

From the short “Soviet century” to Putin’s Russia: Breaks and reinsertions into the capitalist world-system

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The recurring celebration of the fall of the Berlin Wall is the ideological illumination of a beautiful tree that hides a darker forest. The real socio-economic and geopolitical turning point was German unification, whose historical significance was consolidated with the dismantling of the USSR of Gorbachev. This turning point of 1989-1991 ended the short “Soviet century” (in the words of Moshe Lewin). Far from being a “democratic revolution”, it had more the features of a social counter-revolution whose internal/ external actors hid their goals behind the screens of parliamentary “demo-dictatorships” without any real choice.

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Evoking Internal and external actors - in that order - means rejecting any theory of an international conspiracy, opposing the fatalism of a forced submission to the imperialist powers or the “world market”; but that does not imply any underestimation of the formidable international constraints and actors. Similarly, rejecting the thesis of “democratic revolutions” implies no complacency towards the one-party dictatorships ruling in the name of the workers, “organic” causes of the failure of “really existing socialism”. It means, on the contrary, not reducing it to the Gulag and the Wall, and measuring the reality of the impact of the short “Soviet century” on the international relationships of forces, as witnessed, in a contrary sense, after the “Soviet century” by the return of the “Capital of the twenty-first century” to inequality and mechanisms worthy of the nineteenth century, as Thomas Piketty has pointed out.

– “Really existing socialism”: an anti-capitalist world-system with its own contradictions

The revolutions of the twentieth century experienced specific scenarios and developments that cannot be treated here. But all were breaks with the capitalist “world -system” and the relationships of domination and dependency imposed by its imperialist “centres” in the (semi) peripheries [1]. The logic of “building socialism in one country”, by which the Kremlin sought to discipline the entire communist movement and revolutions, failed – as the resistance of the leaders of Titoist Yugoslav

and Maoist China, in particular, bore witness - without an end being put to bureaucratism, including in the new revolutions.

These revolutions were based on the broad mass of the poorest populations of the societies concerned, mobilized in social and national anti-imperialist wars, each victory in fact encouraging the others. Challenging the domination of capitalist private property and its logic of market profit as the motor force of investment, they made possible the subordination of economic choices to political choices; but these choices were “appropriated” by one-party states defending both their privileges and social and developmentist logics. The ruling parties in the countries of the “Soviet bloc” sought to reproduce the same socio-economic institutions and mechanisms, giving priority to a logic of national industrialization.

There were everywhere considerable differences between the regimes of “really existing socialism” and the ideals with which they identified, in particular during phases of great totalitarian violence, of which the Stalinization of the Soviet Union was the first example, with international consequences. Over and above the direct repression, these regimes established relations of bureaucratic exploitation and domination (of gender, nations, culture) in accordance with specific content and forms, combined with real social and cultural gains. The new regimes sought to base themselves on the workers of the industrial core of their system, by ensuring them forms of socialization and protection, particularly in large-scale enterprises, where there was distributed, via the official unions, a “social income” in kind (housing, day care centres, leisure centres and holidays, medical clinics, consumer goods). A strong “extensive” growth, highly protected from market mechanisms, ensured (bad) full employment of human and natural resources, as well as social gains presented as fundamental rights. All of this provided these regimes with popular bases, despite their repressive dimensions.

1989: internal/external factors of the turning point

On the internal level of “really existing Socialism” the fundamental contradiction was between the socialist aspirations nourished by the system and its bureaucratic reality. In the USSR and Eastern Europe [2], the attempts at partial reforms of the 1960s failed because they tried to improve the quality and the productivity of labour by market mechanisms: in so doing they entered into contradiction with the recognized rights to full employment and with an “egalitarianism” that challenged bureaucratic privileges, but also the widening of differentials by the market. The reforms were blocked, after the repression of protest movements; the 1970s was a decade of growth through an indebtedness that made possible a new openness to imports.

This gave birth to the first external factor of crisis: the debt in convertible currency, breaking with the autarchy that had dominated these systems up until then. At the beginning of the 1980s, this debt was increased by the rise in interest rates introduced by the Federal Reserve in the United States, putting for the first time some of these countries under pressure from creditors and from the IMF. Parallel to this, the USSR, after its intervention in Afghanistan in 1979, suffered the impact of the ultimate arms race launched by Ronald Reagan.

But these external pressures were not in themselves sufficient to make these countries capitalist societies. The “knots” articulated factors - and actors - that were both internal and external.

The choices made by Gorbachev had a major international expression: “disengagement” of the USSR with the aim of obtaining Western credits and the reduction of the weight of military spending, in order to promote internal reforms (“glasnost”/transparency and “perestroika”/economic reconstruction). The credits and technologies of West Germany, the possibility of withdrawing Soviet

troops, counted much more for Moscow than did the unpopular Honecker regime. Gorbachev aimed at the dismantling of the two military blocs of the Cold War (NATO and the Warsaw Pact) and the “peaceful coexistence” of systems in the framework of a European “common home”. Having come to negotiate with Kohl, he accepted the fall of the Wall. The United States pushed for the incorporation of united Germany in NATO. Gorbachev had to accept this established fact, against the promise that NATO would not extend beyond Germany.

None of this would be respected - whereas the Warsaw Pact was dissolved in 1991. But for the moment, it was the end of the USSR and its property system that was the obsession of the United States. The internal relay for these goals was Yeltsin. He organized the dismantling of the USSR by a negotiated agreement with the leaders of the Communist parties of Ukraine and Belarus in December 1991 - provoking the resignation of Gorbachev. Then he accelerated the process of generalized juridical privatization of enterprises (transformed into joint stock companies), which after the 1993 coup against a recalcitrant Duma took the form of “mass privatizations”: the free distribution of coupons to workers so that they could “buy” shares in enterprises was presented to them as a restitution of property resulting from their work, which had been usurped by the apparatuses of the Communist Party. This shows to what an extent the social counter-revolution did not announce its “capitalist” character. Although the “mass privatizations” (without input of capital) slowed down, in the immediate term, restructuring according to capitalist criteria, they avoided a dangerous confrontation with the workers concentrated in large enterprises: these enterprises, losing their productive substance, remained for a few years more and more formal places of employment, where wages were often not paid, but where products in kind associated with the job were still distributed. In parallel, the key sectors were appropriated, principally by the state and the oligarchs.

The fall of the Berlin Wall and the introduction of pluralism in the USSR itself produced a domino effect throughout Eastern Europe. Following Yeltsin’s example, much of the Communist “nomenklatura” chose the consolidation of its privileges and power through privatizations and a radical “anti-communism” calling itself “democratic” - that is to say, supporting the market, privatizations and political pluralism. This was all the less subversive since between the “Soviet normalization” against “socialism with a human face” in Czechoslovakia in 1968 and the coup of General Jaruzelski in Poland in 1980 against the Solidarity trade union and its project of a “self-managed republic”, any anti-bureaucratic dynamic based on socialist ideals had been suppressed.

The equation of the new liberal discourses seemed simple - “market + privatization = economic efficiency and freedom” - without the population knowing either what the “market” and the “privatizations” in question were, or what criteria of efficiency were going to be applied. Far from there being a “democratic” revolution, they had a social counter-revolution inflicted on them in the greatest opacity, marking a major and unexpected inflexion of the “European project”, which would in return exert a powerful influence on the transformations of the systems in Eastern Europe.

Impact of capitalist restoration in the east on European integration - and vice versa

The absorption of the GDR into the FRG was the first “enlargement” towards the East of the European Economic Community (EEC). For East Germans, it was a major social shock in terms of destruction of employment. But it was also expressed by the widening of the German budget deficit. The Bundesbank decided in 1991 to fund this deficit by attracting foreign capital through higher interest rates, which destabilized the official parities in écus of the various currencies of the European Monetary System (EMS). Speculative capital taking advantage of the lifting of exchange

controls (decided by the Single Act of 1986) provided the catalyst for the crisis of the EMS and the recession.

Faced with this crisis, Germany agreed to give up the deutschmark and to move towards a single currency that would eliminate speculation on the exchange rates. But it demanded rigid criteria to regulate the creation of money in the future currency, expressing its obsession with inflation and its distrust of the countries of the so-called “Club Med”. The Maastricht Treaty, establishing in 1992 the new European Union (EU), therefore incorporated these criteria: in particular the limitation of government deficits and the public debt of member states and the ban on central banks financing public deficits.

But the transition to the euro which was to take place at the beginning of the 2000s coincided with the choice of integrating “New Member States” (NMS) from Eastern Europe who were entitled to the “structural funds” of the European budget. The leaders of the united Germany, like those of France and other European countries, did not want to have to “pay” for other enlargements what had been spent on integrating the GDR and the southern European countries and Ireland. Whereas the gap in GDP per capita between the poorest and the richest state was from 1 to 4.9 when Spain and Portugal joined in 1986, it went from 1 to more than 20 with the arrival of Romania and Bulgaria in 2007. However, although the “cohesion” and structural funds were considerably increased in the first case, the EU budget for 2000-2007 was on the contrary limited to approximately one per cent of the GDP of the Union when it was “generously” decided to enlarge the Union to ten new member states in Eastern Europe during this phase.

It was therefore fundamentally private finance (through credit and foreign direct investment – FDI) in the context of free circulation of capital, that was supposed to ensure growth and “catching up”. Capitalist restoration was coming up against the extreme weakness of “national” capital. The liberalization of financial services from the late 1990s and the promises of accession to the EU created the conditions for absolute domination (of the order of 70 to 100 per cent) of the bank assets of all the candidate countries (except Slovenia) by the banks of Western Europe. Their massive credits in the 2003-2008 phase sustained growth rates ranging from 7 per cent to 12 per cent in the Baltic republics: after a massive drop in living standards, the credits came in response to the thirst to consume and to buy housing property by financial arrangements (not without housing bubbles) [3]

Overall, Eastern and Southeastern Europe (including the Yugoslavia of the 1990s and its wars) served as a vehicle for a transformation of “European construction” in a direction desired by the United States: the consolidation of NATO and its eastward expansion, through a Euro-Atlantic “organization” of the Balkans [4]. It was primarily the autonomisation of a European “power” that the United States wanted to counter. The accentuation of the “free trade” traits of the EU was going in the same direction. Against any “European social model”, it implied a radical process of putting workers in competition with each other.

Between semi-peripheralization and imperialist poles?

The process of negotiation for accession to the EU, long before the countries became new members, played a role similar to that of the negotiations with which the IMF imposed its “structural adjustment policies”.

Except that the EU is not the IMF. As happened in the countries of Southern Europe emerging from dictatorships, but as we have seen also in Ukraine, integration into the EU can (still) be seen as the way to escape from peripheralization and to join the “Europe of the rich” and of the rule of law - even though this power of attraction is declining with the crisis and the discovery of the reality of

the Union.

It is however necessary to distinguish different “spheres” between the Russian Federation and the EU, depending on geographical and historical proximity with these dominant poles and the projects they are concretely offering. Mistrust of the great power attitudes and behaviour of Russia were undeniable factors pushing some of the new bourgeoisies of Eastern Europe to adopt a zealous attitude of “comprador” bourgeoisies, subject to the policies and norms of the EU and NATO. This was the case of the Baltic republics, which had been forcibly incorporated into the USSR. They were, with the countries of Central and Eastern Europe (CEE) and the Balkans, the ones most directly in the commercial and financial orbit of the EU, especially when it confirmed for them the possibility of becoming members [5]

Excluded from such a horizon, the Asian republics have a specific place, marked by international energy issues and proximity to China. But they are the most directly solicited by the Eurasian Union projects of the Russian Federation (on the horizon of 2015), which aims to consolidate itself on two fronts, on the Chinese side and the EU side. Such a project aimed to draw in the six countries now bordering the EU and which are former Soviet republics [6]. These same six countries have been solicited by the EU since 2009 to join with it in an “Eastern Partnership” based on free trade (proposed especially by Poland), failing accession. These countries were placed (by both Russia and the EU) before an exclusive choice – which is an aberration when we know, for example, that the foreign trade of Ukraine is divided roughly between one third to the EU, another third to Russia/CIS, and the final third to the rest of the world. This is also a wrenching choice if it instrumentalises and revives internal conflicts in those countries: it is difficult to predict towards what “hybrid” or open wars they will degenerate.

What kind of integration of Russia into the capitalist world-system?

The 1990s were the decade of the dismantling of Russian power - despite the dirty war in Chechnya. The rent appropriated by the oligarchs was massively exported to tax havens in an economy that was in free fall in all sectors: its GDP in 1998 was still below the level of 1989, more than half of domestic trade was conducted through relations of barter: wages and taxes were not paid; the old forms of distribution in kind through large enterprises subsisted, while the oligarchs who dominated the oil industry were negotiating with the state for the exchange of their debts (in taxes) against shares held by the state and the maintenance of cheap rates for the distribution of energy to households.

Russia, weakened but integrated into the G8, was perceived by the US as a key vector for its own expansion and as an ally. The opening up of the oil sector and of part of industry to foreign capital was supported by a liberal and comprador wing in Russia. But the payments crisis in 1998 favoured the rise of a more “protectionist” orientation and the return to growth that coincided with the Putin years [7].

A second factor pushed towards a strong Russian state: the “colour revolutions” of 2003-2004, particularly in Georgia and Ukraine: electoral fraud and the massive corruption of the existing “pro-Russian” regimes acted as a catalyst for mass protest movements in favour of “liberal” and pro-Western parties; Moscow stigmatized them globally as having been “bought” by the United States. The thesis of a Western conspiracy and of the encirclement of Russia took shape, supported by the writings of Zbigniew Brzezinski, the external financing directed towards the opposition movements, the demand of the new regimes in Georgia and Ukraine to join NATO and the EU, adding to the long list of their new members in Eastern Europe.

The new Russian strong state brought the oligarchs and the circulation of money under its control, while criminalizing and repressing social movements and protesters, branded as potential instruments of the external enemy. Despite strong growth, the Russian economy remained nonetheless marked by elements of fragility: firstly, the difficulty in structuring an economic space around itself, consisting of the former Soviet republics – a problem which the Eurasian Union seeks to alleviate. But also a risk of “Dutch disease” (the “comparative” advantages acquired through exporting raw materials preventing the diversification of the economy and giving it a “rentier” profile). Lastly, political conflicts raise the question of dependency towards the EU – not without opacity of financial flows; in 2012, of all capital recorded as FDI (foreign direct investment) in Russia, almost 60 per cent came from tax havens (being probably massively of Russian origin), about 30 per cent from Western Europe, 1.6 per cent from Asia and 0.6 per cent from the USA. Exports (including energy) to the EU accounted in 2012 for approximately 50 per cent of total exports, as against 18 per cent to the CIS, less than 10 per cent to the BRICS (with 40 per cent of imports coming from the EU, about 13 per cent from the CIS and 20 per cent from the BRICS).

The return of Russia to the international scene with a high-power profile took place in 2008, by exploiting the discredit and the blunder of Georgian President Saakashvili (overestimating the support of the US in his offensive against South Ossetia): Moscow consolidated its military presence and decided to recognize the independence of South Ossetia and Abkhazia, as other powers had recognized that of Kosovo [8]. Meanwhile, Putin played on “gas wars” (using the weapon of the price but also of the quantities delivered), in particular to the Ukraine of the “Orange Revolution” after 2005 – which was not without having an impact on the EU, which was extremely dependent on Ukrainian pipelines to receive Russian gas.

Since then there has been (everywhere) a frenzied search for new sources of supply and alternative “strategic” corridors: opposed to a proposed “Nabucco” oil pipeline supported by the European Commission and the United States so as to bypass Russia, Moscow has negotiated other projects, avoiding Ukraine, with several EU members – including Germany, France and Italy. Nabucco had to be abandoned as too costly in 2013; but the increased tensions with Russia placed several EU member countries or candidates in major economic and geopolitical dilemmas around the South Stream project, between advantages granted by Russia and EU constraints – until Russia decided in late 2014 to abandon the pipeline.

Multipolar world

But we are in a world of uncertain alliances between powers which are partly rivals but which also share class interests and indeed methods and discourses that are convergent – the “war against terrorism” provides a demonstration of this; but Russia also plays at being a mediator in Syria, while its oligarchs are popular in the City of London and Gazprom is expanding its networks in Europe. What Putin’s Russia criticizes about the EU is that it is excluded from it. It is also its “decadence” – against which is mobilized the “conservative revolution” based on homophobic and sexist religious orthodoxy. But it is the EU model that the Putinist project of Eurasian Union wants to copy; a Union whose aim is to create a relationship of forces for a renegotiation of all European relations. It is partly inspired by ideologues of a “Eurasian civilization” that would correspond to the grandeur and diversity of the “Russian World”, from Czarism to the Soviet Union – which has known variants, with or without Putin – against the United States [9]. Red-white or national-socialist fronts are formed on this basis, attracting far-right (and unfortunately sometimes far-left) currents throughout Europe.

The “advantages” of Russia to play in “the big league” are its military power – (it owns 24 per cent of the arms market, against 30 per cent for the United States in 2011, but also the abundance of raw

materials. But it weighs less than Brazil or India in world GDP (2.5 per cent). An uneasy compromise was concluded, according to Jacques Sapir, in the mid-2000s, between liberal and Russian protectionist currents. The points of friction touch on the use of oil revenues to diversify the economy, the recourse to international financing and the delimitation of what is under the direct and indirect control of the state. The international and then European banking crisis of 2009 produced a shift towards more trade internal to the BRICS and towards autonomous financing. But it is the escalation that has been underway in Ukraine since 2014 that is pushing towards major adjustments.

A Joint China (40 per cent)-Russia (60 per cent) Investment Fund was created in 2012, but is becoming more important with the sanctions against Moscow. It has invested \$4 billion, principally in oil and gas pipeline infrastructure, rail and air transport. But it is planned that exports of hydrocarbons to China via Rosneft (public) will amount to 365 million tons of oil between now and 2038. For the moment the quantities are derisory: 2 million tons in 2014, compared with... 208 million tons that were delivered to European countries outside the EU in 2013.

In other words, the effect of international sanctions is to push for the Russian economy to have greater autonomy (through import substitution and recomposition of its trade exchanges); but in the short term, the economy has become fragile. Capital flight is leading to the fall of the ruble, which increases the prices of imported products; reserves are massively mobilized to bail out banks affected by the sanctions and to fund new projects. But at the same time, as Jacques Sapir points out, the central bank has chosen to raise interest rates to limit the fall of the ruble, at the expense of what would be a policy of massive domestic credit to the economy.

Finally, it is not clear that the headlong rush to “hybrid” war in Ukraine favours Putin’s objectives. NATO is “legitimized” in Ukraine; and tensions are appearing with Russia’s partners (for the Eurasian project), who are jealous of their own independence. Finally, although the main objective of Putin in the short term has been achieved - to consolidate a power that had been challenged by the movements of the years 2011-2012, which could have drawn fresh inspiration from Maidan - the first protests of mothers of Russian soldiers killed in Ukraine and anti-war mobilizations are opening substantial gaps in the patriotic consensus.

The peaceful and egalitarian recomposition of the European continent, including Ukraine and Russia, will be the work of neither Putin nor the EU.

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* Translation IVP. <http://www.internationalviewpoint.org>

Footnotes

[1] I use here the concepts and theories of Braudel and Wallerstein on the capitalist “world economy” or “world-system” as it was established in the nineteenth century on a part (which evolved with time) of the planet. It does not deal with all international relations, but only with those which are integrated into a “system” where an IDL (international division of labour) is imposed, determined by the power of the countries of the (imperialist) centre. The “peripheries”

are, strictly speaking, colonies. Semi-peripheries are dependent on the IDL via financing by credit from the countries of the “centre”, but they have obtained formally independent states. We are not, therefore, in an empire (the countries of the centre are themselves rival states), but in a space that is structured by states and by relations of domination that have become mainly economic, even though they are based on neo-colonial military and political forces.

[2] The Chinese scenario is not dealt with here. It differs in particular by the weight of agriculture in the late 1970s, giving to the initial reforms focused on this sector considerable room for productivity gains, while causing a massive rural exodus, creating a new working class without protection alongside the “historic” social base of the regime.

[3] See in particular: “L’expansion libérale en Europe de l’Est”, 2012,
<http://www.europe-solidaire.org/spi...>

[4] See “Stabilisation des Balkans par l’euroatlantisme?”, Cahiers de l’IDRP (Institut de Documentation et de Recherche sur la Paix), June 2009: <http://www.europe-solidaire.org/spi...>

[5] Eight CEE countries became members of the EU in 2004 (Poland, Hungary, the Czech Republic, Slovakia, Slovenia and the three Baltic states), followed in 2007 by Romania and Bulgaria and in 2013 by Croatia. The other former republics of Yugoslavia and Albania were confirmed as “potential candidates” at the Salonika Council in 2003, in spite of a process of negotiation whose outcome was uncertain. See “Les Balkans occidentaux”,
<http://www.europe-solidaire.org/spip.php?article30864>

[6] Belarus, Armenia, Ukraine, Azerbaijan, Georgia and Moldova

[7] See Jacques Sapir’s blog: <http://russeurope.hypotheses.org/>

[8] See “From the Caucasus to the Balkans, - an unstable world order.”
<http://www.europe-solidaire.org/spip.php?article11521>

[9] See Jean-Marie Chauvier <http://www.monde-diplomatique.fr/2014/05/CHAUVIER/50421> ;
Vincent Prémey, <http://blogs.mediapart.fr/blog/vincent-presumey/240514/imperialismes-et-Ukraine/>