are not yet Marxists...Only he is a Marxist who *extends* the recognition of the class struggle to the recognition of the *dictatorship of the proletariat*. This is what constitutes the most profound difference between the Marxist and ordinary petty (as well as big) bourgeois. This is the touchstone on which the *real* understanding and recognition of Marxism is to be tested." (*State and Revolution*, emphasis in original)

As the recent political campaigns to strengthen the dictatorship of the proletariat in China graphically reveal, the key to understanding the class struggle under socialism is to grasp that this is fundamentally a political struggle aimed at suppressing the bourgeoisie. The question is not simply one of form of whether there is a plan or a market. On the question of the system of ownership, as with all questions, it is crucial to pay attention not only to form but also, and mainly, to its *content*. The control by one class or another decides which class owns a factory in reality, and this is true for the society and the economy as a whole.

To determine whether the dictatorship of the proletariat is in control or not, we must judge according to *real* policies and not just declarations of intent. The domination of the proletariat is reflected in its development of new socialist production relations in opposition to bourgeois relations, in the restriction of "bourgeois right" and in the narrowing of the "three major differences" and other soil engendering capitalism. It is the substance of these things which the definition of socialism in *RP7* puts stress on.

Attempts to cover up and disguise the class struggle, the class nature of socialist society and the need for proletarian dictatorship, have characterized every opportunist and revisionist line on the differences between socialism and capitalism. In China Teng Hsiao-ping tried to put over the notion that in economics "It doesn't matter if a cat is black or white; any cat that catches mice is a good cat." In the Soviet Union Khrushchev advanced the thesis of the "state of the whole people." The Social Democrats have long put forward that capitalism can peacefully grow into socialism, without class struggle, through nationalization of the means of production. They, like Nicolaus, say that with the subsuming of the "free" market by monopoly the basis for capitalism spon-

taneously disappears.

Despite all his flashy erudition Martin Nicolaus does not in the least comprehend what makes the Soviet rulers capitalist. At the present time this opportunist finds it politically convenient to pose as a great enemy of the Soviet imperialists. But since his analysis is founded on nothing solid, like Sweezy it is not at all unlikely that Nicolaus may one day change his tune. He and his OL sponsors could easily decide—if it serves their political fortune hunting—that since there really is a plan in the Soviet Union, and since planning to them means socialism, well then the Soviet Union must be socialist after all.

Moreover, when applied to the U.S. Nicolaus' line also has very dangerous implications. For if the workers were to accept this "planning equals socialism" garbage, then it would be easy for all kinds of phony "socialists" and imitation progressives to pimp off the working class struggle by putting forward some make-believe capitalist "plans" disguised as "steps toward socialism."

This shows that Nicolaus' line on the restoration of capitalism in the Soviet Union is not simply incorrect. It is a dangerous line which stems from the same roots as the overall reformist and reactionary line of the October League. The working class must see clearly the face of all its enemies. Here and in the Soviet Union the struggle for socialism is a *class* struggle. There is a real *class* enemy—the bourgeoisie. Nicolaus' line tries to blind us to this fact, to turn our eyes away from the enemy, away from the class struggle which must be waged to defeat this enemy.

Some Preliminary Thoughts on Bourgeois Democracy and the U.S. Working Class

J. WERNER

This year's Bicentennial campaign by the bourgeoisie represents the most concerted action by the capitalists in recent years to shore up faith in their political and economic system. Key to this is their efforts to "remind" the masses of people of the message of their high school civic classes and of countless TV programs, movies, etc.—that this country is ruled by the consent of the governed, that it is a *free* country, that despite whatever weaknesses or flaws may exist, ours is still the "greatest democracy on earth." Now with the '76 election campaign the capitalists have preached a similar message: do your part as a citizen, *get out and vote no matter who you choose to vote for*. They might as well add, it's not who wins or loses, but how the game is played.

Of course the results of the working class' counter-offensive around the Bicentennial, culminating in the historic Philadelphia demonstration, along with the general lack of enthusiasm among the masses for the Bicentennial hoopla, is a sharp reflection of the fact that all is not smooth sailing for the capitalists, that their declarations of "freedom and justice" for all has a hollow ring for millions. Similarly this presidential election has stirred little fervor, in spite of a giant promotion effort including televised debates.

But it is possible, and dangerous, to overstate the extent to which the masses of workers see through the charade of the capitalist political system. Millions of workers will turn out on election day, and among a significant section of the working class, the top "labor leaders" have succeeded in stirring up some motion (if not enthusiasm) for Jimmy Carter. And while the cynicism around the Bicentennial and dropoff in voting reflect a certain embryonic understanding (or more accurately put, *feeling*) that the government does not represent the "will of the people," still the political significance of this cynicism and distrust of bourgeois political system must not be exaggerated; only among a very small section of the working class has opposition to the bourgeoisie reached a conscious political level.