

# Che Guevara's Final Verdict on the Soviet Economy

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One of the most important developments in Cuban Marxism in recent years has been increased attention to the writings of Ernesto Che Guevara on the economics and politics of the transition to socialism.

A milestone in this process was the publication in 2006 by Ocean Press and Cuba's Centro de Estudios *Che Guevara of Apuntes criticos a la economía política* [Critical Notes on Political Economy], a collection of Che's writings from the years 1962 to 1965, many of them previously unpublished. The book includes a lengthy excerpt from a letter to Fidel Castro, entitled "Some Thoughts on the Transition to Socialism." In it, in extremely condensed comments, Che presented his views on economic development in the Soviet Union. [[1](#)]

In 1965, the Soviet economy stood at the end of a period of rapid growth that had brought improvements to the still very low living standards of working people. Soviet prestige had been enhanced by engineering successes in defense production and space exploration. Most Western observers then considered that it showed more dynamism than its U.S. counterpart.

At that time, almost the entire Soviet productive economy was owned by the state. It was managed by a privileged bureaucracy that consolidated its control in the 1920s under the leadership of Joseph Stalin. Managers were rewarded on the basis of fulfilling production norms laid down from above; workers were commonly paid by the piece.

## Political economy of the transition

Che's analysis was more pessimistic than most Western commentators, pointing to problems rooted in the Soviet economy's fundamental nature. Far from being socialist in character, he said, this economy actually yoked together incompatible elements, both capitalist and non-capitalist. He also pointed out that the "political economy" — that is, the political and economic laws of motion — of

societies in transition to socialism “has not yet been formulated, let alone studied.” [2]

His diagnosis, unique in its time, identified key weaknesses that contributed to the Soviet economy’s stagnation, decline, and finally, only 25 years later, its total collapse.

In “Thoughts on the Transition,” Che traces the troubles of the Soviet economy back to the introduction in 1921, under Lenin’s leadership, of the New Economic Policy (NEP), which “opened the door to the old capitalist production relationships.” Che notes that “Lenin called these relationships state capitalism.” [3]

In the final period of his life, Lenin questioned the “presumed usefulness” of NEP categories such as “profits” in relations among state enterprises, Che says. Further, Lenin was disturbed by ominous divisions inside the Communist Party, to which he drew attention in his final writings. “If [Lenin] had lived, he would have quickly altered the relationships established under the NEP.” But in fact, “the economic and legal framework of Soviet society today is based on the NEP, and incorporates the old capitalist relationships.”

### **Incompatible elements**

Che says that the capitalist features of Soviet society may be termed “pre-monopolist” because they lack the dynamism of competition and cooperation that produced capitalist trusts like General Motors and Ford. “The current system restricts development through capitalist competition but does not abolish its categories or establish new categories on a higher level,” he says. Individual material interest has supposedly become the lever for development, but is robbed of its effectiveness by the fact that Soviet society “does not exhibit exploitation,” Che says. [4] Given the presence of these capitalist features in Soviet societies, he states, “humanity does not develop its spectacular productive potential and does not emerge as the conscious architect of the new society.”

Capitalist competition and exploitation having been abolished, what can serve as the driving force of economic development?, Che asks. The USSR relies on material incentives, but these reproduce the social irresponsibility characteristic of capitalism.

Moreover, material incentives are extended to “non-productive economic sectors” and applied also to the “leaders,” thus “opening the door to corruption” — a phenomenon that was to become pervasive in the Soviet bureaucracy.

It follows logically that such a privileged officialdom will develop distinct political interests and goals antagonistic to those of working people in the Soviet Union and worldwide. Che’s well-documented criticisms of Soviet foreign policy — for example its failure to lend effective assistance to Vietnam, point to such a conclusion. [5] Forty years earlier, Leon Trotsky, leader of the Bolshevik opposition to the rise of Stalinism, held that the Russian revolution had been undermined by a self-interested and privileged bureaucratic caste. Che, however, did not say that bureaucratism in the Soviet Union had proceeded to that point.

### **Law of value**

Economic management through material and profit-based incentives cannot bring the desired results, Che says, because in the Soviet context “the law of value does not have free play.” (The law of value is a principle of Marxist economics that holds, broadly speaking, that the prices of commodities are proportional to the amount of socially necessary labour time required to produce

them.)

In the Soviet Union there is no competitive free market to reward the efficient producers and remove the inefficient, Che says. Instead, in the Soviet economy, in the last analysis, social needs take priority over market forces. The Soviet “must guarantee that the population receives a range of products at set prices,” and these prices thus “lose their link with capitalist value.”

Che offers no explanation of why Soviet authorities must subsidize the production of such consumer necessities. Among Cuban Communist leaders of the time, this fact required no explanation. They considered that, whatever the distortions of the Soviet state of the time, the working class remained in power, and had sufficient leverage to prevent the triumph of capitalist exploitation.

Soviet claims to be surging ahead of the United States economically, Che says, are based on references to higher Soviet production of steel and other basic industrial products. But this is misleading. “Steel is no longer a basic factor in measuring a country’s efficiency, because we now have chemistry, automation, non-ferrous metals — and besides, there’s the question of the steel’s quality. The U.S. produces less steel, but a great deal of it is of superior quality.”

### **Technological stagnation**

Technical innovation in the U.S. reflected “a giddy advance” of capitalism based on “a range of totally new technologies far removed from the old productive techniques.” However, in the Soviet Union, “in most economic sectors, technology has remained relatively blocked.”

Che writes that “new societies achieve brilliant successes thanks to the revolutionary spirit of their first moments. But after that, progress is less swift, because “technology no longer operates as the driving force of society.”

There is, however, one area where Soviet technology has scored great successes, and that is precisely in the sector where social priorities hold unquestioned sway: defense production. “This is because it is not held to the standard of profitability.” Rather everything is structured to serve the new society by assuring its survival.

“But at this point the mechanism breaks down,” Che cautions. “The capitalists keep their defense apparatus closely united to their productive apparatus [as a whole].”

“All the great advances of the science of war pass over immediately to civilian technology, producing gigantic leaps forward in the quality of consumer goods. None of this takes place in the Soviet Union: the two compartments are walled off from each other.”

These weaknesses of the Soviet economy have been transplanted to the more economically developed societies of Eastern Europe, where they have sparked a reaction against “the plague of bureaucracy and of excessive centralization.” But the result is to give the enterprises “more and more independence in the struggle for a free market.” Meanwhile the state in these countries “begins to be transformed into a guardian of capitalist relationships.”

Factories are closed, and “Yugoslav — and now Polish — workers emigrate” to Western Europe. “They are slaves,” Che remarks acidly, “offered by the socialist countries [to serve] the technological development of the European Common Market.”

## **Two principles**

As an alternative to this course, Che counterposes two principles for which he had argued in Cuba's debate on economic management during the previous three years. [6]

First, "communism is a phenomenon of consciousness" that cannot be captured by "quantitative economic measures." There is no identification between communist society and high income per capita, and such income calculations are in any case an abstraction.

The second principle concerns technological innovation, the basis for expanded production of material goods. The "technological seeds of socialism are found much more in developed capitalism than in the old system of so-called economic calculation" which then prevailed in the Soviet Union. This system was "taken over from a capitalism that has now been superseded but that is nonetheless taken as a model for socialist development."

Guevara is probably thinking here of the emphasis in Lenin's post-1917 writings on the need to adopt the most modern techniques and organizational principles of the Western capitalist world of that time. In his view, these principles then became inalterable principles of the Soviet economy.

## **Resistance to automation**

The Soviet economy's weakness is evident in its "backwardness ... in adopting automation, compared to its truly startling progress in the capitalist countries."

Che poses a hypothetical example: an oil refinery that needs to close down for a year for a complete technical overhaul. "What happens in the Soviet Union? Hundreds and perhaps thousands of such automation projects are piled up in the Academy of Science, but are not implemented because the factory directors cannot afford the luxury of not fulfilling their plan during a year." What is more, "if the factory is automated, they will be ordered to get more production."

Soviet factory managers were rewarded in terms of fulfillment of production norms set down in their ministry's plan. In Che's example, the manager of the automated factory gets penalized for the year of downtime and receives no compensating reward. "For them, achieving higher productivity is fundamentally of no concern." Applying capitalist incentives to socialized enterprises thus obstructs technological advances while bringing none of the benefits of a true capitalist market.

The way forward is to "eliminate capitalist categories: commercial transactions among enterprises, bank interest, use of direct material incentives as a lever, etc., while adopting capitalism's latest administrative and technological advances."

## **Administration and technology**

Che sees an example of such advanced administrative techniques in dominant capitalist corporations like General Motors, which, he points out, employs more workers than the entire Cuban nationalized economy. In such enterprises, administration is tightly linked to technology, and both are constantly in flux, adjusting to the development of capitalism as a whole. In socialism, by contrast, administration and technology "have been separated off as two different aspects of the problem, and one of them has remained totally static." [7]

Referring ironically to the destructive effect of material stimulants, Che concludes that the challenge is “how to integrate people into their work in such a fashion that what we call ‘material disincentives’ will be unnecessary, that every worker will feel the urgent need to support the revolution and will thus experience work as a pleasure.”

## **Worker management**

Che concedes that this is far from the case in Cuba. His critics, he says, are correct in pointing out that “workers do not participate in drawing up plans, in administration of state enterprises, and so on.” But the critics see the remedy for this in material incentives.

“This is the nub of the question. In our opinion it is an error to propose that the workers manage the enterprises ... as representatives of the enterprise in an antagonistic relationship to the state.” Each worker should manage the enterprise “as one among many, as a representative of all the others [in society].”

Che’s concept of worker management based on revolutionary consciousness rather than material incentives is a decisive advance. It contrasts strikingly with all the models of economic management then current in the USSR and its allies, including both the top-down administrative centralization identified with the Stalin era and the profit-seeking self-managed enterprises of Yugoslavia.

Yet Che leaves his suggestion tantalizingly undeveloped. His text concludes on a note of puzzlement at the unresolved nature of the issues he is addressing — a tone reminiscent in some ways of Lenin’s final writings. [8]

Che endorses the widely held view that a centralized plan must utilize each element of production in a rational fashion, “and this cannot depend on [decisions of] a workers’ assembly or the outlook of a worker.” Still, he concedes, “when the central apparatus and intermediary levels have little knowledge, action by the workers is more useful, from a practical point of view.” One suspects that Che, in his practical experience, must often have found rank-and-file workers to have had more knowledge and better judgment than administrative cadres.

## **A note of uncertainty**

Che’s text ends by emphasizing the unresolved nature of the problem. “Our experience has taught us two things that have become axiomatic: a well-placed technical cadre can achieve much more than all the workers of a factory, and a leadership cadre assigned to a factory can transform it, for better or worse.” But why is it that a new factory manager can change everything? “We have not yet found any answer [to this question],” Che admits. The answer must be closely related, he concludes, to the still unformulated political economy of societies in transition to socialism.

The collection of Che’s writings in *Apuntos criticos* makes available much of Che’s work devoted to laying foundations for such a political economy. It includes his trenchant critique of the official *Soviet Manual of Political Economy* and extensive minutes of Che’s meetings with collaborators in Cuba’s Ministry of Industry from 1962 to 1964. (Ocean Press has announced a forthcoming English-language edition.)

Yet when Che sent Fidel Castro these “Reflexiones,” he was not retiring to a period of study but advancing to the fields of revolutionary battle in Africa and Latin America. He evidently believed that the economic challenge he highlighted would be resolved above all through new revolutionary

advances internationally.

## **‘21<sup>st</sup> Century Socialism’**

More than 40 years ago after Che fell in battle in Bolivia, his spirit is triumphant in the rise of revolutionary struggles in Latin America. The publication of *Apuntes críticos* is evidence of new attention in Cuba to Che’s theoretical writings, as the country searches for ways to continue its socialist experiment. Meanwhile, Venezuelan revolutionists have initiated a discussion of “21<sup>st</sup> Century Socialism” that builds on Che’s thought, while going beyond it in significant ways.

Like Che, Venezuela’s revolutionary Bolivarians reject the model of the Stalinist Soviet Union and aim instead to build a socialism founded on the initiative of the ranks. Like Che, they recoil from the danger of a bureaucratic layer of privileged officials. But where Che writes of “communist consciousness,” the Venezuelans talk of “protagonism.” This shifts the emphasis from individual awareness to agency, that is, to initiative, responsibility, and decision at the base. And the great campaigns of the Venezuelan revolutionary process — the “missions” — have implemented vast centralized projects for health care, education, housing, etc., by devolving authority downwards to rank-and-file committees and councils.

To be sure, Venezuela is still a capitalist society, in which the challenges of conquering the foundations of capitalist power and instituting workers’ management in the factories remain unresolved.

When capitalism has been overthrown and the main elements of the economy socialized, the political economy of the transitional society must resolve more than the challenge of properly balancing national planning with rank-and-file initiative. Economic problems must be solved: among them, how investment funds will be allocated; how the efficiency of investment will be measured; how raw materials will be allocated and their supply assured; and how prices will be set, as a basis both for accounting in the nationalized economy and for exchange in consumer markets.

A full answer to these questions, which would provide us with the “political economy of transition” that Che called for, has not yet been elaborated, and can be developed only through struggle and experience. Che’s insights, however, help pose these questions in a framework in which a solution can be formulated.

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### **P.S.**

\* From Socialist Voice:

<http://www.socialistvoice.ca/?p=298>

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### **Footnotes**

[1] Ernesto Che Guevara, “Algunas reflexiones sobre la transición socialista,” in *Apuntes críticos a la economía política*, Ocean Books: Melbourne, 2006, pp. 9-20.

[2] Che and other Cuban communist leaders of the time considered the Soviet Union and Communist-led states in Eastern Europe, North Korea, North Vietnam, China, and Cuba to be states that had overthrown capitalism and established the foundations for a transition to

socialism. Some Marxists term such societies “workers’ states.” The Cuban view was contested in the workers’ movement at the time, above all by the Maoist leadership in China, which argued that the Soviet Union and its allies had by the 1960s returned to capitalism.

[3] For Lenin’s final comments on this topic, see Lenin, *Collected Works*, Moscow: Progress Publishers, 1965, vol. 33, pp. 419-421 (“Fourth Congress of the Communist International” and 472-473 (“On Cooperation”). These and other writings by Lenin are also available at [www.marxists.org](http://www.marxists.org).

[4] The common, dictionary meaning of “exploitation” is mistreatment of people for the benefit of others. By that definition, the social privilege Che describes in the USSR would qualify as “exploitation.” But he was using the word in its Marxist sense, which refers to an inherent characteristic of wage labour under capitalism. Marxism holds that a portion of the value produced by a worker, the “surplus value,” is appropriated as profit by the employer, the owner of the means of production. Many Marxist opponents of Stalinism, including both Leon Trotsky and Che Guevara, denied that exploitation in this sense of the word took place in the USSR. This is disputed by who claim that the USSR had by Che’s time returned to capitalism.

[5] In “Message to the Tricontinental,” published in 1967, Che wrote “Vietnam, a nation representing the aspirations and hopes for victory of the disinherited of the world, is tragically alone. This people must endure the pounding of U.S. technology — in the south almost without defenses, in the north with some possibilities of defense — but always alone. The solidarity of the progressive world with the Vietnamese peoples has something of the bitter irony of the plebians cheering on the gladiators in the Roman Circus. To wish the victim success is not enough; one must share his or her fate. One must join that victim in death or in victory.” *Che Guevara Reader*, Melbourne: Ocean Press, 2003, p. 352.

[6] Seventeen contributions to this debate are collected in Bertram Silverman, *Man and Socialism in Cuba: The Great Debate*, New York: Atheneum, 1971. Che’s concluding article in this discussion, “Socialism and Man in Cuba,” is posted at [www.marxists.org/archive/guevara/1965/03/man-socialism.htm](http://www.marxists.org/archive/guevara/1965/03/man-socialism.htm). A similar collection is available in Spanish from Ocean Press under the title *El Gran Debate*. For an incisive discussion of Che’s economic thought, see Carlos Tablada, *Che Guevara: Economics and Politics in the Transition to Socialism*. New York: Pathfinder Press, 1989.

[7] The decline of General Motors since the 1960s suggests that its internal regime may have been less optimal than Che suggests and may have suffered from some ills analogous to those of the Stalinist Soviet economy.

[8] See volumes 33, 36, 42, and 45 of the edition of Lenin’s *Collected Works* published by Progress Publishers in Moscow in the 1960s or go to [www.marxists.org](http://www.marxists.org). These writings are collected in *Lenin’s Final Fight*, New York: Pathfinder Press, 1995.