

The Life and Death of Stalinism

Chapter 2

The Revolutionary Epoch

1. THE EPOCH OF CAPITALIST DECAY

When capitalist production first arose, its internal contradictions drove the system forward and to replace previous modes of production. As it aged, its contradictions grew less tractable and produced the convulsions and decay that plague the modern world. These fundamental changes have come to threaten the very existence of capitalism: they engender its epoch of decay.¹ In this epoch the proletariat emerges as a real alternative to capital as the harbinger and agent of socialist revolution.

For some left theorists, the new epoch signifies that classical Marxism is obsolete: the laws Marx described no longer apply, and therefore new laws and relations have to be put in their place. Inevitably this means that the proletariat is shunted aside as the revolutionary agent, to be replaced by third-world nationalists or middle-class elements. Others ignore the altered operation of the laws of capital in this epoch in order to make the reformist case that capitalism is not doomed to decay but can continue to expand the productive forces, as it did in its progressive epoch. They too reject the proletariat as the revolutionary agent of socialism.

In this chapter we consider first the theoretical foundations of the epoch of capitalist decay, and then Marxist theories and practice as the new epoch took shape around the turn of the century. This analysis is crucial for understanding Stalinism, a particular form of the capitalism of this epoch.

THE THEORY OF DECAY

In 1859 Marx began the Preface to his *Critique of Political Economy* with a brief intellectual autobiography. It concluded with the passage he called “the guiding thread of my studies.” The first and best-known part of this passage summarizes the principles of historical materialism; the second part introduces the concept of a society’s epoch of decay.

“In the social production of their life, men enter into definite relations that are indispensable and independent of their will, relations of production which correspond to a definite stage of development of their material and productive forces. The sum total of these relations of production constitutes the economic structure of society, the real foundation on which rises a legal and political superstructure, and to which correspond definite forms of social consciousness. The mode of production of material life conditions the social, political and intellectual life process in general. It is not the consciousness of men that determines their being but, on the contrary, their social being that determines their consciousness.

“At a certain stage of their development, the material productive forces of society come into

1. Instead of “decay,” words like “breakdown” and “collapse” have been used for the long-term crisis. But since these can imply that the system can end without a proletarian revolution, we use “decay.”

conflict with the existing relations of production, or — what is but a legal expression of the same thing — with the property relations within which they have been at work hitherto. From forms of development of the productive forces these relations turn into their fetters. Then begins an epoch of social revolution.”

Marx’s discussion here is a general one, applicable to many forms of class society and their modes of production. It states that any such society that is progressive (capable of “development of [the] material and productive forces”) is bound to develop to a point where its own relations of production inherently hamper and retard the productive forces. At that point the social relations become reactionary, and an “epoch of social revolution” occurs: people strive to adopt new social relations compatible with the level of productive forces.

The case of capitalism, however, is different from that of previous class societies. First, Marx could look back on the decay of past societies historically, whereas the decay of capitalism had to be foreseen. His understanding of capitalist decay was based on his analysis of its recurring economic crises. As we saw in Chapter 1, in these crises a major part of capitalist production comes to a halt: the productive forces are held back. Thus the crises prefigure the epochal crisis of the system as a whole:

“These contradictions ... lead to explosions, crises in which momentary suspension of all labor and annihilation of a great part of the capital violently lead it back to the point where it is enabled to go on fully employing its productive powers without committing suicide. Yet these regularly recurring catastrophes lead to their repetition on a higher scale, and finally to its violent overthrow.”²

Short-term crises and epochal decay are intimately intertwined, but it is necessary to distinguish them clearly for the purpose of analysis. From time to time Marx predicted that the epoch of decay had actually arrived, that the productive forces of capitalism had been permanently fettered in the course of one of the system’s periodic crises — only to find his expectation falsified by a new burst of productive activity. Marx had in effect already explained these misjudgments:

“No social order ever disappears before all the productive forces for which there is room in it have been developed; and new higher relations of production never appear before the material conditions of their existence have matured in the womb of the old society.”³

Capitalism’s recurrent resurgences after its crises, the fact that it was not crippled by the bonds that regularly held back the productive forces, proved that this old social order was not yet used up: economic crises are not the same as the epoch of social revolution. Marx did not live to see the fulfillment of the revolutionary epoch he predicted.

Now to the second distinctive aspect of capitalism. Class society exists because of the prevalence of economic scarcity; that is its historical justification. Capitalism’s productive drive has the

2. *Grundrisse*, p. 750.

3. Preface to the *Critique of Political Economy*.

potential to do away with this justification: it points to the realm of abundance, the abolition of scarcity. When economic expansion reaches the point where there is no longer any need for class divisions, where expansion can continue without exploitation by a ruling class, then class society (and of course capitalism in particular) becomes superfluous — and reactionary. Capitalism is therefore the *last* class society necessary in human history.

In addition to the well-known passage where Marx outlines his view of the different epochs of social systems in general, elsewhere he describes the turning points of capitalism in particular. He brings out the epoch of decay through a historical development of capitalism in three stages:

“As long as capital is weak, it still itself relies on the crutches of past modes of production, or of those which will pass with its rise. As soon as it feels strong, it throws away the crutches, and moves in accordance with its own laws. As soon as it begins to sense itself and become conscious of itself as a barrier to development, it seeks refuge in forms which, by restricting free competition, seem to make the rule of capital more perfect, but are at the same time the heralds of its dissolution and of the dissolution of the mode of production resting on it.”⁴

That is, when capitalist production first arose within feudalism, it was hampered by barriers like the guild system, but it also depended on these structures to get itself off the ground. When capitalism reached its adult stage and came to dominate production, competition flourished and executed the inner laws of capital more fully. Finally, in its epoch of decay, capitalism has to rely on forms other than free competition — chiefly monopoly and the state — which seem to strengthen it. But these also distort its laws and erect barriers to the expansion of the productive forces.

Many Marxists take the mature progressive epoch of capitalism (the second of the three stages Marx described) as its normal, permanent condition, whereas Marx knew that the classical features of free competition and free markets were not permanent. As we will show, Stalinist society is an extreme case of the restriction of competition and other laws making capital a barrier to its own development. Marx obviously could not foresee the unique history of revolution and counterrevolution that created present-day stratified capitalism, just as he could not predict the precise outlines of the imperialist epoch that became clear to Lenin and others after the turn of the century. But what he could see testifies to the clarity of his theory, in sharp contrast to the rationalizations that pass for Marxism today. We now take a closer look at these “heralds” of capital’s dissolution.

THE SOCIALIZATION OF CAPITAL

In the 1870's Marx and Engels added a further element to their analysis of capitalism. They observed that the tendency for capital to centralize, present throughout the history of capitalism, was bringing about a qualitative change with the development of joint stock companies and the increasing role of the bourgeois state. In the 1890's Engels added the element of trustification and monopolization. Here he sums up the matter in detail:

4. *Grundrisse*, p. 651.

“On the one hand, therefore, the capitalistic mode of production stands convicted of its own incapacity to further direct these productive forces. On the other, these productive forces themselves with increasing energy press forward to the removal of the existing contradiction, to the abolition of their quality as capital, to the *practical recognition of their character as social productive forces*.

“This rebellion of the productive forces, as they grow more and more powerful, against their quality as capital, this stronger and stronger command that their social character shall be recognized, forces the capitalist class itself to treat them more and more as social productive forces, so far as this is possible under capitalist conditions. The period of industrial high pressure, with its unbounded inflation of credit, not less than the crash itself, by the collapse of great capitalist establishments, tends to bring about that form of the socialization of great masses of means of production which we meet with in the different kinds of joint-stock companies. ... At a further stage of evolution this form also becomes insufficient. The producers on a large scale in a particular branch of industry in a particular country unite in a trust, a union for the purpose of regulating production. ...

“In the trusts, freedom of competition changes into its very opposite — into monopoly; and the production without any definite plan of capitalistic society capitulates to the production upon a definite plan of the invading socialistic society. Certainly this is so far still to the benefit of the capitalists. But in this case the exploitation is so palpable that it must break down. No nation will put up with production conducted by trusts with so barefaced an exploitation of the community by a small band of dividend-mongers.

“In any case, with trusts or without, the official representative of capitalist society — the state — will ultimately have to undertake the direction of production.”⁵

We note only a few of the wealth of ideas here: the socialization of the productive forces, the organization and planning of production and the growing role of the state — all pointing to the danger to the continued existence of capitalism, as class rule becomes increasingly naked. Moreover, the passage is an exquisite portrayal of the contradictory connection that is possible between form and content. The invading socialist forms pose a lethal threat to capitalism, but are nevertheless initially used by capitalism to preserve itself.

The entire analysis is a frontal challenge to the notions that capitalism can exist only as a regime of free competition and that state planning is a defining characteristic of some new non-capitalist society. Life would be a lot simpler if today’s Marxists understood as much about their own epoch as did Marx and Engels before it arrived.

Because it has become common on the left since the time of Stalin to counterpose economic planning and the laws of capitalism as if they were incompatible, it is worth noting that Engels, in his *Critique of the Erfurt Program* of German social democracy (1891) specified that “When we pass from joint-stock companies to trusts which control and monopolize whole branches of

5. Engels, *Socialism: Utopian and Scientific*, Chapter 3.

industry, it is not only private production that ceases, but also planlessness.”⁶ In place of “trusts” today we would say multinational corporations — or, for that matter, the imperialist state.

Lenin’s commentary on the same point is also relevant to present-day discussions of the “Russian question”:

“The trusts, of course, have not created, do not create now, and cannot create full and complete planning. But to whatever extent they do plan, to whatever extent the capitalist magnates calculate in advance the volume of production on a national and even on an international scale, and to whatever extent they systematically regulate it, we still remain *under capitalism* — capitalism in its new stage, it is true, but still undoubtedly capitalism. The ‘proximity’ of *such* capitalism to socialism should serve the genuine representatives of the proletariat as proof of the proximity, ease, feasibility and urgency of the socialist revolution, and not as an argument in favor of tolerating the repudiation of such a revolution or in favor of making capitalism look more attractive, an occupation in which all the reformists are engaged.”⁷

Although capitalism exists under conditions of “creeping socialism,” the circumstances of the new epoch make it a reactionary social system. The central factor that brings the change in epochs about is the growth and development of the proletariat. The new epoch can be said to be inaugurated when the industrial working class approaches its maximum strength in society, when it becomes organized and disciplined both through its enforced role in industry and through its own parties and trade unions — when, in short, it becomes a threat to the property of the bourgeoisie. The proletariat’s development is the major factor that drives capitalism to become a barrier to its own productive forces — but it also makes possible a qualitative advance beyond capitalism.

Once the developed proletariat appears on the scene as a potential alternative, the bourgeoisie turns to centralization in the political sphere as well as the economic. Surplus value has to be turned away from productive accumulation and expended increasingly on means of repression. Measures have to be taken to forestall new crises, lest turbulence and additional misery drive the masses to revolution; these measures inevitably weaken the system’s growth. The state apparatus expands to control and (in part) buy off the masses; militarization and nationalism are stepped up to divert the class struggle; ideologies like racism and the sanctity of the family are broadcast to keep the proletariat divided; ultimately the bourgeoisie turns to world war and fascism. All this is not a bourgeois plot, although capitalists do conspire. It derives from capital’s laws of motion.

The deepening role of the state in the epoch of capitalist decay is not just a consequence of the system’s economic laws: it also effects the operation of these laws. For example, the state intervenes into the economy in order to ensure the production of specific use values for its own purposes, above all the weapons of repression and conquest. This does not mean, as Cliff says, that use values have replaced value in general as the aim of capitalist production. On the contrary, the state makes use of a variety of economic levers (contracts, taxes, etc.) to motivate

6. Engels, “Zur Kritik des sozialdemokratischen Programmentwurfs 1891”, in Marx and Engels, *Gesammelte Werke*, Vol. 22, Berlin 1963, p. 232.

7. Lenin, *The State and Revolution*, Part IV.3.

the capitalists to produce what it needs. Production for value is by no means abolished, even though whole sectors now produce for the state.

Moreover, whatever the use-value motivations of social engineers, value inevitably operates behind their backs and frustrates their intentions. The United States, for example, would love to be the only Western power producing arms — it would make fortunes selling them and would not have to fear military threats from its present allies — but four post-World War II decades of unrivaled arms production have undermined its economic strength in comparison to Japan and West Germany. (We will say more on this in Chapter 6.) As Engels and Lenin observed, the bourgeoisie can plan, but its planning is still subject to the uncontrollable laws of value.

Another significant effect of the trustification and statification of capital is the growth of the industrial and state bureaucracy. This layer of society is part of the expanding “middle class” of salaried employees standing between proletariat and bourgeoisie. As the centralization of capital gradually reduces the proportionate weight of the traditional petty-bourgeoisie, the capitalists increasingly have to rely on hired subordinates to manage businesses and discipline workers. The same happens as the state expands its economic powers and develops a vast apparatus of functionaries. These bureaucracies are structured as rigid hierarchies in order to maintain their subordination to higher authority. It is not the advance of technology that makes them indispensable but the class struggle: the need to maintain exploitation as the ruling class itself diminishes. The state and industrial bureaucracies are matched by a developing labor bureaucracy, of which we will see more later.

The rise of bureaucracy is not the trans-historical phenomenon perceived by bourgeois sociologists, occurring now under capitalism just as it did under the Roman and Chinese emperors. Capitalist bureaucracy represents the bourgeoisie’s attempt to organize society and production in a planned way; it is a historically specific relationship within late modern capitalism, flourishing just when the system turns from its entrepreneurial heyday to its socializing but anti-socialist epoch of decay. It substitutes organizational hierarchy and ruling-class discipline for the voluntary human consciousness that will be the central determinant of planning under socialism. (The Stalinist *nomenklatura* is the extreme example of such bureaucratic hierarchy.) But bureaucracy cannot help reflect capitalism’s underlying social anarchy. It is an object of hatred and ridicule because, despite its rigid structure and regimen, it is inevitably wasteful, inefficient and parasitical on productive labor.

DECAY AND THE LAWS OF CAPITAL

In a passage that further illustrates capitalism’s cyclical crises prefiguring its epochal decay, Engels wrote:

“Their political and intellectual bankruptcy is scarcely any longer a secret to the bourgeoisie themselves. Their economic bankruptcy recurs regularly every ten years. In every crisis, society is suffocated beneath the weight of its own productive forces and products, which it cannot use, and stands helpless, face to face with the absurd contradiction that the producers have nothing to consume because consumers are wanting. The expansive force of the means of production bursts the bonds that the capitalist mode of production had imposed upon them.

“... The socialist appropriation of the means of production does away, not only with the present artificial restrictions upon production, but also with the positive waste and devastation of the productive forces and products that are at the present time the inevitable concomitants of production, and that reach their height in the crises.”⁸

The fact that socialization of the means of production is the method for doing away with periodic crises of overproduction confirms that for the founders of Marxism the cause of such crises is the independence of capitals, the uncoordinated nature of production — that is, the “anarchy” of capitalism, its private and parochial nature.

Marx linked the epochal change directly with the falling rate of profit tendency. After presenting the FRP as “the most important law from the historical standpoint” (Chapter 1), he elaborated:

“The development of the productive forces brought about by the historical development of capital itself, when it reaches a certain point, suspends the self-realization of capital instead of positing it. Beyond a certain point the development of the powers of production become a barrier for capital; hence the capital relation a barrier for the development of the productive powers of labor. When it has reached this point, capital, i.e. wage labor, enters into the same relation towards the development of social wealth and of the forces of production as the guild system, serfdom [and] slavery, and is necessarily stripped off as a fetter. The last form of servitude assumed by human activity, that of wage labor on one side, capital on the other, is thereby cast off like a skin ...”

“The growing incompatibility between the productive development of society and its hitherto existing relations of production expresses itself in bitter contradictions, crises, spasms. The violent destruction of capital not by relations external to it, but rather as a condition of its self-preservation, is the most striking form in which advice is given it to be gone and to give room to a higher state of social production.”⁹

Marx did not spell out the connection between the falling rate of profit and the epoch of decay, except to observe that declining capitalist profits led understandably to violent crises. Our interpretation of the FRP provides a theoretical link.

We saw that the FRP dominates its countertendencies during the expansion periods of the business cycle, whereas during crises the chief countertendency (the cheapening of constant capital) takes over, and the rate of profit’s fall is offset. To recapitulate: firms calculate the value of their capital according to what they originally paid for it, minus depreciation due to its physical wear and tear. But there is also the “moral” element of depreciation — capital has been devalued because rival capital serving the same use has since been produced with less labor, and therefore the reproduction of the same capital requires less. As a result, the old capital is overvalued.

8. Engels, *Socialism: Utopian and Scientific*, Chapter 3.

9. Marx, *Grundrisse*, pp. 749-750. Note the casual assumption in this passage that capital and wage labor are one and the same relation. Marx’s explicit statements on this have already been cited in Chapter 1, but the point has been so obscured that it deserves repeating.

So the value of older, obsolete capital has a **fictitious** component: its value is not based solely on labor time socially necessary for reproduction. The capitalists involved, however, bought their capital at its old, higher, value and have to suffer the consequences, a lower rate of profit. Marx studied the phenomenon of fictitious capital in Volume 3 of *Capital* in connection with the growth of credit, but he did not connect it to the falling rate of profit. For Marx, the FRP tendency depended only on the actual, material value of capital and did not require taking fictitious valuation into account.

Under classical competitive capitalism, a firm whose capital had a large fictitious component would have a low profit rate and would lose the competitive struggle to survive. But in the new epoch it is the big monopolies that create fictitious capital, and they are not so easily disposed of. For one thing, they can use their size, cartel arrangements and governmental influence to maintain their market position even at the cost of holding back technical progress in some sectors. Their incentive to do so is the fear of self-competition: if they were to allot new investments to a sphere of industry where they are already active, that could mean competing with their own units. Of course, competitive pressures among monopoly firms compel modernization. But their power over the market prolongs the life of equipment that would otherwise be destroyed as obsolete.

In the extreme, if a monopoly firm as a whole faced collapse, it would threaten to bring others down too, even efficient ones — since such a firm employs thousands of workers and is financially and commercially tied to every major sector of the capitalist class. Allowing it to go under would add greatly to social instability and threaten the national economy. Hence the state often has to revive large firms in danger of collapse; “survival of the economically fittest” is replaced by survival of the politically strongest. The monopoly epoch destroys capitalism’s last self-justification: that despite its rampant inequities it is the only way to produce goods efficiently. Thus the epoch is indeed one of decay. As Marx noted:

“... as soon as formation of capital were to fall into the hands of a few established big capitals, for which the mass of profit compensates for the falling rate of profit, the vital flame of production would be altogether extinguished.”¹⁰

Analogously, under Stalinism unprofitable enterprises are allowed to remain in operation. Here too the fratricidal drives of capital conflict with the system’s desperate need for stability in the face of an organized and combative proletariat. That is why Stalinism, now forced to bankrupt firms that have long been unprofitable, faces a real peril.

In the modern epoch of capitalism, therefore, the system’s traditional crises cannot so easily be used to restructure capital and counter the falling rate of profit tendency. But crises whose resolution is suppressed on the national level or postponed by state action reappear in more frightening form internationally. The result is that the 20th century has witnessed a new form of crisis cycle: the buildup of contradictions that expresses itself in the explosion of world wars and great depressions.

10. *Capital*, Volume III, Chapter 15, Part 3 (p. 259).

The laws of capital in the monopoly epoch interfere in particular with the tendency for profit rates to equalize. Surplus value is no longer shared in proportion to the value of each capital's investment; monopolies get a disproportionate share, whatever their relative organic composition. (Monopolization in the modern era is common in the most capital-intensive industries, where the sheer cost of fixed capital is a powerful barrier to the entry of competitors.) Monopolies that do not keep up with technical progress are nevertheless able to claim a share of total surplus value reflecting the price they originally paid for their capital — not just a price proportional to its present value, its cost of reproduction.

This does not mean, however, that the monopolies' rate of profit will necessarily appear on the books as higher than average. Some Marxists have challenged the idea of "monopoly profits" by citing statistics showing that monopoly firms' profits are no higher than others'.¹¹ Their figures may be accurate, but they are irrelevant. Capital markets evaluate a given capital chiefly according to its expected return. So when a monopoly appropriates a disproportionate share of surplus value, the price of its stock goes up, out of proportion to the capital's material value. Thus its rate of profit *appears* to be no higher than average, because higher surplus value is balanced by a higher capitalization (the fictitious value given the capital in the market). As a consequence the overall rate of profit leans toward an apparent average, not the genuine average that characterizes the epoch of "capitalist communism." Of course, the chief owners of such monopoly firms did not pay inflated prices for their shares, and *their* rate of profit, accordingly, is much higher.

Another argument against the inequality of profit rates is the following: true, monopolies obtain a monopoly profit rate higher than average and consequently force down the profit rate of non-monopoly capitals below average. But with the further development of capitalism, the degree of monopoly control of the market increases; as the monopoly sector grows and approaches 100 percent of production, *its* average rate of profit dominates the overall average profit rate and eventually the two rates coincide — bringing the monopoly profit rate back down to the average.¹² This argument presupposes a tendency for the size and strength of capitalist firms to equalize, a virtual impossibility in the epoch of decay. While monopolization does affect more and more spheres of capital, the strongest firms continue to expand, branching from one sector and from one country to another. At the same time, small capitals continue to come into existence, while some monopolies and cartels break down under the pressure of competition that is never totally eliminated. The tendency toward growing inequality of power (and of profit rates) is by no means over.

In sum, in the modern epoch the FRP tendency is not regularly balanced by the cheapening of constant capital; rather this countertendency conflicts with another, the fictitious valuation of fixed capital. Hence the FRP wins out over its major countertendency. One important result is that the rate of economic growth (accumulation) declines: in the non-monopoly sectors because they have less surplus value to invest, and in the monopoly sectors because further investment contains the threat of self-competition mentioned above.

11. For example, Steve Zeluck, "On the Theory of the Monopoly Stage of Capitalism," *Against the Current*, Fall 1980.

12. Alejandro Dabat, "La nivelacion de la tasa de ganancia en el capitalismo contemporaneo," *Debate*, May-June 1979.

The falling rate of profit law reflects the contradictions between use and value, as well as between the expansion and the preservation of value. It is not the cause of the epoch of decay; rather, in this epoch capitalism's own resistance to the contradictions of capital brings the FRP tendency to full flower. The FRP therefore symbolizes the barrier to the expansion of the productive forces that capitalism has erected in this epoch. The violent consequences that Marx foresaw (and reality confirms) rest on a solid theoretical foundation.

STATE CAPITALISM

The analysis of centralization and the state leads to the phenomenon of state capitalism. We show here that state capitalism is inherent in the system's epoch of decay and has an ample heritage in Marxist theory. First an observation by Marx:

“In any given branch of industry, centralization would reach its extreme limit if all the individual capitals invested in it were fused into a single capital. In a given society the limit would be reached only when the entire social capital was united in the hands of a single capitalist or a single capitalist company.”¹³

Elsewhere Marx characterized joint-stock companies as “the abolition of the capitalist mode of production within the capitalist mode of production itself,” or “private production without the control of private property.”¹⁴ Marx's paradoxical language made clear that he did not regard such socialization of ownership as the abolition of capitalism. It is only the capitalist mode in the narrowest sense that is transcended, the age when the individual owner was boss. The paradox was the contradictory and unstable relationship maturing within capitalism itself.

Marx also observed that the combined capitalist function of ownership and management had broken down into separate tasks for different individuals, and that profit became “mere compensation for owning capital that now is entirely divorced from its function in the actual process of reproduction, just as this function in the person of the manager is divorced from ownership of capital.”¹⁵ The divided role of the capitalist arises again when we study the economy of the modern USSR.

Engels took the analysis further by bringing in the state:

“The transformation either into joint-stock companies and trusts or into state ownership does not do away with the capitalist nature of the productive forces. In the joint-stock companies and trusts this is obvious. And the modern state, again, is only the organization that bourgeois society takes on in order to support the external conditions of the capitalist mode of production against the encroachments of individual capitalists as well of the workers.

“The modern state, no matter what its form, is essentially a capitalist machine, the state of the capitalists, the ideal personification of the total national capital. The more it proceeds to the

13. *Capital*, Vol. I, Chapter 25 (p. 627).

14. *Capital*, Vol. III, Chapter 27 (pp. 436, 438).

15. *Capital*, Vol. III, Chapter 27 (pp. 436-7). Likewise: “the capitalist exists in a dual form — juridically and economically,” *Theories of Surplus Value*, Vol. III, p. 458.

taking over of productive forces, the more does it actually become the national capitalist, the more citizens does it exploit. The workers remain wage-workers — proletarians. The capitalist relation is not done away with; it is rather brought to a head. But brought to a head it topples over. State ownership of the productive forces is not the solution of the conflict, but concealed within it are the technical conditions that form the elements of that solution.”¹⁶

Engels’ explanation for the growth of “the modern state” omits one cause. Not only is a powerful state needed to wage the class struggle against the workers and discipline individual members of the bourgeoisie; it is also needed to protect the capitalists at home from those abroad. Of course, the state today commands even greater power than in the late 19th century when Engels wrote. That is both a result of the epoch of decay and a determinant of certain of its characteristics.

Capitalism’s tendency towards centralization and therefore stratification brings out the social character of modern production — but in bourgeois form, because the means of production remain in private hands, those of the ruling bourgeoisie or its state. The “solution” of the conflict that Engels refers to is the socialist revolution that places industry, already largely socialized, into the hands of the workers’ state.

Engels’ remark that capitalism when “brought to a head” through stratification “topples over” (or in another English translation, “turns into its opposite”) has been interpreted to mean that full stratification automatically means the end of capitalism and therefore the existence of a workers’ state — even where the workers had little directly to do with the transformation (as in East Europe after World War II).¹⁷ Engels effectively denies this meaning in the next sentence, but what then does he mean by the cryptic phrase “topples over”? To decide, we first note that the bringing to a head has never actually occurred: no bourgeoisie has gone so far as to abolish private property by completely entrusting its ownership function to the state. Trotsky explained why:

“Theoretically, to be sure, it is possible to conceive a situation in which the bourgeoisie as a whole constitutes itself a stock company which, by means of its state, administers the whole national economy. The economic laws of such a regime would present no mysteries. ... Such a regime never existed, however, and, because of profound contradictions among the proprietors themselves, never will exist — the more so since in its quality of universal repository of capitalist property, the state would be too tempting an object for social revolution.”¹⁸

That is, taking capitalism’s centralization and stratification tendency to its limit would be conceivable theoretically but not practically — not because of any structural barrier inherent in the organization of capital, but because of the opposing classes’ antagonistic relations and the fratricidal nature of the bourgeoisie. Engels’ remark undoubtedly meant the same thing: if the capitalist class were to take the road of complete stratification, that would quickly lead to the proletarian “solution” of abolishing, not extending, capitalist power. He said as much in the discussion of trusts already quoted: “the exploitation is so palpable that it must break down. No

16. Engels, *Socialism: Utopian and Scientific*, Chapter 3.

17. For example, Ted Grant (the leader of the British *Militant* tendency), *The Marxist Theory of the State — A Reply to Tony Cliff* (1973).

18. Trotsky, *The Revolution Betrayed*, Chapter 9, pp. 245-6.

nation will put up with ... so barefaced an exploitation of the community by a small band of dividend-mongers.”

The expropriation of the capitalist expropriators is both an objectively demanded consequence of historical development and a proletarian task requiring subjective revolutionary consciousness. Without the latter, the objective tendency would inevitably be blunted and humanity would fall into barbarism.

We have seen that Marx considered a multiplicity of capitals to be a necessity; as he said, “a universal capital, one without alien capitals confronting it, with which it exchanges ... is therefore a non-thing.”¹⁹ The possibility of a lasting “single capital” exists only under a workers’ state in the course of its transition to socialism — that is, on the road to finally abolishing capital in the course of abolishing itself (see Chapter 3). Only in this sense would a society of one capital mean the end of capitalism.

Of course, capitalist states have been able to move far down the road to state capitalism when they needed to, especially in wartime. Even that bastion of private property, the United States, imposed national planning during World War II: firms were told what and how much to produce, some were forced out of business and supplies were regulated centrally. When the war emergency was over the planning powers of the state declined, although of course the state retained a major economic role.

Despite the clear anticipation of state capitalism by Marx and Engels, many Marxists have argued that such a system is impossible — not just as an analysis of the Soviet economy but in theory as well. They overlook that the laws of capital, even under state capitalism, are perfectly compatible with state ownership of enterprises.²⁰ They only require a measure of practical independence, as we will see in Chapter 5.

A basis for the “impossibility” reasoning was provided by the Bolshevik economist Evgeny Preobrazhensky in the 1920's, in a discussion of German state monopoly capitalism in World War I:

“The regulation of the whole of capitalist production by the bourgeois state reached a degree unprecedented in the history of capitalism. Production which formally remained commodity production was transformed *de facto* into planned production in the most important branches. Free competition was abolished, and the working of the law of value in many respects was almost completely replaced by the planning principle of state capitalism.”²¹

Preobrazhensky drew back from concluding that the near-replacement of the law of value in Germany had abolished capitalism, or even nearly so. But his claim that state capitalist planning cancels the law of value relies on the misconception we encountered earlier: that the law of value

19. Marx, *Grundrisse*, p. 21.

20. A textual analysis of Marx making clear that this was his view can be found in Paresh Chattopadhyay, “On the Marxian Category of ‘Competition of Capitals’ and its Relevance for the ‘Postrevolutionary’ Economy, *Research in Political Economy*, Vol. 10 (1987).

21. Preobrazhensky, *The New Economics*, p. 153.

is defined by competition rather than simply being carried out through it.

Preobrazhensky's misunderstanding of value in relation to state capitalism set the tone for others. A co-thinker of Mandel writes that "When this competition [between private capitals] slackens as a result of concentration of capital or state protection, the law of value loses some of its strength."²² And Cliff says that "Monopoly capitalism means a partial negation of the Marxian law of value but on the basis of the law of value itself. ... The *partial* negation of the law of value *borders* on its total negation."²³ Cliff's theory of use values as the aim of capitalist production (Chapter 1) shows that he means the total negation of the law of value.

But the law of value is not negated in the epoch of decay, not even partially — not, that is, in the sense of Preobrazhensky and Cliff of being almost completely erased or replaced. Just as under capitalist communism (a phenomenon that predates this epoch), it is *apparently* violated, but that is a different matter. As Cliff recognizes, the change in the appearance of the law occurs on the basis of the law itself — which ought to mean (but does not for Cliff) that value is still the dominant principle of capitalist production. Commodity production is still decisive, and the value of a commodity is still determined by the socially necessary labor time it embodies, despite the growing variety of distorting factors.

In fact, if we understand the law of value to be the basis of capitalism's inequality, violent contradictions and crises — and that in this epoch the capitalist system of exploitation extends itself across the globe through the destruction of competing modes of production — then it is clear that the law of value still operates, and if anything more intensively. The abolition of the law of value or even its weakening would amount to a tremendous victory for the oppressed and exploited of the world. But that it not what happened in the Kaiser's wartime Germany or Stalin's Russia.

In sum, the possibility of state capitalism flows from the operation of capitalism in its epoch of decay. Although none of the great Marxists could possibly foresee the specific combination of revolution and counterrevolution that led to Stalinist capitalism, their theoretical analysis of the nature of capitalism allows us to see it for what it is. Trotsky, in his discussion of state capitalism, discounted the likelihood of the bourgeoisie nationalizing the entirety of capitalist property itself. But the modern USSR arose through a different historical process. The incredible paradox is that only the victorious proletariat could take the centralizing drive of capital to its unified conclusion. Through the Stalinist counterrevolution that victory was turned into a statified capitalism that no bourgeoisie could ever have achieved on its own.

22. Catherine Samary, "Plan, Market and Democracy; The experience of the so-called socialist countries", *Notebooks for Study and Research* No. 7/8 (1988), p. 47.

23. Cliff, *Russia, A Marxist Analysis*, p. 153; *State Capitalism in Russia*, p. 212.

2. IMPERIALISM

After Engels' death in the 1890's, socialists continued to analyze the new stage of capitalism and in particular to take account of its growing international dimension. The theory reached its peak in Lenin's work under the impact of the First World War, when the epoch of capitalist decay was finally understood as the epoch of imperialism. The revolutionary events of the period also compelled Marxists to elaborate new strategies: Lenin's efforts to build a revolutionary vanguard party and international, and Trotsky's theory of permanent revolution.

REVISIONISM

At the turn of the 20th century, socialists noted with interest the rise of international cartels that controlled production across national boundaries — supplementing the joint stock companies, trusts and statification that Marx and Engels had already observed. As well, from the late 1870's on, the European powers completed the colonization of Asia and Africa; the capitalist market now embraced the world. At first sight all this could be regarded as simply the extension across national borders of the laws of capital accumulation and centralization — but now quantitative development had resulted in the qualitative changes that Marx and Engels had foreseen. This had to be incorporated into the theory, and a debate ensued whose issues are still controversial.

The first to take up the new situation was the “revisionist” current of open reformists within the German Social Democratic Party (the SPD); they argued that the development of capitalism itself would become socialism if pushed by the workers' movement. The SPD was decisively influenced by the trade union bureaucracy, grown powerful through the rapid industrialization that had made Germany a world power. A period of prosperity starting around the turn of the century and a limited acceptance of the socialist opposition by the bourgeois state had created illusions in capitalist stability and social peace. The reformists hoped that the bourgeoisie, which had once tried to exclude the unions and socialist politicians from the democratic framework, would now welcome them.

“Democracy” was the price the European bourgeoisie had had to pay for the support of laborers and artisans in the bourgeois revolution against feudalism. But its original promise of rule by the masses had been transformed. Under capitalism it meant instead the mutual accommodation and rivalry of various spheres of capital, a working arrangement that maintained the system without constant internal warfare. It also allowed the incorporation of the masses' demands in order to prevent further revolutions. In the German working class, the demand for democratic rights accelerated at the very time when their apparent opposite, bureaucracy, was growing inside the unions and the party. Indeed, the call for a purely democratic program came precisely from the bureaucrats; it was their counterweight to the Marxist tradition of revolution. It meant not mass control of the state or even of the workers' organizations, but rather the latter's “institutionalization” (participation) within the capitalist state apparatus.

Revisionism's leading intellectual spokesman, Eduard Bernstein, gave this program a theoretical cover. He argued that the concentration and centralization of capital had enabled capitalism to overcome its tendency toward crises. Socialism could now be achieved progressively, not by

revolution but through workers' pressure for reforms and the formation of "cooperative associations," which would "transform the state in the direction of democracy." This was not only possible but also necessary, since capitalist centralization would lead to authoritarian power unless the workers' movement added the democratic element. Bernstein said:

"It is my firm conviction that the present generation will see the realization of a great deal of socialism, if not in the patented form then at least in substance. The steady enlargement of the circle of social duties and of the corresponding rights of the individual to society and *vice versa*; the extension of the right of supervision over the economy exercised by society organized either as nation or state, the development of democratic self-government in community, county and province; and the enlargement of the tasks of these bodies — all these signify for me growth into socialism, or, if you wish, piecemeal realization of socialism. The transfer of economic enterprises from private to public management will, of course, accompany this development, but it will proceed only gradually.²⁴

Bernstein challenged the SPD, the strongest section of the Socialist International, to "appear as what it in fact now is, a democratic socialist party of reform." This appraisal was correct in the sense that reformism was the dominant trend in German social democracy, despite the presence of a revolutionary left wing and the continued adoption of revolutionary platforms by the party as a whole. In Marxist terms, the SPD was **centrist**: its reformist practice belied its revolutionary proclamations. Socialism for the party had already become a goal for the future or merely a moral ideal. This ambivalence in its centrism came to an end and reformism proved to be dominant when the party fell in behind the German bourgeoisie in support of the war effort in 1914.

THEORIES OF IMPERIALISM

Rosa Luxemburg, a leading figure in the German and Polish parties, was the main left opponent of the German revisionist trend. She not only believed that the new stage of capitalism had placed socialism on the political agenda, but also insisted in response to Bernstein that the tendencies toward crisis and collapse were even more powerful than in capitalism's previous epoch. She pointed out that democratic rights could easily be reversed once the class struggle heated up, that the reforms allowed by capital are only those compatible with the production of profits, and that one genuine trend (which Bernstein did not stress) was the rapid growth of militarism and repressive organs of the bourgeois states.²⁵

In developing this argument Luxemburg produced a unique theory of imperialism. She held that capitalism could exist only within a non-capitalist environment (both non-capitalist countries and pre-capitalist production within capitalist countries); capitalism, however, was already swallowing up these elements through its own expansion. Her theory was based on an underconsumptionist analysis of capitalist accumulation: neither capitalists nor workers could

24. Bernstein, *On the History and Theory of Socialism* (1898), cited in Peter Gay, *The Dilemma of Democratic Socialism* (1962), p. 221. Other quotations from Bernstein here are from *Evolutionary Socialism* (originally *The Presuppositions of Socialism and the Tasks of Social Democracy*, 1899).

25. Luxemburg, *Reform or Revolution* (1898-99).

consume the full surplus product arising from production, so buyers had to be found outside the system. Hence the capitalist powers had to seize colonies, and once the colonial markets had all been conquered, the same pressures would compel the powers to confront each other to extend their holdings; imperialist war for the redivision of colonies was inevitable.²⁶

Luxemburg's aim was to counter the social-democratic complacency that saw capitalism expanding without contradictions. Her theory linked the new stage of capitalism with foreign domination and colonialism; it thereby foreshadowed Lenin's identification of imperialism with the new epoch of decay. But she erroneously identified the central contradiction as external to the system rather than within it. Her theory also led her to discount the possibility of genuine nationalist struggles against imperialist oppression in this epoch, on the grounds that any nationalist war would become subordinated to one or another of the great imperial powers.²⁷ While this was true of many of the conflicts embraced in World War I (when she wrote on the question), she overgeneralized it to the epoch as a whole.

Another step was made by the Austrian socialist economist Rudolf Hilferding, who introduced the concept of "finance capital" as the fusion of banking and industrial capital. With the suppression of competition, the finance capitalists came to dominate the state as well as the monopolies; they used it to set up protectionist barriers against foreign goods and to carve out ever wider economic territory. This encouraged international investment — the "export of capital" — for the purpose of expanding production and bringing more surplus-value under monopoly control. Hilferding cited Marx's falling rate of profit as the force compelling the capitalists to invest in economically backward countries, where profits were higher due to low wages and material costs.²⁸

Hilferding did not draw sufficiently sharp conclusions from his theory, wavering between reform and revolution. He saw the weak countries becoming battlefields for the great powers, but he also thought that inter-imperialist war could be deterred by the international interests of capital and the bourgeoisie's fear of socialism. As well, he welcomed the growing socialization carried out by finance capital which "facilitates enormously the task of overcoming capitalism." His disproportionality theory of crises allowed him to assert that monopolized capital would moderate the danger of crises. He implied that the working-class movement might not have to smash the bourgeois state but need only take it over and widen its role in organizing the economy.

The first Bolshevik work on imperialism was written by Bukharin during the world war, making use of much of Hilferding's analysis. Bukharin stressed the growth of national capitalist blocs and of international rivalry between them; the increased power of the state reduced competition within a country but increased it internationally. He thus overcame Hilferding's ambiguity over the prospect of imperialist war. But he exaggerated this tendency and came close to denying the possibility of capitalist competition and crises within a national economy:

26. Luxemburg, *The Accumulation of Capital* (1913).

27. Luxemburg, *The Crisis in German Social Democracy*, known as the "Junius Pamphlet," (1916-17).

28. Hilferding, *Finance Capital* (1910)

“When competition has finally reached its highest stage, when it has become competition between state capitalist trusts, then the use of state power, and the possibilities connected with it, begin to play a very large part. ... With the formation of state capitalist trusts, competition is being almost entirely shifted to foreign countries.”²⁹

Influenced by the German war economy, Bukharin thought that monopoly and statification — inevitable results of the centralization and concentration tendencies — would lead directly to state capitalism: a “rational” and planned capitalist economy that could do away with not only internal competition but also crises. Indeed, the growth of state intervention has increased markedly in the imperialist epoch. However, in the traditional imperialist countries, only in wartime and under fascism has state control of the economy reached the peaks which Bukharin saw as the norm. The monolithic state capital Bukharin imagined has never existed and could not survive for long if it ever came into being.

In contrast to Bukharin, Karl Kautsky, the so-called “pope” of orthodox Marxism, seized the other horn of Hilferding’s dilemma and pointed it in a revisionist direction. He claimed that capitalism could reach a new stage of international unification, “ultraimperialism,” signifying the end of harmful competition and war. (Amazingly, he reached this conclusion during the First World War, when the rival powers were tearing each other apart.) Kautsky regarded imperialism as a mere policy of the various capitalists generated by the industrialists’ desire for control over agrarian colonies, not as an innate drive of capitalism. Hence it could be transcended and pacified without socialist revolution.

LENIN’S “IMPERIALISM”

The best known Marxist work on imperialism is Lenin’s pamphlet, *Imperialism, the Highest Stage of Capitalism*. It was written in 1916 as a “popular outline” and drew far-reaching political conclusions, but Czarist censorship prevented Lenin from making his revolutionary program explicit. Later the deification of Lenin by the Comintern turned his writings into sacred texts: observations whose context Lenin had carefully limited have been echoed unthinkingly for decades, while his real contributions are most often overlooked.

Lenin described five basic features of the new stage: monopoly, finance capital, the export of capital, international cartels and the territorial division of the world among the great powers. He also followed Hilferding in characterizing imperialism as a new reactionary epoch of capitalism in which the bourgeoisie aimed at world domination, not its early goal of freedom from feudal restraint. But he treated this insight dialectically: the transformation to the new epoch also reflected progressive changes. For Lenin, as for Engels, the monopolist and statist tendencies imminent in decaying capitalism are not class-neutral forms, adaptable equally well to bourgeoisie and proletariat. They are anti-capitalist even under bourgeois rule in that they reflect the future proletarian society; they thereby pose a threat to the bourgeoisie:

“Competition becomes transformed into monopoly. The result is immense progress in the socialization of production. In particular, the process of technical invention and improvement

29. Bukharin, *Imperialism and World Economy* (1915), pp. 123-4.

becomes socialized. ... Capitalism in its imperialist stage leads right up to the most comprehensive socialization of production; it, so to speak, drags the capitalists, against their will and consciousness, into some sort of a new social order, a transitional one from complete free competition to complete socialization.”³⁰

Lenin too used “socialization” in the capitalist context to indicate that production becomes social while appropriation remains private. But the means of production are now ready for the proletariat to take over and harness, thereby freeing the productive forces from the restraints of bourgeois relations.

“Capitalism only became capitalist imperialism at a definite and very high stage of its development, when certain of its fundamental characteristics began to change into their opposites, when the features of the epoch of transition from capitalism to a higher social and economic system had taken shape and revealed themselves in all spheres.”³¹

The arrival of the epoch of monopoly and imperialism meant that socialization was on the agenda, and not only in the limited sense possible under capitalism. Capital was internationalizing the division of labor and centralizing economic life; as Marx and Engels had foreseen, the productive forces had now developed to the point where scarcity could be abolished and therefore a classless society was achievable. But this required an internationally centralized economy. For Lenin, imperialism was “the highest stage of capitalism” not just because it was the most recent but because it stood at the doorstep of socialism.

We note, by the way, that Lenin used “imperialism” not in the word’s everyday meaning of domination of weak countries by the strong. The common usage is absolutely true but is not the whole picture; even before the imperialist epoch there had been capitalist imperialism in the everyday sense. It first took place through outright plunder, then through trade relations that devastated the pre-capitalist artisans and workshops of the colonial countries. In contrast, the new epoch saw the all-out export of capitalist relations of production and the conquering of the whole world for the production of surplus value.

Against Kautsky, Lenin argued that the giant blocks of capital created in the new epoch would inevitably battle each other rather than merge; monopoly did not negate competition. Intensified competition for the redivision of the world, not international unification, defined the monopoly epoch. Therefore socialism was not only possible but also necessary. There was no other way out of capitalism’s crises and misery, because the new epoch of war and decay threatened to hurl humanity back to barbarism. Lenin’s view sharply contrasted with reformism’s portrait of capitalist socialization as inherently progressive.

Just as the imperialist epoch produced not a unitary capital but competition between massive rivals, so on the world scale it produced not simply the internationalization of capitalism but the expansion of the hegemonic powers *at the expense of others*. With the export of capital, capitalist investment now dominated economics and politics everywhere; the surplus value of the

30. Lenin, *Imperialism, the Highest State of Capitalism*, Chapter 1.

31. *Imperialism ...*, Chapter 7.

entire world was siphoned into the imperial treasuries. Some of the imperial surplus was plowed back for the capitalist development of the colonies; more of it underwrote the financial and service economies of the imperialist powers. Imperialism meant not just super-exploiting labor, although that created misery enough, but also depriving the colonies and semi-colonies of their resources.

In the imperialist epoch, therefore, the countries of the world were divided into two categories: imperialists and their victims. Capitalist oppression of the proletariat and peasantry was now intensified by the super-oppression of the working people of the “imperialized” countries, with the assistance of their own rulers.

While disagreeing with Luxemburg’s theoretical explanation, Lenin shared her view that the new epoch made inevitable imperialist wars to redivide and subjugate the world, and that such wars could in no way be progressive. But in contrast to Luxemburg he believed that national oppression would stimulate progressive liberation movements; moreover, the workers’ defense of the right to national self-determination would help win the oppressed masses to the side of the European proletariat in the fight against capitalism. This two-sided struggle by the working class characterized Lenin’s revolutionary program.

Despite the disputes between Lenin and Luxemburg over how to fight national oppression, neither thought to abandon internationalism and embrace nationalist ideology as such — or to defend imperialism’s conquests as somehow beneficial. But many a social democrat held both views, including the anti-authoritarian “democrat” Bernstein.³²

IMPERIALISM AND THE LAWS OF CAPITAL

Lenin never fully elaborated connection between the laws of capitalist development and capitalism’s transformation into a decadent imperialist system. Hence the theoretical basis of his analysis of imperialism has been controversial. He did, however, give a brief explanation for the export of capital. This has come to be seen as the prime characteristic of his theory of imperialism (in particular, by theorists who deny that the Soviet Union of today is imperialist), so it merits investigation.

“On the threshold of the twentieth century we see the formation of a new type of monopoly: first, monopolist capital combines in all capitalistically developed countries; secondly, the monopolist position of a few very rich countries, in which the accumulation of capital has reached gigantic proportions. An enormous ‘superabundance of capital’ has arisen in the advanced countries.

“It goes without saying that if capitalism could develop agriculture, which today frightfully lags behind industry everywhere, if it could raise the standard of living of the masses, who are everywhere still half-starved and poverty-stricken, in spite of the amazing technical progress, there could be no talk of a superabundance of capital. This ‘argument’ is very often advanced by petty-bourgeois critics of capitalism. But if capitalism did these things it would not be capitalism; for both uneven development and a semi-starvation level of existence of the masses

32. Bernstein, *Evolutionary Socialism*, p. 173.

are fundamental and inevitable conditions and premises of this mode of production. As long as capitalism remains what it is, surplus capital will be utilized not for the purpose of raising the standard of living of the masses in a given country, but for the purpose of increasing profits by exporting capital abroad to the backward countries.

“In these backward countries, profits are usually high, for capital is scarce, the price of land is relatively low, wages are low, raw materials are cheap. ... The necessity for exporting capital arises from the fact that in a few countries capitalism has become ‘overripe’ and (owing to the backward stage of agriculture and the impoverished state of the masses) capital cannot find a field for ‘profitable’ investment.”³³

Lenin did not spell out what he meant by the superabundance of capital or the overripeness of capitalism, and this has left his theoretical views open to wide interpretation. To some critics the above passage shows him to be an underconsumptionist because of his stress on the poverty of the masses.³⁴ But this is doubtful: despite his erroneous insistence on capitalism’s inability to develop agriculture profitably, Lenin had long been an opponent of underconsumptionism. Early in his political life he defended a disproportionality theory against it,³⁵ and at another point in *Imperialism* itself, he argued against Kautsky and Hilferding, among others:

“The statement that cartels can abolish crises is a fable spread by bourgeois economists who at all costs desire to place capitalism in a favorable light. On the contrary, monopoly which is created in *certain* branches of industry increases and intensifies the anarchy inherent in capitalist production *as a whole*. ... The privileged position of the most highly cartelized, so-called *heavy* industry, especially coal and iron, causes ‘a still greater lack of coordination’ in other branches of industry ... At the same time the extremely rapid rate of technical progress gives rise to increasing elements of disparity between the various spheres of national economy, to anarchy and crises.”³⁶

This surely reflects a theory of disproportionality, not underconsumptionism — but one very different from Hilferding’s reformist version.

The previous passage on the export of capital, carefully read, also leads to non-underconsumptionist conclusions. First, backward agriculture and mass poverty are given as factors additional or subordinate to “overripeness” that produce the pressure to export capital — not its causes. Second, if impoverishment keeps the masses at home from buying back the full product of their labor, the masses are even more impoverished in the backward countries. As well, Lenin notes that the capitalists are “increasing profits by exporting capital abroad to the backward countries.” If excessive profits with few outlets for investment were the problem, as underconsumptionism implies, why would capitalists search for ways to create more?

33. *Imperialism ...*, Chapter 4.

34. For example, Alexander Erlich in *Politics and Society*, Fall 1973.

35. “The various branches of industry, which serve as ‘markets’ for one another, do not develop evenly, but outstrip one another, and the more developed industry seeks a foreign market. This does not mean at all ‘the impossibility of the capitalist nation realizing surplus-value’... It merely indicates the lack of proportion in the development of the different industries.” (Lenin, *The Development of Capitalism in Russia*, Collected Works, Vol. 3, p. 66.)

36. *Imperialism ...*, Chapter 1.

Moreover, Lenin was arguing against John Hobson, the non-Marxist underconsumptionist economist who had written a major work on imperialism (he is one of the “petty-bourgeois critics of capitalism”). Lenin places “superabundance of capital” in quotation marks not only to express the irony that what is abundant for capital is miserably deficient for the masses, but also to show that capital is excessive for the capitalists only in a specific sense. As Marx noted, capital is sent abroad “not ... because it absolutely could not be applied at home, but because it can be employed at a higher rate of profit in a foreign country.”³⁷

This passage from Marx was cited by Bukharin in a work preceding Lenin’s *Imperialism* which uses similar terminology:

“The export of capital from a country presupposes an overproduction of capital in that country, an overaccumulation of capital. ... It is only in the last decades that capital export has acquired an extraordinary significance, the like of which it never had before.”³⁸

Bukharin went on to give two major reasons for capital export: 1) the blocking of investment by cartels and trusts in the sectors they control, together with the lower profit rate discouraging investment in the sectors they don’t control; 2) the need to overcome tariff barriers to goods entering foreign countries.

It has also been suggested that Lenin’s analysis of imperialism was based on Marx’s falling rate of profit theory.³⁹ But this is questionable, since Lenin never used the FRP in his writings on capitalist economy. And when Bukharin linked “overproduction” of capital to a high organic composition of capital, he was referring to the differences between organic compositions that lead to profit equalization, not to the FRP.⁴⁰ Nevertheless, the FRP and imperialism theories are consistent with one another: the forces that bring about the FRP account for the drive to export capital as well, and both reach fulfillment in capitalism’s epoch of decay.

First, as already mentioned, higher profits can often be made in backward economies where production costs, notably wages, are lower. The opportunity to take advantage of these lower costs by force (and keep them lower) increases under imperialism, which widens the military gap between advanced and backward countries.

Second, because of the FRP and the growing size of capital investments, the value available to a given firm for investment is often less than the amount required to invest at the frontier of new technology, especially during cyclical downturns. (“A drop in the rate of profit is attended by a rise in the minimum capital required by an individual capitalist for the productive employment of labor.”⁴¹) Hence surplus value searches for more backward sectors in the undeveloped countries with lower organic compositions of capital and therefore lower capital requirements.

Then there are the reasons given by Bukharin. Although traditional capitalist firms are driven to

37. Marx, *Capital*, Vol. III, Chapter 15, part 3 (p. 256).

38. Bukharin. *Imperialism and World Economy*, p. 96.

39. For example, by Neil Harding, *Lenin’s Political Thought*, Vol. 2, pp. 63-64.

40. Bukharin, *Imperialism and World Economy*, pp. 45-6. In the passage above, “overproduction of capital” is not used in Marx’s cyclical sense.

41. Marx, *Capital*, Vol. III (p. 250).

invest in new production whenever they can afford to, monopolies that dominate an industry in their home country are protected from competitive pressures to reinvest profits at home, and will avoid such investment whenever this means undercutting their own existing production. As well, in order to sell in countries which have erected high protectionist walls (including tariffs), production within those countries is necessary. At present, for example, Japanese companies are building plants in the U.S. in order to bypass American protectionism.

In sum, through the export of capital, the dominant imperialist countries extract more surplus value. Domestic monopoly and foreign imperialism are parallel methods of super-exploitation in which one sector of capital feeds on another. In both, the dominant capitals appropriate surplus value disproportionately. As a result the weaker capitalists whose “fair share” of surplus value is expropriated are held back; their growth is stifled by the cannibalism of the strong.

Imperialism is the last stage of capitalism, and both monopoly and capital export reflect it: no further all-sided advance of the productive forces is possible. Expansion of the productive forces in one country or sector of capital is possible only at the expense of other sectors. This is not simply a geographical point, although the division of the world into a dominant North and a dependent South is its most striking illustration. Value relations have become the fetter on the development of the productive forces that Marx foresaw. As always, capitalism is driven to develop the processes of socialization of capital, in this case internationalization of the economy, and use them against the proletariat. It is the lawful operation of capitalism’s laws in the epoch of decay.

THE LIMITS OF NATIONALISM

The perception of a qualitative change in capital export reflects the epoch of decay from another angle: the productive forces had reached the limit of expansion possible within the boundaries of single states. Hence empires and supranational capitals became necessary. This resulted not only in colonial super-exploitation but also in the extension of economic relations among the imperialist powers. But while capital can cross national boundaries, it cannot transcend nationalism. Whenever supranational unification occurs, it breaks down: Britain during the 19th century, Germany during the two world wars and the United States after World War II reached levels of domination they could not maintain. As Trotsky summed up the First World War:

“Why did the war occur? Because the productive forces found themselves too constricted within the frameworks of the most powerful capitalist states. The inner urge of imperialist capitalism was to eradicate the state boundaries and to seize the entire terrestrial globe, abolishing tariffs and other barriers which restrict the development of the productive forces. Herein are the economic foundations of imperialism and the root causes of the war. What were the results? Europe is now richer in boundaries and tariff walls than ever before.”⁴²

Capitalism is still rooted in the nation, once a progressive institution enabling the bourgeoisie to overcome feudal barriers to production. The nation-state was also critical for preserving the

42. Trotsky, “Report on the World Economic Crisis and the New Tasks of the Communist International” (1921), *The First Five Years of the Communist International*, Vol. 1, p. 215.

home market for indigenous capitalists against competitors; without it capitalist development in the progressive epoch would have been limited to a handful of countries. But now that capitalist economy has been internationalized, the nation-state is fundamentally reactionary. Rather than advancing production, it retards it; rather than promoting cultural and economic intercourse, it promotes war. The only solution is internationalism, and the only social force whose basic interest is not tied to the nation-state is the proletariat. Hence proletarian internationalism was the practical policy of the Bolshevik revolution in order to break out of imperialist confines.

As we know, imperialism stands for an inequality even more brutal than that of early capitalism. Although military conquest, fictitious capital, monopolies and unequal exchange existed throughout the history of capitalism, in this epoch they are the system's normal mode of operation. The weaker countries are deprived of much of their surplus value and hence have no hope of reaching the economic level of the imperial powers.

Thus no capitalist country has been able to reach advanced rank under its own power since Japan made it in the last decade before imperialism was consolidated. None of the formerly backward countries, not even those that prospered during the post-World War II boom or through their monopoly of oil production, have risen to the rank of imperialist powers. The old powers have established some junior partners to help in the exploitation of parts of the world, but not even these are independent centers of capital accumulation.⁴³ This is the final proof that our epoch remains that of imperialist decay. The inequality between nations has been set once and for all, so long as capitalist rule survives.

One country, however, did climb out of backwardness to become a superpower: Soviet Russia. The key to its transformation is that this took place when the USSR was a workers' state, a product of the socialist revolution itself produced by the contradictions of imperialism.

3. PERMANENT REVOLUTION

Lenin worked out his theory of imperialism under the impact of the First World War, an unprecedented holocaust that shattered dreams of continuing capitalist progress. Even bourgeois historians regard the war as the great divide of modern history; it led straight to the horrors and tragedies of the twentieth century. The immediate impetus for Lenin's work was the treachery of European social democracy, whose national parties led the workers into the trap of following "their" bourgeoisies into the imperialist war. The result was working-class fratricide.

THE SPLIT IN SOCIALISM

The social democrats' behavior was no accident. Not that the reformists wanted war: their goal was peaceful competition, or "democracy." But they became national chauvinists because their material stake in capitalism was nationalist (and trade unionist, as Luxemburg observed); their

43. Israel, the apparent exception to these statements, prospered because it was subsidized by Western imperialism.

real loyalties were to their “own” sectors of capital. One result of imperialist expansion was the bourgeoisie’s increased ability to grant sops and reforms to workers — mainly to a narrow but socially decisive layer — as a deformed result of the class struggle.

That is, imperialism super-exploited the peoples of the undeveloped regions and used part of the profits to bribe a section of the working class, the “labor aristocracy.” Bought off by a share of surplus value and thereby separated from the mass of workers, the aristocrats, although themselves exploited by capital, became a political agency of the bourgeoisie within the working class. They formed the social base of the union and party bureaucracies.

During the war, Lenin and the Bolsheviks, in contrast to the treacherous social democrats, raised the slogan, “Turn the imperialist war into a civil war.” The specific meaning and applications of this slogan varied during the war years, but at all times it meant that the workers must not hesitate to press forward the class struggle out of fear that strikes or other actions would endanger the war effort of their own bourgeoisie. A comparable slogan among left-wing German social democrats was Karl Liebknecht’s “The main enemy is at home.”

In both Russia and Germany the revolutionaries’ efforts paid off when workers rose up against the bourgeois regimes — in both cases, ironically enough, regimes led by social democrats. The essential reason for the disparate results of these civil wars — the Russian workers’ victory in 1917 and the Germans’ defeat in 1919 — was that the Russian revolution had been preceded by the formation of a revolutionary party with years of experience independent of and fighting with the right-wing social democrats.

The war brought about the actual split of the socialist movement into two contending parties already created by the conditions described above. After the reformists stopped killing each other, they recognized their common antagonism to the Bolshevik revolution and the rising revolutionary tide. At the war’s end they reconstituted their discredited Second International in which each party adhered to its own national program and all found agreement in defense of capitalism and against the Russian revolution.

The Russian revolution had been created by the war. Czarist Russia embodied all the contradictions of the epoch. It was a bastion of reaction not only for the peoples within its borders; every conservative force in Europe had leaned on it during the revolutionary struggles of the 19th century. But at the same time it was forced to modernize to survive in a revolutionizing world. It allowed Western imperialists to invest heavily in modern industry so that it could fortify itself militarily against the stirrings of modernism and revolution at home and the danger of invasion from abroad. Gaping contradictions abounded: the Rothschilds financed a regime that whipped up pogroms against Jews, and a modern working class arose alongside a peasantry that kissed the bones of saints. Backward Russia acquired a proletariat that became the most politically advanced in Europe and the least burdened by an entrenched labor aristocracy.

A long-simmering dispute within the Russian socialist movement had already resulted in a split between Bolsheviks and Mensheviks. The division was not formally between reform and revolution as in the rest of Europe, since both sides stood for the overthrow of the autocracy (even reformists could hardly advocate the democratic reform of Czarism). But otherwise the

Mensheviks differed little from their social-democratic allies abroad: they held that a bourgeois-democratic revolution was necessary in Russia to allow a period of capitalist development. That is, their revolutionary goal was not workers' power but rather the same "democratic" capitalism as in the West. Their apparent centrism simply reflected the inconsistency between their reformist ideals and the inescapable need for a revolution in Russia.

The Bolsheviks also believed that the immediate tasks of the revolution were bourgeois-democratic: division of the land among the peasantry, universal suffrage, freedom of workers to organize, national rights for the subjected peoples, and the stripping away of all the pre-capitalist barriers to industrial expansion. But the two parties differed over the role of the proletariat. The "orthodox" Mensheviks assumed that the working class would support the bourgeoisie's coming to power and thereby reap the benefits of capitalist industrialization and democracy; then it would develop sufficiently to make the socialist revolution when the time became ripe. Whereas the Bolsheviks argued that the working class would have to seize the reins of power from the reactionary and pro-imperialist bourgeoisie and develop capitalism itself — through its own government in alliance with the peasantry. Lenin's slogan, the "revolutionary democratic dictatorship of the proletariat and peasantry," summarized the Bolshevik program in the fifteen years leading up to 1917.

The "democratic dictatorship" would have been, in Lenin's words, "bourgeois in its economic and social essence" although politically dominated by the proletariat. ("Democratic" in this context meant bourgeois-democratic.) The revolution could not possibly be socialist because it could not have undertaken the expropriation of the big bourgeoisie except "at best" for the "radical redistribution of landed property in favor of the peasantry"⁴⁴ — a step which would still leave property in the hands of the petty-bourgeois peasants, the vast majority of the Russian population.

TROTSKY'S THEORY

The Bolshevik formula embodied a deep contradiction: the class struggle between bourgeoisie and proletariat would inevitably intensify if the bourgeoisie held the economic reins and the proletariat controlled the state. Trotsky had already pointed out, in the aftermath of the 1905 revolution, that if a revolution were successful the contradiction would have to be resolved quickly: either the workers would discipline and ultimately expropriate the bourgeoisie, or the workers' and peasants' government would have to concede to the capitalists and abandon its defense of the masses.

Along with the Bolsheviks and against the Mensheviks, Trotsky recognized that the bourgeoisie was incapable of leading a revolution against Czarism. Its families and property were far too interpenetrated with the nobility and landlords for it to encourage land seizures or other encroachments on pre-capitalist privileges. As for the rights of the masses of the oppressed, the growing proletariat in the cities was too great a threat to warrant any loosening of autocratic repression. Trotsky retrospectively summed up his differences with the Menshevik leader

44. Quotations are from Lenin's *Two Tactics of Social Democracy in the Democratic Revolution* (1905).

Plekhanov:

“Plekhanov obviously and stubbornly shut his eyes to the fundamental conclusion of the political history of the nineteenth century: whenever the proletariat comes forward as an independent force the bourgeoisie shifts over to the camp of the counterrevolution. The more audacious is the mass struggle all the swifter is the reactionary degeneration of liberalism. No one has yet invented a means for paralyzing the effects of the law of the class struggle.”⁴⁵

That is, when the proletariat not only grows in weight but also goes into social motion — when it becomes an “independent force” — then all property is threatened, not just pre-bourgeois property. No wonder the bourgeoisie runs from revolution.

“The masses can rise to an insurrection only under the banner of their own interests and consequently in the spirit of irreconcilable hostility toward the exploiting classes beginning with the landlords. The ‘repulsion’ of the oppositional bourgeoisie away from the revolutionary workers and peasants was therefore the immanent law of the revolution itself ...”

This was the basis of Trotsky’s theory of permanent revolution. Because capitalism had become reactionary, socialist revolution was needed to achieve even the democratic tasks still unfulfilled. The peasantry too would rebel against the exploiting classes but it was incapable of wielding power independently. Still, because of its immense numbers in Russia, it would be the decisive force in deciding the outcome of the revolution, depending on which urban class it supported. The proletariat had no alternative but to carry out the democratic tasks of the revolution under its own banner with the peasantry’s support.

Further, under conditions of Russian backwardness, the workers’ state would have to spread the revolution across the continent to the more advanced countries. Russia badly lacked the material productivity and abundance necessary for communism. Together with the capitalist threads tying Russia to the world economy, this fact meant that socialism could be achieved there only through an *international* proletarian revolution. The traditional Marxist understanding that the proletarian revolution had to be internationalist was for Russia reinforced by glaring necessity.

The workers and peasant-soldiers overthrew the Czar in February 1917. Under the leadership of the Mensheviks and Social Revolutionaries (SRs), they handed power to the bourgeoisie. But they also maintained a volatile “dual power” by setting up soviets: mass-based democratic councils representing workers, soldiers and peasants which held an effective veto power over all government acts. In the countryside, where poverty and the war had devastated the peasantry, the bourgeoisie’s betrayal of democratic aspirations won the vast sea of landless peasants to the program of extending the revolution under proletarian leadership.

The contradiction in Bolshevik theory had come to a head. World War I and his understanding of imperialism compelled Lenin to change his strategy. He recognized that Russia, even under a “democratic” capitalist government led by the proletariat, would inevitably remain subordinated to the Western powers. But he had to fight against the entire social-democratic tradition and even

45. Trotsky, “Three Conceptions of the Russian Revolution,” *Writings 1939-40*, p. 61.

the leaders of his own party to convince the Bolsheviks to renounce support for the class-collaborationist Provisional Government (which included bourgeois, Menshevik and SR ministers) and stand for a socialist, not just radical democratic, revolution:

“The person who *now* speaks only of a ‘revolutionary-democratic dictatorship of the proletariat and the peasantry’ is behind the times, consequently he has in effect gone over to the petty bourgeoisie against the proletarian class struggle; that person should be consigned to the archive of ‘Bolshevik’ pre-revolutionary antiques.”⁴⁶

Led by the Bolsheviks, the workers seized state power in October. The central soviet immediately supported seizure of the land by the peasantry; likewise, it granted self-determination to the national minorities in the Czarist “prisonhouse of nations.” Backward Russia, Lenin’s “weakest link in the imperialist chain,” had opened the road to socialism. Lenin later summarized the revolution’s accomplishments, acknowledging in effect that the Bolshevik strategy during 1917 had shifted to permanent revolution.

“Beginning with April 1917, however, long before the October Revolution, that is, long before we assumed power, we publicly declared and explained to the people: the revolution cannot now stop at this stage, for the country has marched forward, capitalism has advanced, ruin has reached fantastic dimensions, which (whether one likes it or not) will demand steps forward, to socialism. For there is no other way of advancing, of saving the war-weary country and of alleviating the sufferings of the working and exploited people.

“Things have turned out just as we said they would. The course taken by the revolution has confirmed the correctness of our reasoning. First, with the ‘whole’ of the peasants against the monarchy, against the landowners, against medievalism (and to that extent the revolution remains bourgeois, bourgeois-democratic). Then, with the poor peasants, with the semi-proletarians, with all the exploited, against capitalism, including the rural rich, the kulaks, the profiteers, and to that extent the revolution becomes a socialist one.”⁴⁷

Permanent revolution depended on the fact that capitalism had turned reactionary. This tied it intimately to Lenin’s theory of imperialism. It was no accident that, under the impact of revolutionary events, Lenin saw through the errors of his theory of a “democratic dictatorship” that would uphold capitalist relations.

Capitalism, once the chief force in breaking down feudal obstacles and advancing both the productive forces and democratic rights, was now the chief barrier to their extension. The property forms bequeathed by feudal and despotic societies could survive, but their content would become capitalist. The Russian revolution proved in practice that capitalism could no longer be progressive, even in a vast country which, despite its backwardness, was the world’s fifth industrial power.

PERMANENT REVOLUTION AND THE EPOCH

46. Lenin, “Letters on Tactics,” April 1917.

47. Lenin, *The Proletarian Revolution and the Renegade Kautsky* (1918).

For all its profound implications, permanent revolution was originally regarded by Trotsky as specific to Russian conditions. Generalizing it required further revolutionary proletarian upsurges, especially the Chinese revolution of 1925-27. It was extended not just to other economically backward countries but to all: permanent revolution became the proletarian strategy for the imperialist epoch. (We spell this out in detail in Chapters 6 and 8.)

The power of the combined theories of permanent revolution and the imperialist epoch was illustrated by Trotsky's application of them from a negative angle in 1928: what would happen if the proletarian revolution was *not* forthcoming?

“The explosive character of this new epoch, with its abrupt changes of the political flows and ebbs, with its constant spasmodic class struggle between fascism and communism, is lodged in the fact that the international capitalist system has already spent itself and is no longer capable of progress *as a whole*. This does not mean to imply that individual branches of industry and individual countries are incapable of growing and will not grow any more, and even at an unprecedented tempo. Nevertheless, this development proceeds and will have to proceed to the detriment of the growth of other branches of industry and of other countries. The expenditures incurred by the productive system of world capitalism devour its world income to an ever increasing degree. And inasmuch as Europe, accustomed to world domination, with the inertia acquired from its rapid, almost uninterrupted growth in the pre-war period, now collides more sharply than the other continents with the new relation of forces, the new division of the world market, and the contradictions deepened by the war, it is precisely in Europe that the transition from the ‘organic’ epoch to the revolutionary epoch was particularly precipitous.

“Theoretically, to be sure, even a new chapter of a *general* capitalist progress in the most powerful, ruling, and leading countries is not excluded. But for this, capitalism would first have to overcome barriers of a class as well as of an interstate character. It would have to strangle the proletarian revolution for a long time; it would have to enslave China completely, overthrow the Soviet republic, and so forth. We are still a long way removed from all this.”⁴⁸

This was a far-sighted prognosis, made when such events were only theoretical possibilities. But the isolation of revolutionary proletarian Russia, the continued treachery of the social democrats and the bureaucratization of the Soviet state paved the way for all Trotsky warned of: the strangulation of workers' revolutions, the subordination of China to imperialism, the triumphs of fascism and, crucially, the “overthrow [of] the Soviet republic,” namely the destruction of the workers' state from within. Capitalism, incapable of flourishing in the face of a mobilized working class, did succeed in renewing itself on the basis of a series of working-class defeats. Events of recent decades have also negatively confirmed the permanent revolution strategy: non-proletarian revolutions (in China, East Europe, Africa, etc.) were not able to break from the imperial stranglehold or establish the basic bourgeois-democratic rights.

The link between the epoch of imperialism and the strategy of permanent revolution has been challenged on two sides. One starts from the social-democratic theory of the continued progressiveness of capitalism:

48. Trotsky, *The Third International after Lenin*, pp. 80-81.

“It is paradoxical and ironic that Trotsky has accepted Lenin’s analysis of imperialism based on monopoly capitalism and then gone on to proclaim the revolutionary epoch based on the irreversible downward slide of capitalist development. For the ascension of monopoly capitalism had removed the inevitability of any underlying downward slide, and it had enlarged the possibility of effective government intervention to stimulate capitalist expansion.”⁴⁹

This assessment could have been written only under the impact of the post-World War II boom and, moreover, from within one of the prosperous imperialist powers. It is Bernsteinism brought up to date and thereby made all the more absurd: Bernstein at least didn’t have to account for fascism, world wars and the misery of hundreds of millions in the underdeveloped world in insisting on the bourgeois state’s capacity to overcome capitalism’s inequities. The social democrats’ inability to perceive the economy’s downward slide even in 1975 reflects their abandonment of Marxism and their role as apologists for bourgeois interests.

The other challenge to permanent revolution comes from “third-worldist” analysis, which recognizes more of the reality of the modern world but is little better from the point of view of political strategy than the social-democrats. For example:

“Trotsky’s theory of the ‘permanent revolution’ ... involves an analysis in terms of unequal development; but this theory is not linked directly to the problem of imperialism and the role of the periphery in the socialist revolution, because Trotsky remains ‘economistic’ and retains a ‘West-centered’ outlook, underestimating the importance of the peasant and colonial question.”⁵⁰

Trotsky is labeled economistic and West-centered because he holds, along with Marx and Lenin, that proletarian revolution in the advanced countries is necessary to provide the material base for the achievement of authentic socialism. Therefore he is blamed for making the role of the “third world” less central; likewise for his insistence that imperialism means the epoch of capitalist decay and not just the domination by the advanced powers over the rest of the world. Of course, Trotsky’s own leading role in the Russian revolution, as well as the theory he developed, belie the contention that he underestimated the importance of socialist revolution in backward countries. Those who argue in this way are burying the class question; they reject *proletarian* revolution in the oppressed countries in favor of bourgeois national revolutions.

The Mensheviks of 1917 and the third-world Stalinists of today represent the same political current: both stress a bourgeois-democratic “stage” instead of proletarian socialism. These anti-working class revolutionists also have much in common with the seemingly opposite program of imperialist social democracy. All agree that the proletariat has no justification for its own revolution and should instead support the nationalist revolution or reforms of the petty bourgeoisie.

THE REVOLUTIONARY PARTY

In spite of his “democratic dictatorship” theory, Lenin fought for the independent organization of

49. Geoff Hodgson, *Trotsky and Fatalistic Marxism* (1975), p. 26.

50. Samir Amin, *Imperialism and Unequal Development* (1977), p. 258.

the workers from even the anti-Czarist bourgeoisie. He steadily attacked the Mensheviks for tailing bourgeois representatives. He denounced the SRs for trying to build a multi-class party of workers and petty-bourgeois peasants. But his own understanding of the party of the proletariat had to develop and change before it became the instrument of socialist revolution.

The proletarian revolution was possible in backward Russia because uneven and combined capitalist development had created a centralized proletariat with a high level of organization and political consciousness. But it was not a united class. Just as equality among capitalists is violated in the epoch of decay, so too capitalism creates inequality among the workers. Revolutionary consciousness could not develop in unitary fashion through the traditional social-democratic party of the whole class that tried to represent both the aristocratic layer as well as the mass of super-exploited workers.

The long struggle between Bolsheviks and Mensheviks for leadership of the Russian working class was a conflict between distinct layers of the proletariat. The reformists accepted the class struggle within the confines of the law of value, in order to bargain over the sale of labor power in the interest of the highest-paid layers of workers. The Bolshevik party, in contrast, was formed in conscious opposition to capitalism and was dedicated to fulfilling the needs of the class as a whole, especially the most oppressed workers with no stake in the system.

But even though the revolutionary party represents the real interests of the entire working class, it cannot contain all workers. Workers' consciousness develops at different rates, especially in this epoch when capitalism is compelled to deepen old and create new divisions among them. Spontaneity, the reliance on militancy without conscious leadership, is no answer. If those with socialist consciousness do not intervene to *lead* the backward layers who are under the ideological domination of the bourgeoisie (through the intermediary of the petty-bourgeois bureaucracy), the class as a whole will never reach revolutionary consciousness.

Lenin taught for years that bourgeois rule, no matter how decadent it became, would not rot to death of its own accord: a disciplined fight was necessary to destroy it. The vanguard of the proletariat not only had to increase their fellow workers' social understanding; they also had to be independently and tightly organized in order to have a significant material impact. The revolutionary party embodying advanced consciousness and democratic centralist discipline was therefore a necessity. This is another critical issue on which Lenin opposed Luxemburg; despite her early insight into the reformism of the SPD, Luxemburg only began the construction of a revolutionary cadre party after the German revolution had begun.

Democratic centralism, of course, has nothing in common with the travesty understood by both Stalinist proponents and bourgeois critics. It does not mean top-down dictatorship but rather systematic and scientific functioning. Opposing points of view within the party are debated — that is democracy; the majority view becomes the party line, and all members work to carry it out — that is centralism. The positions decided on are thereby tested in practice by the party as a whole. Whether or not they prove successful, they continue to be discussed within the party, and if necessary can be changed by the same process. Indeed, the Bolshevik party until its bureaucratic degeneration had room for wide-ranging and vociferous debates, even in the midst of revolutions and civil war. In contrast, the indecisive debates within the social-democratic

parties make them little but talk-shops, where actual decisions are made by a handful of officials behind the backs of the members and the working class.

The creation of soviets by the Russian workers during the revolutions of 1905 and 1917 was the great test of the revolutionary party. The soviets were theaters of interaction between the different layers of workers. The great majority of the workers participated in them and in other class institutions: militias, factory committees, trade unions, etc. Even though all workers were not fully conscious of it, the soviets represented a direct challenge to the bourgeoisie's right to hold state power. In themselves they were instruments of dual power but not necessarily of revolution; what made them revolutionary in 1917 was the victory of the most advanced and far-seeing workers, the Bolsheviks, in their struggle for leadership. Without that the soviets would eventually have succumbed to the retreats and betrayals of the Provisional Government and the reformist parties.

PETTY BOURGEOISIE VS. WORKING CLASS

It is important to dispel one of the standard myths about Leninism: that the proletarian party depends fundamentally on the efforts of non-proletarian revolutionaries. This myth is based on a kernel of truth: in 1902 Lenin criticized those who “imagine that the labor movement pure and simple can elaborate, and will elaborate, an independent ideology for itself, if only the workers ‘wrest their fate from the hands of the leaders’.” He went on to make the point explicit by citing the “profoundly true and important” words of Karl Kautsky:

“Socialism and the class struggle arise side by side and not one out of the other; each arises under different conditions. Modern socialist consciousness can arise only on the basis of profound scientific knowledge. Indeed, modern economic science is as much a condition for socialist production as, say, modern technology, and the proletariat can create neither one nor the other ...; both arise out of the modern social process. The vehicle of science is not the proletariat, but the *bourgeois intelligentsia*: it was in the minds of individual members of this stratum that modern socialism originated, and it was they who communicated it to the more intellectually developed proletarians who, in their turn, introduce it into the proletarian class struggle where conditions allow that to be done. Thus, socialist consciousness is something introduced into the proletarian class struggle from without and not something that arose within it spontaneously.”⁵¹

Further, Lenin commented, if the intelligentsia does not introduce socialist ideas into the proletariat, the workers will be left with only trade union consciousness: “The spontaneous working-class movement is trade unionism, is *Nur-Gewerkschaftlerei*, and trade unionism means the ideological enslavement of the workers by the bourgeoisie.”⁵²

That is, the choice is between the workers' trade unionism and the intellectuals' socialism — or between reformism and revolution. Lenin was never one for moderating his words to conceal his views, and that is what he wrote. It is not so well known that he changed his mind. Even among Trotskyists, Lenin's judgment of the inherently reformist nature of spontaneous proletarian

51. Lenin, “What is to be Done?”, *Collected Works*, Vol. 5, pp. 383-4.

52. The German words mean roughly “trade union only-ism.”

consciousness is often taken for orthodoxy. So it is worth citing Trotsky to demonstrate that Lenin reversed his opinion.

“According to Lenin’s representations, the labor movement, when left to its own devices, was inclined irrevocably toward opportunism; revolutionary class-consciousness was brought to the proletariat from outside, by Marxist intellectuals. ... [He] himself subsequently acknowledged the biased nature, and therewith the erroneousness, of his theory, which he had parenthetically injected as a battery in the battle against ‘Economism’ and its deference to the elemental nature of the labor movement.”⁵³

Another remark along the same lines was made almost in passing, as if all understood it: “Lenin, at times, erred not only in minor but in major issues. But he corrected himself in good time... . Plekhanov was right in his criticism of Lenin’s theory of the development of socialism ‘from the outside’.”⁵⁴

Trotsky’s opinion on the question is clear. There are also several statements by Lenin that show the accuracy of Trotsky’s conclusion. One is in a summary article about the 1905 revolution:

“At every step the workers come face to face with their main enemy — the capitalist class. In combat with this enemy the worker becomes a *socialist*, comes to realize the necessity of a complete reconstruction of the whole of society, the complete abolition of all poverty and all oppression.”⁵⁵

An earlier reference came during the 1905 upsurge itself:

“The working class is instinctively, spontaneously Social Democratic, and more than ten years of work put in by Social Democracy has done a great deal to transform this spontaneity into consciousness.”⁵⁶

These passages reflect the new understanding that Lenin gained as a result of the workers’ actions in 1905. The fact that the workers’ revolution taught this lesson itself is a dialectical proof that socialist consciousness develops not outside the proletariat but through its own motion. Lenin operated on the new understanding for the rest of his life and expanded on it when he came to analyze the transformation of capitalism into imperialism. Reformism may indeed be an outlook within the working class at any time, even the predominant one. But this is a conjunctural matter; it does not represent the historic, lawful outlook of the proletariat as it comes face to face with the drive for surplus value of its capitalist enemy.

On the other hand, the petty bourgeoisie *does* have material interests deeply rooted in bourgeois society. Its inevitable perspective is to reform the system’s inequities and work for class peace through class collaboration. These are utopian hopes, given the system’s compulsions, and the

53. Trotsky, *Stalin*, Vol. 1, Chapter 3, p. 97.

54. *Trotsky’s Notebooks 1933-35*, Philip Pomper, ed. (1986), p. 84.

55. Lenin, “The Lessons of the Revolution,” *Collected Works*, Vol. 16, p. 302.

56. Lenin, “The Reorganization of the Party,” *ibid.*, Vol. 10, p. 32. Here “Social Democratic” refers to the revolutionary party as it was called before 1917, after which Lenin would have said “Communist.”

petty bourgeoisie is fated to be increasingly subject to the big bourgeoisie as capital centralizes. Nevertheless, given the decay of capitalism, battered petty-bourgeois masses can be won to proletarian leadership. But in the imperialist epoch petty bourgeois leaders come to play an increasingly influential role in the mass organizations of workers. As Luxemburg noted against Bernstein:

“The question of reform and revolution, of the final goal and the movement, is basically, in another form, only the question of the petty-bourgeois or proletarian character of the labor movement.”⁵⁷

Luxemburg’s insight is profound. For decades since, the class character of the parties that the mass of workers adhere to has been the decisive question in every revolution. On this question she was years ahead of Lenin, who only fully understood the role of the petty-bourgeois bureaucracies within the working-class parties and unions much later, when they betrayed proletarian internationalism at the start of World War I. It was this shock that inspired his renewed study of capitalist change and thereby his theory of imperialism.

THE MARXISM OF THE INTELLIGENTSIA

Latter-day Leninists’ misrepresentations of Lenin are of two kinds. For one, Cliff in his biography quotes both of the passages by Lenin cited above. But he cuts the second one off so that it says, “The working class is instinctively, spontaneously Social Democratic.”⁵⁸ Thus he dishonestly turns the leader and patient teacher of the proletariat into a spontaneist.

Cliff has a vested interest in claiming that the working class is inherently socialist and not reformist — not because of any faith in the class’s capacity to reach revolutionary consciousness, but for the opposite reason. His own strategy is to tailor his program for workers to the reform demands they spontaneously raise. The idea is that trade union militancy, even though intertwined with anti-revolutionary political views, will lead to socialism if carried out consistently. Such a method is a cover for tailing working-class backwardness.

The Cliff tendency advocates a revolutionary party with centrist inconsistency. The programmatic conclusion of a key work on Stalinism does not mention the revolutionary party at all.⁵⁹ Cliff’s book on Russia brings it up as an afterthought without elaboration, literally the very last words of the last chapter. For years the tendency’s founders based themselves on a quasi-spontaneist theory of organization; their taste shifted to “Leninism” with the political winds in the 1960’s.⁶⁰ The consistent thread is their notion of the party as an organizational network which could link up with militant class struggles and gain their support. When student and youth activities predominated, the notion was spontaneist; when workers’ struggles heated up, a

57. Luxemburg, *Reform or Revolution*, Introduction.

58. Cliff, *Lenin*, Vol. 1, p. 176.

59. Chris Harman, *Bureaucracy and Revolution in Eastern Europe* (1974), pp. 269-72.

60. See Ian Birchall’s “History of the International Socialists,” *International Socialism* Nos. 76 and 77 (1975). As an illustration, the original version (1959) of Cliff’s pamphlet on Rosa Luxemburg argued that her non-cadre “conception of the structure of the revolutionary organization ... fits the needs of the workers’ movement in the advanced countries much more closely than Lenin’s conception of 1902-4,” a passage that was dropped in the 1968 edition (without mention or explanation).

“Bolshevik” network came to the fore. Throughout, an organization that embodies a political program and fights for that program against all tendencies in the workers’ movement — Lenin’s theory and practice — has been absolutely foreign to them.

On the other hand, more “orthodox” Trotskyists rely on Lenin’s 1902 position to justify their belief that the workers cannot be trusted without intervention from outside the class. Thus the British group Workers Power asserts that “new leaders, often of a militant left reformist variety,” as well as “the entrenched, conservative bureaucracy,” both “reflect the consciousness of the workers who elect them. As such they represent, and become the means of maintaining, the reformist limitations of the consciousness of these workers.”⁶¹ In plain words, the benighted workers get the leaders they deserve.

Typically, the most extreme presentation of this position comes from the Spartacist tendency, self-identified as an alien class element: “Socialist consciousness is based on knowledge of the history of the class struggle and, therefore, requires the infusion into the class-struggle process of socialist conceptions carried by declassed intellectuals organized as part of the vanguard party. Socialist revolution does not occur through the intensification of traditional class struggle, but requires a leap from a vantage point outside bourgeois society altogether.”⁶²

Nothing in Lenin can justify the incredible claim that socialist consciousness arrives on the historical stage as a *deus ex machina* from outside bourgeois society. This is only the petty-bourgeois conceit that its own altruistic concerns float far above the earthly appetites and selfish interests of all classes under capitalism, the workers included. The material aspirations of the working class for a decent life are equated with the very real greed of the bourgeoisie for surplus value. It was no leap at all for such an outfit to delight in the suppression of millions of Polish workers by the Jaruzelski regime in 1981, on the grounds that they were “demanding the biggest free lunch the world has ever seen.”⁶³

It is significant that none of the orthodox Trotskyists ever try to come to grips with their rejection of the considered opinions of both Lenin and Trotsky. We don’t say they must automatically agree, of course, but they are obliged to explain why they disagree and where the Marxist tradition went wrong. The essential reason for their failure is that the question at issue is one of class, a matter on which they are understandably very sensitive about making their disagreement public.

The anti-working class conceptions of the middle-class Marxists are sometimes explicit, often hidden. But all implicitly accept the common-sense belief that the proletariat is inherently reformist. And all consequently envisage a gulf between their revolutionary selves and the working class. Lenin, on the contrary, learned that the leadership that the revolutionary party fights for is a relation *within* the working class, not between intellectuals and proletarians. Himself a man of middle-class origins who joined his life to the proletariat, he changed his view

61. “Theses on Reformism,” *Permanent Revolution* No. 1 (1983). For our reply see “Workers Power: A Powerless Answer to Reformism,” *Proletarian Revolution* No. 23 (1985).

62. Spartacist League, “Trade Union Memorandum,” *Marxist Bulletin* No. 9, Part III (1972).

63. Spartacist pamphlet, *Solidarnosc: Polish Company Union for CIA and Bankers*. For the truth, see Chapter 8.

on spontaneity through the lessons taught by the revolutionary proletariat itself.

Lenin and Trotsky did recognize that the proletariat could make use of the knowledge and abilities of middle-class intellectuals. But as Trotsky pointed out, without Marx and Lenin “the working class would have worked out the ideas it needed, the methods that were necessary to it, but more slowly.”⁶⁴ The question for us today is not simply whether the working class movement needs intellectuals in its ranks who are ready to fight the capitalism that trained them as its servants; that remains true. We also have to deal with the problem of a greatly expanded middle-class layer that chooses to betray not capital but the proletarian revolution — in its own interests but in the name of Marxism.

As we have seen, the “new middle class” intelligentsia arose out of the needs of state monopoly capitalism. It plays important roles in society, extending from the white-collar working class to the labor bureaucrats, academics, literati, low-level managers and technicians — the trouble-shooters, mediators and ideological mythmakers. The expanding state is a major source of employment, but this is not the sole reason for intellectuals’ infatuation with state power. The intelligentsia is weak and unorganized within capitalism, with no independent role in the process of production. Threatened by giant monopolies on the one hand and by the vast, dissatisfied working class on the other, middle-class elements look to the state as an institution above society that under their guidance can act rationally for the general good.

The desire for rationality in a world spinning out of control is central. Rational allocation of resources is superior to cutthroat competition, so middle-class ideology mirrors the state and the monopolies’ attempts to eliminate anarchy (despite their “free market” propaganda). Because the intellectual often opposes the competitiveness and narrow self-interest of the old petty bourgeoisie, he sees himself as altruistic, the good citizen independent of narrow special interests. He does not understand that he is acting in his own social interest derived from his role in capitalism, or that his image of a competition-free rational society is false consciousness, precisely the ideology needed to defend state monopoly capitalism and especially its statified sectors.

Having no alternative, the intelligentsia’s only road to power is to attach itself either to the bourgeoisie, as do liberal intellectuals — or to the proletariat, in the case of radicalized elements. Hence the popularity of reformism, mixed-economy socialism, Stalinism (until recently) and a dozen other petty-bourgeois “socialisms” which strive to harness the class struggle against capitalism. These ideologies have nothing to do with the interest of the working class, which is to overcome *all* the workings of capitalism, including the laws deemed rational by the intelligentsia. Anything else serves to prolong the agonies of a system in senile decay.

64. Trotsky, “Tasks of the Twelfth Congress of the Russian Communist Party,” (1923); in *Leon Trotsky Speaks*, p. 170.