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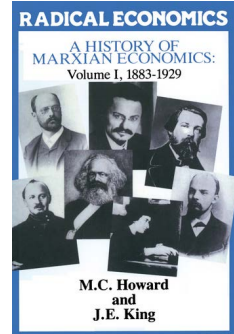
## *The Transition to Socialism: Communist Economics, 1917–29*

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Chapter 15



### **I Introduction**

The October revolution opened up a new chapter in Marxian political economy. The transition to socialism was placed on the agenda as a practical issue. Since there was little guidance to be found in the writings of either Marx and Engels, or in the work of the theorists of the Second International, Bolshevik thinkers were forced to develop an economics indicating how this could be accomplished. Innovation would have proved necessary in any event because the seizure of power had occurred on the periphery of world capitalism. As the Russian revolution was in a sense a 'revolution against *Capital*',<sup>1</sup> even the sparse Marxian heritage on the transition question was of limited relevance. Many of the revolutionaries were of course fully aware of the problems and justified their actions by a novel interpretation of their epoch (see Chapters 12 and 13 above). This was bluntly restated by Trotsky in the mid-1920s. 'If world capitalism . . . should find a new dynamic equilibrium . . . this would mean that we were mistaken in our fundamental historical judgments. It would mean that capitalism had not yet exhausted its historic "mission" and that [imperialism] does not constitute a phase of capitalist disintegration.' In consequence the Russian revolution would have to be regarded as 'premature', and the transition to socialism doomed to failure.<sup>2</sup>

That there was in all probability no socialist resolution of the difficulties facing the Bolsheviks after 1917 is perhaps the most important consideration pertinent to an understanding of the theoretical instabilities and conflicts that characterised communist economics. The revolutionary regime had inherited an economic catastrophe. With one-third of the adult male population mobilised after 1914, the backward Russian economy had

already proved extremely vulnerable to sustained total warfare. The Revolution and civil war were even more devastating. With 1913 = 100, industrial output had fallen to 75 by 1917 and 31 by 1921, while agricultural production declined to 90 in 1917 and 60 four years later. Foreign trade virtually ceased altogether under the blockade maintained during the civil war by Western capitalist states. Subsequent recovery was very fast, the industrial and agrarian indices rising to 133 and 125 respectively by 1928. Taking the period 1913–28 as a whole, however, Russia fell still further behind the West. Output grew at the very low rate of 0.8 per cent per annum, compared with 2.5 per cent between 1870 and 1913, while the population, which had grown at an annual rate of 0.9 per cent in the earlier period, decelerated to a mere 0.3 per cent per annum after 1913.<sup>3</sup>

Prior to 1929 three distinct stages can be identified in the economic history of the Soviet Union, and each produced its own theories of transition. The first eight months after the Revolution were marked by a widening gulf between *de jure* and *de facto* economic relations. The peasants seized the land and redistributed it on traditional communal principles, rendering redundant the formal nationalisation decreed by the new state as well as reducing the previous degree of internal differentiation and lowering productivity. There were very few industrial nationalisations, and most of those were the result of spontaneous local action. In addition 'workers' control' was inaugurated, in which private capitalists were subjected to supervision by factory committees and local Bolshevik officials. Lenin defended this system against his left-wing critics, describing it – rather confusingly, given the pre-revolutionary use of the term – as 'state capitalism', and regarding it as the principal mode for the transition, at least in its earliest stage.

After June 1918, the onset of civil war provoked an immediate wave of nationalisations and the imposition of a siege economy. Attempts were made to requisition the entire agricultural surplus, leaving the peasants enough only for seed and for bare subsistence. Industrial products were allocated directly without the mediation of money, wages were paid in kind, and military discipline was imposed upon the urban labour force. Eventually charges were abolished for public utilities, housing, rail travel and the basic food ration. Economic administration was centralised to a hitherto unprecedented degree, and characterised by expropriations, terror and arbitrariness. Bolshevik theorists now took this as definitive of the appropriate transition to socialism.

Early in 1921 the replacement of peasant requisitions by a new tax on agricultural output heralded the third stage, that of the New Economic Policy (NEP). The peasants recovered their right to trade in the residual agricultural surplus, and to hire wage labour. They would sell grain only to buy manufactured products, so that NEP implied the restoration of market transactions between agriculture and industry. Rich peasants – the notori-

ous *kulaks* – did well out of the system, and a new *petit-bourgeois* class of NEP-men emerged to take advantage of the opportunities for profitable retail trade. While the ‘commanding heights’ of the economy – banking, large-scale industry and foreign trade – remained in state ownership and subject to the dictates of direct government regulation, inputs were bought and outputs sold for money, and private enterprise was again permitted for artisans and owners of small workshops. Thus NEP allowed substantial scope for both central planning and the market. Lenin regarded it as a ‘transitional mixed system’. It was ‘mixed’, since there were elements of socialism, simple commodity production and socialism; it was ‘transitional’ because it was inherently unstable, and would end either in the restoration of capitalism or in the achievement of a fully socialised economy. During this stage it was widely believed that the transition would have to be achieved through a gradual transcendence of market forms as the state sector increased its economic weight. However, there were major differences between theorists as to how this could be accomplished.

The critical problem under NEP was the relationship between town and country. Three-quarters of the population were peasants, and industrial expansion required the transfer to urban areas of a large part of the agricultural surplus. With the ending of War Communism this had to be attained voluntarily by inducing the peasants to place sufficient grain on the market, which required the availability of manufactured commodities at attractive prices. But an industrial ‘goods famine’ characterised the whole period of the NEP and repeatedly the relative prices of agricultural and industrial products were sources of acute tension, as in the ‘scissors crisis’ of 1923 when industrial prices rose sharply and gave rise to fears of a severe shortage of grain as the peasants held back from marketing their output. The price scissors were soon closed, but by the end of the decade the problems of NEP were becoming increasingly apparent. The ‘grain crisis’ of 1928, when agricultural sales fell massively short of requirements, proved to be the final straw. Measures reminiscent of War Communism were implemented, and after 1929 they culminated in Stalin’s ‘revolution from above’.<sup>4</sup>

This chapter concentrates upon the theories of transition produced in each of these periods. The first decade of Bolshevik power was however associated with fertile theoretical developments on a much broader front. The study of Marxian intellectual history blossomed under the supervision of David Ryzanov in the newly formed Marx–Engels Institute;<sup>5</sup> a Marxian mathematical economics began to germinate; planning was for the first time treated seriously by Marxists;<sup>6</sup> and an embryonic version of dependency theory emerged as part of the process in which revolutionary Marxism moved its focus to the East.<sup>7</sup> Soviet historians researched further into the Asiatic dimension of historical materialism;<sup>8</sup> statisticians like Kondratiev developed stimulating ideas on the cyclical nature of capitalist growth;<sup>9</sup> and

even neo-populism sought to make its contribution to resolving the problems of a socialist transformation of agriculture.<sup>10</sup> It was nonetheless the transition issue which absorbed the energies of the major thinkers.

There were a variety of theories. In part this was a function of the nature of Marxism, which, by attributing a logic to history, generated a tendency to see the problem as one in which social engineering was highly constrained: once in power, it was thought, the proletariat as the ruling class would necessarily follow a path culminating in socialism. In other words, the transition would have a law-like character in which theory might trail behind practice without becoming purely passive or an apology for its less admirable features. This helps to explain why theorists like Bukharin and Preobrazhensky, each of whom adhered to markedly different views during a very short period of time as they sought to come to terms with fundamental changes in the forms of economic development, neither fell into scepticism nor lacked a devoted following. Theoretical work, no less than historical transformations, could claim a dialectical quality.

Nevertheless, the complexity of intellectual life after the revolution is not simply a matter of theorists dramatically shifting position. Heated controversies characterised each phase. The absence of an established transitional economics is relevant here, as is the fact that the properties of socialism had never been well-defined.<sup>11</sup> Thus there was room for wide differences of view as to what constituted the ultimate goal, embryonic signs of which should presumably be observable during the transition. Bolshevism both simplified and complicated the matter. With the party seen as vanguard of the class and the repository of proletarian interests, its dominance also became a criterion of healthy progress. In fact by the early 1920s the preservation of the Bolsheviks' political monopoly had become the principal prop sustaining belief in the continued existence of the dictatorship of the proletariat. Trotsky's allegation of 1904, in which he claimed that the logic of Bolshevism entailed 'substituting' the party for the class, had been vindicated, although Trotsky himself now repudiated the charge.<sup>12</sup>

On the importance of maintaining the Bolshevik dictatorship virtually all party members agreed, but the isolation of the revolution and its '*petit-bourgeois* encirclement' by the peasantry reinforced doubts as to the possibility of holding back counter-revolutionary forces. However, these anxieties were transformed by events. Once the regime had preserved power through victory in a bitterly-fought civil war, the prospect of losing it through military defeat receded (although this fear revived again after 1926). Instead each faction within the party looked with suspicion upon the others. There were good reasons for the mutual mistrust: denied alternative expression, non-proletarian class interests could find representation only through the Bolshevik party. Trotsky articulated a pervasive sentiment when he wrote that 'Neither classes nor parties can be judged by what they say . . . This fully applies to groups within a political party as well'.<sup>13</sup> It was

possible 'to backslide into Thermidorian positions even with the banner of communism in one's hands. Herein lies the diabolical trickiness of history'.<sup>14</sup> Thus theoretical differences took on the menacing characteristics of counter-revolutionary class antagonisms.

This was reinforced by the fact that each faction recognised how precarious the dictatorship of the party actually was. While few Bolsheviks believed the situation to be utterly unsustainable, the leading theorists did consider that their survival was on a knife-edge. Room for manoeuvre was distinctly limited, and the programmes of other factions appeared to threaten the very possibility of successful transition. In this environment the legitimate bounds of party discipline came to be interpreted ever more rigidly by the dominant group, and the constraints were experienced ever more oppressively by successive opposition factions.<sup>15</sup>

The death of Lenin in January 1924 (and his limited influence in the preceding eighteen months of his illness) exacerbated the conflicts, for they became fused with the struggle for the succession. This led to his deification and the elevation of his writings to a Talmudic status, which some of the more original theorists like Preobrazhensky and Trotsky found difficult to accommodate. It did however reflect the transformation of the Bolshevik party into a large bureaucratic apparatus, capable of administering a modern state but also able to accept a cruder form of consciousness.<sup>16</sup>

## **II State Capitalism and the Commune State as a Model of Transition**

Immediately after the October revolution the Bolshevik government sought to implement the ideas of Lenin as they had crystallised during 1917 (see Chapter 13 above). Authority derived from the soviets was used to issue decrees legitimising peasant seizures of land, sanctioning workers' control of industry and nationalising those elements of the urban economy thought to be essential in making state policy effective. Peace negotiations with the German government were opened, tsarist debts repudiated, and preliminary work begun to found a new Communist International.

Lenin took the view that the initial phase of the transition to socialism could be undertaken through a combination of 'state capitalist' organisation and the commune state. Private capitalists and bourgeois specialists were to operate as before, but now under the direction and scrutiny of proletarian political power. Lenin thought that this would be sufficient to re-establish production and distribution until international revolution provided an environment in which more systematic progress toward socialist construction could be undertaken.<sup>17</sup> There were here a number of presuppositions without which this made no sense. Lenin had been adamant during the earlier part of 1917 that a definite seizure of power on a programme popular with the revolutionary masses would eliminate the

possibility of an extended civil war. At the same time, he maintained, democratisation would revitalise the economy and the armed forces sufficiently to resist German imperialism and fight revolutionary wars should this prove necessary.

These beliefs were quickly falsified by events, and the form of transition dependent upon them was simultaneously undermined. The revolution further disrupted both the economy and the armed forces. Depopulation of the cities and desertion from the army continued under the pressure of insufficient food supplies and the prospects of gaining land from the expropriated estates. The Bolshevik government was thus compelled to capitulate to Germany in the punitive peace treaty of Brest-Litovsk. The chaos resulting in the implementation of workers' control was not reversed by ratifying the exercise of local initiative. This had a direct and adverse impact upon the 'state capitalist' model of transition, by both undermining overall coordination and extending the suppression of private capitalists beyond the measures thought expedient by the Bolshevik leadership. By March 1918 Lenin was rapidly back-peddalling, and the subordination of autonomous working-class organisations to hierarchical control in the name of economic necessity soon took over from the theories enunciated in the *State and Revolution*.<sup>18</sup>

The regime's tenuous hold on power also rendered it ill-equipped to secure cooperation from private capitalists or established bureaucracies. The growth of counter-revolution during 1918 led many of the personnel on whom Lenin's scheme depended to flee from proletarian strongholds. With the outbreak of civil war in the middle of 1918, the Bolsheviks were forced into extensive nationalisation as a security measure.<sup>19</sup> Simultaneously, the alliance with the peasantry became strained as the regime resorted to coercion in requisitioning food supplies for the cities and Red Army (having insufficient real resources to procure them through voluntary exchange).<sup>20</sup>

All this pointed to serious miscalculations and internal contradictions within Lenin's revolutionary strategy of 1917 (see Chapter 13 above). In particular, his 'state capitalist' model for the transition proved incompatible with the dynamics of the class struggle. Lenin faced criticism in the party on precisely this ground. The Left, at this stage including Bukharin, called for more radical measures and greeted the development of War Communist policies with enthusiasm. They recognised that this course of action had been forced upon the regime by events but, since it was viewed as inherent in the logic of revolution, the Left saw the radicalisation of economic policy during 1918 as an inevitable feature of the transition to socialism. Bukharin's ideas proved infectious. By 1920 he had systematised them in the *Economics of the Transformation Period* and all leading Bolsheviks seemed to have accepted their general validity.<sup>21</sup> Nevertheless, Bukharin too made compromises (which others on the left found difficult to

accept): the fully democratised ‘commune state’ to which he had hitherto been committed gave way to a notion of a centralised dictatorship of the party, albeit camouflaged as proletarian ‘self-discipline’.<sup>22</sup>

### III War Communism as a Direct Transition to Socialism

The policy operative for nearly three years beginning in the middle of 1918, and known by the name of War Communism, represented a crude form of a command economy. Virtually all industry was nationalised, resources were allocated administratively rather than through the market, private trade was suppressed, and monetary relations were largely eliminated. Agricultural products were seized from the peasants by detachments of the Cheka (security police) and Red Army and distributed freely to industry and as consumption rations to designated groups. Democracy within the soviets was effectively repressed, discipline was heightened in the party and the ‘red terror’ was launched against counter-revolutionaries including anarchist and social revolutionary groups who had supported the October revolution but resisted the development of the Bolshevik party’s dictatorship.<sup>23</sup>

Bukharin’s *Economic Theory of the Transformation Period* was War Communism’s most sophisticated theoretical expression. Its central argument was that authoritarianism was a necessary, and therefore universally relevant, paradigm for the socialist transition.<sup>24</sup> Representing both the dictatorship of the proletariat and a form of state socialism, it was modern capitalism ‘turned upside down’.<sup>25</sup> The structures of state capitalism – which according to Bukharin had brought the revolution – were to be reorganised under proletarian political control. Since this represented a new class dictatorship, compulsion and terror were inevitably employed against hostile groups. And on Bukharin’s argument a democratic organisation of the proletariat was also inappropriate. Although it would eventually emerge in a new form, with the subsequent withering away of the state, centralisation was essential during the proletarian dictatorship itself for a victorious conclusion to the civil war. Nevertheless, according to Bukharin the political structure of the transformation period was one of real democracy; voluntary self-discipline of the proletariat, led by the party, was the most perfect manifestation of its class rule.<sup>26</sup>

Bukharin reasserted the positions of both *Imperialism and World Economy* and *The Economic Theory of the Leisure Class* (see Chapter 13 above), and coined the term of ‘negative extended reproduction’ to depict the crisis of contemporary capitalism. Statification of economic life, militarism and warfare, he held, generated extended reproduction in a contractionary direction. Unproductive utilisation of resources reached a scale that precluded positive economic growth and brought the collapse from which revolution on a world scale would emerge. But the establishment of

proletarian dominance also prolonged negative reproduction into the post-capitalist era. Itself the product of economic collapse, the revolution would initially deepen it as counter-revolutionary forces were crushed.<sup>27</sup>

Bukharin further argued that the dictatorship of the proletariat, founded as it was on state control and coercion, had escaped from the domain of economic laws. Political economy, understood in its specifically Marxian sense, applied only to systems of commodity production. In overthrowing capitalism the proletariat also overthrew economics. By this Bukharin did not claim that 'the leap from necessity to freedom' was complete. Determinism, not voluntarism, still ruled but it represented a conscious prosecution of the proletariat's class interest. After all, this was but another expression of the epochal transformation represented by the socialist revolution, and the fact that disciplined organisation and coercion were the order of the day.<sup>28</sup>

Bukharin imagined that, with a successful conclusion to the civil war, modifications in the framework of War Communism would occur, but he saw no need for a fundamental restructuring. The centralised proletarian state led by the vanguard party would persist with a system of administratively organised transactions between town and country, replacing forcible confiscation as the productive capacity of industry was restored.<sup>29</sup> It was because negative reproduction was necessarily concentrated in the more interconnected urban economy, and because the *petit-bourgeois* structure of agrarian production precluded effective nationalisation, that the coercive appropriation of peasant surpluses was initially required.<sup>30</sup> Ultimately the rural economy would be socialised, class divisions fade, inequalities decline and the state wither away as participatory democracy and a harmoniously planned economy became established, although Bukharin never specified exactly how all this would occur.<sup>31</sup>

As well as brilliantly rationalising necessities of survival, Bukharin's *Economics* had a political purpose: it sought to counter criticisms made by Western anarchists and social democrats of the party dictatorship and its methods of rule, by elevating both to the status of phenomena inevitable in any successful proletarian revolution.<sup>32</sup> In this sense Bukharin's book complements Lenin's *The Proletarian Revolution and the Renegade Kautsky*, as well as Trotsky's *Terrorism and Communism*.<sup>33</sup> And it partially explains why the leading Bolsheviks never wholly repudiated Bukharin's theory of the transformation period. In subsequent years, after the New Economic Policy had become established, they all continued to recognise the expediency of War Communist measures and, moreover, to regard them as an essential part of the overall transition process. Trotsky even claimed that, had the revolution been extended internationally, the 'retreat' in 1921 would have proved unnecessary (although he was not always consistent on this).<sup>34</sup> And Preobrazhensky recognised that War Communist measures provided the foundation upon which the New Economic Policy became an



avenue for the transition.<sup>35</sup> Insofar as Stalin's 'second revolution' of the early 1930s may be said to have had a prior theoretical basis, it lay as much in Bukharin's *Economics* as anything else. Moreover, many of the book's key ideas continued to inform its author's very different paradigm of transition in the 1920s. The primacy of the state; the unity which this gave to diverse forms of economic structure; the leading role of the party; the need for 'self-discipline' in the working class; and the ultimate objective of the total replacement of market relations: all were embedded in Bukharin's subsequent work.

He and other theorists were reasonably candid as to why War Communism ultimately proved unsustainable.<sup>36</sup> Its contradiction was an inverted form of that which had wrecked Lenin's 'state capitalist' programme. While the latter had succumbed to the pressure of the class struggle, War Communism collapsed because it ignored the needs for class collaboration. During the civil war, when restoration of the *ancien régime* remained a distinct possibility, coercion of the peasantry brought from them no concerted resistance because a Bolshevik defeat would mean the return of the landlords. But as victory over the Whites became ever more secure during 1920, peasant opposition to the Bolsheviks became increasingly apparent. War Communism was not however abandoned immediately the civil war ended, which reveals how committed to this mode of transition the leadership had become. Not until March 1921 did Lenin finally conclude that either economic policy had fundamentally to change or there would be a forcible overthrow of his government.

#### **IV The Political Economy of the *Smychka*: Bukharin's Theory of Indirect Transition**

The socio-economic collapse in Russia between 1914 and 1921 has no parallel in modern history. The impression of H. G. Wells in 1921 was one of 'irreparable breakdown'. In addition to the contraction of output Russian cities had been massively depopulated, wartime casualties were easily the largest of all the belligerent powers, and widespread famine was imminent. Proletarian institutions other than the party had been drained of real power and the working class had been virtually destroyed in the process of defeating counter-revolution.<sup>37</sup>

By March 1921 Lenin had concluded that both continued survival of the Bolshevik dictatorship and economic revival required a 'retreat' from the War Communist path of transition.<sup>38</sup> But he hoped that NEP would incorporate a modified 'state capitalist' mode of advance reminiscent of the immediate post-revolutionary period. He tried (without much success) to encourage foreign capital to participate in joint ventures with the Soviet

state, and he sought (with more success) to normalise diplomatic relations, while urging communists to 'learn to trade'.<sup>39</sup>

None of this represented a coherent model for anything more than a material economic recovery. It also had restorationist features which the Left in the party found distinctly threatening. Moreover, in the latter part of 1922 and 1923 Lenin himself grew increasingly disturbed by the regime's bureaucratism and the replication of the administrative abuses which had characterised tsarism. In conditions of continued isolation and 'petit-bourgeois encirclement' he came to see the main hope for a socialist future in idealism, through the preservation of a party élite devoted to communist values.<sup>40</sup> At the same time, however, he hinted that real economic progress toward socialism might be accomplished under NEP, and that the 'retreat' turned into an advance by securing a proletarian-peasant alliance (*smychka*), in which the proletariat could be rejuvenated by industrial progress and the peasantry transformed through the development of cooperatives.<sup>41</sup>

It was on this basis that, after 1923, Bukharin proposed his second model of transition.<sup>42</sup> In contrast with his *Economics* of 1920, Bukharin now advocated the attainment of socialism by a circuitous route, dependent on the growth of non-socialist forms.<sup>43</sup> In consequence his new scheme was to come under intense criticism from the Left Opposition, but it held sway as orthodox Leninism within the ruling factions of the party for several years after 1923. Bukharin's NEP model did not however represent a complete break with the *Economics of the Transformation Period*. Both rested upon an acceptance of Bolshevik vanguardism during the transition; each was defended on the same interpretation of historical materialism, in which dialectics became virtually equivalent to the functionalist equilibrium perspective of modern sociology; and many of the substantive arguments which Bukharin had made in 1920 found new expression in his revised thinking on transition.<sup>44</sup> The long-term goal also remained unchanged: a fully socialised economy, including agriculture, and the elimination of market relations. Bukharin was never a 'market socialist' in the modern sense.<sup>45</sup> Thus he did not wholly repudiate his earlier scheme, arguing that in the circumstances it had represented the appropriate policy. The major difference, in Bukharin's view, was that circumstances had changed.<sup>46</sup>

Under NEP, he argued, progress toward socialism depended upon two principal factors: the expansion of large-scale industry and the development of cooperatives.<sup>47</sup> In themselves these arguments were relatively uncontroversial. By this time virtually all Bolsheviks presumed that the development of the state sector was synonymous with the expansion of socialist relations; and no one denied that cooperatives could both undermine peasant individualism and squeeze out private capital from trading activities.<sup>48</sup> Bukharin was most heavily criticised on the question of *how*

industry could expand and *why* cooperation was considered a sufficiently powerful force to socialise agriculture.

State industry, Bukharin claimed, depended upon the growth of peasant demand, which was ultimately a market for consumption goods.<sup>49</sup> In this connection he attacked Tugan-Baranovsky's treatment of expanded reproduction, in which consumption demand was irrelevant, and revealed the influence of the Austrian marginalism which he had attacked in *The Economic Theory of the Leisure Class* (see Chapters 5, 11, and 13 above and section VII below).<sup>50</sup> Cooperatives, Bukharin admitted, had in the past been correctly interpreted as organisations which aided the development of capitalism. But the dictatorship of the proletariat necessarily changed their character. Just as a *petit-bourgeois* agriculture had been incorporated into modern capitalism through the imperialist state, so its proletarian counterpart integrated Russian agrarian relations into a developing socialist complex. This would be further assisted by the encouragement of cooperatives, irrespective of whether they covered production activities or were limited to circulation. Thus for Bukharin politics remained the crucial variable, as it had been in both *Imperialism and the World Economy* and the *Economics*.<sup>51</sup>

Consequently there was a basis for a long term *smychka* between the proletariat and peasantry, he argued; but it was a delicate matter. Any attempt artificially to accelerate the growth of industry would disrupt the proportionality of the economy, generate a 'sales crisis' in the state sector and, by requiring increased resources from agriculture, threaten the political alliance between workers and peasants. Realism required that the party recognise that soviet socialism was 'backward', and further progress would have to be at a 'snail's pace' (see section VII below).

However, for Bukharin this was not a matter of Russian exceptionalism. Domestic circumstances reflected the overall structure of the global economy. The class composition of the world as a whole was predominantly *petit bourgeois*, but was nonetheless ripe for socialist transformation for the same reasons outlined in *Imperialism and the World Economy* (see Chapter 13 above). As revolution spread, Bukharin argued, Russian circumstances would be duplicated and the *smychka* of proletariat and peasantry would become generally relevant.<sup>52</sup> Furthermore, the negative reproduction necessarily associated with imperialist wars and revolutionary civil war would produce an economic collapse analogous to that in Russia at the beginning of NEP. Thus even for advanced nations the transition to socialism would have to be indirect.<sup>53</sup> It had also been a mistake, Bukharin continued, to believe that the socialist revolution was formally analogous to the bourgeois revolutions. Unlike the bourgeoisie in feudal society, the proletariat was a deprived class; it could only begin its own cultural development after overthrowing capitalism.<sup>54</sup> This further reinforced the need for communist parties to be organised on highly centralist Leninist principles, a point

which had already proved itself in practice for all Bolsheviks. Again, then, Bukharin gave his understanding of the Russian transition to socialism on the basis of the NEP a paradigmatic significance, just as the *Economics* remained of general relevance in conditions of civil war.<sup>55</sup>

## V Soviet Views of the West and the Transition Question

At this point it is necessary to make a slight digression to consider Soviet views on the prospects for the world capitalist economy. This was a question of great significance for the transition debate, since continued instability in the West held out both hope and potential danger for the revolution. Hope, because without it the chances of socialist revolution in the advanced capitalist countries were slim; danger, because economic adversity and intensified imperialist rivalry raised the spectre of renewed military aggression against the Soviet state. Sometimes views of the West involved a more complex perspective, as we will see in section VIII below, but this was the essence of the matter. Communist analysis of these issues was, however, actually rather unimpressive. This is surprising in view not only of their vital importance but also of the array of intellectual talent which was now concentrated in Moscow. In addition to the Bolsheviks on whom this chapter focuses – Bukharin, Preobrazhensky, Trotsky and for a time Lenin – there were many brilliant Menshevik and neo-populist economists like Kondratiev, Falkner and Chayanov, who remained free to work and publish throughout the 1920s.<sup>56</sup>

There seem to have been two reasons for their failure to produce an adequate assessment of world capitalism. First, they were all preoccupied with the problems of domestic economic development. It is easy to understand why energies should have been concentrated on the new and exciting questions of social transformation, economic growth and socialist planning, rather than on investigating the contradictions of what was thought of as an ultimately doomed social order. Second was the increasingly heavy weight of Leninist orthodoxy in the 1920s, which progressively discouraged any original thinking which appeared to conflict with what official Bolshevism claimed to be Lenin's own ideas. Thus Kondratiev's celebrated theory of long waves, for example, was dismissed as heretical nonsense by both the ruling factions of the party and the Left Opposition.<sup>57</sup>

Similar factors inhibited creative thought by communists outside the Soviet Union. The dogmatic authoritarianism of the German party, to take one example, repelled otherwise sympathetic Marxists like Fritz Sternberg and Henryk Grossmann (see Chapter 14 above and Chapter 16 below), and there was in the 1920s no one of comparable stature in the communist movements of France, Italy or the USA. The British party was more fortunate, having the young and extremely able Maurice Dobb among its

members. But Dobb, too, was fascinated by the internal economic problems of Soviet socialism, and left detailed dissection of contemporary capitalism to less gifted comrades like the Anglo-Indian R. Palme Dutt.<sup>58</sup>

By far the most influential of all the non-Russian economists who studied international capitalism in the 1920s was the Moscow-based Hungarian exile Eugen Varga, an original if unpenetrating thinker whose dominance was achieved largely by default.<sup>59</sup> In the early 1920s Varga made much of the temporary 'stabilisation' of capitalism, which in practice amounted to little more than a recognition that the world economy had recovered from the deep slump of 1920–1 and that the Dawes Plan was limiting the damage done by the reparations crisis. Varga later argued that the recovery would be short-lived, because industrial rationalisation was increasing the organic composition of capital, reducing employment and workers' consumption, and leading inexorably to a further crisis.<sup>60</sup> In the light of what happened after 1929 this must be regarded as remarkably prescient, but it was very loosely argued and open to all the traditional Marxian objections to underconsumptionism. In general the communist position on underconsumption was characterised by distinct uneasiness, as can be seen from the inconsistencies of party texts on the issue.<sup>61</sup> In the absence of any model of a falling rate of profit, however (see Chapter 16 below), Bolshevik economists could offer no better theory of capitalist crisis.

To return to Bukharin: he was the only important Communist theoretician to take seriously the possibility of a long-run stabilisation of capitalism, which was indeed an essential pre-condition for the success of his gradualist conception of Soviet industrialisation under NEP.<sup>62</sup> But he was not consistent in this stance,<sup>63</sup> and his argument hinged upon the notion of 'organised capitalism', which was both tainted by association with social democratic enemies of the revolution like Hilferding and Kautsky and analytically defective (see Chapter 14 above). It was easy for Bukharin's enemies in the party after 1929 to discredit him on both counts. By that time Bukharin's ideas on the transition to socialism had been rejected by Stalinists for domestic reasons (see section IX below). But there was an international dimension to this too. After 1926, when Soviet diplomacy and Comintern policy experienced several significant setbacks, the fear of a military attack on Russia in the near future increased. Consequently a greater emphasis was placed on the need for faster industrialisation, and there was considerable pressure upon theorists to adjust their thinking about the West.<sup>64</sup>

Stalin's shift away from Bukharin's ideas after 1926, and more especially his clear break with them in 1928, is frequently described as a 'left turn'. This is apt in that Stalin's ideas were moving closer to some of those held by the Left Opposition, whose leading theorists were Trotsky and Preobrazhensky.

## VI Primitive Socialist Accumulation: Preobrazhensky's Theory of Transition for a Dual Economy

The Left Opposition saw Bukharin's new theory of transition, outlined in section IV above, as a form of revisionism which was both economically erroneous and politically dangerous. Trotsky best articulated the Left's overall critique (see section VIII below), but its most original economist was Evgeny Preobrazhensky.<sup>65</sup>

### Biography of E. A. Preobrazhensky

Evgeny Alexeyevich Preobrazhensky was born in 1886, the son of a priest, in the province of Orel. He joined the Social Democrats in 1903 and allied with Lenin in the party split of the same year. Although active in the revolutionary movement and holding important party positions, as well as suffering arrest and internal exile, he did not become intellectually prominent until he co-authored (with Bukharin) *The ABC of Communism* in 1919. During the 1920s he became the leading economic theorist of the Left Opposition headed by Trotsky. Together with other Oppositionists, he was expelled from the party in 1927 and went into internal exile in 1928. In 1929 he was readmitted to the party, although expelled again in 1931, and finally executed without trial in 1937 as part of Stalin's purges.

Preobrazhensky, like Bukharin, had been a fervent supporter of War Communism in the years immediately following the revolution. But in the early 1920s he too accepted that it could not after all constitute a long-term model for the transition.<sup>66</sup> No less than Bukharin he became committed to NEP (without repudiating the necessity at the time for War Communism), and to the belief that it constituted a general paradigm for socialist construction. However, his theoretical focus was significantly different from Bukharin's, and he gave much more attention to the concrete circumstances prevailing in the post-revolutionary economy.

For Preobrazhensky expansion of the state sector was the key variable in the growth of socialism, above all its rate of development relative to the non-state economy which was dominated by bourgeois and *petit-bourgeois* relations.<sup>67</sup> October 1917 had been a dual revolution. As Trotsky put it:

In order to realise the Soviet State, there was required a drawing together and mutual penetration of two factors belonging to completely different historic species: a peasant war – that is a movement characteristic of the dawn of bourgeois development – and a proletarian insurrection, the movement signalling its decline. That is the essence of 1917.<sup>68</sup>

While Preobrazhensky accepted that it was possible to form an alliance between the proletariat and the poorer peasantry, he believed it would be successful only through increasing the strength of the proletariat and curtailing the influence of *kulaks* and NEP-men. Both vied for hegemony over the peasant masses. Nor was it just a question of domestic forces working for the restoration of Russian capitalism. The world economy also represented a grave danger. Soviet industry was inefficient, kept in operation only by the foreign trade monopoly and under continual pressure from the capitalist world market. External bourgeois forces could join with the emerging Russian bourgeoisie to form a *smychka* with the peasants against the dictatorship of the proletariat.<sup>69</sup>

State industry must therefore predominate in economic growth, Preobrazhensky argued. This would directly increase the strength of socialist relations, and have the same effect indirectly by providing resources for the collectivisation of agriculture (which was impossible without extensive mechanisation). Cooperatives could aid the process, but there was no real substitute for the transformation of production relations: that was the logic of historical materialism.<sup>70</sup> Here lay the nub of the economic problem. What Bukharin regarded as socialist accumulation – that is, reliance upon the internally generated surplus of the state sector<sup>71</sup> – could not possibly provide sufficient resources for industrial development at the rate required. Drawing an analogy with Marx's analysis of the origin of capitalism, Preobrazhensky argued for a 'primitive socialist accumulation'. The resources for the expansion of socialist accumulation had also to be extracted from the non-socialist economy. In the circumstances this meant they had to come predominantly from the peasant sector.<sup>72</sup> Hence exchange between industry and agriculture could not follow the law of value any more than could trade between the Soviet economy and world capitalism. Internally, there had to be non-equivalent exchange for the benefit of the state sector's primitive socialist accumulation.<sup>73</sup> External economic relations had to be channelled through the foreign trade monopoly and, again, placed at the service of primitive socialist accumulation.

Preobrazhensky always talked in terms of the 'law' of primitive socialist accumulation because he saw the Russian revolution as having no alternative to this growth strategy if it was to endure. The law of primitive socialist accumulation was in constant tension with the law of value. Both laws were in fact abstract expressions of radically different modes of production; internal and external capitalist forces pressed for equivalent exchange and

freer international trade, while the survival of socialism necessitated the suspension of both.<sup>74</sup> In this conflict, Soviet industry had one significant advantage. Although it was currently less efficient than that of modern capitalism, Preobrazhensky believed it to be organisationally privileged. Existing socialist relations allowed a planned coordination of the different branches of the state economy, and between socialist industry, the private domestic economy and the world market. Economic planning was the trump card of the proletarian dictatorship; if it were properly played there was in principle no reason why socialism in Russia might not move ahead.<sup>75</sup>

Subsequently, when he came to examine the concrete conditions prevailing in the Soviet Union during the second half of the 1920s – as he put it, providing the arithmetic for the algebra of primitive socialist accumulation<sup>76</sup> – Preobrazhensky became significantly more pessimistic. Here he proved himself to be a much better economist than either Bukharin or Trotsky, who tended to confine their polemics to the level of theoretical generalisations. Preobrazhensky coupled his empirical work to a brilliant conceptual extension of Marx's schemes of reproduction.<sup>77</sup> Deeply impressed by Rosa Luxemburg's critique of their rarified abstractions, Preobrazhensky formally adapted them to deal with those situations where more than one mode of production prevailed within a single social formation, which he took to be the typical case.<sup>78</sup> So far as the Soviet Union was concerned, interdepartmental exchange was joined to different economic systems, each with its own departments. Treating primitive socialist accumulation empirically required proper attention to be given to both principles of division, as well as to those connected with unproductive consumption and the importance of private capital in circulation activities. Developing his conclusions methodically, Preobrazhensky deduced that primitive socialist accumulation was an insoluble problem in conditions of Russian isolation. Definitive resolution required an extension of the revolution internationally; 'socialism in one country' was impossible.<sup>79</sup>

## **VII Contrasts Between Bukharin and Preobrazhensky**

Between 1924 and 1928 Bukharin and Preobrazhensky vigorously debated their differences on the transition to socialism. This occurred as part of a wider conflict between the Left Opposition and the ruling factions of the Bolshevik party. The general theoretical positions adhered to by each grouping will be considered in sections VIII and IX below. Here we focus upon the conflict between Bukharin and Preobrazhensky in matters of economic theory.

This difference hinged on alternative assessments of how industry could develop. For Bukharin industrial expansion depended upon the growth of peasant demand, and especially on the market for consumer goods.



Bukharin opposed the ideas of both Rosa Luxemburg and Tugan-Baranovsky, dismissing Luxemburg's chronic underconsumptionism as nonsense and Tugan-Baranovsky's belief that industry could advance independently of consumption demand as equally erroneous.<sup>80</sup> The critique of Luxemburg was far stronger than the case against Tugan-Baranovsky (see Chapters 5 and 10 above); indeed, Bukharin seriously misrepresented Tugan-Baranovsky's argument as to the possibility of a contracting department II. As the basis of an assault upon Preobrazhensky, Bukharin's attack upon Tugan-Baranovsky's economics was in any event of dubious relevance. The economy of the Soviet Union was not one of competitive capitalism, and primitive socialist accumulation envisaged only the faster relative growth of the state sector, not an absolute decline in consumption, nor even in the consumption of the peasants. As for the living standards of the working class, Preobrazhensky was adamant that they would have to rise as an integral part of the process by which the proletariat was revitalised.<sup>81</sup>

Tugan-Baranovsky had also emphasised that proportionality was crucial for equilibrium growth. Preobrazhensky concurred, referring to 'iron laws of proportionality' limiting state accumulation.<sup>82</sup> Indeed, the problem of ensuring that disproportionalities were contained within manageable bounds haunted Preobrazhensky. He correctly realised that the major difficulty lay in a 'goods famine'. The revolution had fundamentally altered the relation between the demand for domestically-produced industrial goods and their supply, compared with the situation prevailing before the war. In aggregate, demand had increased and supply had fallen.<sup>83</sup> Under the NEP, therefore, there was a problem of excess demand for the output of the state sector, not a potential deficiency in purchasing power as Bukharin imagined. Preobrazhensky's insight was reinforced by another when he recognised, in 1925, that growth in the future would require large fixed investments. So far the recovery of industry had been based upon restoring full utilisation of existing capacity, which would have to be increased very soon if development were to be sustained.<sup>84</sup> In the short run, then, according to Preobrazhensky, the problems associated with the goods famine must intensify, but in the long run underinvestment would make them insurmountable, forcing a break in the *smychka*.<sup>85</sup>

Bukharin failed to anticipate this problem and his economic analysis was ill-designed to cope with it, for it required that the growth of peasant demand be curtailed.<sup>86</sup> Bukharin's whole emphasis, however, lay in the contrary direction. There was for him a necessary and specific order to economic development. Increases in agricultural output enhanced peasant purchasing power, which carried light industry forward; this in turn expanded the demand for the products of heavy industry. Bukharin maintained that he was not simply generalising past empirical connections, but identifying a necessary, universal economic principle.<sup>87</sup> Bukharin tended to dismiss any other growth scenario as 'applied Tuganism'.<sup>88</sup>

Preobrazhensky's recognition of the need for capacity-extending investments as recovery was completed reversed Bukharin's analysis: the expansion of heavy industry would have to be faster than that of light industry. Only then could there be a significant long-term expansion in the output of manufactured consumer goods, which were required to eliminate the goods famine. Nevertheless, Preobrazhensky did not regard this plea for unbalanced growth as anything more than a matter of technical economics. Heavy industry attained a privileged position in Soviet economics as a matter of principle only in the 1930s.<sup>89</sup>

Given these differences it is understandable why Preobrazhensky stressed the immediate necessity for systematic planning.<sup>90</sup> It was indispensable to the transition, not just to the socialist future, because it allowed disproportions to be anticipated and corrected before they could lead to crises. Since Bukharin had a completely different perspective on the true nature of the Soviet economy's problems, he was much more inclined to favour the autonomy of the market. This in fact was the economic root of his opposition to non-equivalent exchange between industry and agriculture. Bukharin seems to have completely misunderstood Preobrazhensky's theoretical argument on the need to limit the sway of the law of value.<sup>91</sup> He also failed to appreciate that Preobrazhensky's proposal to increase industrial wholesale prices did not imply the onset of a new 'scissors crisis' in which the terms of trade would turn against the peasant and reduce the incentive to market grain.<sup>92</sup> For Preobrazhensky the whole issue was largely a pragmatic matter.<sup>93</sup> Maintaining low industrial wholesale prices for industrial goods (which was official policy in the mid-1920s) meant that private capital in the sphere of circulation accumulated at the expense of both industry and agriculture, while the goods famine persisted: the beneficiaries were the NEP-men, who purchased goods cheaply from industry and sold them at much higher prices to the peasants. Preobrazhensky was quite explicit on the need ultimately to *reduce* all industrial prices so as to stave off pressure from the world market.<sup>94</sup>

Controversy over all these specific points was heightened by the emotive language each theorist sometimes employed. In 1924 Preobrazhensky had referred to the need for 'exploitation' of the peasantry, whose position in the structure of the Soviet economy was analogous to that of the 'colonies' in the primitive accumulation of capital.<sup>95</sup> On the other hand Bukharin spoke of proceeding at a 'snail's pace' on a 'peasant nag' who was enjoined to 'enrich yourself'.<sup>96</sup> Each pounced on the other's terminological infelicities. The reason was not simply the loss of comradely goodwill. Both the Bukharinite and Stalinist ruling factions in the party, and the Left Opposition, believed that the expressions which they attacked revealed the hidden content of their opponent's doctrine. And there was some validity in these suspicions. Stalin and Bukharin had good reasons for claiming that the deeper issue concerned the 'unorthodox' theory of permanent revolution, which conflicted with their interpretation of Leninism. The opposition was

equally correct to see in official ideas and policies the seeds of a major economic crisis which might possibly lead to a capitalist restoration.

### VIII Socialism in One Country or Permanent Revolution

As an economist Preobrazhensky was far superior to Bukharin, but he was also a more specialised thinker and relied upon Trotsky's ideas to provide the overall perspective for primitive socialist accumulation. This was a sensible division of labour. As we saw in Chapter 12, Trotsky's capacity for rigorous economic analysis was very limited. As an innovative Marxist, however, he had few equals. He was also better placed than any other Bolshevik theorist, including Lenin, to lend intellectual coherence to the post-revolutionary situation in Russia. The theory of permanent revolution had correctly located the class dynamics of the October revolution. At the same time it minimised expectations as to the possible socialist gains which the Bolshevik seizure of power might achieve. The theory also relied upon a more general notion of uneven and combined development, which highlighted the contradictions of the Soviet Union's position in the 1920s (see Chapter 12 above).

Nevertheless, Trotsky's original ideas had gone astray at a crucial point. Bukharin and Stalin were quick to locate the errors (as well as others which were really figments of their own imaginations). Most obviously, Bolshevik power *had* survived in conditions of revolutionary isolation. In 1924 Stalin explained this in terms of Lenin's conception of the uneven development which underlay imperialist rivalries. Divisions within Western capitalism had precluded a unified and sustained military attack upon the Soviet Union. Although Trotsky accepted that this was true, he did not admit that his mistake stemmed from his own vision of imperialism, which (paradoxically) devalued the significance of unevenness between advanced national capitalisms (see Chapters 12 and 13 above). In consequence, Stalin claimed, Trotsky had never really understood the nature of modern capitalism. For Stalin, continued divisions between the capitalist powers could be exploited by Russian diplomacy and the Comintern to neutralise military threats in the future, while socialism was being built in the Soviet Union. Extending the revolution, while important, was not essential for survival.<sup>97</sup>

Coupled to this was the charge that Trotsky had underestimated the significance of the peasantry. Frequently stated in language that is obviously absurd, the indictment could be given a serious basis in Bukharin's theory of the *smychka*, in terms of which both Bukharin and Stalin claimed that internal conflict would not inevitably wreck the revolution, even if it continued to remain isolated. Revolutionary internationalism was not to be neglected, but its importance was grossly exaggerated by Trotsky's theory of permanent revolution.<sup>98</sup>

Bukharin and Stalin also pointed to the existence of similar themes in Lenin's own writings, and noted that his conception of the Russian revolutionary process differed from Trotsky's (see Chapter 13 above). This theme was embellished by Bukharin, who now saw 1917 as a joint revolution of the proletariat and peasantry and not, as Trotsky continued to view it, a fusion of two revolutions.<sup>99</sup> Furthermore, Bukharin argued, under the leadership of the proletariat the relation between classes was essentially harmonious. The dictatorship of the proletariat, as a new form of state, had changed class relations in general, and Soviet society represented a genuine new unity.<sup>100</sup> Bukharin even accepted that populist ideas had some validity here.<sup>101</sup> The implication was clear: Trotsky had misspecified the nature of the Russian revolution, and the Left Opposition's view of the peasantry as a force for the restoration of capitalism was anachronistic. Simultaneously, Bukharin now regarded the possibility of socialism in one country as inherent in the Bolshevik endeavour from the outset.

Bukharin reinforced this with a re-evaluation of the economic implications of international revolution, which had previously been treated in a cavalier fashion by all Bolsheviks, including Trotsky. As already noted in section IV, Bukharin emphasised the predominance of *petit-bourgeois* relations in the world economy, and maintained that the inevitable economic costs of revolution dramatically reduced the material inheritance of any socialist revolution. Joined to his new perspective on the culturally deprived nature of the proletariat, Bukharin concluded that international revolution was unlikely to provide much economic aid to the Soviet Union.<sup>102</sup> There was in all this a highly significant revision of Marxism, particularly when combined with Bolshevik vanguardism, and especially since much of it was accepted by both Trotsky and Preobrazhensky.<sup>103</sup>

Nor did Bukharin and Stalin neglect to reconstitute their views on the probability of international revolution, and the most likely form that it would take. European capitalisms remained organised entities which had 'stabilised' in the post-war years.<sup>104</sup> This view implied that revolution was not imminent in the West, and that armed intervention against the Soviet Union did not pose a threat in the foreseeable future. At the same time, Bukharin maintained, capitalist development in the periphery had halted; imperialist exploitation now had a purely parasitic character.<sup>105</sup> This created a basis for anti-imperialist revolts in colonial territories, but not for proletarian revolution. On the basis of Lenin's writings on national self-determination (with which Bukharin had now made his peace), even the colonial bourgeoisie might have a progressive role. Therefore, Bukharin concluded, the Comintern could not realistically support Trotsky's attempt to generalise the theory of permanent revolution to all backward capitalisms (on which, see Chapter 12 above).<sup>106</sup>

All these ideas, adhered to by the Bukharinite faction (and until 1927 by the Stalinist faction), were seen by Trotsky as involving departures from genuine Leninism (which he increasingly identified with his own ideas); as

symptomatic of a degeneration in the revolution; and as providing an ideological cloak for a Thermidorian reaction which would pave the way for a capitalist restoration. After 1926 Trotsky regarded the nucleus of his opponents' ideas as the doctrine of socialism in one country. There was some justification for this. By the mid-1920s both Bukharin and Stalin had become remarkably complacent with regard to the internal contradictions inherent in the structure of the Soviet economy, and excessively optimistic as to the prospects of advance. Moreover, Stalin's doctrine should not be taken too literally: neither he nor Bukharin defined socialism at all precisely, and even then they never claimed that 'complete' socialism could be achieved by Russia alone.<sup>107</sup> Instead the doctrine of 'socialism in one country' functioned as a polemical device to defeat the Left Opposition as a party faction, and as an emblem of rejection of Trotsky's proposals for the transition to socialism.

These proposals necessarily involved a modification of his pre-war position, because events had clearly failed to substantiate his earlier ideas completely. Trotsky began by re-evaluating the condition of international capitalism. While it had proved more resilient than he had expected in 1917, it was nevertheless in a process of decay; matters were only a little more complex than he had originally thought. The 'curve of capitalist development' had a dual structure: there was both a secular trend and cyclical oscillations. The latter behaved much as before, but the former had definitely flattened out or begun to decline. Any stabilisation of capitalism would be very temporary, Trotsky argued. Bourgeois society had ceased to be a progressive force in Europe and revolutionary situations could be expected to reappear frequently.<sup>108</sup> Capitalism was clearly ascendent only at the periphery, and possibly also in the USA.<sup>109</sup>

Trotsky argued that this provided opportunities to end the political isolation of the Soviet Union. Furthermore, it meant that possibilities for socialist revolution were opened up in the East. The proletariat of backward capitalist systems in the colonies and semi-colonies could duplicate the achievements of the Russian working class, for economic structures conducive to permanent revolution had now extended beyond Russia (see Chapter 12 above). If only the 'Lessons of October' informed Comintern policy, and the 'Menshevism' of Bukharin and Stalin was repudiated, success was virtually inevitable.<sup>110</sup>

Trotsky's conception of capitalist decline in Europe also provided him with an apparent resolution of the difficulties inherent in primitive socialist accumulation. He argued that political isolation did not imply economic isolation. Capitalism's need for markets could be used to re-integrate the Russian economy into the world market. This would have to be done on a planned basis – there was no question of abandoning the foreign trade monopoly – and could provide both temporary and sustained benefits. Imports of consumer goods might be used to overcome the 'goods famine',

and specialisation according to comparative advantage would markedly increase the efficiency of state industry.<sup>111</sup>

This idea of integration into the world market also formed Trotsky's principal economic argument against the possibility of socialism in one country, since he correctly understood this doctrine to imply autarkic economic development on the basis of the Soviet Union's own resources. Like Preobrazhensky, he emphasised the inability of Soviet industry to compete internationally on the basis of the law of value, and that it was essential to close the efficiency gap. If this were not done, and done quickly, the Soviet economy would find it increasingly difficult to resist both internal and external capitalist pressure to open the economy on an unregulated basis. The state sector would then be doomed, and so too would Russian socialism. Rather more abstractly, Trotsky described as the 'fundamental law of history' the view that 'Victory *ultimately* falls to that system which provides human society with the higher economic plane.'<sup>112</sup> Without an expansion of socialist revolution to other countries, which would facilitate a much fuller development of the productive forces than reliance upon domestic circumstances allowed, no country, let alone the backward Soviet Union, could hope to surpass the economic achievements of international capitalism. Thus Trotsky was able to assert the essential element in his original argument: if capitalist stabilisation were to prove durable, the revolution in Russia was doomed to extinction.<sup>113</sup>

According to Trotsky, the key to resolving the contradictions in the position of the Soviet Union was political reform. There was no question of relinquishing the Bolsheviks' monopoly of power, or even of legalising factions in the party (which had been banned since 1921 when the economic 'retreat' to NEP was made). But it was essential, Trotsky argued, to rejuvenate the proletarian character of the party by accepting the legitimacy of criticism and subordinating the apparatus to rank-and-file control. This was the key element in strengthening the proletariat, but similar measures could usefully be extended to the state system generally. In a word, for Trotsky 'bureaucratism' must be countered. He seems to have taken it as obvious that, once this was achieved, his own ideas would triumph, since they were genuinely Leninist and therefore represented the real interest of the proletariat. In consequence, the law of primitive socialist accumulation would become dominant in economic policy, and the resources of the Comintern would be properly marshalled to end political isolation.<sup>114</sup>

As he made very clear himself, Trotsky's whole position rested upon his vision of international capitalism as a decaying system. However, the absence of any analysis locating the exact cause behind the economic malfunctioning of Western capitalism persisted in Trotsky's post-revolutionary writings. His treatment of this issue was extensive but lacked rigour. Furthermore, although his belief that capitalism had failed to attain long-

term stabilisation dovetailed with both his economic integrationism and his political intransigence, it did so in different ways which were hardly compatible with one another. According to Trotsky, the Soviet economy was to be peacefully integrated into a capitalist world market while at the same time communist parties were to be primed to strike as revolutionary openings showed themselves.<sup>115</sup>

By the end of 1927 Trotsky believed that there was not much time left to save the revolution: 'the danger of Thermidor is at hand'.<sup>116</sup> This reflected his view that contradictions within the Soviet Union were intensifying. Indeed they were. At this time, as Stalin was expelling members of the Left Opposition from the party and sending them into internal exile, the 'goods famine' manifested itself in the form of a major grain-procurement crisis. During 1928 it broke the coalition between Bukharinites and Stalinists and increasingly brought Stalin to use the language of his defeated opponents.<sup>117</sup>

## IX The Stalinist Solution

'The personal misfortune of Stalin . . . consists in the colossal disproportion between . . . [his] . . . theoretical resources and the power of the state apparatus concentrated in his hands.'<sup>118</sup> So wrote Trotsky in September 1927, and it is an apt characterisation of Stalin's position. His contribution to the development of Marxist doctrine had indeed been minimal. Yet by 1928 the faction he headed was in effective command of the party, and the party's hold on the state was virtually complete. Moreover, the officials who constituted the core of Stalin's followers were increasingly under his personal domination. It was this power, rather than theoretical profundity, which provided him with the capability to break through the impasse at the end of the decade.

Beginning in the early part of 1928, grain requisitions reminiscent of War Communism were employed to overcome inadequate marketings by the peasantry; between 1929 and 1933 they were extended to implement a forced collectivisation. This relieved the rural constraint placed upon rapid industrialisation by destroying every vestige of peasant independence; any possibility of resistance from the Soviet proletariat (whose living standards fell considerably after 1929) had long since ceased to be possible. Within a very short period of time the party dictatorship became a personalised totalitarianism. The whole of society was dragooned into the 'production front', and the output of pig-iron was officially viewed as an accurate proxy for the progress toward socialism.

Both the Left Opposition and the Bukharinites saw Stalin's solution as validating their own criticisms of each other. According to Bukharin the grain crisis had occurred because the Left's policy of 'super-industrialisa-

**Biography of  
J. V. Stalin**

J. V. Stalin (pseudonym of Josef Vissarionovich Dzhugashvili) was born at Gori in Georgia during 1879. His father, an ex-serf, became the village shoemaker. Stalin received most of his formal education while training as a priest in a seminary. He joined the Georgian Social Democrats in 1901, sided with Lenin in 1904 after the party split, and prior to 1917 worked mainly as a party activist in the underground. He was arrested many times and sent into internal exile. Coopted by Lenin onto the Bolshevik Central Committee in 1912 because of his organisational capabilities, he held the post of Commissar of Nationalities after the October revolution. In 1922 he became General Secretary of the party, and with responsibility for all appointments used this post as the basis for his rise to power. Under his leadership the collectivisation of the peasantry and rapid industrialisation programmes were implemented after 1929. During the 1930s his 'great purges' effectively destroyed the personnel of the old Bolshevik party and instituted totalitarian rule. In the Second World War he took command of military affairs and after victory used the Red Army to transform Eastern Europe into an image of the Soviet Union. He died in March 1953.

tion' had become increasingly influential with Stalin's faction, and with economists in planning agencies, after 1926. Bukharin had long maintained that the Left's platform would entail a 'second revolution' and a fully bureaucratised police state.<sup>119</sup> On the other hand many oppositionists, including Preobrazhensky, made an uneasy peace with Stalin after his 'left turn'. For them, their predictions as to the consequences of past policies based on Bukharin's theoretical ideas had been verified.<sup>120</sup> The awesome implications of Stalinist industrialisation are discussed in the second volume of this book.

**Notes\***

- \* References to Lenin's *Collected Works* (Moscow: Progress Publishers, 1960–70) are indicated by *CW*, followed by volume number. References to Stalin's *Works* (Moscow: Foreign Languages Publishing House, 1953–55) are indicated by *Works*, followed by volume number. References to N. I. Bukharin, *Selected Writings on the State and the Transition to Socialism* (Nottingham: Spokesman, 1982) edited by R. B. Day, are indicated by *SW* (this work consists of articles written by Bukharin between 1915 and 1929).



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  21. N. I. Bukharin, *Economics of the Transformation Period* (New York: Bergman, 1971; first published in 1920); *CW*, XXIX, pp. 106, 135–8; XXX, pp. 314, 332; XXXI, p. 339; XXXII, pp. 44–5; XXXXII, p. 193; L. Trotsky, *The Defence of Terrorism* (London: Allen & Unwin, 1935) pp. 94–5; L. Trotsky, *Communist International*, vol. 1, pp. 23–7, 109, 120–1; Nove, *Economic History*, pp. 46–82; R. B. Day, *Leon Trotsky and the Politics of Economic Isolation* (Cambridge: Cambridge University Press, 1973) ch. 2.
  22. Bukharin, *Economics*, pp. 118, 127ff, 151ff, 159–60.
  23. E. H. Carr, *The Bolshevik Revolution* (Harmondsworth: Penguin, 1966) vol. 1, pp. 160–237; vol. 2, pp. 151–268; P. Avrich, *The Russian Anarchists* (Princeton: Princeton University Press, 1967).
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  25. Bukharin, *Economics*, pp. 71ff, 79, 90ff, 117ff.
  26. *Ibid.*, pp. 78, 118, 124ff; Bukharin and Preobrazhensky, *ABC*, pp. 41–3, 61–2, 129, 136, 218–19.
  27. Bukharin, *Economics*, pp. 12ff, 23ff, 33ff, 42ff, 72; Bukharin and Preobrazhensky, *ABC*, pp. 138–84, 393.
  28. Bukharin, *Economics*, pp. 11, 132ff, 172–3; Bukharin and Preobrazhensky, *ABC*, pp. 332, 339.
  29. Bukharin, *Economics*, pp. 92–3, 96. On Lenin's similar view see A. Nove, 'Lenin and the New Economic Policy' in B. W. Eissenstat (ed.) *Lenin and Leninism* (Lexington: Heath, 1971) pp. 155–71.
  30. *Ibid.*, pp. 83–4, 88ff; Bukharin and Preobrazhensky, *ABC*, pp. 311, 315, 348–76.
  31. Bukharin, *Economics*, pp. 20, 33, 54, 58, 65, 69ff, 79, 88ff, 111–12, 119, 131; Bukharin and Preobrazhensky, *ABC*, pp. 45–6, 332.
  32. Bukharin, *Economics*, pp. 105–13, 148ff, 159–60, 164ff, 172–3.
  33. *CW*, XXVIII, pp. 105–113; 227–325; Trotsky, *Terrorism*.
  34. Trotsky, *Communist International*, vol. 2, pp. 188–90, 193, 224, 228, 266–7, 273–4; L. Trotsky, *The History of the Russian Revolution* (London: Pluto, 1977) p. 1242.
  35. E. A. Preobrazhensky, *The Crisis of Soviet Industrialisation* (London: Macmillan, 1980, consisting of essays first published in the 1920s) edited by D. A. Filtzer, pp. 168ff, 175.
  36. *CW*, XXXII, pp. 329–65; *SW*, pp. 99ff, 186ff, 259; Trotsky, *Communist International*, vol. 1, pp. 283–4; vol. 2, p. 228ff; *Challenge (1923–5)*, pp. 63, 82, 104–5, 108–9, 329; Preobrazhensky, *Crisis*, p. 168ff; E. Preobrazhensky, *The New Economics* (Oxford: Clarendon Press, 1965, first published in 1926) pp. 193ff, 215.
  37. Nove, *Economic History*, pp. 67–8; Cliff, *Lenin*, pp. 161–94; Carr, *Bolshevik Revolution*.
  38. *CW*, XXXII, pp. 329–65.
  39. *CW*, XXX, p. 104; XXXII, pp. 266, 295–8, 326, 344–50, 357, 364, 458, 491–2; XXXIII, pp. 25, 28, 58–9, 64–6, 72, 89, 93–106, 113–16, 159–60, 171–2, 185, 198, 213–5, 222, 224, 276–85, 304–5, 310–13, 419–22, 427–8, 440–1, 469–73; *SW*, pp. 190–4; Nove, *Economic History*, p. 89.

40. *CW*, XXXIII, pp. 481–502; M. Lewin, *Lenin's Last Struggle* (London: Pluto, 1975).
41. *CW*, XXXIII, pp. 467–75. At this time Lenin also expressed a renewed interest in the work of Tugan-Baranovsky, who had come to see cooperation as of crucial significance for developing socialism among the peasantry; see Nove, 'Lenin and the New Economic Policy', p. 166.
42. *SW*, pp. 99–294.
43. *SW*, pp. 103–4.
44. N. I. Bukharin, *Historical Materialism: A System of Sociology* (New York: Russell & Russell, 1965; written in 1920); S. Cohen, 'Marxist Theory and Bolshevik Policy: The Case of Bukharin's *Historical Materialism*', *Political Science Quarterly*, 85, 1970, pp. 40–60; N. Kozlov, 'N. I. Bukharin: Reconsiderations of a "Neo-Narodnik litterateur"', *Review of Radical Political Economics*, 17, 1985, pp. 28–50. Also see R. B. Day, 'Dialectical Method in the Political Writings of Lenin and Bukharin', *Journal of Political Science*, IX, 1976, pp. 244–60.
45. *SW*, pp. 189ff. 260–1. See however *SW*, pp. 331–51.
46. *SW*, p. 151.
47. *SW*, pp. 102, 115, 121, 142, 147, 184.
48. Preobrazhensky, *New Economics*, p. 237; Trotsky, *Communist International*, vol. 2, p. 271; *Challenge* (1926–7) pp. 328–30.
49. *SW*, pp. 116–21.
50. N. I. Bukharin, *Imperialism and the Accumulation of Capital* (New York: Monthly Review Press, 1972; first published in 1924) pp. 206–37.
51. *SW*, pp. 110ff. 117–19, 161, 194, 200ff. 234ff. 265; Bukharin, *Economics*, pp. 81ff. 90–6; Bukharin and Preobrazhensky, *ABC*, pp. 122–3, 330, 359ff. 383; also see Chapter 13 above.
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53. *SW*, pp. 292ff.
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55. *SW*, p. 144; Bukharin, *Economics*, p. 202; Cohen, *Bukharin*, pp. 167–73, 252–8; S. Heitman, 'Between Lenin and Stalin: Nikolai Bukharin' in L. Labedz, (ed.) *Revisionism* (London: Allen and Unwin, 1962), pp. 77–90.
56. Jasny, *Soviet Economists*.
57. R. B. Day, *The 'Crisis' and the 'Crash': Soviet Studies of the West (1917–1939)* (London: New Left Books, 1981) pp. 87–94; Jasny, *Soviet Economists*, pp. 158–63.
58. M. H. Dobb, *Russian Economic Development Since the Revolution* (London: Routledge & Kegan Paul, 1929); R. Palme Dutt, *Socialism and the Living Wage* (London: Communist Party of Great Britain, 1927).
59. Day, *The 'Crisis'*, chs. 2–5.
60. E. Varga, *The Decline of Capitalism: the Economics of the Decline of Capitalism After Stabilisation* (London: Communist Party of Great Britain, 1928); it is doubtful whether Varga was a 'neo-Luxemburgist', as suggested by Day, *The 'Crisis'*, since non-capitalist areas play only a minor part in his argument.
61. I. Lapidus and K. Ostrovityanov, *An Outline of Political Economy* (London: Martin Lawrence, 1929) pp. 371–9; Dutt, *Socialism*, pp. 139–54, 171–87.
62. Cohen, *Bukharin*, pp. 254–7; Day, *Leon Trotsky*, pp. 94–7, 103–4, 118–19, 158.
63. N. Bukharin, 'Die Widersprüche des Modernen Kapitalismus', *Die Internationale*, 7, 1924, pp. 560–3.
64. I. Deutscher, *Stalin* (Harmondsworth: Penguin, 1966) pp. 296–342; E. H. Carr

- and R. W. Davies, *Foundations of a Planned Economy* (Harmondsworth: Penguin, 1974 and 1976); Day, *Crisis*; Cohen, *Bukharin*, pp. 233–4, 262–9, 275, 284, 291ff, 304, 318–19; Day, *Leon Trotsky*, pp. 108–11, 124, 133, 166–7, 178; A. Erlich, *The Soviet Industrialisation Debate, 1924–28* (Cambridge, Mass.: Harvard University Press, 1960) pp. 167–9.
65. Trotsky accepted Preobrazhensky's theory of the transition, although after 1925 he also emphasised the importance of integration with the world market; see section VIII below. It is not clear how much this emphasis departed from Preobrazhensky's own thinking. R. B. Day, 'Trotsky and Preobrazhensky: The Troubled Unity of the Left Opposition', *Studies in Comparative Communism*, X, 1977, pp. 69–86, argues that it represented a real divide. Also see Day, *Leon Trotsky*, pp. 144–8, 181; Erlich, *Soviet Industrialisation*, pp. 45–52, 141–5; Trotsky, *Challenge (1926–27)*, pp. 56–60; I. Deutscher, *The Prophet Unarmed* (Oxford: Oxford University Press, 1959) pp. 113–14, 234–9, 415–17, 421–4, and R. B. Day, 'Leon Trotsky on the Problems of the Smychka and Forced Collectivisation', *Critique*, 13, 1981, pp. 55–68.
  66. E. A. Preobrazhensky, *From NEP to Socialism* (London: New Park Publications, 1973, first published in 1922); *Crisis*, pp. 3ff, 129n.
  67. Preobrazhensky, *Crisis*, p. 27; *New Economics*, pp. 102, 162; J. R. Millar, 'A Note on Primitive Accumulation in Marx and Preobrazhensky', *Soviet Studies*, XXX, 1978, pp. 384–93.
  68. Trotsky, *History*, p. 72.
  69. Preobrazhensky, *Crisis*, pp. 62ff; *New Economics*, pp. 78, 103ff, 127, 232, 238, 289; Day, *Leon Trotsky*, pp. 93–6; Erlich, *Soviet Industrialisation*, pp. 13–14, 51.
  70. Preobrazhensky, *New Economics*, pp. 17, 132, 218–23, 238ff.
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  73. *Ibid*, p. 271.
  74. *Ibid*, pp. 3–4, 24, 54, 57ff, 64, 70, 77ff, 110, 139, 142–7, 195, 208, 262; Preobrazhensky, *Crisis*, pp. 5, 62ff, 196.
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  80. Bukharin, *Imperialism*.
  81. Preobrazhensky, *New Economics*, pp. 255–7; *Crisis*, pp. 67–73, 222–4.
  82. Preobrazhensky, *Crisis*, pp. 137, 162–3, 192, 195–7.
  83. *Ibid*, p. 33ff.
  84. *Ibid*, pp. 67, 137, 162–3.
  85. *Ibid*, pp. 69, 192, 194; *New Economics*, pp. 176ff, 281.
  86. *SW*, pp. 243–5, 292. After 1926 Bukharin did modify his policy proposals to deal with this problem, but not his economic theory; see Erlich, *Soviet Industrialisation*, pp. 78–89, 102–4; Cohen, *Bukharin*, pp. 242–52, 290; Lewin, *Political Undercurrents*, pp. 19, 35, 49–51; M. Haynes, *Bukharin and the Transition from Capitalism to Socialism* (New York: Holmes & Meier, 1985), pp. 111–12.
  87. *SW*, p. 160.
  88. *SW*, pp. 125, 141, 168ff; Cohen, *Bukharin*, pp. 160–212.
  89. Preobrazhensky, *Crisis*, pp. 48, 50, 109.
  90. *Ibid*, pp. 72ff.
  91. *Ibid*, pp. 77ff.

92. *SW*, pp. 129ff.
93. Preobrazhensky, *Crisis*, pp. 43, 46, 66; *New Economics*, p. 117.
94. Preobrazhensky, *Crisis*, pp. 224–7; *New Economics*, pp. 250ff.
95. *SW*, pp. 154ff.
96. *SW*, pp. 196ff.
97. *Works*, VI, pp. 374–420; Trotsky, *Challenge (1923–25)*, p. 192; (1926–27) pp. 152ff, 179ff; Cohen, *Bukharin*, pp. 147–9.
98. *Works*, VI, pp. 374–420.
99. *SW*, pp. 212–17; Trotsky, *History*, pp. 72, 419.
100. *SW*, pp. 110–13, 162; Bukharin, *Historical Materialism; Economics*, pp. 50, 56; Trotsky, *Challenge (1923–25)*, p. 42; Haynes, *Bukharin*, pp. 85–7.
101. *SW*, pp. 162, 200–8, 283; Cohen, *Bukharin*, pp. 143–7, 192–201; Lewin, *Political Undercurrents*, pp. 44–6.
102. *SW*, p. 144.
103. Trotsky, *Communist International*, vol. 1, pp. 57, 72–3, 272; vol. 2, pp. 246–50, 165ff; Preobrazhensky, *New Economics*, pp. 20–1, 25, 79, 128, 133.
104. *SW*, pp. 183–4, 297, 333ff.
105. *SW*, pp. 157, 171.
106. Bukharin, *Imperialism*, pp. 269–70; Trotsky, *Challenge (1923–25)* p. 43; (1925–27) pp. 225ff, 368; *History*, pp. 908ff; Cohen, *Bukharin*, pp. 257–69.
107. *Works*, VI, pp. 374–420.
108. L. Trotsky, *Problems of Everyday Life* (New York: Monad Press, 1973: a series of essays written in the early 1920s) pp. 273–80; *Communist International*, vol. 1, pp. 6, 21–3, 48, 108, 120, 176–81, 192ff, 206, 212, 229, 241ff, 255, 260, 298; vol. 2, pp. 4, 61–3, 70, 77ff, 199–201, 306–7; *Challenge (1923–5)* pp. 345, 348; (1926–27) pp. 131, 134, 161, 193, 218, 404; *History*, pp. 1025, 1219. See also Preobrazhensky, *Crisis*, pp. 134–59, 217–18; *New Economics*, p. 159.
109. Trotsky, *Communist International*, vol. 1, p. 196; vol. 2, pp. 317, 341, 343; *Europe and America*, pp. 33, 67–8, 70–1; *Challenge (1923–25)* p. 332; (1926–27) p. 256.
110. *Ibid.*, pp. 20–2; Trotsky, *History*, pp. 1194, 1219ff.
111. Trotsky, *Communist International*, vol. 1, pp. 284–9, 305–6; vol. 2, pp. 243, 269–70, 330; *Challenge (1923–25)* pp. 61, 119, 159, 342, 347ff, 353, 358ff, 366, 388; (1926–27) pp. 53, 156, 182ff, 334ff, 365. See also Preobrazhensky, *New Economics*, pp. 41, 120–4, 134–6, 139ff, 158–60, 163, 165–6, 254n, 276, 289; *Crisis*, 20, 41, 43, 48, 59, 61ff, 71, 176, 195, 200–1, 203, 207; Day, *Leon Trotsky*, chs 6 and 7.
112. *Challenge (1923–25)* p. 334.
113. Trotsky, *Communist International*, vol. 1, p. 199; vol. 2, p. 186; *Challenge (1926–27)* pp. 57ff, 145ff, 152ff, 179ff, 198, 261, 270ff, 277ff, 374, 434, 495; *The Third International After Lenin* (New York: Pathfinder Press, 1970; written in 1928); *History*, pp. 1219–66; Day, *Leon Trotsky*, chs 6, 7, and 8.
114. Trotsky, *Communist International*, vol. 2, p. 331; *Challenge (1923–25)* pp. 15, 17, 28–9, 31–2, 55, 60, 64, 70, 78, 84, 93, 157, 161, 168ff, 200ff; (1925–27) pp. 31–2, 59, 62ff, 74ff, 83ff, 93, 102, 127, 232, 340–1, 349ff, 401, 411, 441, 452.
115. On this see Trotsky, *Communist International*, vol. 1, pp. 225, 247, 254, 284–7, 305–6; vol. 2, pp. 17, 71–2; *Challenge (1923–25)* p. 344; (1926–27) p. 385; Harding, *Lenin's Political Thought*, vol. 2, pp. 251–2; Bukharin and Preobrazhensky, *ABC*, pp. 49–50, 180ff.
116. Trotsky, *Challenge (1926–27)* p. 464.
117. *Works*, X, pp. 275–97; XI, pp. 3–22, 145–205, 213–24, 255–302, 332–40; A. Erlich, 'Stalin's Views on Economic Development' in E. J. Simmons (ed.)

- Continuity and Change in Russian and Soviet Thought* (New York: Russell & Russell, 1955) pp. 81–99; Erlich, *Soviet Industrialisation*, pp. 172–5; Cohen, *Bukharin*, pp. 270–336; Deutscher, *Stalin*, 401ff.
118. Trotsky, *Challenge (1926–27)* pp. 410, 413–14, 494, 499.
119. *SW*, pp. 127, 135, 164, 175, 199, 301–51; Cohen, *Bukharin*, pp. 142–4.
120. Preobrazhensky, *Crisis*, pp. 14ff; *New Economics*, p. 67; Erlich, *Soviet Industrialisation*, p. 170.