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IS COMMUNISM THE NEXT STAGE?

A REPLY TO KREMLINOLOGISTS

by JACOB M. BUDISH

About the Author

A graduate of the Institute of Commerce and Economics in Kiev, Russia, Jacob M. Budish came to the United States on a fellowship to study American-Russian trade relations on the eve of World War I. While continuing his studies, he became active in the labor movement, serving as chairman of the United Labor Education Committee (1918–21); on the Mayor's Committee on Unemployment (1921), when he submitted a minority report together with Abraham Lefkowitz; on the National Committee for Russian War Relief (1922) and on the American Committee, Relief of Russian Children (1923–24); and later as executive chairman, American Biro-Bidjan Committee (1947–51), and secretary of the Committee for the 300th Anniversary of Jewish Settlement in U.S.A. (1953–55). He was editor of Headgear Worker, *official publication of the Cloth Hat, Cap and Millinery Workers International Union, AFL (1916–30); contributing editor,* Labor Age *(1928–29), and editor, English page,* Morning Freiheit *(1956–60). He served as an economist for the Amtorg Trading Corporation, New York, 1930–47, and is the author of many reports, pamphlets and books (in English, Russian and Yiddish).*

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To Rebecca, My Wife
for her inspiring dedication and continuous collaboration in this work, as in all my other works

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CHARTS

Foreword

There are few areas of public discussion and policy so stultified by outdated stereotypes as our attitude to the Soviet Union and the other socialist countries.* The public mind is cluttered with standardized preconceptions about the most vital questions affecting our relations with these countries. It is confused about such elementary questions as the meaning of socialism and of communism, and the difference between them. What, indeed, is Soviet socialism (or communism) all about?

These are not idle questions. Many decisive policies depend on the moods and attitudes generated by the ready-made conventional answers to the above questions—answers which have become fixed and frozen during the decades of the cold war.

Let us consider briefly a few recent instances in which policies and actions adopted by this nation in dealing with significant developments, whether in the area of foreign relations or at home, were seriously affected by our fixed ideas of socialism and communism.

A recent research report of the United States In-

* The Soviet Union and the other thirteen socialist countries—Albania, Bulgaria, China, Cuba, Czechoslovakia, East Germany, Hungary, Mongolia, North Korea, North Vietnam, Poland, Rumania and Yugoslavia, together have a population of 1062 million, thus comprising approximately one-third of the total world population of 3260 million.

formation Agency "has ruefully discovered that the more our propaganda advertises the virtues of 'capitalism' and attacks 'Socialism' the less the world likes us" (C. L. Sulzberger, *New York Times,* July 6, 1964). According to the USIA report, "In the non-Communist world it [our global anti-socialist propaganda] tends to poison the atmosphere in which we are trying to carry on our aid programs and other international cooperation. Everywhere it heightens suspicion of us and our motives."

This is true because the world over, and especially in developing countries, socialism is recognized as benevolent. Characteristic of that attitude is the statement of Julius Nyerere of Tanganyika that "no underdeveloped country can afford to be anything but Socialist." And the USIA study stressed that to foreigners "*social welfare measures are the decisive criterion of Socialism.*"

Even conservative American leaders and diplomats are coming to realize the great dangers involved in sanctifying cold war myths and preconceptions which have no relationship to the realities of the present world. J. W. Fulbright, Chairman of the Senate Foreign Relations Committee, in his recent book on *Old Myths and New Realities* (Random House, 1964) vigorously objects to the fact that "outdated stereotypes" impede and render ineffective major U.S. foreign policies. He concedes that these myths have been maintained by forcing upon the country a cold war climate which has narrowed "the permissible bounds of public discussion."

On the basis of all the facts which the Foreign Relations Committee continually has to deal with, Fulbright reaches the conclusion that trade with the Soviet Union, freed from its present restrictions, can be an effective instrument for abating tensions in international relations, i.e., an instrument for peace, a goal to which all Americans of good will aspire.

Fulbright is deeply concerned with the tendency of some policy-makers and politicians to pander to the cheapest and most strident caricatures of communism, particularly during election campaigns. He bemoans the fact that so many Americans, especially in public life, have come to value the imaginary ogre of a socialist-communist menace as a diversion from the real problems, difficulties and crises on the home front. Finally, he warns that creating an atmosphere of gloom and expectancy of aggression is in itself a source of friction and conflict.

The well-known diplomat and expert on Soviet-U.S. relations, George Kennan, who at one time headed the Planning Division of the U.S. State Department and who was partly responsible for the flagrant cold war "containment" policy, in his latest book, *On Dealing With the Communist World* (Harper & Row, 1964), vigorously rejects "ideas for some sort of violent and short-term disposal of the Soviet problem," appreciating that such ideas are bound to lead to nuclear war. Similarly, he recognizes the futility and dangers involved in the various proposals and resolutions for the "liberation" of the border republics of the USSR (the "captive nations") which seek to incite uprisings and intervention.

No less strongly does Kennan object to the rearming of West Germany, since a "liberation" war (for the reconquest of East Germany) that may be started by a nationalist-revanchist administration is bound to escalate into a world-incinerating holocaust.

The validity of the analyses and prognostications of Fulbright and Kennan were all too swiftly confirmed when the 1964 Republican Convention traveled the last mad mile to ultra-right extremism on the road paved with these old myths. The platform adopted and the candidate nominated not only sounded the trumpet for a bellicose nuclear brinkmanship foreign policy, including the release of "small" nuclear bombs to NATO. They also called for the "liberation" even of the Ukraine, which has been an integral part of Russia and the Soviet Union for many more years than the states of Arizona or Texas have belonged to the United States (Arizona became a territory in 1863; Texas was annexed in 1845).

On the domestic front, too, the extremist reactionary leadership, under cover of the same old myths, saw to it that the Republican Party "scoured itself lily white in the waters of San Francisco bay" and that "Not a single Southern Negro was seated at the convention" (*New York Herald Tribune*, July 14, 1964). Its presidential nominee had voted in the Senate against, and denounced as socialist or nearsocialist, all social welfare legislation and all proposals aiming to protect or promote the interests of the underprivileged—aid to education and housing, Medicare, anti-poverty measures.

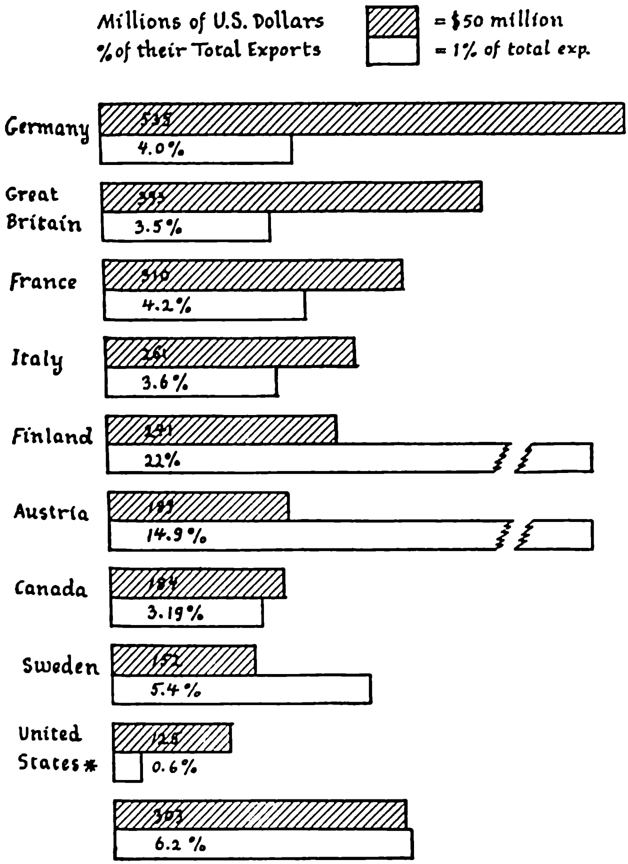
Even the specialized business field of export trade has not escaped the virulent effects of the cold war stereotypes.

"In recent years the United States accounts have shown an undesirably large deficit" in our balance of payments (*Economic Report of the President,* January 1964, p. 121). The outflow of dollars from the United States in payment for all our commitments—imports, maintenance of U.S. troops and military installations abroad, foreign aid and capital investments, etc.—have been substantially larger than the total amount the country takes in from abroad in return for our exports or in interest and profits on our foreign investments and loans, and other commercial and financial activities. The deficit in the balance of payments since 1958 has amounted, on the average, to more than $3 billion a year.

Under these circumstances the United States has been making every effort to increase exports as one method of reducing the unfavorable balance of payments. With all that, we have not as yet mitigated our extremely severe restrictions, amounting to a near-embargo, on trade with the socialist countries, and especially with the Soviet Union.

From the time the fanning of the cold war was made a kind of sanctified part of this government's foreign policy, we "halted almost all commerce" (to

EXPORTS OF INDUSTRIALIZED CAPITALIST COUNTRIES TO THE SOCIALIST COUNTRIES



Data: OECD (Organization for Economic Cooperation and development)
Chase Manhattan Bank

*of this, only $30 million went to the Soviet Union, 0.14% of U.S. total exports quote the Chase Manhattan Bank), with the Soviet Union and other socialist countries (*Business in Brief*, No. 56, 1964). We have also made every effort to put pressure on our allies and to discourage all other non-socialist nations from trading with the socialist nations.

However, according to the same source, even our staunchest allies have been making every effort to increase their trade with the Soviet Union and other socialist countries. In 1962, exports from West Germany to all socialist countries reached $535 million; exports from the United Kingdom—$393 million; from France—$310 million; from Italy—$261 million; and from Japan—$303 million (See Chart.)

The "rising red trade" has become a factor that is given serious consideration by business and academic circles, in spite of their general anti-Soviet attitude. A recent report in the *Wall Street Journal,* for instance, dwells at length on the fact that "West European businessmen are pushing out to increase their already sizeable sales to Communist nations. . . . Britain's 1963 sales to Russia climbed by a third over the 1962 total. . . . France last year shipped $161 million worth of goods to Red countries in Europe other than Russia, up 30% from the 1962 volume." Italy's sales to the same countries increased some 11 per cent above the previous year. "A group of three British companies, including giant Imperial Chemical Industries, a short time ago agreed to supply Russia with a complete $140 million synthetic fibers plant. The deal is the largest ever completed between a British group and the Soviet Union, an Imperial Chemical official says." Apropos of the pressure exercised by the United States against this rising trade between our allies and the USSR, "one Britain knee-deep in commercial dealings with the Communists" stated to a reporter: "We hope the Americans keep believing that [the way they do]; then the Yanks wouldn't be competing for Communists' business" (Frank Linge, *Wall Street Journal,* July 16, 1964).

In spite of the most strenuous objections of the United States and, to a much lesser extent, of West Germany* and France, "Other NATO countries . . . are vying with one another on the basis of larger and generally easier credit terms" (Chase Manhattan Bank, *op. cit.*). The article in the *Wall Street Journal* mentioned above reports that "increasingly liberal credit arrangements are being made by the West European countries in order to stimulate their trade with the Socialist countries." As one example, it cites the fact that, "The British Government recently guaranteed 12-year private loans to Czechoslovakia enabling the Communist country to buy an $11.2-million fertilizer plant from a group of British concerns. And only a few days ago the U.K. government is understood to have agreed to guarantee 12-year loans to Russia." At the end of October 1964

* At the end of August 1964, the Federal West German Government gave authority to the states to extend credits up to five years to the Soviet Union, Rumania, Poland, Bulgaria and Hungary. (*New York Times,* Aug. 29, 1964.)

France and the Soviet Union signed a new trade agreement providing for the extension of $365 million in French credits to the Soviet Union for seven years and calling for the tripling of French sales of capital goods to it as compared with exports under the old trade pact.

The *Harvard Business Review* (July-August 1964) notes with regret that "on the issue of East-West trade we have been outvoted by our allies," which derive "considerable economic advantages from [their] trade with Communist countries, while we are biting our fingernails." The author of this article, Professor Harold J. Berman, points out that if this country "could capture 50% of the export market in Eastern Europe and the USSR we might be much further on the road to solving our unemployment problem."

The narrowing of the bounds of permissible public discussion and the sanctification of the cold war preconceptions is thus one of the most urgent and vital problems of the times. This brings us back to our original questions: What really *is* Socialism? What really *is* Communism?

A book prepared by Harvard scholars, edited by Professor Edward S. Mason, Dean of the Graduate School of Business Administration of Harvard University, deals with overall aspects of this question in the following terms:

"The industrial revolution, as it spread over twentieth-century life, required collective organization of men and things. To bring its human structure and physical plant into existence, to carry out its operations, to distribute its products, to meet the growing demands made on it in peace and war, proved wholly beyond the capacity of individual entrepreneurs. As the twentieth century moves into afternoon, two systems—and (thus far) two only—have emerged as vehicles of modern industrial economics. One is the socialist commissariat; its highest organization at present is in the Soviet Union. The other is the modern corporation, most highly developed in the United States." (*The Corporation in Modern Society*, Harvard University Press, 1960, Foreword by Adolf A. Berle, p. ix.)

When Americans discuss socialism and communism, they usually have reference almost exclusively to the socio-economic system as represented by the Soviet Union. It is therefore our purpose to consider in the following pages the most popular of the conventional cold war preconceptions concerning the USSR, in the light of the demonstrable Soviet realities. The scope of this essay is necessarily limited. It cannot possibly touch upon all aspects of the question. We do hope, however, that this paper, with all its limitations, will make a contribution to broadening the bounds of public discussion in this critical area.

J. M. B.

PART I

The Aims of Communist Society

The angle from which we look at things always affects our vision. Our impressions of people and events depend largely on the mood in which we perceive them. As is to be expected, practically all American economists, political scientists and journalists writing about the Soviet Union have a capitalist bias. Theirs is the philosophy of the business creed. It is no wonder then that the image of the Soviet Union the Kremlinologists presented to the American people has been a distorted picture of Soviet life.

A scholarly study, in the 1950's, of *The American Business Creed* by a team of experts headed by Professor F. X. Sutton, reached the conclusion that: "For various reasons, the ideas of the political economists of the nineteenth century [followers of Adam Smith, classicists and neo-classicists] have gained more enduring acceptance in America than in Europe. . . . These ideas form the preponderant classical strand in the business creed. . . . A glance at the nature of academic economics in America reveals the very strong place of the classical heritage. . . . If the American business man has often been at odds with the academic economists, he has pitted himself against a foe who took much the same stance and used much the same weapons."*

* *American Business Creed* by Francis X. Sutton, Executive Associate, Behavioral Sciences Program, the Ford Foundation;

The authors are careful to note that, "classical economics had of course many characteristics which ill fit it for the optimistic doctrine of the business creed. It is perhaps suggestive that the Foundation for Economic Education [an organization dedicated to the propaganda of the ideology of big business] has revived Bastiat, an optimistic popularizer, rather than the classic figures themselves."

This business creed of monopoly capitalism considers even the Constitution, perfected by the agrarian America of the 1780's, as a "Bill of Rights for a free enterprise economy" (Sutton, p. 26).

By widespread mass propaganda the business creed was developed into what Max Lerner describes as an American trait expressing "the American's illusion of centrality in his conviction that what he is and does and how he does it are part of the order of nature" (*America As a Civilization*, Simon and Schuster, 1962, p. 921). It is noteworthy that his book was included in the special 400-volume White House library put together by experts of the Congressional Library for the personal use of the Presidents of the United States. The author fails to identify monopoly capitalism as the progenitor and breeder of the illusion that the American system of "private enterprise" is a part of the order of nature.

Seymour E. Harris, Professor of Economics, Harvard University, and Chairman, New England Governors' Textile Committee; Carl Kaysen, Associate Professor of Economics, Harvard University; and James Tobin, Professor of Economics, Yale University. Harvard University Press, 1956, pp. 281–283.

Nevertheless, this illusion is, in fact, reflected in the attitude to the Soviet Union of business leaders, of most academic economists, as well as of the bulk of the press, TV and radio.

Herbert Hoover, who was then Secretary of Commerce, voiced the same illusion when he rose to support the Harding administration in its refusal to establish trade relations with the Soviet Union. He declared on March 21, 1921: "The question of trade with Russia is far more a political question than an economic one so long as Russia is under the control of the Bolsheviki. Under their economic system, no matter how much they moderate it in name, there can be no real return to production in Russia, and therefore Russia will have no considerable commodities to export and, consequently, no great ability to obtain imports. . . . That requires the abandonment of their present economic system."

But as time went on it became impossible merely to dismiss the Soviet economic system as being against "the order of nature," since the economy of the Soviet Union has developed to a level second only to that of the United States. It had also become an important factor on the world market. By 1962 the Soviet Union and the East European socialist countries imported from the capitalist world commodities to the amount of $4.5 billion and preliminary data for 1963 show that imports in that year have increased by another billion dollars, to an estimated $5.5 billion. Today, the total foreign trade turnover of the Soviet Union alone amounts to

$13.5 billion, including exports exceeding $7 billion.

Accordingly, in the post World War II period the business creed had to adjust its image of the Soviet Union. Its spokesmen now advanced one general and some major economic reasons for disparagement of and hostility to the Soviet Union.

To a great extent they have succeeded in implanting the idea that "a 'Socialist' system seems to contain not only the unfamiliar but also the subversive" (Lerner, p. 292). Sutton and his associates found that the business creed persistently uses "socialist ideology as a negative symbol," because, "First, it is a 'foreign ideology'; this is especially true of Marxian variants. Second, it is in some sense a polar ideology of the business creed. . . . It is therefore useful as a dialectical punching bag, while it can be made into a strong negative symbol because it is foreign" (p. 301).

It is this fabricated image of Marxism as "subversive" that has largely inhibited American social science from making an objective study of Marxism from original sources, thus weakening and vitiating its own as well as all American public discussion of Marxism. American academic economists, as a rule, failed to heed the warning, in 1947, of the noted American historian, Henry Steele Commager: "But what are we to say of the attempts by the NAM (National Association of Manufacturers), and by individual corporations to identify loyalty with the system of private enterprise? . . . Certainly it is a great perversion not only of the concept of loyalty but of the concept of Americanism to identify it with a particular economic system." (*Living Ideas in America,* Harper, 1956, p. 411.)

The first major economic argument has been to the effect that the economy of the Soviet Union is not communist at all but just another form of capitalism. In February 1957, the magazine *Fortune* came out with a lengthy essay on "The Crisis of Soviet Capitalism" maintaining that Soviet communism has turned out to be a kind of capitalism—a kind that wouldn't work, and that presumably "made what one economist called a 'high rate of non-consumption' a dogma of Soviet capitalism." The fact that this contradicts the argument about the subversive nature of Soviet communism has not interfered with its continuous use by all media of communication for anti-Soviet propaganda.

During the last decade it has been especially stressed that whatever may have been accomplished by the Soviet Union, much more could have been achieved by it under the American "free enterprise" system, in the fields both of production and distribution.

Adolf A. Berle, Jr., the well-known economist and upholder of the corporate system, somewhat hesitatingly advanced the thesis that, "There is considerable basis for believing that the condition of the Russian masses and the strength of the Soviet state would have progressed far more rapidly under the American system than it has under Communist rule—

though historical might-have-beens never can be demonstrated." (*The 20th Century Capitalist Revolution,* Harcourt, Brace, 1954, p. 130.)

On March 1, 1957, Professor G. Warren Nutter in an extensive article in *U.S. News and World Report* made an all-out attempt to tell "The True Story of Russia's Weakness." Let us note in passing that Nutter's juggling with statistics about the Soviet Union did not win any plaudits at a meeting of the American Economic Association at Philadelphia. There an economic expert of the Rand Corp. (a joint private-government company engaged primarily in cold war intelligence research for the armed forces of the United States), Hans Heymann, attacked Nutter's data as having "little relevance to an understanding of Soviet economic development" since the Soviet system consistently directs "vast and growing resources . . . into channels that yield high returns in basic economic growth and applied military power." Heymann added, "Such a system it would not be prudent to underrate." (*Business Week,* March 1, 1958.)

Nutter's central point was that there could have been "remarkable growth" of the Soviet economy, "if there had been a significant area of private enterprise to release, encourage and channel the powerful energies of the work force and inherent creative abilities." He further claimed that in the Soviet Union, "The class distinctions are sharply marked, in most respects much more sharply than in the United States. . . . Class distinctions are also apparent in the extreme inequalities of income and, of course, standards of living."

A popular composite of the major distortions of Soviet reality, referred to above, appeared in *The New York Times Magazine* of October 6, 1963, in an elaborate article, "Neither Communism nor Capitalism," by Edward Crankshaw. He also wrote "Russia Without Stalin," "Khrushchev's Russia," "Russia and the Russians," and "The New Cold War: Moscow V. Peking," and is frequently referred to as an expert on the Soviet Union.

In the mentioned article he scrutinizes the Soviet scene and re-echoes the worn-out tune that while "all this [in the Soviet Union] is a long way from capitalism as we understand it, it is equally far from the old cut-and-dried certitudes of Communist egalitarianism and collectivism as Lenin understood them." He then proceeds to present what amounts to a summing up and latest edition of the major preconceptions concerning the theory and practice of Marxism. These preconceptions, as we have seen, are a part of the American business creed that has been imposed as practically obligatory guidelines by monopoly capitalism on American social science and media of communication.

We may now proceed to examine these preconceptions in the light of documented Marxist theory and Soviet reality. In the course of this examination we will use, whenever appropriate, the Crankshaw article as a handy and accurate synopsis for citing these fixed ideas of anti-Marxists in their own words. The unaccredited quotations appearing in the following pages are accordingly taken from that article.

Socialism and Communism

The entire concept of "old cut-and-dried certitudes of Communist egalitarianism and collectivism" is rank fiction arising from ignorance of the works of Marx and Lenin. Anti-Marxists seem to labor under the assumption that "as far back as 1934" it was "Stalin [who] sweepingly condemned all egalitarian ideas, stigmatizing them as 'petty bourgeois'."

There is the implication that prior to 1934 the Soviet Union both under Lenin and Stalin adhered to the principles of so-called communist egalitarianism. Only after 1934, according to this version, when the Soviet economy was presumably threatened by the breakdown of the first Five-Year Plan, was Stalin allegedly forced to reject the egalitarian ideal and to inaugurate a new system of rewards—"incentive payments and differential wages and salaries." It is further claimed that this new system was rationalized by "juggling with words"; that "what Stalin called Socialism (it was more exactly state capitalism) was seen as a stage on the road to Communism. In the 1936 Constitution Socialism was characterized by the slogan, 'from each according to his ability; to each according to his work'; the slogan for Communism, to be achieved in the indeterminate future, was 'from each according to his ability; to each according to his needs'."

It is characteristic of the failure of U.S. and British social science to come to grips with Marxism that non-Marxist critics (as exemplified by a journalist of Crankshaw's standing) should apparently believe that the concept of socialism as a stage on the road to communism was a mere semantic artifice to justify a retreat from Marxist-Leninist ideas of egalitarianism and collectivism. Any study of Marxism-Leninism from original sources would have sufficed to disabuse anyone of this notion. For the concept embodied in the Soviet Constitution of 1936 had originally been formulated by Marx and Engels as far back as 1875 and was further developed by Lenin at the very birth of the Soviet Union, in 1917.

In his *Critique of the Gotha Program*—written in 1875 and first published in 1891—Marx discusses in detail two consecutive phases in the transition from a capitalist to a communist society. The first, the lower phase, has been later designated as the stage of socialism and the second, the higher phase, as that of communism proper. Both these stages, according to Marx, are distinguished from capitalism by the same basic characteristic, namely that "the material conditions of production are the collective property of the workers themselves," whereas under capitalism "the material conditions of production are distributed among non-workers under the form of capital and land ownership, while the masses are only owners of the personal conditions of production, i.e. labor power."

In the first, lower stage, or under socialism, "*as it emerges from capitalist society* . . . the individual producer receives back again from society, with deductions (after deductions from his work, for the common fund*) exactly what he gives . . . The same amount of work which he has given to society in one form, he receives back in another form."

This assures formal equality. Under socialism, Marx continues, "no one can contribute anything except his labor and, on the other hand, nothing can pass into the possession of individuals except individual objects of consumption." Socialism "recognizes no class differences because every worker ranks as a worker like his fellows, but it tacitly recognizes unequal individual endowment, and thus capacities for production, as natural privileges." (*Critique of the Gotha Program,* International Publishers, 1933.)

In 1917, Lenin, in his treatise on *State and Revolution,* dwelt at length on this thesis of Marx: "Without going into Utopias, Marx defined more fully what can *now* be defined regarding this future, namely, the differences between the lower and higher phases (degrees, stages) of Communist so-

* The *common fund* consists of deductions made from the total output of the producers before the balance can go for consumption, according to the *Critique of Gotha Program;* it goes to cover "the general costs of administration," the budget of such "communal needs" as "schools, health service, etc." and, finally, the costs of taking care of "those unable to work."

ciety . . . The first phase of Communism [which is usually designated as socialism], therefore, still cannot produce justice and equality; differences, and unjust differences, in wealth will still exist, but the *exploitation* of man by man will have become impossible, because it will be impossible to seize as private property the *means of production,* the factories, machines, land, and so on. In tearing down Lasalle's petty-bourgeois, confused phrase about equality and justice *in general* Marx shows the *course of development* of Communist society, which is forced at first [during its lower transition stage of Socialism] to destroy only the '*injustice*' that consists in the means of production having been seized by private individuals, and which *is not yet capable* of destroying at once the further injustice of the distribution of the articles of consumption 'according to work performed' (and not according to need)." (*State and Revolution,* International Publishers, 1932, pp. 75, 77.)

Equally invalid is Crankshaw's reflection on Khrushchev that he allegedly is "no more interested in egalitarianism than Stalin was before him" and that "he (Khrushchev) has gone out of his way to equate Communism not with equality but with prosperity and abundance." Only ignorance of Marxist theory coupled with an uncritical acceptance of anti-Soviet preconceptions could find some contradiction between dedication to communist equality and aspirations to abundance and prosperity.

Marx in his scientific approach to the question of the way and the successive stages in which a communist society is bound to be brought into being by the class struggle of the workers and toiling masses found that "these deficiencies in the degree of achievable equality are unavoidable in the first stage of communist society, [i.e., in its socialist stage] when it is just emerging after prolonged birth pangs from capitalist society. Right can never be higher than the economic structure and the cultural development of society conditioned by it." (*Critique of the Gotha Programme*, p 31.)

Engels in his polemical work of 1875, *Anti-Dühring* (International Publishers, 1939), emphasized the same point of view, stating that "the real content of the proletarian demand for equality is the demand for the *abolition of classes*. Any demand for equality which goes beyond that, of necessity passes into absurdity." That, of course, relates to the first stage of transition to communism, i.e. during the period of socialism which has to prepare the conditions for transition to full equality or to the higher stage, a communist society. Marx put it in the following manner:

"In a higher phase of communist society, after the tyrannical subordination of individuals according to the division of labour and thereby also the distinction between manual and intellectual work, have disappeared, after labour has become not merely a means to live but is in itself the first necessity of living, after the powers of production have also increased and all the springs of co-operative wealth are gushing more freely together with the all-round development of the individual, then and then only can the narrow bourgeois horizon of rights be left far behind and society will inscribe on its banner: "From each according to his capacity, to each according to his need." (*Critique of the Gotha Programme,* p. 31.)

Thus, Marxist theory, since its inception, has considered abundance as a pre-condition for the achievement of full equality, i.e., for the transition from the lower to the higher phase—from socialism to communism.

The Report of the Central Committee to the 22nd Congress of the Communist Party of the Soviet Union (October 17, 1961), emphasized that point:

"Socialist economy is a planned economy. We can and must give every consideration to the population's demand for goods when planning the volume and type to be produced. Lenin said that socialism means 'the planned organization of the process of social production to ensure the well-being and all-round development of all members of society.' On more than one occasion he stressed the need to ensure a rate of development of production sufficient *to create an abundance of goods for the people.* We must be guided by these propositions of Lenin." (Documents of the 22nd Congress, v. 1, Cross Currents Press, p. 183, italics added.)

Acting on this Report, the Congress unanimously adopted a resolution stating, "The Party solemnly declares that the present generation of the Soviet people will live under communism," in which the principle "From each according to his ability, to each according to his needs" will be implemented.

Incentives Under Socialism

Nor is there any merit in the frequent anti-Soviet assertion that the system of rewards—incentive payments and differential wages and salaries which are in effect in the Soviet Union—represent a departure from Marx and Lenin. As early as 1921, on the occasion of the fourth anniversary of the October Revolution, Lenin stated that the Soviet economic system must be based on the personal self-interestedness of the workers, that is, on incentives and rewards:

"Not on enthusiasm alone but with the help of the enthusiasm generated by the great revolution, by means of personal interestedness, by economic accounting, you will have first to build firm bridges leading in a country of small peasants . . . to socialism; there is no other way to come nearer to communism; there is no other way to lead millions of people to communism. . . . Personal self-interestedness increases production; we have to increase production first of all and under all circumstances. . . . We shall cover the entire 'course' although the circumstances of the world economy and world politics make it much longer and more difficult than we would have liked it." (*Works,* 4th Russian Edition, 1941–58, Vol. 33, pp. 36–37.)

With a naïveté hardly befitting experts on the Soviet Union, anti-Marxist commentators pose the rhetorical question: "If Communism is not about equality, what is it in fact about? And if the material ideal of Soviet society is to be prosperity and abundance, what is there to distinguish it from capitalist society, which shares this material ideal? To what extent, if at all, may it be said that the Soviet Union is moving toward capitalism and away from Communism?"

Even elementary familiarity with Marxism would have provided the necessary answer. During the first (socialist) stage of communist society, socialism expropriates capitalist ownership in the means of production. It abolishes the existence of classes based on the exploitation of unpaid labor power by the owners of the means of production. It does away with the anarchy of capitalist production, with the cycles of booms and busts, with unemployment and distressed areas. For the first time in the history of civilization, everyone is guaranteed the right to work, the right to rest, the right to security in old age and in case of sickness or invalidity—security, free from the indignity of philanthropy, charity and the dole—the right to education and equality of rights regardless of sex, race or religion—in actual life and not merely on the statute books. Above all, socialism creates the necessary precondition for that type of abundance which paves the way for and guarantees the transition to that higher stage—a communist society.

Just two years after the triumph of the Socialist Revolution, in December 1919, Lenin speaking at a conference of *subbotniks* (volunteer unpaid Sunday workers), formulated succinctly the difference between socialism and communism.

"If we ask ourselves, what is communism as distinguished from socialism, we will have to say that socialism is that type of society which grows out directly from capitalism, it is the first form of the new society. Communism however is a higher form of society, and it can develop only when socialism has become fully consolidated. Socialism implies work without the help of capitalists, social labor subject to the strictest accounting, control and supervision by the organized vanguard, the advanced part of the working people, and this involves that the work standards and their compensation must be predetermined. This determination is necessary because capitalist society has bequeathed to us such vestiges and such habits as working at cross purposes, distrust of socialized economy, old habits of the small proprietor which are prevalent in all peasant countries. All this runs counter to a genuine communist economy. We call communism, on the other hand, such a system in which people acquire the habit of fulfilling their social obligations without any special apparatus of coercion, when unpaid labor for the common welfare has become a universal phenomenon." (*Works* Vol. 30, p. 260.)

As Marx put it, communist society comes into existence when labor has become not only a means to live by but a prime necessity of living. This precondition can be achieved only under socialism, when the exploitation of man by man has been eliminated and when the increasing abundance is employed not to make the rich richer but exclusively for the welfare of all working people.

For, "The progress of all aspects of socialist production relations is leading logically to the gradual obliteration of the distinctions between town and country, between the classes and social groups in Soviet society and to the implementation on an ever wider scale of communist principles in the relations between workers, peasants and intellectuals," and this process "of the complete elimination of class distinctions will now proceed at an increasingly rapid pace." (*Report of the Central Committee to the 22nd* Congress, Cross Currents Press, 1961, p. 132)

In *Capital* (Vol. I, completed in 1867), Marx dealt with the ultimate replacement of "the detail worker of to-day, crippled by lifelong repetition of one and the same trivial operations, and thus reduced to a mere fragment of a man, by a fully developed individual . . . to whom the different social functions he performs are but so many modes of giving free scope to his own natural and acquired powers."

Marx shows that the technological processes of modern industry create tendencies in that direction, but that "such revolutionary ferments . . . are diametrically opposed to the capitalist form of production, and to the economic status of the laborer corresponding to that form." His scientific analysis of the contradictions of capitalism left no doubt in his mind that "the historical development of the antagonisms immanent in a given mode of production, is the only way in which that form of production can be dissolved and a new form established." That will be accomplished "when the working class comes into power, as it inevitably must," and by means of a broad system of universal general and technical education, speeds the elimination of the distinction between manual and mental work and hastens the transformation of the worker into a fully developed individual. (Kerr edition, pp. 534–35.)

This is the process which is taking place at present in the Soviet Union, during the period of transition from socialism to communism. According to the Report of the Central Committee, as approved by the 22nd Congress:

"The basic distinctions between mental and physical labor are being eradicated on the basis of the technical progress and the higher cultural and technical level of the working people. Today the labor of the worker and the collective farmer, armed with advanced technology and general knowledge, combines elements of both physical and mental work. Forty per cent of the country's workers and 23 per cent of the collective farmers now have a secondary education. [This was in 1961; by the end of 1963 the proportion of well-educated workers and farmers had increased to 44 per cent of the workers and 26 per cent of the collective farmers.] Nowadays it is often difficult to distinguish the front rank worker from the engineer, the front rank collective farmer from the agronomist." (*Report of the Central Committee,* p. 133.)

If preconceived notions about Marxism are overcome, there should be no difficulty in discovering the qualitative difference between the material ideals of abundance and prosperity as conceived and practiced in the Soviet Union and the types of abundance prevailing in capitalist society.

Abundance Under Socialism

Here is how the 22nd Congress in its aforementioned action conceives that difference:

"The idea of abundance which implies the unrestricted growth of personal wealth is not our idea—it is an idea alien to communism. . . . Communists reject the ethics of bourgeois society where the concept of mine is the supreme principle and where the wealth of some is possible only at the expense of the ruin of others, where the corrupting psychology of egoism and grabbing, of an overweening ambition to get rich, is cultivated. To the world of private property communists counterpose public property, and to bourgeois individualism—the principle of fellowship and collectivism."

Soviet socialist society aspires and *plans* for an abundance in the achievement of which *all vestiges of privilege and inequality* will be eliminated, gradually but at an increasing tempo. The aim is to achieve a condition where all members of the community will *share*, on a basis of equality, both in productive labor and in the benefits of abundance, in accordance with the principle of "from each according to his ability; to each according to his needs."

The material ideal of abundance and prosperity in capitalist society, on the contrary, both in principle and practice is built on a system aspiring to perpetuate the privileges of the non-productive capitalist owners of the means of production and the inequality of the "lower" productive classes for all time to come. The abundance and prosperity of monopoly capitalism provides the highest income for the productively non-functioning, the parasitic multi-millionaires, as compensation for mere ownership. On the other hand, the productive non-capitalist classes and especially the workers, are more often than not relegated to a life of deprivation and insecurity, with large portions constantly on the brink of poverty and quite frequently victims of unemployment, real poverty and the misery of the dole—even in years of business prosperity.

According to the Report of the Internal Revenue Service of the United States (*Statistics of Income for 1960*, 1962), some 6,000 American capitalists received each an average income of $432,000 in 1960, a recession year. My own investigation shows that the average income of this group, when under-reporting is taken into consideration, was probably over $500,000.

According to their own income tax returns only about ten per cent of the total income of this group came from salaries. But as a rule the monopoly capitalists receive a salary from corporations which they themselves control and in which they hold high office without actually performing the functions of the office. In any case, more than 90 per cent of their income comes from dividends, capital gain and interest—all forms of parasitic appropriation "of the surplus labor of others, arising from the conversion of the means of production into capital, that is, from their alienation from the actual producers . . . from the manager down to the last day laborer" (Marx, *Capital,* Vol. 3, Kerr, page 517).

Anti-Soviet experts frequently express concern about the fact "that in a society run by Communists there came to be spectacular differences in living standards." They do not indicate the magnitude of that difference. However, admittedly, in the Soviet Union, with the exception of pensioners, no one receives an income unless he is productively employed. The highest compensation is received by the chief executives or managers of great Soviet enterprises.*

* A few writers, actors, musicians and scientists, rendering services which are valued as great and non-interchangeable may receive still higher compensation, but the number of such individuals is infinitesimal.

Vance Packard reports that, "In 1958, a group of Russian managers and technicians billed by the Soviets as ordinary Russians visited America. Inquiry revealed that their average income was about five times that of the typical Soviet worker" (*The Status Seekers,* McKay, 1959, p. 16). Of course, during the five years that passed since 1958, even according to an unfriendly reporter, "Something has already been done and more will be done in the Soviet Union to raise the standards of the lower-paid workers and to reduce the more glaringly extravagant rewards to the privileged."

My own observations in the Soviet Union during visits in 1961 and 1962 would seem to show that the present spread of compensation between typical workers and top managers is between one to three and one to four rather than one to five. But even assuming a spread of 1 to 5, compare that with the spread in the capitalist society of the United States.

Over 35,000,000 or almost three-fifths (58 per cent) of all income tax payers in the United States reported an average income of less than $5,000 in 1960 as against the average of $423,000 reported by the parasitic monopoly capitalists. The spread in this case is one to 80. Actually, as already mentioned, the average income of the monopoly tycoons was nearer to $500,000, making the spread one to 100. This is 20 times greater than the spread in the Soviet Union.

The gulf separating the salary level of top management from the wage level of the typical worker is not much smaller, even without taking into consideration the dividends received by the managers on company stock. *Business Week,* in a survey of the compensation of the chief executives of the largest corporations in 1955, found that "the $200,000 figure is now becoming a sort of benchmark representing the level at which a man becomes a part of the really high-paid executive group." Actually, compensation of chief executives goes much higher—that of board chairman of General Motors, in 1962, was nearly $800,000 (not including his vast expense account). The wages of the typical worker of our large corporations, including General Motors, hardly exceeded $5,000. The spread between the wages of the typical workers and the compensation of top managers in the United States, thus ranges between one to 40 and one to 160, eight to 32 times greater than the spread in the Soviet Union.

Furthermore, over 14,000,000 taxpayers, almost a quarter of the total, had an income (in 1960) of less than $2,000, a level which dooms them to stark poverty. The spread between this low income level and the high incomes of about $500,000 is 1 to 250—50 times greater than in the Soviet Union.

Finally, there is the immeasurable gulf between the supermonopolists and the multitude of long term unemployed. In 1961, 398 Very Rich, engaged in no productive work whatever, reported an average income of almost $2 million, while hundreds of thousands of unemployed, except for the miserly dole, had no income at all. In this case the spread, in the language of mathematicians, was infinite.

Socialism entirely eliminates the capitalist class. And in the course of transition from socialism to communism moral incentives are combined with and gradually replace the incentives of self-interest. Labor is increasingly becoming not merely a means to live by but a prime necessity of life. The inequalities of distribution, which are an inevitable survival of capitalism but which run counter to the very nature of the communist mode of production, are consequently gradually reduced with a view to their planned total elimination.

The Public Consumption Fund

Anti-Soviet experts could not entirely ignore the detailed program adopted by the 22nd Congress of the CPSU for speeding the transition to communism, but they do so in a rather ungracious left-handed manner. Here is such a typical report:

"In 1961 the new party program proclaimed what was in effect a 20-year plan for the transition from socialism to Communism. . . . But what is to happen when abundance is achieved? . . . The general idea behind the new party program suggests that under Communism only the most elementary needs of Soviet mankind will be met by the state—free bread, perhaps free housing, free medical attention and hospitalization for all—and that working hours will be heavily cut down."

This is followed by the comment that, "This is a long way from the concept 'to each according to his needs': the implication is that to achieve more than basic necessities a man will have to work hard, and that exceptional talent and hard work will be rewarded as they are today."

We do not know how these experts got the impression that under communism only the most elementary needs of the Soviet people will be met by the state. The fact is that the party program for the construction of communism provides for the "application of the growing productive forces and social wealth in the interests of the entire people" with a view to attaining "a living standard higher than that of any capitalist country." This is to be achieved by means of the distribution of an ever larger part of the immensely increased national income through the *public consumption funds.*

Distribution through these public consumption funds is made on a basis of equality, "according to needs," regardless of the quantity and quality of the work performed by the recipients of the income—work which they contribute "according to ability." The program, as outlined in The Report of The Central Committee to the 22nd Congress, visualizes that during the 20-year period of transition from socialism to communism (1961–1980) the real *per capita* national income (that is, in rubles of the same purchasing power) will increase 3.8 times (by

280 per cent), but the portion allocated for distribution according to needs through the public consumption funds will increase 8-fold (by 700 per cent) on a per capita basis. By 1980 slightly less than one half of the total consumption expenditures of the Soviet people will be met through these public consumption funds. This means that *a great deal more than the most elementary needs* of the Soviet people will be met by the state on a basis of equality, according to needs.

In the very first year, after the conclusion of the transition period, in 1980, the public consumption funds are to distribute to the people a total of 255 billion rubles or some $290 billion (in 1961 prices), which amount will cover slightly less than one half of their total disposable income. Total consumption expenditures of the people of the United States in 1961, including the extravagant, luxurious and wastrel-consumption of the rich and Very Rich, amounted to $337 billion. Taking into consideration the difference in the size of the population and its probable growth during the 20-year transition period, this means that the smaller half of the total consumption expenditures of the Soviet people to be covered by the public consumption funds will amount, per capita, to substantially more than half (57%) of the total 1961 per capita consumption expenditures of the people of the United States.*

* The population of the Soviet Union in 1961 was 17 per cent greater than that of the United States—216 million against 184 million. Assuming an average increase in the Soviet population of 1¼ per cent per year, compounded, it will by 1980 in-

The other part of the total consumption expenditures of the Soviet people, at the conclusion of the transition period, will still be covered out of the personal income received by individuals in the form of wages (salaries) as payment for their work according to the quantity and quality of the labor they contribute. This will preserve the socialist principle "from each according to his ability, to each according to his work."

During the transition period, until class distinctions between workers and peasants, between town and country, between physical and mental labor, have been eliminated, it is still necessary to depend on the self-interest of the workers in order to stimulate them to improve their skills and to increase the productivity of labor with a view to achieving the abundance that is indispensable for the building of a full-fledged communist society.

However, during this period two qualitative changes take place. As the education and technical training, skill and productivity of labor, as well as the availability and efficiency of the technological and power equipment, are raised, in accordance with plan, the spread between higher and lower wages is gradually reduced. Secondly, to the extent that the new Soviet man is molded and the communist con-

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crease by 28 per cent, and it will then be approximately 50 per cent greater than the U.S. population of 1961. The portion of Soviet consumption expenditure, on a per capita basis, to be met by public funds in 1980, will then be equal on a quantity basis to 290:337:150—57½ per cent of the total per capita expenditures of the United States in 1961.

sciousness of the people is developed, the dependence on self-interest is gradually reduced and replaced by dependence on collectivist consciousness, so that distribution through public funds according to needs can be increased while distribution from personal income according to work performed is correspondingly reduced.

Says the Report of the Central Committee: "It is precisely a high level of the productive forces and socialist relations of production [based on the abolition of private property in the means of production and thus of the exploitation of man by man] that actuates the gradual process of effacement of the distinctions between the classes of the working people," while "in the process of communist construction and as a result of major changes in production techniques and the nature of labor . . . the essential distinctions between physical and mental labor" will also be eliminated and the communist goal of equality will be attained.

Shorter Work Week Under Socialism

Anti-Soviet observers, however biased, could not fail to take note of the fact that "working hours will be heavily cut down" in the Soviet Union. The standard work week at this time has already been reduced to 39 hours and 24 minutes. But within the first ten years of the transition period, that is by 1970, a six-hour working day or 35-hour working week will be established, while for workers in heavy industries, such as mining, metallurgy and chemicals, the work week is to be reduced to 30 hours. A further reduction of hours will take place in the second ten years of the transition period.

Anti-Marxist observers apparently miss the significance of this great reduction in the hours of work. The inestimable effect of the greatly increased leisure is that it enables Soviet socialist society to speed the elimination of the gap between physical and mental labor. The shorter work week creates greater opportunities for the working people to receive a general cultural and professional education that will, in the words of the program, make them "communist-minded and highly cultured, thus fitting them for both physical and mental labor, for active work in various social, governmental, scientific and cultural spheres." For the CPSU considers it its "paramount task . . . to ensure the all-round harmonious development of the individual," and in order to accomplish that task, "The personal dignity of each citizen is protected by society, [and] the individual is guaranteed equal and free choice of occupation and profession with due regard to the interests of society" (*Program of the Communist Party of the Soviet Union,* International Publishers, 1963, pp. 119, 123, 125.)

Even at present, millions of people with secondary education have come to work at industrial enterprises and collective and state farms. Tens of thousands of workers and collective farmers are getting a university education in their free time. The number of students enrolled in universities and similar institutions of higher learning is expected to increase from 2.6 million in 1961 to 8 million at the close of the transition period. In addition, millions of workers are even now taking general cultural and professional courses of a college level in Popular Universities of Technical Progress and Economic Knowledge* and also in evening and correspondence courses at regular universities and technical institutes. The shorter work week will make it possible for practically all working people to raise their general cultural development and technical-professional knowledge to a much higher level, speeding the elimination of the present distinctions between mental and physical labor.

Control of Production

Anti-Soviet critics are frequently not so certain of their theoretical evaluation of Soviet communism. Crankshaw, for instance, says: "Leaving aside all theory, what Communism in the Soviet Union is now about in practice is the central control of production and the means of production and the con-

* In the Russian Republic alone, the largest of the 15 republics of the Soviet Union, there were at the beginning of the 1963–1964 school year 6,000 Popular Universities with a total attendance of approximately 2,000,000, and an additional million attended such universities in the rest of the Soviet Union (*New York Times*, October 11, 1963).

ditioning, or education, of the minds of the people to accept without reserve the fact of this central control and to work with it and not against it." The contention of the anti-Marxists, which they advance to bolster their position, is that, "There is not, when all is said, much difference between the position of a manager or a departmental head of a great Soviet enterprise controlled by the state, and the position of a manager or a departmental head in a concern like General Motors—salaried administrators or technocrats controlled by a remote board, itself, nowadays, almost a part of the government machine."*

The anti-Marxist excursion into the economics of control of the means of production and the process of production as it works in practice in the Soviet Union exposes not only a striking unfamiliarity with the elementary principles involved, but also an amazing unwillingness to approach the problem candidly.

The control of the process of production is always determined by the control of the means of production. And the forms of that control, including the system of target-setting and planning, and the degree of centralization are necessarily predetermined by

* While this is not the place to discuss it in detail, let us note that, in this case, Crankshaw who, of course, is much more familiar with the British-American scene than with the Soviet one, speaks of the remote board of a giant corporation being "itself, nowadays, almost a part of the government machine" in terms suggesting that this is a generally known fact. This is an oblique recognition of the fusion of the power of the state with the power of monopoly capital, or of state monopoly capitalism.

the social laws of the respective mode of production and the level of technological development.

The family farmer or individual proprietor who owns his own means of production also controls his own production. This is now true only in theory. For in practice even when the small businessman or farmer is not so encumbered by indebtedness as to transform his ownership into sheer fiction, his production is, in any case, largely controlled by large corporations on whom the small proprietor depends as suppliers, buyers or creditors.

With the development of the corporate system the means of production of the giant corporations are owned and controlled by groups of multi-millionaire stockholders. And the production of the corporate enterprises is subject to the centralized planning and control of boards of directors and chief executives deriving their power from these stockholders-owners of the corporate means of production.

But even the most powerful corporation is concerned only with the industry or industries in which its capital is invested, and the only goal of its centralized planning and control is to extract the maximum possible profit from its business operations. Since each corporate body keeps its own operations and plans in the strictest secrecy, each making every effort to get a greater share of the market and of the consumer's dollar for its own products, the corporations necessarily work at cross purposes with the consequent "anarchy" of production and imbalances in the national economy, and cyclical booms and busts.

Only socialism and public ownership of all the means of production create both the need and the possibility of an overall system of effective centralized control for the entire national economy, for the harmonious and balanced development of all its industries. This is recognized even by those American scholars who are strong opponents of socialism. For instance, according to Professor William N. Loucks, of the Wharton School of the University of Pennsylvania, "All economic planning in the Soviet Union is based on the social and governmental ownership of all natural resources and large scale industrial equipment. . . . This means, in short, that the planning and the owning agencies are the same, or, to be more precise, are extensions of the same sovereign body. This condition, the *first requisite to effective economic planning,* definitely prevails in the Soviet Union." (*Comparative Economic Systems,* Sixth Edition, Harper & Row, 1961, p. 542, Italics added.) Professor Loucks, speaking of the early stages of the development of the Soviet government, reaches the conclusion that, "No less in the economic sphere than in the political, the possession of this power was tantamount to the necessity to use it" (p. 540).

The historic necessity and opportunity for effective national planning does not make this pioneering task any less formidable. The goal of the Soviet socialist mode of production is the *planned propor-*

tional development of the national economy with a view to ensuring the well-being and all-round development of all the members of the socialist state. The planning system must accordingly set targets and perfect concrete production plans for every major line of industry, transportation and communication, agriculture, and cultural and community services. These targets must be set with a view to achieving the most balanced output of both the necessary machinery, equipment and tools, as well as of all the numerous types of consumer goods, housing and services for the current consumption of the people, including the public consumption funds, and also for the continued proportional expansion of all these industries.

Moreover, resources, plant and equipment, must be allocated to each and every industry, and within each industry, too, targets must be set for individual enterprises and they must be provided with the necessary resources to carry out their tasks. Finally, there are problems of the best methods and techniques for achieving the set target and fulfilling the general plan and the respective plans for each individual industry; of the degree of the concentration of management, and of the extent to which decision-making should be delegated to local bodies and departmental heads; or the development of adequate standards and criteria for the correct evaluation of the fulfillment of the plans by each industry and enterprise, both with regard to quantity and quality of output.

Here we cannot possibly consider even all the major problems of the Soviet planning system. A few of these problems will be discussed in the following pages. It will suffice to refer briefly to the general procedures employed.

The Communist Party and the government formulate the general goals, set the overall targets and prescribe general directives for each ensuing long-term plan (Five-Year, Seven-Year, etc.). Guided by these directives, planning bodies existing in the center as well as in the administrative and economic regions and directly at the enterprises proceed to work out plans for the ensuing year and for the entire period covered by the government plan. In compliance with the basic principle of *democratic centralism,* the active participation of the workers is invoked with a view to insuring that the planning proceeds not only from the top downward but also from the bottom upwards.

So-called "counter plans," i.e. plans amplified and supplemented by proposals introduced by the workers, technicians and engineers, have been widely current in the Soviet Union since the early five-year plans. Reforms of the system of industrial and agricultural management in recent years have further stimulated the mobilization of local experience, initiative and suggestions in the planning operations. The plans are also widely discussed by the general population. They are then submitted again to the supreme planning organ of the Soviet Union for final confirmation.

However great the problems it still has to solve to reach the optimum, the Soviet planning system did successfully pass the test of experience under the most trying conditions. During the past four decades the system proved its ability to gain from experience and to improve its methodology. The rate of growth of the Soviet economy has admittedly exceeded that of the capitalist countries, and the growth has been continuous without recessions and crises.

The fact is that the Soviet Union has been able to maintain a balance between its various industries while eliminating unemployment and economic crises. During all these years, moreover, the standard of living of the Soviet people has been raised. These facts bear testimony to the general effectiveness of Soviet planning. Soviet economists and planners are keenly aware of the serious problems—some old, some new—arising in the course of transition to communism, which still hobble the planning system and which must be solved.

These problems include that of greater flexibility versus still lingering rigidities; the development of an adequate system of socialist price formation; the optimum allocation of resources; the achievement of maximum results with the smallest outlay of social labor, including expenditures of materials per unit of output; the most effective system of incentives for workers and managers.

The party program adopted by the 22nd Congress explicitly states (p. 91) that, "The building of the material and technical basis of communism calls for a continuous improvement in economic management and planning. Chief emphasis at all levels of planning and economic management must be laid on the most rational and effective use of the material, labor and financial resources and natural wealth and on the elimination of excessive expenditure and of losses." And the process of perfecting every phase of the planning system, its methods and practice, is carried on with the active participation of ever greater numbers of all ranks of the workers engaged in the various subdivisions of the Soviet economy.

It is sheer nonsense to suggest that the Soviet people have to be "conditioned" to work with the system of the people's control and management of production, and not against it. For almost five decades now the people of the Soviet Union have put up the most heroic struggles to preserve, strengthen and develop their people's ownership and control of the means of production, whatever the specific technical methods of such control may be and however much they may have to be improved and perfected.

Management Under Capitalism

Modern technology makes inevitable the centralization of management. When thousands of workers must cooperate in a single process of production in order to make a certain product, whether it be steel, automobiles, textiles, shoes, or whatnot, they inevitably must be organized for fully concerted and disciplined action as a single unit under one-man management. It is a case somewhat similar to that of a symphony orchestra. Whatever the score and the musicianship of the individual members of the orchestra, the conductor necessarily must have and has absolute one-man authority in the performance. So it is true that superficially there does not appear to be much difference between the position of a Soviet chief executive and that of a chief executive in a monopoly like General Motors. But appearances are deceptive.

Under monopoly capitalism control by the chief executive of the head office necessarily assumes a despotic, semi-military form, which is not the case in a Soviet enterprise. Even in the early stages of the development of the capitalist mode of production Marx noted:

"Capitalist management in its substance has twofold characteristics corresponding to the twofold nature of the capitalist process of production itself, which, on the one hand, is a social process of producing use values [goods], on the other hand, a process for creating surplus value [profit]. In form that control [capitalist management] is despotic . . . masses of workmen working in concert under the command of a capitalist, require, like a real army, officers (managers), and sergeants (foremen, overseers), who while the work is being done command in the name of the capitalist. . . . [This is] necessitated by the capitalist character of that process of production and the antagonism of interests between the capitalist and the laborer. . . . The supreme command of industry is an attribute of capital just as in feudal times the function of general and judge were attributes of land property." (Marx, *Capital,* Vol. I, Kerr edition, pp. 364-365, with slight stylistic corrections.)

With the development of monopoly capitalism, as ever greater numbers of workers are put to work in concert under the centralized supreme command of a remote head office or chief executive, there is a sharpening of the antagonism between the two-fold characteristics of capitalist production. On the one hand, there occurs expanded production of goods, centralized and improved organization, modernized technology and increased productivity. On the other hand, extraction of ever greater profits, administered monopoly prices, curtailment of output, underutilization of machinery, equipment and manpower, and displacement and lay-off of workers are characteristic. The antagonism between management, controlling production with a view to increasing profits, and the workers, the producers of the goods, correspondingly sharpens. Management under monopoly capitalism accordingly assumes even more autocratic and oppressive forms, although it may be disguised by various devices, such as fringe benefits, gained by labor.

Even Reinhard Bendix, who is inclined to exaggerate the significance of "a vague residue of understanding between workers and managers" in capitalist industry, admits that "authority of employers over their subordinates not only reflects the imperatives of industrial organization but also the existence of class differences." The inaccurate term "class differences" is a euphemism to which Bendix, in common with many academic researchers, resorts rather than face the reality of "class antagonisms." However, Bendix *is* aware of that reality. In a footnote to his discussion of the subject he merely claims that, "Among the industrialized [read: capitalist] nations of the West this pattern of 'antagonistic cooperation' varies considerably" (*Work and Authority in Industry*, John Wiley & Sons, 1956, p. 249).

Vance Packard in *The Status Seekers*, based on extensive research, finds that "in the hierarchy of the big corporations stratification is being carried to exquisite extremes. Employees are usually expected to comport themselves in comformity with their rank, and generally do so. Industrialists are noting that the military experience millions of our younger generation had has made them more accepting of rank."

William H. White, a former editor of the magazine *Fortune*, one of the staunchest apologists for the corporate system, found that the "bureaucratic ethic" of the organization man at all levels below the top, is that to make a living and to have prospects for promotion any member of the middle and lower echelons, and his wife too, "must do what somebody else [the top brass of the corporation] wants you to do." And not merely at work but in every sphere of personal, social and community life as well. What is more, this must be done not only because it is "a fact of life that must be accepted but as an inherently good proposition" (*Organization Man,* Simon and Schuster, 1957, p. 6).

David T. Bazelon, whom Supreme Court Justice William O. Douglas commends (*New York Times Book Review,* May 5, 1963) as a "specialist in corporate law," admits that, "There is more law today running in favor of individual rights in the armed services than there is in any of our major corporate communities," i.e. large corporations (*The Paper Economy,* Random House, 1963, p. 183.)

Management is not unconcerned about this sharpening antagonism between capital and labor, especially in view of the challenge of socialism. Wallace F. Bennet, speaking for the National Association of Manufacturers (which he headed as president), stated, "the most important problem facing American management today is the problem of human relationships." Thomas G. Spates, vice-president of General Foods Corporation, declares that the nation can be saved from socialism and communism if employers "start treating their workers like human beings."

According to Spates, the means of winning the "hot and cold running war against totalitarian communism" is to apply "the American code of personal administration" which treats people "so that they will achieve and give the best in them, while getting the highest possible degree of individual satisfaction," eliminating "the disillusionments and frustrations, the emotional and mental illnesses from which there are formed the subversive attitudes that influence the destinies of nations" (From *The American Business Creed*). But whatever the wishes of management may be with regard to "human relations," however much they may like at least to soften class antagonism, it cannot affect the hard facts of life—the production relations under monopoly capitalism. For, in the final analysis, the personal income and fortune of the American corporate manager depends primarily on the rate of profit of the enterprise he manages, i.e. on the magnitude of the surplus value he succeeds in extracting from his workers.

"A corporation is known by its balance sheet," says Bazelon, "and the top corporate executive is first and foremost a balance-sheet tender—an impressario of the profit-and-loss statement."

The *Wall Street Journal* (October 15, 1963), dedicated to the propaganda that American monopoly capitalism is absolutely the best of all possible systems, was incensed by the fact that "the burden of much of the discussion" at a recent international management conference "was that the free-enterprise type management must develop some higher purpose." The *Journal* insists that capitalist "management has long since developed its higher purpose, namely the general welfare." But in the same breath the editor cannot help admitting that this higher purpose is but a secondary by-product, though, he claims, "a direct and all but inevitable concomitant of its [management's] *primary purpose of making profits.*" (Emphasis added.)

To achieve its primary purpose of making profits, Bazelon points out, "Our big corporations administer not only prices in our society, but also progress . . . and the purpose of the [manager's] plan quite frequently is to curtail production rather than to administer the full use of available technology." The concentration on making profits, involving administered high monopoly prices and curtailed production, coupled with technological displacement, is the major factor in the increase of hard-core unemployment and the multiplying of permanent distressed areas as in Pennsylvania, West Virginia and Kentucky.

Even the *New York Times* editorially suggests, "The boast that no one starves in America is hard to support after reading Homer Bigart's account in yesterday's *Times* of the poverty that degrades tens of thousands of unemployed miners and their families in the coal-rich, job-poor hollows of eastern Kentucky" (October 21, 1963). Bigart had told the story of a starving family in the Cumberland Mountains that temporarily blinded itself with tobacco juice so as to get on relief, and of a high school principal complaining that "It is very difficult to tell a child he can't eat."

Under these conditions the "antagonistic cooperation" between capital and labor is inevitably getting to be ever less cooperative and ever more antagonistic.

Management Under Socialism

The situation is entirely different in the Soviet Union. Socialist production is free of the capitalist dichotomy between the production of goods and the extraction of surplus value. Under socialism production has only one purpose: the maximum production of goods for the general welfare. The income of the Soviet manager depends primarily on the magnitude of the output of goods by his enterprise. With all his anti-Soviet prejudices Professor David Granick recognizes that, "The Soviets have adopted the concept that earnings should be tied closely and immediately to production. . . . For managers, monthly bonuses make up a major part of income and are tied to *operations during that very same month* of the production unit for which the executive is responsible" (*The Red Executive*, Doubleday, 1960).

Contrary to the top corporate executive whose primary purpose is to make profits, "the chief purpose of the Russian manager is to produce goods," says Bazelon. In Soviet enterprises accordingly there is no longer any antagonistic relationship between management and labor, though, of course, there still may and do arise strong differences of opinion and, on occasion, even friction between them. With the elimination of class antagonisms between managers and workers, the authority of the manager has necessarily also lost the despotic character of capitalist management.

While the principle of one-man management of production is strictly observed, it is limited exclusively to the workday in the plant. Even those American social scientists who are still trapped in the atavistic anti-Soviet stereotype of "totalitarianism" cannot help taking note of that characteristic of Soviet management. Bendix, for instance, finds: "It is likewise characteristic [of management-labor relations in the Soviet Union] that the workers are not only subordinate to the managers but are also called upon—under the guidance of the party, of course—to criticize and help correct the administrative and technical work of management. Thus, the social differences between managers and workers are obliterated in the sense that superiors are subordinates and subordinates are superiors" (*Work and Authority in Industry*, p. 251).

The program of the Communist Party of the Soviet Union, adopted in 1961, in its outline of the tasks of the party for the construction of a communist society, provides for the continued "improvement of the cultural and technical standard of the workers, the increasing fusion of physical and mental labor" and the "extensive participation of workers' collectives* in the management of the

* The term "workers' collective" is used in the Soviet Union to designate all the workers of an enterprise in the same sense as we use the term "the student body" of a university.

enterprises and the spreading of communist forms of labor" (p. 82).

At a plenary meeting of the Central Committee in November 1962, the full meaning of this provision of the program was spelled out as demanding the combination "of the principle of one-man management with the enlistment of the broadest participation of the masses in the direct and immediate management of production" (*Pravda,* November 20, 1962).

Leonid Solovyev, Secretary of the All-Union Trade Union Council, stated that trade union production conferences give the workers an opportunity to participate in the direction and management of all the operations of their plants. "These conferences," he said, "consider what new machinery, techniques and processes should be introduced. The unions can criticize management and they elect permanent committees to follow through their recommendations" (*The Worker,* New York, October 22, 1963).

At the aforementioned meeting of the Central Committee, the functions of the permanent advisory committees, which are *elected* by the workers, were defined in the following terms: "These committees must participate in the consideration of plans, in the control of their fulfillment, in the setting up of performance standards, in the assignment of personnel. The managers of the enterprises would have to submit to these committees accounts about the operations of the enterprise, consult with them about the most important questions of production."

Behind the superficial similarity between the position of a manager in a great Soviet enterprise controlled by the state and a manager of a giant monopoly in the United States—the similarity stressed by anti-Marxists—there is in reality, as we have seen, a world of difference in substance.

In sum, what communism in the Soviet Union is about in practice is *not* any form of control; that form must necessarily correspond to the socialist mode of production. When the people as a whole own the means of production, then the only way in which they can exercise their control is through their general or central agency, i.e. the state. The exact techniques of that central control, the degrees of centralization and delegation of authority to local centers and enterprise management depends on many factors, including the level of technological and cultural development. The program of the CPSU provides for the enlistment of ever larger masses of the workers in every enterprise and locality for direct participation in management and control, including planning, production and accountability of the operations of the respective enterprises and economic activities of which they are a part.

What communism in the Soviet Union is really about is the abolition of exploitation of man by man; putting an end to the relegation of the worker to the lifelong repetition of a single monotonous robot-like operation; the all-sided vocational and cultural development of each individual worker, thus gradually reducing and then eliminating the distinction between physical and mental labor; and the achievement of abundance paving the way for and speeding the transition from the present first or lower phase of communism, i.e., from socialism, to the second and higher phase—a full-fledged communist society of full equality.

Part II

PROBLEMS OF THE SOVIET ECONOMY

Aside from questions related to the transition from socialism to communism, anti-Marxists center their criticism on certain concrete aspects of the Soviet economy. The Soviet Union has had to solve many serious problems during the period of construction and consolidation of its socialist economy. At present, in the process of transition from socialism to a full-fledged communist society, the Soviet Union is coming to grips with numerous complex questions, which are the subject of nation-wide discussion and most careful consideration by the party, state and planning authorities.

There is ample place here for candid and thoughtful criticism. The criticisms of the anti-Marxist experts, however, do not belong to that category. Their horizons are so narrowed by cold-war anti-communist stereotypes, that what is basic and vital in the socialist construction of the Soviet Union is excluded from their vision. As a rule, they close their eyes to the momentous achievements of the country. They focus their capitalist lenses exclusively on shortcomings, bureaucracy, survivals of capitalism and instances of anti-social conduct—the negative phenomena—which, by the way, are mercilessly exposed and satirized by the Soviet press.

The nature and dimensions of these marginal problems are still further distorted by such critics, because many seem to base their censorious comments on the assumption that the categories of classical economics of early capitalism—private profit, competitive free enterprise, free market—in their pristine Adam Smith formulations of nearly two centuries ago are eternal and immutable. These critics, accordingly, seem actually to believe that the abolition of "free enterprise" capitalism has retarded Soviet economic growth. Some of these critics make bold to assert that if it were not for the "vestigial" survivals of capitalism in the interstices of Soviet society—which survivals, they claim, are "tacitly recognized" or "officially condoned"—the Soviet economy would not have been able to function at all.

Crankshaw, for example, puts in the category of such survivals of free enterprise "one-man businesses—little dressmakers, tailors, shoemakers, clock-and-watch repairers, who operate on their own"; peasants' production from "their own private plots," and "two phenomena" in industry, "both concerned with short-circuiting the clumsy, elephantine bureaucratic process of the centrally planned economy," namely the so called *blat* and *tolkach,* of which more later.

The role of the one-man operators in Soviet economy is infinitesimal. They represent a survival, not so much of capitalist free enterprise as of pre-capitalist handicrafts; but in a socialist society these operators cannot become employers and exploiters of labor. It would seem that the only reason for raising the question about these vestigial one-man businesses is to stress what anti-Marxists consider the most derogatory criticism of the Soviet economy, namely that "In the Soviet Union there is only one permitted exploiter, and that is the state." This is another attempt to apply a capitalist yardstick to a socialist society, a question which we shall discuss more fully in the concluding paragraphs of this essay.

The case of the survival of capitalist "free market" elements in Soviet agriculture is of greater significance, not so much in itself but as a manifestation of the general problems of this industry. The role of the private sector in agricultural production, including both the private plots of the collective farmers and the home truck gardens in the towns, has been diminishing steadily; it was practically eliminated in those crops the production of which has already been substantially mechanized. The total marketable output of grain, cotton and sugar beets is produced in the socialized sector, i.e., by the collective and state farmers. On the other hand, in those branches of agriculture in which there has so far been relatively little mechanization, such as pigs, poultry, vegetable and eggs, a substantial though diminishing part of the output still comes from the private sector.

The bulk of the crops produced on the "private plots" is consumed by the producing households and with the exception of eggs, only a relatively small part of the total marketable output now comes from the private sector. In eggs, too, the share of the private sector in the total marketable output declined from nearly 70 per cent in 1953 to some 50 per cent in 1961. The share of the "private" sector in the marketable output of meat, primarily, pork, declined from 27 per cent in 1953 to 20 per cent in 1961; that of vegetables declined from 23 per cent to 13 per cent; and that of milk from 37 per cent to 10 per cent.

Aside from what the collective farmers produce on their private plots for their own consumption, the private sector including urban truck gardens plays a minor and declining role in the marketable output of even those agricultural products in which modern mechanized farming methods are still in the early stages of their development. The real significance of the "free market" consists in that it points to the general problem of the insufficient modernization and productivity of Soviet agriculture, especially in those branches in which the private sector still plays a considerable part. It also has the effect of creating a diversion, tempting some collective farmers to concentrate on the cultivation of their own private plots, reducing attention to some of their tasks on the collective farm, thus affecting the general level of its productivity. This is evidenced by the fact that the productivity of labor on state farms is considerably higher than on the collective farms.

It is for this reason that the survival of any elements of capitalist "free market" in Soviet agriculture, however limited and declining, is considered —not tacitly, but officially—as a seriously *negative* phenomenon that must be solved in the course of transition to communism. But to present this capitalist survival in agriculture, as anti-Marxists do, as something of *positive* importance for the functioning of the Soviet economy, is a flagrant distortion of the facts.

While the survivals of "free market" elements in agriculture are considered an inevitable development in the first stage of the emergence of socialist society from capitalism, the Soviet economy has now reached a point when it is in a position to make the necessary investment in equipment and scientific personnel for the acceleration of the modernization and mechanization of agriculture, especially of the branches that have been lagging behind. As we shall see below, measures to that effect are now actually perfected and put in operation.

Collective Farming

Indeed, when the socialization of farming was inaugurated in 1928–29, Soviet agriculture was still, in the main, based on primitive techniques and prevailing manual labor. Over one-third (35 per cent) of the 25 million individual farms then in existence could provide no more than a bare subsistence for the farmers' households. Though this was a considerable improvement as compared with pre-revolutionary times, when fully 65 per cent of all the farms belonged to that poverty-stricken class, the outmoded small-scale primitive farming clearly could not assure adequate supplies of food for the people or of agricultural material for industry. Transition to socialized modern large-scale agriculture was imperative.

The individual small farms were united into agricultural cooperatives known as collective farms or *kolkhozes*. As Soviet state industries and scientific organizations developed they supplied increasing quantities of large-scale agricultural machinery, equipment and power, as well as perfected scientific methods of land cultivation and animal husbandry. The initial smaller kolkhozes—235 thousand in 1940—were combined into larger and larger units, totaling only 40,600 in 1963.

The mechanical and power equipment of agriculture increased significantly: the number of tractors, in equivalent 15 horsepower units, grew from 684,000 in 1940 to 2,293,000 in 1963; the number of trucks, including auto-cisterns, from 228,000 to 840,000; of electric power and mechanical equipment from 1.6 million horsepower to 13.5 million horsepower.

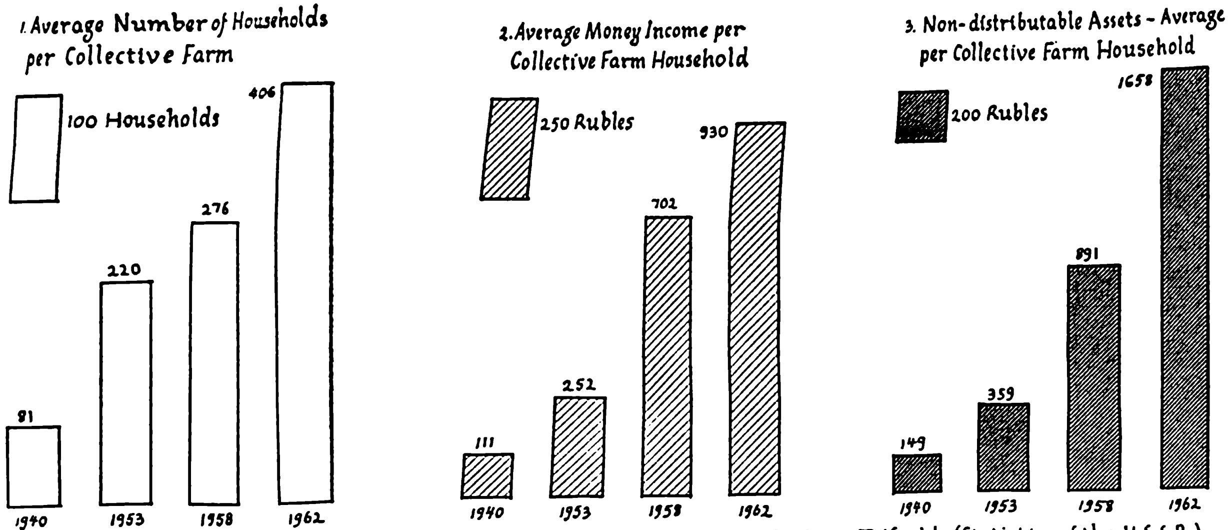
The money income of the cooperative kolkhozes increased (in current prices) from nearly five billion rubles in 1953 to over 15 billion in 1962 and over 16 billion in 1963, not including the value of that portion of their annual output which is consumed by the kolkhoz households or put away by the kolkhoz as reserves. (1 ruble = $1.11.)

The course of the development of the collective farms determined the type of kolkhoz socialist property. All land in the Soviet Union is the socialized property of the state. But the state allots the land cultivated by the kolkhoz into its permanent possession. All major production facilities and means of production—agricultural machinery and implements, power equipment, live stock, farm buildings, etc.—are the socialized property of the kolkhoz, owned collectively by all its members. On the other hand, the kolkhoz, out of its socialized land, allocates for the personal use of each collective farm-household, a small plot of land—mostly one-half to 1.5 acres, up to 2.5 acres in arid areas—for its supplementary husbandry. The dwelling of the individual kolkhoz household, live stock he keeps on his plot—a cow, calves, some sheep and goats, poultry—the required small agricultural implements, as well as the produce of that plot, are the personal property of the respective individual household.

As the income of the collective farm households from the collective farm increases, their supplementary income from their individual plots form a smaller proportion of their total income.

These quantitative changes in the size of the kolkhoz, its mechanized equipment, technology and mode of production has brought about a greater socialization of the kolkhoz property. In the first place, the nondistributable assets of the kolkhoz have grown from year to year, and this form of socialized property is now the predominant asset of every kolkhoz, as can be seen from the following

COLLECTIVE FARMS IN THE U.S.S.R.



Data: S.S.S.R. v Tsifrakh (Statistics of the U.S.S.R.) for 1962, Moscow, 1963 figures for recent years. In 1949 the non-distributable assets per individual household of the kolkhozes amounted, on the average, to only 81 rubles. By 1953 they increased to 359 rubles and by 1962 they reached 1,638 rubles, multiplying 20 times since 1940 (see chart).

These non-distributable funds which consist primarily of all kinds of mechanized equipment—trucks, tractors, combines, motors, generators—depend on supplies of spare parts, electric power, fuel and on periodical examination and repairs by engineers, technicians and industrial workers, coming from the state industrial enterprises, thus providing a direct link between the kolkhoz form of property and the national form of property.

Another such tie develops when the local electric power stations of an individual or of a group of kolkhozes are linked up to state power grids. On the other hand, as the central power stations of the Soviet Union and the tension lines for transmission of electrical energy develop, the number of kolkhozes receiving their power directly from the socialist state enterprises is increasing, thus strengthening the links between the Socialist-kolkhoz form of property and the socialist-national type.

The development of a higher degree of socialization of collective farm property and production is also furthered through various forms of inter-kolkhoz enterprises, when several kolkhozes combine to build local electric power stations, installations and canals for irrigation, hospitals, schools and other cultural institutions, as well as enterprises for the primary manufacture of some agricultural products, for storing and transportation of their output, for the production of local structural materials: bricks, lumber, etc. All such activities broaden the interrelations between individual collective farms as well as between collective farms and state industrial enterprises, drawing the kolkhoz form of property closer to that of the national form of property.

During recent years quite a number of collective farms of large size decided by vote of their members to transform themselves into *state farms,* which are organized along the same lines as industrial enterprises. The agricultural workers on the state farms are employed on the same basis as workers in industrial enterprises, receiving a monthly wage and getting all the benefits which industrial workers receive in the form of vacations, pensions, bonuses, etc. In 1928 there were, 1,407 state farms in the Soviet Union. By January 1, 1963, their number increased sixfold, to 8,600.

This first stage in the process of the socialization of agriculture was completed by the end of the 1950's. The Soviet Union is now proceeding with the acceleration of the process of modernization of *all* the branches of this industry with a view to a drastic increase of the productivity of labor and the elimination of the distinction between town and country. A multi-billion dollar program for the expansion of the chemical industry was put in operation, which will enormously expand the production of fertilizers, insecticides and weed killers. The great Soviet aircraft industry is putting some of its capacity to work on the production of machinery and equipment for socialized chicken-hatching and poultry-raising farms. The plans provide for the construction and expansion of 508 mechanized large-scale chicken farms and 208 broiler factories by 1970. The development program also covers the building of specialized factories for the production of chicken feed, as well as for the training of poultry technicians.

Plans have also been drawn for the development of mechanized pig factories and other specialized farms with a view to raise substantially the productivity of the lagging farm sectors. The fulfillment of these plans will make the production of marketable eggs, pigs, vegetables or milk on private plots too unrewarding as compared with their mass production on the modernized collective farms. That will bring about the elimination of any lingering survivals of capitalism in agriculture.

In the course of their development, as the accumulation of their non-distributable funds increases, with the continued expansion of their facilities and implements of production and the increasing mechanization of their farming operations—all accomplished with the cooperation and assistance of the state and state industrial enterprises—the production of the collective farms is raised to a higher degree of socialization and productivity. The division of labor, its organization and rationalization, the forms and rates of distribution of the farm income to the individual members of the collective farms—in kind or money—is brought closer to the forms of organization and payment prevailing on state farms and state enterprises in general. An increasing number of collective farms have already introduced a guaranteed monthly wage payment to their members, usually consisting of some 70 per cent of their estimated expected income, while the balance is paid out to them at the end of the season.

The kolkhozes or collective farms are gradually bound to reach a point when they can fully and much more effectively provide for the important housekeeping needs of individual farm families—members of the kolkhoz—than the individual household possibly can. Kolkhoz bakeries, kolkhoz communal kitchens serving certain meals, nurseries and other communal services, homes for the aged, boarding schools, relieve the members of the most primitive and burdensome housekeeping tasks.

At that point, as the party program puts it, supplementary individual farming will become unnecessary and "the gradual *rapprochement* and, in the long run, also . . . the merging of kolkhoz property and the property of the whole people into one communist property" will become an accomplished fact (*Program*, p. 84).*

* All figures in this section are taken from *Narodnoye Khosyaistvo SSSR* (*National Economy of the USSR*) for 1961, Moscow 1962; and *Report of the USSR Council of Ministers' Central Statistical Board*, Supplement to *Moscow News*, Feb. 1, 1964.

Illegal Private Profit Activities

Socialist industry is the main target of anti-Marxist and like-minded orthodox economists in general. This school of thought still adheres to the discredited maxim of Herbert Hoover that socialism is against human nature and that socialist economy is therefore bound to collapse. Here is how Crankshaw puts it:

"In the West the profit motive is a powerful force in stimulating to capacity the individual talent. It is not the only force—pride in work well done, ambition to excel, the drive for power—all work to the same end. But in Russia the profit motive is formally abolished; the pride in work well done is hard to sustain when one's work is planned, more often than not, clumsily and badly, by a faceless central bureau; ambition to excel is still dangerous, because under the centralized Soviet system the farther a man sticks his neck out the easier it is to cut off his head; the drive for power carries men toward the seat of power—that is to say, in Russia, away from production and into the back room of the Communist Party."

In addition, centralized planning, according to this anti-Marxist school of thought, is not only necessarily clumsily and badly done, but also leads to the development of an elephantine bureaucracy whose "directives are clumsy and arbitrary and often stupid."

If these premises and assumptions had validity how then is one to explain the fact that the socialist economy of the Soviet Union is a going concern. It is generally recognized that it is not only functioning but also making rapid progress, in fact more rapid, as we shall see, than the profit-motivated and unplanned "free enterprise" economies of the West. In seeking an answer to this striking contradiction, anti-Soviet commentators not only magnify beyond all proportions "free enterprise" and "private property" survivals still to be found in the Soviet Union, but they also reach grotesque conclusions.

It is alleged that free enterprise private profit in Soviet industry is centered "on two phenomena. . . . One, abstract, is called *blat*; the other, concrete, is called the *tolkach*." *Blat* is defined as covering "every operation in which one person helps another by unofficial means in return for services rendered." This is, by the way, another example of applying a capitalist yardstick (consisting in the assumption that in economic operations when one person helps another it is in return for services rendered) to a socialist economy built on the principle of mutual cooperation and help for the common good. Elaborating, Crankshaw declares that *blat* "includes at one extreme graft and corruption in the grand manner, at the other extreme a spontaneous human response in the sphere of mutual obligation."

Graft and corruption, inherent in private profit-motivated societies based on class privilege and exploitation, are not germane to a socialist society.

The Soviet Union has conducted a continuous and vigorous struggle against the survivals of these evils, and though they have not yet been fully eliminated, their scope and magnitude have been reduced drastically. We shall return to this problem later. Here let us take note of the profit-motive ethics of the anti-Marxists. Even the spontaneous human response has to be based on mutual obligation; they seem to be unaware of the contradiction between spontaneous response and obligation.

Tolkach is defined by anti-Soviet reporters and commentators as a fixer and as "institutionalized *blat.*" According to Crankshaw, the *tolkach* "is the unsung but lavishly rewarded hero of Soviet industry, the man with no official standing at all who makes the wheels of production go round by enabling factories and enterprises of all kinds to deal directly with each other, instead of through the tortuous channels of the central planning and distributing bureaucracy." The activities of the *tolkach* are said to be "illegal and play havoc with the paper phantasies of the planners;" however these illegal activities are presumably "so necessary" that they are not only widely recognized, but the *tolkach* "on top of his salary . . . earns healthy commissions in cash and kind." This is followed by the amazing and grotesque conclusion that without the *tolkach's* illegal activities, "inspired by the spirit of private enterprise and private profit, the Soviet economy would long ago have ground to a halt."

Thus we see how anti-Marxist preconceptions play havoc not only with the interpretations of Soviet reality but also with the simple power of observation. For is it not absurd for any student or reporter to see in the operations of a great economy, which has successfully fulfilled and over-fulfilled its consecutive "fantastic" Plans, nothing but survivals of anti-social and illegal phenomena, and to suggest that it is just this interstitial anti-social conduct that makes the wheels go round!

Central Planning

Leaving aside for the moment the theoretical question concerning the effects of the profit motive, let us consider first the observable phenomena of central planning, bureaucracy, illegal but condoned private enterprise and private profit, and corruption. The anti-Marxist critics speak for that school of economic thought which considers central planning as necessarily clumsy, stupid, rigid and ineffective, inevitably choking up the channels of production and distribution.

Empirically, the accomplishments of the socialist economies have long since shown the baselessness of that negative approach to central planning. Indeed, anti-Soviet critics themselves cannot ignore the fact that as Crankshaw points out, "in the West economists are thinking more and more about long-term planning, inevitably involving a degree of central control," in other words, centralized planning.

Usually unacknowledged is the fact that the undeniably great achievements of the centrally planned socialist economies have led the West to actually make serious attempts to introduce central planning, though the private profit system makes such effective planning hardly possible under capitalism.

The McGraw-Hill magazine *Business Week* (April 7, 1962) devoted an extensive article to this question under the title "Europe Charts Its Business Future." It deals with the "exciting European experiments in what is loosely called 'economic planning'." The magazine proceeds to explain that "The phrase is somewhat misleading—it sounds like what the Communists do, and like the antithesis of capitalism's 'free market economies.' Yet in most West European democracies today economic planning has ceased to be a dirty word." Why? An authoritative answer is supplied by Pierre Masse, chief of the planning Commissariat of France:

"We must remember the size of the stakes. The traditional values of the West, whether you call them humanism, Christianity, freedom, or the worth of the individual, now have come to grips with the problem of efficiency. We may hardly doubt that efficiency will win the day. The only question is whether it is to prevail against or with our ideals. For a little while to come the answer still is in our hands."

Masse recognizes that central planning is indispensable for efficiency, which will win the day in any case, and it would be best for capitalist countries to adopt it on their own without waiting for the coming socialist revolution to introduce it. We need not enter here into considering whether central planning under capitalism can possibly be effective. Suffice it here to emphasize that central planning is acknowledged even by competent Western economists not as a hindrance to efficiency, but rather as indispensable for efficiency.

The entire underlying idea of the Common Market, the Economic Community of West Germany, France, Italy, Belgium, Netherlands and Luxembourg, is based on central planning.

In England, too, central planning is seriously thought of as evidenced by the National Economic Development Council established by the Macmillan government, popularly known by its nickname of Neddy. The Council is composed of industrialists and representatives of the nationalized enterprises, the public and the trade unions. It is presided over by the Chancellor of the Exchequer and gets its major support from the big industrialists. Paul Chambers, Chairman of Imperial Chemical Industries, recently told the American Chamber of Commerce in London: "We must find a better way than the present spectacle of blindfolded giants blundering all over the place." With the development of ever larger monopolies, with much higher capitalization, and decision-making ever more concentrated, said Chambers, "the blunders of surplus capacity will grow worse without some form of planning and forecasting." He therefore thought that economic planning "is essential to the survival of private enterprise." This, of course, does not answer the question whether private enterprise has the capacity for central planning. British labor doubts it.

The mentioned report in *Business Week* states that, "Labor is standoffish toward Neddy . . . partly because it suspects that a tighter control of wages is the main aim of Conservative planning." It would be more correct to say that capitalist central planning in general would necessarily be contaminated by the profit motive and the desire to apply a tighter control, an austerity policy to wages. The simple fact is that in the United States, where monopoly "free enterprise" reigns more supreme than in the other great capitalist countries, the timid attempt at central planning through the Council of Economic Advisers has produced only one definite guidepost, a policy paper dealing with restraints on increases in wage rates.

To come back to the problem of central planning under socialism. The methods and techniques of socialist planning, especially the distribution of authority and responsibility between central bodies and subordinate local bodies and the management of individual industries and enterprises, are, of course, subject to continuous improvement, depending to a great extent on the level of technological and cultural development. At this writing an all-out campaign is being carried out to implement the mandate of the program adopted at the 22nd Congress with regard to the correction of the deficiencies of over centralization:

"There must be a further expansion of the role and responsibility of *local bodies* in economic management. The transfer of a number of functions of economic management by the all-Union bodies to those of the republics, by republican bodies to those of the regions and by regional bodies to those of the districts should be continued" (p. 93).

The program further declares that "Extension of operative independence and of the *initiative of enterprises* on the basis of the state-plan targets is essential in order to mobilize untapped resources and make more effective use of capital investments, production facilities and finances" (p. 94).

Besides, planning is done by people with all their imperfections and insufficiencies, and many mistakes and stupidities may be and are committed by them. The same is true, as far as execution by individuals is concerned, of economic activity under any social system, except that under socialism where collective work is the prevailing form of economic activity and where the private profit motive is almost completely eliminated, shortcomings, weaknesses and inadequacies of individuals are subject to collective control and correction, so that their injurious effects can be and are reduced correspondingly. The overall effectiveness of central planning is clearly beneficial. Far from stultifying, it accelerates economic development.

Role of Bureaucracy

Bureaucracy, in its derogatory implications, is another category of 19th century economics which is no longer applicable. Professor C. Wright Mills succinctly and correctly described the origin and the meaning of the term: "As an epithet for governmental waste and red tape, the word 'bureaucracy' is a carry-over from the heroic age of capitalism when the middle class entrepreneur was in revolt against mercantile company and monarchist dynasty. That time is now long past, but the epithet persists in the service of different aims" (*White Collar,* Oxford University Press, 1956, p. 78). Monopolists now use the epithet "bureaucracy" to combat public demands for the nationalization of key industries and as an argument against any governmental program which may in any way curb illegal price-rigging activities of their own corporate bureaucracies or interfere with other "free enterprise" manipulations with a view to maximize profits.

"Descriptively," says Mills, "bureaucracy refers to hierarchy of offices, of bureaus, each with an assigned area of operations, each employing a staff having specialized qualifications. So defined, bureaucracy is the most efficient type of social organization yet devised." This definition is especially true with regard to the bureaucracy of a socialist state in which the means of production are owned by the people as a whole, i.e., by the state, and in which the state civil service, rather than corporate bureaucracies, must necessarily carry out the managerial functions.*

That does not mean that even a socialist bureaucracy, indispensable as it may be as the best available effective apparatus for social organization, is or can be an unmixed blessing. Functionaries specializing in one or another distinct operation are subject to the professional "bureaucratic" diseases of formalism combined with a certain callousness to their constituencies, of narrow one-sidedness, of careerism, red tape and sluggishness. Since the earliest days of the Socialist Revolution, beginning with Lenin, the Soviet Union has consistently fought to prevent and eliminate these evils of bureaucracy, but there is still a great deal to be done in order to rid the state apparatus entirely of the evils of "bureaucracy" in the traditional derogatory sense of that term.

Moreover, the most efficient social organization does not immediately eliminate all vestiges of anti-social conduct. As long as abundance and full equality have not yet been achieved, as long as the new communist man has not yet emerged, society is confronted with survivals of anti-social phenomena such as petty chiseling, seeking to make improper gains from public business or trust, corruption and

* Social science long since found that "in its political context the economic morality of modern civil service, where it has had the advantage of permanence, has been far higher than that of private enterprise." (*Encyclopedia of Social Sciences*, Macmillan, 1930, Vol. III, p. 72)

illegal practices. *Blat* and *tolkach* are two forms of such anti-social conduct. However, the meaning, significance and dimensions of both these phenomena are magnified and distorted by anti-Soviet commentators out of any relationship to reality.

Two unrelated concepts are included by anti-Marxists in the term *tolkach*. One is that of the *expediter*, a perfectly legitimate salaried employee in many Soviet big enterprises. However detailed the planning by the central and regional authorities may be, and even in cases when terms and dates of deliveries between plants are prescribed by the Central or Regional Plan, a great deal of decision-making with regard to processes and procedures must always be left to the people on the spot. The expediter is charged with inter-enterprise relations, with advising on and checking of work, with testing of materials at various stages of production to make certain they meet the requirements of the planned schedule, and with facilitating and speeding deliveries.

In some cases, however, an expediter may resort to sharp or even illegal practices, and only in such cases is he labeled contemptuously *tolkach*. The Russian meaning of the term is not fixer, but "pusher" or "go-getter." Only when engaged in sharp practices is the *tolkach* considered a petty chiseler. When he slips into illegal methods of graft, bribery, corruption, peculation, etc., he is considered a rank criminal, subject to the most severe penalty of the law. In no case are "private enterprise" and "private profit" motives tolerated or condoned. They are severely criticized, contemptuously rejected, and eliminated by prosecution. The standards of socialist morality make the *tolkach* a social outcast, scorned and satirized (in such cartoons, for instance, as those reproduced in anti-Marxist reports and comments in the press and on TV, including Crankshaw's article mentioned earlier), and the *tolkach* is ostracized by the community as a whole.

Corruption

Another phase of the question must be considered. The implication of the anti-Marxist approach is that socialist central planning necessarily creates an "elephantine bureaucracy" and conditions making for the toleration and condoning of anti-social (under socialism) practices such as "free markets" in the towns for the produce of the peasants' private plots, as well as corrupt and illegal or criminal business activities, "inspired by the spirit of private enterprise and private profit," such as those of the *tolkach*. The student, therefore, must consider whether anti-social conduct and crimes are unleashed or inhibited by a socialist climate as compared with their level in a capitalist society. Let us consider some of the available evidence.

At this writing there is much ado in this country about the so-called Baker case. Robert G. Baker, former Senate Majority Secretary, resigned his $19,-600-job under fire. He was charged with improper use of his influence in the manipulation of transactions of business firms with the government. He still continues to receive one-cent-a-pound commission on sales of meat by an Haitian firm to the United States, the firm claiming that it is a perfectly legitimate commission paid to any "finder," i.e., to any person who finds or arranges for a favorable opportunity for the firm to conclude a profitable business transaction. Baker helped the firm get approval by the U.S. Department of Agriculture for the importation of its meat products into the United States.

The Baker case is now under investigation by the Senate, and there have been reports in the press of scandal aspects bearing some resemblance to the notorious Profumo Affair of Great Britain. The case assumed sufficiently large proportions for President Kennedy to take notice of it at his news conference on November 15, 1963. Said the President, "there are always going to be people who can't stand the pressure of opportunity," that is, opportunity to make an easy dollar, if even by anti-social or illegal means. And then he added: "Other people may be investigated as time goes on. We just try to do the best we can and I think that—the governmental standards on the whole compare favorably with those in some other parts of America."

James Reston, columnist of the *New York Times* (October 29, 1963), comments: "The Capital of the United States is involved once more in official scandal, and no wonder. The work and atmosphere in the place breed it. . . . This is an expense account town. . . . More officials, ambassadors, lobbyists and legislators are living beyond their salaries here than in any capital on earth. . . . They have been debased by power and money, by the pressure of politics."* And the President was right, the dimensions of corruption in other areas of American social life are certainly no better than in Washington. Scandals in Albany, New York, recently led to the decision (October 1963) to appoint a special committee of prominent citizens to revise the 1954 code of ethics for members of the Legislature. When asked why the Legislature did not appoint its own commission for that purpose, Speaker Carlino's reply was a telling admission: "Any determinations by legislators in the present atmosphere would be viewed with scorn and disbelief. That is why an objective outside study is needed."

The partly televised public hearings by the Senate Judiciary Committee on the widespread criminal activities of the so-called Cosa Nostra has shown how deeply crime and corruption have penetrated the major areas of our social life—not under socialism but under monopoly capitalism. The conclusions of a similar investigation by the U.S. Senate, in 1951, were summarized in the well-known Kefauver Report. Here are a few pertinent extracts from its "General Conclusions":

"Criminal syndicates in this country make tremen-

* For a more detailed discussion of the problem the reader is referred to Blair Bolles, *How to Get Rich in Washington*, 1952, and C. Wright Mills, *The Power Elite*, Oxford University Press, 1956.

dous profits and are due primarily to the ability of such gangs and syndicates to secure monopolies in the illegal operations in which they are engaged. . . . The committee found in some cities that law enforcement officials aided and protected gangsters and racketeers to maintain their monopolistic position in particular rackets. . . .

"Despite known arrest records and well-documented criminal reputations, the leading hoodlums in the country remain, for the most part, immune from prosecution and punishment, although underlings of their gangs may, on occasion, be prosecuted and punished. This quasi-immunity of top level mobsters can be ascribed to what is popularly known as the 'fix.' The fix is not always the direct payment of money to law-enforcement officials, although the committee has run across considerable evidence of such bribery. The fix may also come about through the acquisition of political power by contributions to political organizations or otherwise, by creating economic ties with apparently respectable and reputable business men and lawyers, and by buying public good will through charitable contributions and press relations."

This leads up to the real test—to what extent have corruption and other forms of anti-social and criminal conduct permeated the business practices of the corporate system?

Adolf A. Berle, generally recognized popular ideologist of the corporate system, has repeatedly emphasized the thesis, "that the corporation, almost against its will, has been compelled to assume an appreciable part of the role of conscience-carrier of twentieth-century American society" (*The 20th Century Capitalist Revolution,* 1954). In his latest volume, he insists that, "Either through their individual processes of conscience or through compulsion of a social conscience, they [the corporations] were led to recognize and give reality to a range of values arising more out of ethics than out of interest" (*The American Economic Republic,* Harcourt, Brace, 1963).

Unhappily, the real nature of these corporate ethics was laid bare by the recent trial and conviction of seven high executives of such giant corporations of the electrical industry as General Electric, Westinghouse, Allis Chalmers, for conspiracy and the defrauding of the government in transactions amounting to about $7 billion over a period of four years (see John G. Fuller, *The Gentlemen Conspirators,* Grove, 1962). Subsequent suits by states, municipalities and utilities, some of which were amicably settled between these corporations and their clients, showed that corrupt, fradulent and illegal practices were employed by these concerns in their business transactions in general.

These facts put into question whether Berle can really be considered an authority on the corporate system and its ethics. For in his 1954 volume, published only a couple of years before the story of the conspiracy of the electrical industry monopolies broke into the public press, Berle issued the following testimonial to the giant corporation, which headed the criminal collusion to defraud the government and clients: "The General Electric Company is, justly, one of the most respected American corporations. Its management has been able and of unquestioned integrity."

Characteristically, at the annual meeting of the GE stockholders a spokesman for a group known as the United Shareholders of America argued, to the gusty applause of the assembled stockholders: "These 16 men [all convicted in the electric industry case], it is true, had violated the letter of the law, but they did not violate the main spirit of free enterprise—a fair return on the dollar invested." "Fair" in the ethics of monopoly capitalism merely means the maximum private profit that can possibly be extracted by any means, even fraudulent or unlawful. President F. F. Loock of the Allen-Bradley Company, which was fined $40,000 in that case, stressed that "no one attending the gatherings [of the executives of the various companies which were tried for conspiracy to rig the prices of electrical equipment] was so stupid he didn't know they were in violation of the law. But it is the only way a business can be run. It is free enterprise" (*Time*, February 17, 1961).

The "main spirit of free enterprise" found further tangible expression in the confidence and rewards bestowed on the convicted men immediately after they had served their short jail terms. William S. Ginn, GE vice-president, upon emerging from prison promptly stepped into a job with the Baldwin-Lima-Hamilton Corporation, one of the 300 largest U.S. companies, at a salary reputed to be in the neighborhood of $70,000 a year. Another of the convicted GE executives, as soon as he was out of jail, became the president of a corporation building earth-moving equipment; another became affiliated with a Massachusetts automobile business; and a fourth became president of the ITT Europe, Inc., and European general manager for the company, and so on (*The Corrupt Society*, by Fred J. Cook, Special Issue of *The Nation*, June 1-8, 1963).

Apparently "the range of values arising out of the ethics" of the corporate society attaches no stigma to the corrupt and criminal practices used so generally for maximizing profits.

The Profit Motive

The corrupting effect of the social climate created by the profit-motive was perhaps most strikingly revealed by the exposure in 1958 of the famed rigged Television quiz shows by a Congressional committee and a grand jury investigation. It was proved, and later under fire, admitted by the big winners, one of whom received as much as $220,000, that they were given the answers in advance and were coached on how to behave at the quiz: bite the lips, wipe the brow, stutter, etc., "to heighten tension." One of the producers testified that the company sponsoring (paying for) the quiz show at weekly meetings preceding each show made it clear which contestant it wanted to win.

These TV quiz shows attracted unprecedentedly large national audiences so that sponsoring firms were prepared to pay excessively high prices for using time during these shows to advertise their products. These shows were so popular that the NBC (National Broadcasting Company) in 1957 bought for the reported sum of $2,200,000 the producing company of one of these shows, known as Twenty-One (World Almanac, 1960).

Perhaps the most shocking revelation of the exposure was the discovery that a respected scion of one of the most distinguished literary families of the United States, an Assistant Professor of English at Columbia University, Charles Van Doren, not only fraudulently won $129,000 at these rigged quiz shows, but also committed perjury in his testimony before the grand jury. He repeatedly denied any knowledge of the rigging, and only on November 2, 1959, when appearing before the Congressional committee in response to a subpoena, did he, in the face of overwhelming evidence, admit his complicity, "telling all."

The following extracts from editorial comment in the daily press (as reported in the *New York Times*, November 4, 1959) throw light on the social climate in which such scandals may easily breed.

The New York Daily News, a tabloid boasting the largest circulation in the Empire State, wrote: "Few of us, we imagine, will feel like condemning Charles Van Doren, out of hand, and we believe most of us will hope he can somehow repair the present wreck of his life. Some will reflect that 'there, but for the grace of God, go I.' "

The Baltimore Sun goes deeper into the question: "What matters is the set of circumstances that made this particular temptation possible: the time-salesman state of mind that allowed television networks to turn a blind eye to the use of their time on the air so long as they got a good price for sales which drives advertisers to seek the lowest common denominator of public appeal; the attitude of television producers who, with their eyes fixed on viewer ratings, do not scruple to slaughter truth on the altar of spectacle."

The following evaluation of the quiz show rigging, as given by *The Deseret News* of Salt Lake City, goes to the heart of the question: "Actually, he [Van Doren] personally is not so very important. For all his fame and shame, he is merely a small symbol of larger problems. His guilt is the symbol of a society in which the easy way, the get-something-for-nothing spirit, the shady deal becomes increasingly acceptable so long as a man can get away with it."

Anti-social conduct, corruption and crime, have been considered by social science as "a function of group life; but the extent thereof, the particular forms it takes and the nature of reaction it provokes are variables which are intimately dependent on the cultural status and the social organization of the group" (*Encyclopedia of the Social Sciences,* Macmillan, Vol. IV, p. 563).

In a private-profit-motivated culture which values all things in terms of the magnitude and the rate of private profit, corruption and crime in business activity assume proportions such as are reflected in the Kefauver Report and in the recent cases cited above. Under socialism, a culture in which the private profit motive has been formally abolished, corruption and criminal practices are incompatible with the normal transaction of economic and business operations. Relapses into corrupt and illegal practices in a socialist climate cannot expand much beyond the occasional sorry spectacle of the *tolkach* or petty-chiseling bureaucratic manager who in his eagerness to overfulfill the plan seeks artificially to keep output down—in order to secure a lower quota from the central planning organization for the following year.

A strict accounting system, and the fact that executives must consult with and submit reports to committees elected by all the workers on every phase of the operations of the enterprise, usually provide safeguards against such forms of corruption or criminal practices assuming too serious proportions. As the vocational and general cultural level of the workers rises, the opportunities for petty chiseling and peculation are reduced to a minimum.

Exposed offenders are pilloried in the community and by the public press, and those guilty are certainly not rewarded by high-paid jobs or by acceptance in society as respected members of the community. Those remnants of the spirit of private enterprise and private profit that have not yet been eliminated, far from making "the wheels of production go round," are an impediment. Such survivals are doomed to extinction by the perfection of the planning system, by improvement of the methods of control and accountability, and especially by means of continually increasing the direct effective participation of the workers in a consultative and supervisory capacity, in the management and operation of the enterprise.

Economic Growth: USA and USSR

It is the elimination of the private profit motive that has enabled the Soviet economic system to make unprecedently rapid progress despite the enormous difficulties it has had to overcome. Prior to World War I, in 1913, Russia ranked among the least developed industrialized countries of Europe. At present the Soviet Union ranks first in Europe and second in the world, after the United States. In a number of important products the Soviet Union has overtaken the United States. It ranks first in the world in the production of iron ore, coal, coke, ferro-concrete, tractors (in equivalents of 15 horse power units), lumber, woolen textiles, butter and housing. The rapid rate of growth of the Soviet economy made it possible to reduce the gap between its own industrial output and that of the United States.

In 1913 Russian industrial production was equal to only one-eighth (not quite 13 per cent) of that of the United States. In spite of the destruction wrought by the Civil War, intervention, embargo and two World Wars which inflicted greater destruction and more casualties on the USSR than on any other country, the industrial production of the Soviet Union, due to its more rapid rate of growth, by 1950 was equal to 30 per cent of that of the United States—an improvement by 140 per cent in its relative position.

By 1953 Soviet industrial output increased its relative level to 33 per cent of that of the United States, and by 1963 to about 65 per cent. During the latest five-year period the total output of Soviet industry grew by over 60 per cent, and on a per capita basis, by 48 per cent, while that of the United States increased by about 18 per cent, and on a per capita basis by 9 per cent.

How soon will the Soviet Union catch up with the United States? Estimates vary. That is inevitable since the ultimate result depends on many variables, including political factors affecting both domestic and world affairs. In any case, the realization of the rate of growth set by Soviet planners, as shown by experience, can reasonably be expected. However, the ratio of growth as between the two countries also depends on the unplanned, speculative, boom-and-bust advance of the United States that cannot be projected with any degree of accuracy. Soviet economists base their prognostications on a planned average growth of Soviet industrial production of about nine to ten per cent per year and on the assumption that U.S. industrial production will continue to grow at approximately the same average rate of about three per cent per year as it did during the post-war period.

On that basis, the Soviet Union could well catch up with and begin to surpass the level of U.S. industrial output perhaps by the end of this decade. Responsible U.S. economists, on the whole, have little quarrel with these general estimates. They do, however, urge and expect that the United States will take measures to bolster demand and speed up the economic growth of the country. An acceleration of American economic growth would naturally effect a change in the above prognostication, as would the undue persistence of certain difficulties in the Soviet economy.

There is one amazing exception to the above carefully weighed approach. We already had occasion to refer to Professor G. Warren Nutter's juggling with statistics that was severely criticized at meetings of the American Economic Association. But that has not reduced Nutter's popularity with those circles of the press and academic economists that are still trapped in the mire of cold war anti-Marxist preconceptions.

We just received a copy of *The New Science of Economics* by George Soule (Macmillan, 1964). This is a revised and expanded edition of his popular

Introduction to Economic Science published in 1948. We were surprised to find that Soule bases his entire discussion on the Soviet Union on the Nutter estimates without apparently ever having made an effort to check whether these estimates are supported even by the data contained in the detailed statistical tables included in Nutter's volume. Soule's book seems to be intended as a popular text both for students and the general public. According to the blurb on the dust jacket the 1948 edition of this book was sold in over half a million copies; it, therefore, can be more prejudicial to sound public discussion and understanding of Soviet reality than Nutter's more technical volume.

Soule repeats Nutter's assertion that, "The Soviet Union may never catch up" with the United States, and he proceeds to substantiate this forecast by citing Dr. Nutter's "homely illustration" as follows: "A son will get closer and closer percentage-wise to his father in age but will never catch up, despite the fact that every year his percentage increase in age exceeds his father's." Soule elaborates: "son at his eleventh birthday has added 10 per cent of his age at his tenth birthday. Father at his forty-first birthday has added only 2.5 per cent of his age at forty. Father will continue to be thirty years older than his son as long as both live."

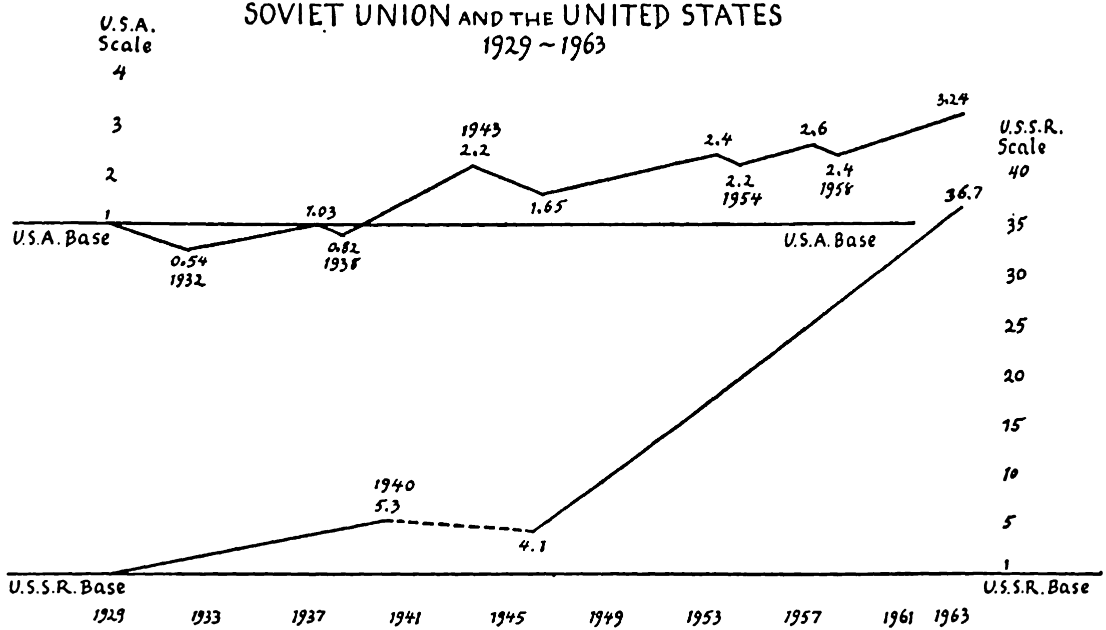
An elementary examination would show that barring economic illiteracy, such an illustration could be offered only in an area of public discussion that is still helplessly bogged in the morass of prefabricated anti-Marxist notions. In the case of the father and son, both the absolute increase in their ages and the percentage rate of that increase from year to year is predetermined. Each year the age of both father and son increases equally exactly by one year, no more and no less. The percentage rate of that increase is similarly predetermined, and that rate is bound to decline from year to year for both father and son in an exactly predetermined manner. Thus, from his first to his second birthday, the age of the son increases by one year which then is equal to 100 per cent; from his fifth to his sixth birthday his age again increases by exactly one year but the rate of that increase is now only 20 per cent; from his tenth to his eleventh birthday his absolute increase will again be exactly one year but the percentage rate declines to only 10 per cent; at his twenty-first birthday his increase from the preceding birthday will again be one year but the percentage rate will have declined to only five per cent, and so on. The age of the father, too, will increase annually exactly by one year and the corresponding percentage of that increase will keep on declining.

This equal annual increase and declining percentage rate, as stated above, are predetermined and cannot possibly be changed by any characteristic of father or son or by any activity or effort on their part. Whether one is a moron and the other a genius, and whatever course of activity or career father or son may follow, neither the absolute nor percentage rate of increase of their respective ages would or could be affected.

Nutter's illustration is thus nothing but a meaningless restatement of the immutable successive course of time, i.e. the year 1900 will always precede the year 1930 by 30 years, and anyone born in 1900 will accordingly for all time to come be 30 years older than anyone born in 1930. But that has no bearing whatever on the question under discussion. It does not throw any light on the relative fortunes or achievements of father and son. The son, notwithstanding his age lag, may still catch up and surpass his father in education, and become a professor while the father may never advance beyond the grade level. Similarly, in the field of politics the age lag will not prevent the son from reaching, say, the Presidency, while his father might still continue as a ward heeler, and so on.

The fact is that so far as the economics of the United States and the Soviet Union are concerned, nothing is predetermined and everything depends on the nature of their respective socio-economic systems. Both the absolute growth of the United States and its percentage rate are subject to great fluctuations, and in years of depression and recession the growth is negative and both GNP (gross national product) and industrial output decline rather than increase. In the Soviet Union, on the other hand, with the exception of the war years, industrial output has continued to increase from year to year (see Chart). While some relatively mild fluctuations have occurred, the rate of

GROWTH OF INDUSTRIAL PRODUCTION IN THE SOVIET UNION AND THE UNITED STATES 1929 ~ 1963



Soviet economic growth has never shown any declining tendency, as can be seen from the following data:

RATE OF GROWTH
OF SOVIET INDUSTRIAL PRODUCTION

Years	*Annual Average Rate*
1929 to 1960	*11.4%*
1929 to 1945	10.5%
1945 to 1960	12.4%
1953 to 1960	11.2%

We have dwelt at some length on the Nutter-Soule illustration because it reveals an attitude exposing the tendentiousness and statistical manipulations of the Nutter approach. He claims, for instance, that Soviet industrial production is equal to only 30% of the U.S. level, while the United Nations, in its compilation of world industrial production, estimates the Soviet output as equal approximately to 65% of that of the United States. Or, to take another example: in his article in *U.S. News & World Report* (March 1, 1957), Nutter stated that the Soviet coal industry in 1955 lagged behind the United States by 55 years. In his book (page 273) he reduces the lag for 1955 to 47 years and for 1958 to 44 years, but since 1960, according to his own table, Soviet coal production was greater than the peak U.S. output for any year up to that time.

So even the Nutter tables show that during a period of but two years the Soviet Union succeeded in overcoming a 44 years' backwardness to surpass U.S. production in coal. Similarly, according to the same tables, the Soviet cement industry in just five years, 1955–1960, has overcome a lag of 32 years to surpass the U.S. peak level. Any thoughtful reader, if not obsessed by anti-Marxist notions, is bound to ask: if the Soviet Union admittedly did overcome within two to five years decades of lagging behind in coal and cement, isn't it logical to assume that, in spite of Nutter's tendentious forecasts, it may similarly catch up with and surpass the United States in total industrial production?

While the optimum in the planning system has not been reached by far, while cadres are still inadequate in many respects, and here and there antisocial conduct still crops up, the socialist planning system of the Soviet Union has proved its efficacy and superiority beyond peradventure. During the first five years (1959–63) of the present Seven-Year Plan, fulfillment has exceeded the Plan; industrial production actually increased by 58 per cent against the planned increase of 51 per cent.

Breaking New Ground in Industry and Space

Significantly, Soviet science and industry are breaking new ground in developing a number of new and more efficient methods of production. "Soviet steel makers," says a staff reporter of the *Wall Street Journal,* Edmund K. Faltermayer (April 17, 1963), "apparently lead in building large automated blast furnaces to make iron. . . . The Russians also lead the U.S. in adopting the technique known as continuous casting. . . . This eliminates four steps from the standard steel-making process." According to press reports (*New York Times,* August 7, 1963), a leading American steel company has been negotiating in Moscow for the conclusion of a contract entitling it to the use of the Soviet continuous steel casting process which, it is said, can save the United States up to $8 a ton in making steel.

In 1950 the USSR produced about 30,000,000 tons of crude steel, less than a third of the 97,000,000 produced by the United States. In 1963 steel production in the Soviet Union increased to over 88,000,000 tons, over four-fifths of the U.S. total of 109,000,000. At present the Soviet Union is slowing down the rate of growth in the steel industry, putting greater emphasis on chemicals and some light consumption industries. But as Faltermayer points out in his article mentioned above, even a five per cent growth will send Soviet steel output ahead of American production in this decade. More significantly, the "unplanned" private enterprise steel monopolies of the United States are incapable of utilizing more than about two-thirds of the capacity of the steel industry, leaving a large proportion of machines and men idle, while the planned socialist economy of the USSR is working its steel industry, as well as all other industries, at full capacity, with no idle machines or unemployed workers.

A similar situation exists in petroleum, another very important basic industry. In 1950 the Soviet Union produced only 800,000 barrels a day, one-seventh (slightly over 14 per cent) of the U.S. level in that year. In 1962 the Soviet daily average oil production grew to 3.7 million barrels against 7.3 in the United States. During these 13 years Soviet oil output increased more than four and a half times while U.S. output doubled. In this field, too, Soviet oil engineers have perfected some drilling equipment which American companies have sought to acquire.

In housing, the Soviet Union since 1957 outstripped all capitalist countries including the United States. In 1962 the Soviet Union built 11.7 new housing units per each 1,000 of its population, while Switzerland produced 10.2 units per 1,000 people, Germany 10 units and the United States 7.3 units. Here, again, the Soviet Union perfected improved methods of construction.

Soviet production of prefabricated panels and fully equipped rooms for housing and the assembly of fully equipped apartment houses from prefabricated units have attained record levels. During our recent visit to the Soviet Union my wife and I had the opportunity to observe the springing up of entire new districts of such apartment houses in several urban centers. Prefabricated room after prefabricated room was lifted by cranes and put into place while we watched, and completed apartments were emerging as if at the touch of a magician's wand.

Let there be no misunderstanding. Despite the high rate of construction, the housing shortage, due to the indescribable destruction during World War II, is still very great. During the four years (1959–1962) of the 7-Year Plan, 50 million people were supplied with newly built apartments and an additional 20 million with renovated housing units, but many more millions have still to be provided with adequate housing. However, taking into consideration the rapid and increasing rate of construction, there is no longer any doubt that the plan for providing separate decent apartments for every Soviet family will be fulfilled, and in all probability before the date prescribed by the plan.

It should be added that the extremely accelerated tempo of the construction did adversely affect its quality. However, in the opinion of this observer, the standards achieved are superior to those of many private popular housing developments in this country. The Soviet building organizations, subject as they are to strict public accountability (the public including the occupants of the housing) have had to and did take measures to correct and eliminate building deficiencies.

The first triumph of mankind in the conquest of space was achieved by the Soviet Union in 1957. It was followed by the first manned spaceship, piloted by Yuri Gagarin in April 1961, and the second in August 1961 with German Titov who completed 17½ orbits. In the last two years the attention of the entire world was focused on the two "Celestial Brothers," Nikolaev and Popovich who, in August 1962, in a simultaneous group flight in adjacent orbits, kept in touch with each other in space by sight and radio for days at a time; the world's first space flight by a woman, Valentina Tereshkova, in June 1963, and her rendezvous in space with Valery Bykovsky whose spaceship was launched two days earlier; their appearance at various times on TV screens by "live" telecast during which Bykovsky was seen floating freely in his cabin, confirmed their ability to unstrap themselves from their form-fitting padded couches. Finally, came the orbiting, on November 1, 1963, of the first maneuverable unmanned space vehicle, *Polyot* I, which by radio-signal orders from the ground was guided into repeatedly changing speed and direction, and was also made to change the orbital angle of inclination to the equatorial plane. This triumph freed the Soviet astronaut from being a prisoner of the spaceship and put him in full command of it.

As this manuscript was about to go to press, the Soviet Union recorded another "first" in the conquest of space. On October 12, 1964, on the eve of the celebration of the 47th anniversary of the October Revolution, the first *multi-manned* space ship *Voskhod* (Sunrise) was orbited. Besides the pilot commander, Col. Vladimir Komarov, there were aboard the *Voskhod* a scientist, Konstantine Feoktistov, and a physician, Dr. Boris Yegorov. In addition to being multi-manned, this flight was distinguished by two other "firsts": the three cosmonauts were dressed in *ordinary clothes* rather than in the special pressurized space costumes; they also were *not strapped* to their seats and moved about freely in the space ship. "The cosmonauts boarded a ship [the *Voskhod*], in 24 hours orbited the globe 16 times, and landed on the ground as if in a conventional passenger plane." (Official statement.)

Almost a year earlier, on January 28, 1963, Vice-President (now President) Johnson told Congress that, "at year's end they (the Soviets) were still ahead in the size and total weights placed into orbit, in the thrust of their operational rocket engines and in the development of the art of rendezvousing in space." Now, it must be added, the Soviet Union is also ahead in the first maneuverable and multi-manned space satellite.

These great achievements should suffice to put an end to the preconceived notion of the anti-Marxists that the abolition of the private profit motive must lead to a retardation, and even paralysis, in the development of individual talents.

Soviet triumphs in space are not, and cannot be represented, as a case of special concentration on this particular objective—and therefore not characteristic of the economy as a whole. The construction and orbiting of satellites depends on the cooperation of most of the major industries—engineering, electronics, metals, ceramics—and technological innovations such as complex mechanization and automation, as well as the major sciences of biology, medicine, astronomy and mathematics. Achievements in space in a very direct manner represent the general level of the development of science, industry and individual talents. The fact that the capitalist world, including the United States, still lags behind the Soviet Union in the conquest of space, tends to show that the abolition of the private profit motive, far from obstructing the development of individual talent, greatly stimulates such development.

The anti-Marxist thesis that in the West the profit motive is a powerful force in stimulating individual talent to capacity is one of the concepts of the classical school of economics which, with certain limitations, was true for pre-monopolist capitalist society, when the capitalist owner personally controlled and managed his enterprise. But this proposition has no application to the corporate (monopoly) system. Multi-millionaire stockholders have no mission or function to perform in the enterprises they own or control. The profit they get in the form of dividends is compensation for mere ownership, and it cannot possibly serve as a force to stimulate the development of their individual talents. The profit motive is increasingly becoming a force for retarding economic growth and stultifying the development of socially useful talents.

Mounting profit, more often than not, stimulates indulgence in wasteful luxuries, spiced by call girls, and in capricious and corrupting philanthropy of "benevolent" feudal lords of monopoly capitalism. Even the talented "technically trained men who supply skill, ideas, and research" to monopoly capitalism "have to do their work and make their individual decisions within a bureaucratic framework which evokes only a limited initiative and a diminishing daring and accents the less admirable qualities of manipulation and success." Max Lerner, one of the most devoted eulogizers of present-day American civilization, finds in *America as a Civilization* that, "this becomes clear when you compare even the most generous big corporation with the typical exciting story of earlier business enterprise—that of the obscure man with an idea who throws his whole life into making a product, carves out a small business until it makes its mark and becomes nationally known, and has the satisfaction of constructive achievement."

The age of pre-monopoly business enterprise and its economic categories is past. Any attempt to use those categories as a yardstick for contrasting Soviet socialist economy with present-day monopoly capitalism is an exercise in misleading illusions and futility.

Use of Capitalist Techniques

Entrapped in its own wishful preconceptions, anti-Marxism seems unable to escape from lapses into shabby journalism. Consider for instance the two following passages of Crankshaw's article in the *New York Times Magazine:* "Khrushchev knows all about this and frequently condemns it, but the *tolkach* continues to flourish. . . . Khrushchev also knows the other side of the story" that "the guiding hand of the planning is often a dead hand." Is not this passage meant to convey the false impression that the magnified and distorted story about the alleged flourishing of the *tolkach*—and his presumed importance as a corrective to the "guiding dead hand" of planning—is somehow vouched for (directly or indirectly) by Khrushchev himself. In the same vein, in another passage, we are told that "in the Soviet Union Khrushchev goes about saying that Russia must learn from the capitalists. He also stimulates discussions on how to incorporate some of the advantages of the market economy, above all the profit motive, into an economic system which officially forbids free enterprise and is centrally controlled." Without as much as a by your leave, Khrushchev is dragged in to bear false witness against the socio-economic system of which he was the titular head!

Naturally, Soviet planners have no objection to whatever effective techniques may have been developed by capitalism, especially in the rationalization and improved accounting systems of the individual enterprise, and they are always ready to adapt such techniques to the socialist mode of production.* But they have no use whatever for

* Lenin, in an article on "The Immediate Tasks of the Soviet Government," published in *Izvestia* on April 28, 1918, said: "The Soviet Republic must at all costs adopt all that is valuable

"private enterprise" or the "private profit motive."

The private profit motive is not merely formally prohibited, it is totally and irrevocably rejected by the Soviet socialist economy. The question of "profit," if and when it is discussed by Soviet economists, is only as an accounting technique applicable to the individual enterprise, with a view to measuring how effectively it is operated. This has nothing in common with the profit motive of capitalist society, the motive of making a profit for the investor, or for the private owner of the means of production. In Khrushchev's words at the plenary session of the Central Committee of the CPSU on November 19, 1962:

"In capitalist production profit is the purpose of production, the major stimulus of its development. In the Socialist economic system the main purpose is to satisfy the wants of the society. Our industry turns out production not in order to make a profit, but because it is needed for the society as a whole.

"The case is different with regard to the individual enterprise. In this case the question concerning *profit* is of importance, as an *economic indicator* of the effectiveness of its work—does it work at a loss or does it bring a profit, does it use up social resources or does it multiply them." (Italics added.)

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in the achievements of science and technology in this field. The possibility of building socialism will be determined by our success in combining the Soviet organization of administration with the modern achievements of capitalism." Lenin, *Selected Works*, International Publishers, 1943, v. VII, pp. 332–33.)

The State as "Exploiter"

We may now return to the scoffing allegation that, "In the Soviet Union there is only one permitted exploiter, and that is the state." This is a gratuitous stricture; it is another anti-Marxist preconception seeking to apply a capitalist yardstick to a socialist state.

The major function of the capitalist state, however formally democratic it may be, is to protect and safeguard private property—primarily the private property of the owners of the means and facilities of production, which includes the right of these owners or capitalists, whether active or passive, to make a profit. Thus, by its very nature and constitution, the capitalist state is an instrument of exploitation.

By contrast, the purpose and function of the socialist state, from its inception, is to destroy the very foundation of exploitation, namely, private property in land and other means and facilities of production. In June 1919, only a short while after the Soviet socialist state was launched, Lenin defined its task in the following terms: "It is clear that for the complete abolition of classes it is necessary not only to overthrow the exploiters, the landowners and the capitalists, not only to abrogate *their* property rights, it is also necessary to abrogate *all* forms of private property in the means of production, it is necessary to abolish both the difference between town and country and the difference between people of physical and mental labor" (*Works*, 4th Russian Edition, Vol. 29, p. 389).

When nobody can build up a private fortune for himself, his family and his heirs; when the very concept of private property and private profit is not only formally outlawed but is also socially ostracized; when all income-producing facilities are owned by the nation as a whole; when no one can get any income except in return for work he has put in; when the income of everyone is determined by the quantity and quality of the work he performs—under such conditions it is absurd to speak of exploitation by the state. Whatever inequalities still exist in the first stage of communism, or under socialism, the socialist state by its very nature and constitution is the instrument for their elimination and, as shown above, tangible progress in that direction has been made by the Soviet Union.

Anti-Marxist literature has at times maintained that the socialist state created a new type of exploiting class—the communist elite which presumably lives on the fat of the land at the expense of the exploited workers. But this contention is utterly untenable both in theory and as a matter of fact.

An elite is usually a small minority whose privileges, generally based on constitutional law, are hereditary, passing from generation to generation. In the United States there are various estimates of the number belonging to the elite: 60 families, 200 families, 2,000 families—but, according to all estimates, it consists of an insignificant fraction of the population, the billionaires and multi-millionaires who own the means and facilities of production and whose property passes from one generation to another. Sometimes, members of the civil and military bureaucracy are included in this elite. However, it is admitted that all such elements of the bureaucracy are nothing more than the brilliant servants of the super-rich propertied class.

But the Soviet elite, the Communist Party, has more than 10,000,000 members, and the Young Communist League (age 14 to 26) about 20,000,000 (as of January 1, 1961). If we eliminate the younger members of the Young Communist League (say, the 14 to 18-year olds) the total may be reduced to something like 25,000,000. The total labor force of the Soviet Union (as of January 15, 1959) numbered 99.1 million people. The Soviet elite, accordingly, comprises some 25 per cent of the total population engaged in any economic activity, physical or mental. And eligibility to the ranks of this elite is based not on property, not on hereditary privilege, but on service, cultural achievement and dedication.

During the 30-month period between the 21st and 22nd Congresses over 2,500,000 new members were added to the ranks of the party. Of that number almost 41 per cent were factory workers, nearly 23 per cent collective farmers, over 35 per cent office and professional workers and one per cent students. Two-thirds of the office and professional workers consisted of engineers, technicians, agronomists, livestock-breeding experts and other specialists engaged directly in production. As reported to the 22nd Congress, "over 70 per cent of all party members and candidates are today engaged in the sphere of material production."

The program of the Communist Party adopted by the 22nd Congress in October 1961 provides that, "The affairs of state should be so organized that the paid state apparatus should be reduced and that ever broader masses of the people should learn to take part in the administration [of the affairs of the state] and that work in the government apparatus eventually ceases to constitute a separate profession."

The Next Stage

With the profit motive eliminated as an important social factor and with the more complete identification of the state and its apparatus with the people as a whole, the moral sense of the community is bound to rise to a much higher level. Not only will all vestiges of jobbery and petty chiseling be eliminated, but the survival of habits of seeking to gain some personal advantage in whatever form is bound gradually to disappear.

Professor Jan Tinbergen, head of the Netherlands Economic Institute which, according to *Business Week* (December 8, 1962), has become "the kind of mecca for itinerant American economists that Britain and Sweden were in the Keynesian era," admits that, "They [the Communist regimes] have shown that it is possible to operate industries without private ownership of the means of production," and that, "They have eliminated some of the senseless materialism of the West and in their countries there seems to be more awareness of the need to give a meaning to life than in many Western circles" (*Lessons from the Past,* Elsevier, 1963).

The Resolution of the 22nd Congress instructed the Central Committee to mobilize all the resources of the country for the implementation of the program. Among the major tasks the Resolution emphasizes, the following deal with the subject under review:

—to secure a continuous rise in the standard of living of the people, including the further shortening of the hours of labor and the work week.

—to develop and perfect the socialist social relations: to consolidate the national and kolkhoz forms of socialist property; to combine correctly the material and moral incentives to work; to widen the participation of the masses of the people in the administration of all the affairs of the country; to strengthen the friendship among the various peoples; to support by all means the aspiration of the Soviet people to work and live in a Communist way.

"*To create the material-technical base for communism, to mold man for a communist society—these are the most important tasks the party faces* *in the sphere of domestic policy during the period of the intensified construction of communism.*" (Emphasis in the original)

The party program, as adopted by the 22nd Congress, declares (p. 13):

"The supreme goal of the Party is to build a communist society, on whose banner will be inscribed: 'From each according to his ability, to each according to his needs.' The Party's motto, 'Everything for the sake of man, for the benefit of man,' will be put into effect in full."

And that is what communism in the Soviet Union is about.

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