

Ten Theses on the Social and Economic Laws Governing the Society Transitional Between Capitalism and Socialism

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1. Every socio-economic formation is characterized by a particular set of relations of production. This applies not only to the great historical periods of human history, called modes of production (primitive communism, slave-owning society, the ancient Asiatic mode of production, feudalism, capitalism, communism), but to each particular social formation, in each phase of its development. To deny that a particular social formation has production relations specific to it would be to deny a basic principle of historical materialism.

In the famous passage of the “Preface” to the *Critique of Political Economy* in which Karl Marx gives the basic definition of historical materialism, he does not say that it is only in each mode of production that men enter into particular relations of production. He says, on the contrary, that “*in the social production of their life men enter into definite relations that are indispensable and independent of their will, relations of production which correspond to a definite stage of development of their material productive forces*” (*MEW*, Vol.13, p.8, Berlin 1961). [1 From the point of view of historical materialism there can be no society without specific relations of production. That would amount to a society without social production. Thus, from the standpoint of historical materialism, the first step in understanding *any* social formation, including a transitional society, and, therefore, including also the society transitional between capitalism and socialism, is to reach an analysis of the relations of production which prevail in it and determine it.

2. The decisive *difference* between one of the historically progressive modes of production, one of the great “progressive epochs of the economic formation of society” (Marx), and a transitional society, lies in the different degree of *structural* stability, or fixity, of the existing relations of production. The difference does not lie in a mode of production having specific relations of production and a transitional society lacking them. The same applies to the transitional society between capitalism and socialism as it formerly applied to the transitional epoch between the slave-owning regime and feudalism (the 4th to 7th centuries in Western and Southern Europe), and to the transitional society between feudalism and capitalism (15th to 17th centuries in the Low Countries, the North Italian cities, and England). All these are cases of not yet fully “established social systems”, to use Walter Ulbricht’s mistaken formula. To return to the old system remains just as possible as the advance to the new one. The victory of the new, higher mode of production is *not yet economically safeguarded*. It is only politically and socially *facilitated*.

This becomes especially clear if one looks at the development of the capitalist mode of production. The first great bourgeois revolutions of the 16th and 17th centuries broke the political and social class power of the feudal nobility, which was the chief hindrance to the appearance and growth of capitalism. They did not, however, ensure direct exercise of power by the bourgeoisie. Far less did they ensure the final and definitive breakthrough of the capitalist *mode* of production as a predominant one. That did not take place until the industrial revolution unfolded all its results. In order to have prevented the victory of the capitalist mode of production, the power of the feudal nobility would have had to have been restored. But to ensure the final establishment of the capitalist

mode of production, it was necessary but not sufficient to smash this class power. The reason for this is that the prevailing relations of production in that transitional period were *not* those of capitalism (i.e. the relations of capital *and* wage labour in the production process), nor those of feudalism (serf labour, feudal rent, guilds), but those of *simple commodity production*, as a transition from feudalism to capitalism.

The transitional society is characterized by *specific* relations of production. These are not simply a combination of the old mode of production which is to be overcome and the new one which is gradually developing. Thus the production relations characterising the society transitional from feudalism to capitalism were not a “combination” of feudal and capitalist modes of production, but the relations peculiar to this epoch: relations of simple commodity production. The mass of producers consisted neither of villeins nor of wage labourers, but of free farmers and free manual workers, producing with their own means of production. Such production relations are different from both those of feudalism and those of capitalism. They are a result of *the dissolution of feudalism before capitalism could fully develop* in the sphere of production (capital “rules”, but in areas outside production, such as banking and merchant capital).

One could make a similar analysis for the transitional epoch from slave-owning society to feudalism, say from Diocletian’s reforms to the final subjection of the formerly free German settlers and colonists in the western Roman area of rule. This is not the place to work out the parallel in detail. But there is an analogy to be found in the specific development of that transitional society. The political and social power of the slave-owning class is broken. Slave labour is on the decline in the production process. But between prevalent slave labour and prevalent serf labour there intervenes an intermediate phase of semi-free and free peasant labour linked with the emancipation of slaves, which exists while slave production is dissolving to make possible the full development of feudalism. [1]

The problem of the society transitional between capitalism and socialism must be treated according to the same method. The collapse of bourgeois class society (and of the bourgeois state), and the setting up of the dictatorship of the proletariat, create only the *possibility* of constructing a socialist and then a communist society. They do not ensure this automatically. Consciousness plays a considerably greater part in the socialist revolution, and in the process of constructing a socialist social order, than it did in the development of any earlier historical mode of production. Nevertheless, even here analysis cannot simply abstract from the existing production relations. It cannot regard them as immaterial, as insignificant for the further development of the society, or as secondary in comparison with the factors of “political leadership” and “prevailing consciousness”. To do this is to retreat from historical materialism into historical idealism, and turn Marxism upon its head into a hypothesis based on the assumption that social consciousness determines social being and not vice versa.

3. At present, we are unable to analyse the production relations specific to the society transitional from capitalism to socialism in an exact way, because we as yet lack the decisive historical material. At this point, we are faced with a similar difficulty as if we were trying to explain simple commodity production on the basis of the economic relations of the cities of Venice or Florence in the 14th century, or the economy of the capitalist mode of production on the basis of the manufacture production in the Low Countries in the 16th century.

All the “models” that we have of the society transitional between capitalism and socialism are characterised by the relative *immaturity* of their production relations, as are the historical comparative cases of simple commodity production and of capitalism mentioned above. The history of the social sciences for half a century has emphatically confirmed Marx’s assertion that only when the abstraction from the concrete form of labour extended into practice, could economic theory

develop a “pure” labour theory of value Marx: *“Introduction” to the Grundrisse*, p.24-25, Berlin, 1953). [2 Only when we have had actual experience of a mature transitional society between capitalism and socialism will a “pure” socio-economic theory of such a society be possible. What we have experienced hitherto - from the USSR through Yugoslavia to China and Cuba - are transitional societies in conditions of socio-economic underdevelopment (with an insufficient degree of development of the productive forces), which therefore show, in various ways, severe or extreme forms of bureaucratic deformation and degeneration. It is, therefore, at least possible, if not probable, that what today seem to be “general” features of this transitional society are in reality peculiarities having less to do with the internal logic of such a society than with the conditions of socio-economic underdevelopment.

These ideas are relevant to the debate on the social structure of the Soviet Union which has been going on for more than half a century. The historical possibility, or justification, of the socialist October revolution can only be correctly estimated on an international scale. That revolution was historically necessary because *the world had been “ripe” for socialist revolution* since the height of the imperialist age (since the inclusion of China in the imperialist world market), and because the continuance of the rule of the possessing classes in Russia would have meant the continuance of its integration into the international imperialist system (with all the consequences of that as we know them from the cases of Turkey, Persia, Greece, Spain, Portugal, Brazil and India). However, the forces of production in Russia were not sufficiently developed at the national level to make possible the development of a “mature” transitional society between capitalism and socialism, i.e. one in which production is controlled by the associated producers. The isolation of the October revolution in an economically underdeveloped country (with the resulting compulsion to “primitive socialist accumulation”) thereby produced a whole series of distortions from a more mature model of transitional society which were enormously increased by the peculiar development of the subjective factor (the self-identification of the Communist Party of the Soviet Union with the Soviet bureaucracy, the bureaucratization of the party, Stalinism, etc.).

But the alternative must be seen on both sides. It is a mistake to conclude from these distortions that, even though the economy of the USSR has not been reabsorbed by the imperialist world market and its economic development is still not regulated by the law of value, nevertheless capitalism has already been restored there. The mistake lies in a failure to recognise the historical significance of the October revolution, and to construct, instead of a *dialectic* between productive forces and production relations, a *mechanical identity* of both. There then follows an argument after the pattern: “On the basis of the productive forces which exist (then and now!) in the USSR, only capitalism was and is possible”, without going through an exact scientific analysis of the prevailing relations of production. An error essentially identical to this was committed in succession by the Russian Mensheviks, Western European social-democratic Marxists such as Otto Bauer, the adherents of the state capitalism theory who broke with Trotskyist and other oppositional communist movements, and lately the Bettelheim school among the Maoists.

4. To the extent that one can discover general laws for the existing societies in transition between capitalism and socialism, which are characterised by extreme bureaucratic deformation or degeneration, they would have to be formulated more or less as follows:

After the abolition of private ownership of the means of production and the transition to a socialized, planned economy, and given a certain level in the development of the productive forces, the spontaneous distribution of economic resources among the various branches of production through the law of value (i.e. by deviations from the average rate of profit and by subsequent corrections through inflow and outflow of capital, or economic resources, into and out of these branches) can be superseded. Conscious distribution of economic resources through the plan is now the decisive characteristic of the new production relations. On the other hand, however, exchange value cannot

be fully suppressed all at once. The commodity – money relationships survive in the first place because the distribution of the producers' share in the given consumption fund by means of a general equivalent remains indispensable. This then makes the consumer goods retain the *form* of commodities with all the corresponding consequences. [2]

This commodity form of consumer goods reacts in its turn both economically and socially on the production relations. *The economic order of the society transitional between capitalism and socialism is therefore governed by the conflict of two antagonistic economic logics: the logic of the plan and the logic of the market* (distribution of the economic resources according to priorities consciously set by the society, or distribution of these resources according to objective market laws which hold sway behind the backs of the producers). The two sets of laws evidently correspond to two class interests which are in the broadest historical sense antagonistic: the first, the interest of the proletariat, and the second the interests of the bourgeoisie and of the classes and strata working on the basis of private enterprise and private profit.

The main driving force tending to put through the planning principle (which in the last analysis can only fully conquer under the democratic rule of associated producers, as Marx formulated it) is the proletariat's interest in a maximum economy of the work effort, with a simultaneous increase of self-realisation of its *human* needs. [3] The main driving forces tending to the triumph of the law of value are the insufficient level of development of the productive forces (i.e. widespread shortage), the pressure of the capitalist world market, the reactions of the commodity-money relationships on the total organisation of the economy, the consequences of the social inequality connected therewith for the consciousness of the proletariat on the one hand, and the petty-bourgeois intelligentsia and the bureaucracy on the other hand, etc. *The production relations specific to the transitional society are thus a hybrid combination of essentially non-capitalist economic planning and the elements of commodity production (with their drive towards private appropriation and private enrichment)* which arise from the basically still bourgeois distribution relations. This combination is specific to this social formation and can be reduced neither to regulation of the economy by the law of value (capitalism) nor to regulation of the economy by associated producers under conditions of a withering away of commodity-money relations (socialism). It marks the historical transition from the first social formation to the second, the result of the suppression of capitalism before socialism can fully mature.

5. Charles Bettelheim has put forward the thesis (subsequent to a formulation by Nico Poulantzas [4]), that the *technical integration* of the enterprises is not yet possible in the USSR and the other "socialist" states, that this is the reason why the commodity-money relationships survive there, and that, therefore, these relations, though not an unimportant factor for the determination of the class nature and the exact production relations of the transitional society, are in no way the decisive factor for this determination. This thesis is based on a misunderstanding of the Marxist category of production relations, i.e. on their *impermissible reification*. Production relations are never simply "technical". They are not simply relations between men and things, but are always social relations *between men*. The assertion that without "complete technical integration of all enterprises", the immediately and directly social character of labour cannot be realised, amounts to putting the reified appearance of bourgeois relations in the place of their social reality. [5] If labour under capitalism does not have an immediately social character, this is not because of a lack of "technical" integration between enterprises. It is because there is private ownership of the means of production; because there is private power of disposal over economic resources by productive units which are independently active and compete with one another; because of the private character of firms and of labour.

Certainly, the overcoming of this private character of labour is also linked to a particular stage of development of the productive forces. By reason of their low technical standard, very small

enterprises cannot be socialised efficiently. But in capitalist industry, the objective degree of socialisation is without doubt sufficiently developed for efficient control of production by associated producers. Marx and Engels held this view as long as a hundred years ago, when the degree of objective socialisation of labour in the West was far below its present state in the USSR. The assertion that present day big industry is insufficiently “technically integrated” to guarantee a directly social character of labour, and that the survival of the commodity-money relationships corresponds to this “technical compulsion”, amounts to questioning the objective possibility of socialist revolution and the construction of a socialist society altogether.

If the private ownership of the means of production is overcome, and the economic resources are distributed by a plan on a national (and tomorrow an international) scale, then *the immediately social character of the labour employed in the various units of production under these social relations of production is made possible by fiat* of the proletariat’s power. The existence of different levels of productivity of labour in the various production units does not change this possibility in any way. The differing productivity of labour in modern industry is only to a vanishingly small degree a function of differing individual or collective levels of work effort (work load) by the producers, and is to a much larger extent an expression of differing production techniques, of differing material means of production put at the disposal of those units. Since it is, however, *society that distributes* these means of production among those units, it is not evident at all why the workers of the under-equipped units should be punished for the society’s decision by a reduction of their income. If, however, all living labour is measured by its quantitative input only (reducing the skilled labour to simple labour by the use of a set of coefficients) and rewarded irrespective of the different labour productivity of the different productive units in which it is performed, this then expresses the social fact that it is directly recognized as social labour, and that it is not only after the sale of the products it has created (which would then be commodities), and depending on the yield of this sale, that it has this social character recognized fully, partially, or (if sale is not effected) not at all.

6. Bettelheim confuses the power to dispose of the means of production with “full appropriation of all produced goods”. The former concerns investment activities, i.e. the distribution of the economic resources available to society. The latter concerns the forms and degrees of direct acquisition and distribution of goods, which is admittedly connected with the former, but is in no way identical with it. In the USSR and the other Eastern bloc countries, the overwhelming majority of the major investment decisions are taken centrally and not at enterprise level. It is, therefore, false to assert that the social ownership of means of production as an economic category (as distinct from a purely formal and legal one) has already disappeared there. It would only disappear if investment took place at enterprise level, and if enterprises could freely buy and sell machines, according to their own profitability calculations. Incomplete social acquisition of all goods, which can certainly be combined with a socialist planned economy and social ownership of means of production, is not to be explained by a lack of technical integration of the enterprises. Its explanation lies in scarcity phenomena and the objective effects of the commodity-money relationships (which can also go on working in cases of perfect technical integration), and in the lack of social control, i.e. of actual political rule, by the mass of producers.

The fact that many products, contrary to the dictates of the plan, are hoarded and distributed on the black market, and in general escape the net of the planned economy, is made possible because production, distribution and plan are not under constant, open democratic control by the workers, organised in councils and exercising direct public supervision. The system of individual enterprise profitability, already introduced by Stalin (*khozraschot*), does not correspond to any “technological compulsion” or “insufficient technical integration of the enterprises”, but to a deliberate socio-political option. Because the relations between thousands of productive units no longer run via the market, and *because the rule of the privileged bureaucratic stratum is irreconcilable with conscious*

control, through planned democratic association of self-managing producers (democratic centralisation), the long way round must be taken via an ineffective and top-heavy administrative bureaucratic centralisation. And, in order to attain even a minimum of economic results such a system of management must necessarily rest on the foundation of individual enterprise profitability.

The institution and dogma of individual enterprise profitability are not objective results of the given state of development of the productive forces, but of a *social* state of affairs: the monopoly of management of the economy and of the state in the hands of a privileged upper stratum; the use of the maximization of private consumption interests of the management bureaucracy as the main motor for the realization of the plan. All these institutions, conditioned by special social interests, could be abolished within the given state of development of the productive forces, and be replaced by forms of organisation and management which correspond to the control of associated producers, producing directly and immediately recognized social labour. [6]

7. The thesis that capitalism has already been restored in the USSR and other countries of the Eastern bloc, is based on a complete revision of the Marxist concept of capitalism. The capitalist mode of production is based on generalised commodity production, which exists neither in the USSR nor in the other countries of the Eastern bloc. The fact that the official economic “science” of these countries characterises the existing economic order by the absurd formula of “socialist market economy” [7], is just as little proof of the existence of generalized commodity production as the fact that the official capitalist political economy proclaims the equality of all economic subjects under the capitalist market economy is a proof of the existence of such an equality. In both cases, these are obviously *ideological* theses, not the results of a scientific analysis or of a scientifically checked and proved hypothesis.

In fact, the mass of the big means of production in industry, transport, communications, trade, etc., has no commodity character. They cannot be freely bought and sold by the management units (productive units). Nor is their production and distribution the result of “private” decisions by the enterprises, but of central planning decisions; they are not products of “independently operating private labour” (Marx, *Das Kapital*, Vol.1, MEW, Vol.23, p.87), i.e. they are not commodities.

The consumer goods industrially produced according to the plan have a *commodity form* only in as much as they are produced for an anonymous market and must be exchanged against money. They do not have that form in the sense that they are products of private labour. Certainly, the degree of socialisation of labour in the consumer goods sector is smaller than in the producer goods sector. In order not to deviate from the *decisive* aspects of the production relations in the state sector, we have deliberately left out the problem of combining socialised planned economy with private or co-operative simple commodity production in agriculture and handicrafts, which without doubt complicates even further the hybrid combination of planning, bourgeois norms of distribution and (in the Eastern bloc countries) individual enterprise profitability.

The capitalist mode of production is characterized by particular laws of motion, which in no way determine the dynamics of the Soviet economy. None of these laws can be observed in the history of the USSR over the past fifty years: neither the falling rate of profit nor the to-and-fro flux of economic resources between the branches of production in accordance with the variations of the rate of profit in these branches, nor the periodic crises of overproduction, -laws of motion which are everywhere constantly confirmed in the whole history of the capitalist mode of production. Still more exactly: the thesis that capitalism] has recently been restored in the USSR after 1956 leads to the conclusion, ridiculous in terms of Marxism, that non-capitalist and capitalist societies could have *identical production relations*. For it is not hard to see that the production relations in the USSR have not changed in any important respect since 1930-32. It is incompatible with Marxism to assert that there was “socialism” in 1938 and 1949 under Stalin, but “capitalism” in 1958 under Krushchev

and in 1969 under Brezhnev, when there has been no change in production relations.

If it is asserted that “capitalist” production relations in the USSR can be deduced from the Soviet proletariat’s lack of power to dispose of the means of production, and from the management technique of Soviet enterprises, (the adoption of capitalist incentive and wage determination methods), then the following answer must be made:

1. All these characteristics have been present since the introduction of “one-man-management” into Soviet enterprises in 1930. They were at least as widespread under Stalin as they are today, if not more so.
2. It is impermissible to reduce capitalist production relations to hierarchical relationships *inside* the enterprise. Among the most fundamental of production relations are the relations that obtain between different enterprises, and between enterprises and labour. These relations are shaped quite differently by generalized commodity production, than they are in a socialised economy.
3. In the People’s Republic of China the same organisation, labour, and wage forms, are gradually being introduced into big industry. Supporters of the thesis that the introduction of these forms has restored capitalism in the USSR, if they are to be consistent, should therefore conclude that the same process of restoration is in full swing in the People’s Republic of China.
- 8.** In reality, the Maoist supporters of this old Menshevik thesis base themselves on an historical-idealist identification of production relations, state power, evaluation of the political “general line” and prevailing ideology. This is standing historical materialism on its head. Since the Maoists declare the revision of Marxism-Leninism in the USSR to be the expression of the triumph of a capitalist ideology, they assert that the “general line” of the state leadership in the USSR is that of a bourgeoisie; *therefore* the state is a bourgeois state, and *therefore* the economy is a capitalist one.

Historical materialism demands that the problem be defined in the opposite way. First of all the objective laws of motion of the Soviet economy, or the prevailing production relations and their dynamic, must be scientifically analysed. Then it must be clarified whether there is a capitalist mode of production and a ruling capitalist class. If there are no proofs for the existence either of a capitalist mode of production or of a ruling capitalist class, then the state cannot be a bourgeois state. If, on the basis of this socio-economic analysis, the state is recognized as a deformed workers’ state, - that is, the ruling bureaucracy is recognized as a privileged petty-bourgeois upper stratum of the proletariat and not as a new socially ruling class - then the ideological revisionism and the deviations of the “general line” from the Marxist-Leninist tradition (“deviations” which are obviously at least as evident in Stalin’s time as today) are disclosed not as the expression of a new class rule, but as the expression of the special interests of the bureaucracy and at most as results of objective pressure from social classes and strata which are under the influence of capitalism. To say that the Catholic church in France, after the 1815 restoration, won for its semi-feudal ideology a dominating ideological influence in society is not to say that feudalism was then restored in France as a social system. To say that the trade union bureaucracy is subject to the pressures of petty-bourgeois or sometimes even capitalist ideologies, is not to say that the trade unions are objectively no longer instruments of proletarian class struggle, but have become instruments of the capitalist employers.

If direct rule (exercise of power) by the associated producers is genuinely established, then the transition from first phase communism to communism itself may certainly take place in a gradual and evolutionary manner. But if such rule is not so established, as it is not in the USSR and other state forms similar to it, and if a hardened monopoly in the exercise of power has been formed in the hands of a privileged upper layer, then this must be corrected by a *political revolution* so that power can be established in, or returned to, the Soviets. This is a *political* revolution, because the basic

non-capitalist production relations are not overturned, but are allowed for the first time to develop fully. (This does not, of course, mean that the transition to the direct exercise of power by the associated producers would not bring with it great changes in the organisation of the economy, especially in enterprise management, in planning, in work organisation, in wage determination, etc.). On the other hand, a social counter-revolution would be unavoidable in order to re-establish a capitalist mode of production and bourgeois class rule in the USSR and the Eastern bloc countries. A gradual restoration of capitalism is excluded simply because the distribution of economic resources over the various branches of industry can be realised neither “simultaneously” through the plan and through the law of value, nor “a bit” through the plan and “a bit” through the law of value. The preconditions for the restoration of capitalism would be on the one hand a new capitalist class forming (there is no capitalism without a capitalist class), and on the other hand the destruction of the resistance of the working class to such a restoration. To assume that these preconditions are already given, is to proclaim one’s own class’s battle lost before it has even begun.

9. The weakness of the thesis of the restoration of capitalism in the USSR (including that of “state capitalism” [8])

Practice entirely corresponds to these provisional theoretical conclusions. One of the main conflicts, which, for decades, has characterized the Soviet society as a bureaucratically deformed [9] workers’ state, is precisely that between (1) *potential* optimization of economic growth and use of economic resources which flows from planning and expresses the conditions of production of socialized property, and (2) the actual *indifference* to such optimization by the individual bureaucrats, whose aims are only those of maximizing their own consumption. Since the economic resources are managed exclusively by the bureaucracy and since there is no broad democratic control of the management by the workers (this is impossible without broad socialist democracy in general), the economic growth remains permanently below the optimum, bringing huge losses or waste with it.

For forty years, the central state and party organs, as representatives of the collective interests of the bureaucracy, have been striving to overcome this contradiction, at least partly. That was the “rational” core both of the Stalinist terror and of the wage differences linked to the bonus system. This is the “rational” core of the Leiberman reforms of yesteryear. But the successive stages of the management reforms or of the management forms of the bureaucracy, are all proofs that optimization of the economy is excluded under bureaucratic management. Every reform of this kind merely replaces one category of contradiction and waste by another.

The fact that the consistent defence of the private interests of the bureaucrats collides with the immanent logic of the socialized planned economy, instead of being congruent with it, is the clearest proof that the bureaucracy is not a new ruling class. In every class society there is a congruence between the private interests of the ruling class and the immanent logic of the given mode of production (slave-owner interests consolidated the slave-owning society; the feudal nobility consolidated feudalism, by defending its own private interests; the capitalist class consolidates the capitalist mode of production, by trying to obtain profit maximization, etc.). The lack of a class ideology specific to the bureaucracy – the fact that it remains incapable of independent ideological production, and has to limit itself to “ideologizing” Marxism, which expresses the class interests of the proletariat, that is to revising and castrating it – is only the reflection of this basic state of affairs of the transitional society in the sphere of social superstructure.

There is, to be sure, an interesting parallel to this special position of the bureaucracy in the society transitional from capitalism to socialism; the position of the officials, the “mandarins”, in the old Asiatic mode of production, e.g. in China. But this parallel case confirms our characterization of the Soviet bureaucracy. The Chinese officials, just like the Soviet bureaucrats, owed their privileges exclusively to their position in the state apparatus and not to their property. Accordingly, they did

not form a possessing class. However, since they could not ensure their privileges without possession, they regularly strove towards the acquisition of property in land, so as to rise into the landed gentry. To the extent that they became landowners, they could no *longer fulfil* the main socio-economic function in the given mode of production - the assurance of agriculture reproduction against, among other things, the landed gentry. They undermined the existing social order and laid the groundwork for a violent peasant rising, which, in the course of a dynastic change, re-established the rights of the peasants, pressed back the gentry, and replaced the corrupt, self-seeking mandarins by officials devoted to the state and to the reproduction of the mode of production - until the cycle started again. Here too, the conflict between private interest and state or management function comes clearly to the fore, confirming that the Chinese officials were effective officials only as long as they did not form part of a possessing class, and could only become part of a possessing class by negating their official function.

The parallel with the Soviet bureaucracy, or with the bureaucracy in the Eastern bloc, can be carried still further. Without doubt there are forces within the bureaucracy which objectively press in the direction of a restoration of capitalism. The demand that more powers be given to the enterprise directors; the demand for the power to dismiss workers; the demand in the context of Leiberman reforms for the power to "negotiate" "free prices" for raw materials and manufactured goods; all these tendencies objectively correspond to a pressure towards putting the law of value back into command.

Can such a tendency of development, however, realise its logical conclusions in the context of state ownership of the means of production? This seems less than probable. Linking the income of the director to the "profit" of "his" enterprise, must lead as a logical consequence to a lasting link of the enterprise to the director, i.e. to the restoration of private ownership. High incomes from corruption (especially in foreign trade), the acquisition of bank accounts and property abroad, and the reappearance of a large private sector of the economy (especially in the service sector) with private exploitation of labour power, would be additional factors in such a development. They would all point towards a restoration of *classical private property*, which alone could guarantee the bureaucrats the security of a new ruling class, not at all towards some mythical "state capitalism" with a "state bourgeoisie".

In Yugoslavia, after the economic reforms of 1965, the tendencies in this direction were much further advanced than in the USSR, Hungary or Rumania. But, as we had predicted, what followed was their unavoidable *collision* with the planned economy, with social ownership of the means of production, with the elements of worker self-management which exist in Yugoslavia, and with the forces of the state and party bureaucracy which are linked to this mechanism. The working class, too, which in Yugoslavia is more independent than in the other Eastern bloc countries, actively intervened in this process, and clearly did so *against* the privileged and restorative groups. This confirms that a gradual restoration of capitalism "on the quiet" in the Eastern bloc is not possible, and that it is the living conflict of social forces, national and international, which will decide the outcome of this process.

10. Provided there is no privileged bureaucracy monopolizing power and management, or after such a monopoly has collapsed, a transitional society may grow into a socialist society. Such a growth requires in principle the simultaneous operation of six factors:

a. The growth of the productive forces, of the standards of living, qualifications and culture of the workers, which overcomes the objective conditions of the social division of labour between managers and managed, and which by a radical shortening of the working day, among other things, gives the immediate producers the material possibility of self-management in the state and the economy;

b. Worker self-management, which is not exclusively or mainly limited to enterprise level. An articulated worker self-management of general assemblies, workers' councils, and democratically elected local, regional, national and international congresses of workers' councils (with revocability of delegates, prescribed rotation, and large majorities guaranteed to members who are directly occupied in production); in which the associated producers freely plan production on the basis of various plan alternatives, determine priorities in the satisfaction of needs, and decide the extent of postponed consumption ("socialist accumulation").

c. Political council democracy with full political freedom within the framework of the socialist constitution, (freedom of organisation, including different political parties, freedom of the press, freedom of demonstration, right to strike, etc.) in order to guarantee in practice a democratic process in which to choose between plan alternatives, priorities and postponed consumption. With the present high degree of centralization of the productive forces (objective socialisation of labour), self-management which is limited to the enterprise or to the economic level does not allow the actual power of disposing of the social surplus product to lie in the hands of the workers, i.e. it does not permit any real deproletarianization process. This can come about only by the direct exercise of political and economic power by the working class. A democracy of workers' councils also means the beginning of the "withering away of the state", by handing over more and more spheres of administration to direct democracy -i.e. the immediate self-management of those concerned;

d. Development and deliberate furtherance of the withering away of the commodity-money relationship. A growing number of services and consumer goods will be distributed according to the principle of satisfaction of needs and not in exchange for money. The radical reduction of income differentials works in the same direction.

e. Development and deliberate furtherance of a continuous revolution in daily habits, morals, ideology and culture, by which means the tendencies of the individual "struggle for existence", of individual enrichment and egoism are systematically pressed back, and the driving forces of voluntary co-operation and solidarity are promoted, not by state pressure, but by persuasion, education, and, above all, by the altered social conditions, through example and experience in day today life;

f. Orientation towards, and furtherance of, the international development of the revolution, which alone in the last analysis is capable of creating the necessary preconditions for a successful conclusion to the process of constructing a socialist society, by extending the international division of labour and removing of the pressure from the surrounding capitalist world (including the compulsion to arm).

These processes cannot be looked at separately from each other. It is, above all, erroneous to take one or some of them and regard it or them as solely decisive. The basis of Khrushchev's revisionism was the conception that only the development of the productive forces was decisive, and that it would automatically create new production relations. Mao's revisionism rests on the assumption that political leadership and "cultural revolution" are decisive; it fails to realise that on the basis of an insufficient development of the productive forces, social reality as the main source of the education of the "socialist man" must remain ineffective. Growing productive forces with growing commodity-money relationships can in fact move a society farther from the socialist goal instead of bringing it closer. But increasing abolition of the commodity-money relationships without sufficient growth of the productive forces decays into rationalisation of scarcity, which in turn moves socialism farther off, both objectively and subjectively.

Worker self-management without the political democracy of workers' councils can, especially in combination with "socialist market economy", raise new objective and subjective barriers on the

road to socialism. But even worker self-management and political council democracy will not automatically produce a new attitude towards society and towards-work. Conscious intervention of the “subjective factor”, i.e. education and a permanent cultural revolution, are ‘indispensable for that. In order to be effective, however, these must be able to rest on a rapid growth of the productive forces, which can make possible in practice an extension of distribution according to the principle of satisfying need, and a withering away of the commodity-money relationships (without which the private sphere of enrichment and alienated labour cannot wither away).

We can summarize laws of the society transitional between capitalism and socialism by stating that, in the last analysis, it is a matter of creating the necessary economic, political, social and cultural preconditions for the withering away of commodity production, of money, of classes, and of the state, i.e. the construction of a classless society: “Socialism is the abolition of classes” (Lenin).

Ernest Mandel

Notes

1*. Marx and Engels, Selected Works, p.181 (Lawrence & Wishart, London, 1970).

2*. Karl Marx, The Grundrisse, pp.103-105. (Penguin Books, London, 1973).

3*. Marx and Engels, Selected Works, p.319 (Lawrence & Wishart, London, 1970).

P.S.

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Footnotes

[1] See on this inter alia, from a non-Marxist point of view, Bloch’s La Societe Feodale, and from the Marxist side, the discussion between the Soviet authors E.M. Shtaerman and S.I. Kovaliev. Friedrich Engels expressed the same viewpoint in the Origin of the Family, Private Property and the State.

[2] Among other things the consequence of unsaleability, of overproduction, of non-realisation of their exchange-value.

[3] We do not, of course, use the notorious Stalinist formula of the “unlimited rising need”, which in reality implies the impossibility of communism. One can formulate the law that from a particular stage of saturation and from a particular cultural level onward, the need for additional material goods rapidly declines, the needs grow more and more in the direction of self-realisation of the personality (i.e. the possibility of creative activity) and in the direction of further

development of social and human relationships.

[4] Nico Poulantzas distinguishes in his book *Pouvoir Politique et Classes Sociales* between technical and social relations of production.

[5] See inter alia Charles Bettelheim, *Calcul Economique et Formes de Proprieté* (Paris, Maspero), and also his correspondence with Paul M. Sweezy, *On the Transition to Socialism* (New York, Monthly Review Press).

[6] Contrary to the reproach which Bernard Jobie directs against us (*La revolution culturelle et la critique de l'economisme*, in *Critique de l'Economie Politique*, No.7-8, April, September, 1972), we in no way support the view that planned economy "by itself" implies socialist production relations. What we emphasize is rather the fact that planned economy represents production relations specific to the transitional phase from capitalism to socialism. - The rejection of the dogma of "individual enterprise profitability" does not entail a rejection of the most exact cost accounting. On the contrary: it is only when the accounting is separated from material income and consumption interests and placed under open, democratic social control, that it can develop objectively, irreproachably and completely. Workers' councils, which no longer have any kind of interest in the "hoarding" of supplies or in systematic under-evaluation of production capacities, because their income is no longer directly bound up with any sort of "plan fulfilment", will not practise such extravagances but will radically eliminate them because they imply additional work requirements, or additional postponed consumption, in which workers' councils can have no interest.

[7] Marx in his *Critique of the Gotha Programme* expressly emphasized that even in the first phase of communism, the phase of actual socialism, commodity production no longer occurs: "Within the co-operative society, based on common ownership of the means of production, the producers do not exchange their products; just as little does the labour employed on the products appear here as the value of these products, as a material quality possessed by them, since now, in contrast to capitalist society, individual labour no longer exists in an indirect fashion but directly as a component part of the total labour. The phrase "proceeds of labour", objectionable also today on account of its ambiguity, thus loses all meaning. What we have to deal with here is a communist society, not as it has developed on its own foundations, but, on the contrary, just as it emerges from capitalist society; which is thus in every respect, economically, morally and intellectually still stamped with the birth marks of the old society from whose womb it emerges". (MEW, Vol.19, p.19-20). [3]

[8] There are, to be sure, some representatives of the thesis that state capitalism prevails in the USSR who avoid the difficulty by asserting that "state capitalism" is a different mode of production from "private capitalism". They are, however, incapable of analysing any key laws of motion of this "mode of production".) can be seen most clearly in the inability of its representatives for over fifty years to set up any historically confirmed law of development for this peculiar "capitalism". The advantage of our analysis of the transitional society, on the other hand, is that it puts us in a position at least to sketch out some such laws of motion. Here the exact evaluation of the social nature of the bureaucracy, and its specific place in the production relations of the transitional society, play an important role.

The bureaucracy is neither in the juridical nor in the economic sense of the word the owner of the means of production. It cannot use the control over these means of production, which it monopolizes, for the acquisition of private property, nor for any other specific economic purpose outside the consumption sphere. Its privileges are limited to the extension or conservation of

advantages in income and direct acquisition in the consumer goods sector. The assertion that the “collective bureaucracy” represents the “principle” of investment maximization, or of the “maximum extortion of surplus value”, or of the “growth of production for production’s sake”, which would correspond in the Soviet economy to the “principle” of “capital accumulation”, is merely a mystification of the compulsion to accumulation peculiar to the capitalist class, and the capitalist mode of production. This compulsion does not flow directly from the material or technical conditions of big industry or of factory production, but from production relations peculiar to capitalism (and only capitalism).

It is private property, i.e. competition, that conditions the compulsion to reduce production costs, to extend production and technology, and to expand reproduction and accumulate capital. Marx expressly says that without competition, i.e. without “many capitals”, the growth in capitalism would become extinguished. Too low a level of unemployment, it is true, could also lead to a compulsion for capital to reduce employment by massive investments in fixed capital and rationalization, in order to increase the rate of surplus value. But in the absence of competition, this would be a unique occurrence, and once unemployment was restored, it would eventually lead back to relative stagnation. The Soviet bureaucracy cannot in any way be subject to a “compulsion” to accumulation since there is no capital competition there. Still less is the bureaucracy subject to any compulsion to a lasting reconstitution of the industrial reserve army. On the contrary, it “hoards” labour power and has hardly had any significant unemployment since the first Five Year Plan. Why it should be interested in “investment maximization”, therefore, remains a theoretical riddle. [[Many supporters of this thesis assert that “foreign competition” compels investment maximization. If this means competition in commodity production on the world market with the imperialist countries, this thesis is nonsense: such exchange of commodities involves less than 1% of the Soviet gross social product. How this is supposed to bring about a general compulsion to “investment maximization” remains obscure. If it is “military competition” that is meant, then the only objective compulsion would be more in the direction of growth optimization than in that of an “investment maximization”, which is both militarily, politically, and economically ineffective.

[9] After 1920, Lenin coined the formula that Soviet Russia was a bureaucratically deformed workers’ state.