

THE USSR AND THE CAPITALIST ECONOMIC CRISIS

by Sam Marcy

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The working class movement is faced with an array of bewildering political and economic events which apparently are unrelated to the emerging capitalist crisis.

The present crisis differs in some respects from all previous crises in this century. For one thing, it envelops what were formerly regarded as socialist countries in Eastern Europe, and also impacts on the USSR, where growing economic and political chaos reflects a deliberate attempt to scuttle a socialized economy and restore capitalism.

This crisis also differs from others in this century in that it really does cover the planet. It has become a platitude to say that the world economy is now integrated. It has been so for many decades. What is new is that the means of communication have become so rapid that an abundance of information can now flow almost at a moment's notice from one part of the world to another. None of this, however, including the almost dizzying expansion of technology, has in any way negated the basic causes of the capitalist crisis. On the contrary, it has affirmed and aggravated them.

We must keep all this in mind when we look at the Soviet Union, where dismay and despondency seem to have gripped large sections of the population, bringing repercussions to the progressive, working class, communist, and national liberation movements of the world.

The inauguration of Boris Yeltsin as President of the Russian Republic, carried out with all pomp and panoply befitting the old czarist regime; Mikhail Gorbachev's collaboration with the imperialists in the brutal invasion of Iraq; his going hat in hand to the G7 group of imperialist countries asking them to finance the transition to a market economy and bail out the USSR from the chaos created by perestroika — all this

can only be viewed with repugnance by progressives.

Along with the deepening hardships for the masses, hundreds of millionaires have emerged in the USSR. The sudden appearance of stock and commodity exchanges in Moscow and Leningrad are grim testimony to the emergence of a pro-capitalist social stratum.

The cooperatives that have been set up are nothing more than a thinly disguised cover for private ownership. It is said that these so-called cooperatives now employ several million workers. Who pays the social security, health needs, childcare etc., for these workers? Should the workers' state subsidize private enterprises disguised as cooperatives?

Then there are joint ventures with the imperialist governments and a good deal of foreign investment. During the New Economic Policy under Lenin, this was regulated and completely controlled by the revolutionary workers' government and was helpful in a limited way. However, it is a concession and not a virtue, as the Gorbachev administration makes out.

Commercial banks in the USSR

Above all, there is the seemingly ominous growth of commercial banks. Here we have to separate out bank deposits from bank capital. In capitalist countries, the bankers themselves own the capital. The deposits, however, may be from ordinary workers, government officials, or business entrepreneurs. In capitalist banking, these are considered the assets of the bank. Banks not only pay interest to the depositor but can loan the deposits out to borrowers at higher interest rates and thereby make a profit. This interest may become part of the capital of the bank. This is what makes it a capitalist commercial enterprise.

What will happen in the Soviet Union when, as we see in the capitalist banks today, many loans become non-performing — meaning they are not paid back — and the bank becomes insolvent? Will the depositors be insured by the government? Do the commercial banks rival the government savings banks? This problem needs not only more information but further study.

If these banks are established just to serve business entrepreneurs—a narrow social grouping in the Soviet Union — that is one thing. But if they are permitted to accept deposits from ordinary workers and lure them away from the government savings banks, it's a form of expropriating the funds of the workers' state.

Furthermore, who insures the deposits? What in truth is a commercial bank in the USSR? It is difficult to believe it would not be riddled with fraud and corruption like so many commercial banks in the U.S., especially when a crisis hits.

We can already see the dimensions of this problem in Poland. The Financial Times of London (Aug. 10-11) reports, in an article entitled "Walesa Acts in Bank Scandal," that seven people at Poland's central bank, including Wojciech Prokop, the number two official, have been arrested and accused of large-scale mismanagement of state funds, including corruption and issuing unsecured credit guarantees. This news accompanies an announcement on a sharp rise in unemployment to 9.4 percent of the work force. Introducing the magic of the capitalist market to Poland has brought about a banking crisis of unprecedented magnitude.

Meanwhile, the Gorbachev governing group in the USSR is under ever greater pressure to dismantle if not altogether wreck socialist planning and wipe out the achievements of the great October socialist revolution. Never before has it been so open, so brutally frank in promoting collaboration with the imperialists.

The Gorbachev administration says it can only avoid collapse by subordinating everything to getting the U.S. trade embargo lifted and convincing the other imperialist governments to allow Soviet purchases of high technology. Then it will become a full-scale member of the "community of industrialized democracies." In the meantime, privatization on a small scale has been proceeding ever more rapidly while the economic crisis continues to deepen.

What's behind the market?

Ever since the Gorbachev administration was ushered in following the 1985 Central Committee meeting, the perestroika economists of the USSR have urged the introduction of "the market." As time went on they openly promoted the concept of the "market economy" as the magic formula that would transform the USSR from a technologically more backward country into one capable of competing with the imperialists on an equal footing.

Gorbachev in his report to the July 1991 plenum of the Central Committee is reported to have said that "a market economy is not incompatible with socialism." He pushed the market economy as the one element that will ensure the growth and development of a prosperous society capable of competing with the imperialist countries. It is a blatantly false assertion.

Until recently Gorbachev and his perestroika economists almost invariably failed to add that a market economy entails the private ownership of the means of production. They tried to separate out the process of capitalist exchange from the mode of capitalist production. This is an old stratagem of bourgeois economists who wish to convey the impression that the process of exchange is independent of the process of capitalist production and that the purchase and sale of commodities is altogether divorced from the exploitation of the working class by the capitalist class.

It is true that the purchase and sale of commodities existed in previous modes of production, such as slavery and feudalism. But then the market was auxiliary and peripheral to the slave or feudal mode of production. Even before

capitalism was fully developed, the market entailed the private ownership of the means of production.

Market economy equals exploitation of labour

In contemporary society, the purchase and sale of commodities is inseparably connected with the capitalist mode of production. The marketing aspect is merely a bourgeois term for the process of exchange which results from the capitalist mode of production. The two cannot be separated artificially.

Karl Marx in his monumental work "Capital" presented an analysis of the process of capitalist production demonstrating that the characteristic features of capitalism are wage labour and the monopoly of the means of production by the capitalist class based upon the exploitation of the workers. The ownership of the means of production by the capitalist class is central to the capitalist mode of production, which is for profit and not for use. The market and the process of purchasing and selling is to facilitate capitalist production.

reforms accumulated to the extent of having transformed the collectivized planned society of the USSR? Has it been dismantled and disrupted sufficiently so that for all intents and purposes, the social system based on a planned economy and the ownership of the means of production by the state has in fact virtually disappeared? Do all these economic measures decreed by the Gorbachev ruling group—beginning with the encouragement and promotion of small-scale privatization all the way up to the mushrooming of millionaires and the menacing growth of commercial banks add up to a restoration of capitalism in the USSR? Do they constitute a qualitative change in the class character of the USSR? Has the USSR already been transformed into a capitalist state?

The answer must emphatically be no.

The bourgeois elements in the governing group are publicly admitting that they cannot transform the social system in the USSR on the basis of

Whichever class owns the means of production rules over society.

Describing capitalism as a market economy describes only its external feature, just as price is merely the monetary expression of value, which in turn reflects the amount of socially necessary labour needed to produce a commodity. But all of this is drowned out by the constant repetition of the term "market economy," which covers up the most quintessential fact: the exploitation of the working class by the capitalist class and the monopoly of the means of production by the capitalists.

Whichever class owns the means of production rules over society. It was so during slavery and feudalism, and is of course true under capitalism. It will not be otherwise until there is a truly socialist society where the class antagonisms have been dissolved and the state itself is slowly withering away, to use Marx's terminology.

Has capitalism been restored?

What then is the situation in the USSR today? Have the bourgeois

their own social resources — they urgently need the intervention of imperialist finance capital. And it should be emphatically stated that they do not have the public support needed politically for such purposes.

One basic reason lies in the fact that all of the economic reforms, all the bourgeois innovations — the development of small commodity production, of private ownership of the means of production on a small scale, of all sorts of commercial enterprises based on private ownership and the growth of banks in particular — all these phenomena are not for the most part the products of the spontaneous growth of capitalist tendencies in the USSR.

Lenin stressed during the NEP period that commodity production grew "spontaneously, daily and even hourly" and could overwhelm the socialist tendencies in the USSR if the

workers' government was unable to deal with it. The difference between the growth of commodity production in the NEP period and now is this: whatever capitalist development exists in the USSR today is mostly the result of state-promoted, state-inspired bourgeois enterprises, including the most menacing features such as the mushrooming of millionaires and the growth of commercial banks. These commercial banks, whatever their size, can only exist if the government supports and promotes them.

Commercial banks everywhere are in a precarious situation. Even the imperialist governments cannot support all the banks that are failing. In an economy like the USSR, where production is plummeting and there is general chaos, these banks can exist only if the government supports them.

The spontaneity of commodity production which Lenin referred to in his writings is not what characterizes the USSR today. The commodity production which has grown up spontaneously in the Soviet Union ever since the end of the civil war has been marginal to the economy. This was so up until the mid-1980s, when the governing group in the USSR under Gorbachev began to promote and cultivate it.

It did so in response to the dangerous growth of a bourgeois social stratum, frequently referred to as the capitalist class in the USSR. Some political tendencies attempting to analyze the social character of the USSR assume it to be the governing class. The bourgeois stratum today, however, notwithstanding its menacing growth, is still a narrow grouping in the Soviet Union. It grew up and was cultivated by the bureaucracy and the bourgeois intelligentsia, especially the technical and managerial elite.

It was Lenin who, in a debate on the trade union question in 1921, first characterized the USSR as "not just a workers' state but a workers' state with bureaucratic deformations." These are Lenin's own words. The bourgeois social grouping grew and developed with the growth of bureau-

cracy and privileges of the officialdom, and the resultant widening of social inequality.

Socialization of labour

Feudalism was a static society. Preservation of the old social system and in particular the means of production was one of its principal attributes. In contrast, the bourgeoisie as a class was constantly revolutionizing the means of production. That is its historic contribution.

In his pamphlet "Karl Marx", Lenin said in a section entitled "Socialism": "From the foregoing, it is evident that Marx deduces the inevitability of the transformation of capitalist society into socialist society wholly and exclusively from the economic laws of the development of contemporary society."

Marx's conclusion that socialism is inevitable was not based on some

for the inevitable advance of socialism.

It is the bourgeoisie which has socialized the labour process with the growth of large-scale production, trusts, cartels and the like. The socialization of labour is developed by capitalism. It is precisely large-scale production which is the material foundation for the inevitability of socialism. This socialization process was not achieved just through the automatic processes of economic laws. In some of the most important chapters of "Capital," Marx described in the fullest detail how the bourgeoisie achieved this socialization of labour in Britain. It ruthlessly and cruelly uprooted the peasantry by every conceivable means. Landless and homeless, they were driven into the factories to provide the material force for large-scale production. Small independent producers in the villages, towns and rural areas were just as ruthlessly deprived of their independence and driven to become wage slaves of the capitalist class. Marx's

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imaginary, abstract principle or utopian tour de force, but rather was derived from the economic laws of development. Marx approached the question of the inevitability of socialism from a scientific viewpoint. Socialism is inevitable not just because it is desirable but because it grows out of the economic laws of contemporary capitalist society.

Lenin added, "The socialization of labour which is advancing ever more rapidly in thousands of forms and has manifested itself very strikingly during the half century since the death of Marx in the growth of large-scale production, capitalist cartels, syndicates and trusts, as well as in the gigantic increase in the dimension and power of finance capital, provides the principal material foundation for the inevitable advance of socialism."

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analysis was based on official reports of the British government. He spent days writing down the cruel details of what was taking place in the workplace at the time-like the 12 hour day and child labour. These conditions are repeated on a much larger scale today in the oppressed countries.

The raw materials for the large-scale growth of industry which made possible the socialization of labour were appropriated from all parts of the globe, where the capitalists committed unspeakable atrocities against the indigenous peoples, including genocide. That too was a material foundation for the socialization of labour, which is a prerequisite for the inevitability of socialism. That's how the social system of capitalism was built.

Capitalism's fundamental contribution to the inevitability of socialism is the socialization of labour. Without that socialism is impossible. But how did the socialization of labour come about in the USSR? Bourgeois historians are quick to tell us that the proletariat in the Soviet Union was a minority class and that it

was concentrated in and around the principal cities of old Russia. True. The most favourable factor enabling the proletariat to overthrow the bourgeoisie in 1917 was its concentration in huge production units, especially around the St. Petersburg and Moscow areas. Because it was profoundly classconscious and

Meeting of the G7 and the collapse of BCCI

The G7, the seven so-called "industrialized democracies," met recently in London in the midst of a developing world economic crisis of most serious proportions. They were said to have discussed how to formalize a new relation-

with how to deal politically with this economic catastrophe that has been inflicted on oppressed peoples by the operations of the capitalist, imperialist system. The issue is what to do in the event there is a political explosion, and how to divert attention from their own complicity, their own criminal conduct.

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receptive to the boldest, revolutionary Marxist thought, it was able to forge an alliance with the peasantry and seize power from the czarist autocracy, the bourgeoisie and the landlords.

However, the socialization of labor which the Western bourgeoisie had accomplished a century earlier had not happened throughout old Russia. The working class at the time of the revolution was still a minority. The development of socialist construction required not only technology and raw materials. It needed millions of new workers.

The bourgeoisie will tell you of all the cruelties committed in connection with the collectivization of agriculture. The process was a dreadful one. But they fail to say that it drove the peasants, rural workers and handicraft people into industry by the millions. The socialization of labour was a task the bourgeoisie should have performed. Instead, the workers' state had to do it.

Today, however, the socialization of labour has been accomplished in the USSR. The bourgeoisie has no progressive task to perform, no objective need to fill. It was all done in the course of constructing the second or, if you will, the third largest economic power in the world. It was socialism which collectivized the individual producers and brought about the development of the gigantic modern scientific-technological apparatus in the USSR. This socialization of labour has advanced so far that individual commodity production is a minor factor in the USSR. What has capitalism to contribute in a progressive way to the Soviet Union? Privatization will break up the collectivized labour into smaller units and retard economic and industrial development.

ship with the USSR. The principal issue, according to the capitalist press, was how much to lend to or invest in the USSR and how far the seven should be willing to go to meet its economic needs. The U.S., Britain and Japan say that depends on how soon the Gorbachev administration will completely dismantle the socialized sector in the USSR and restore the capitalist system. Now, the seven most industrialized, predatory imperialist powers are not interested in helping the development of the USSR, not even if it were to become a capitalist country. They won't help develop a huge capitalist economy which would become a rival to them. On the contrary, their plans are calculated to transform a dismantled and fragmented Soviet Union into a neocolonialist market.

The real problem for the imperialists is whether at the present moment they have the economic wherewithal to do this. And they are divided among themselves on how to share the expected booty which they hope will accrue to them in the future.

They are also seriously concerned with other critical problems that they must discuss in secret and that concern the fate of their own exploitative system. The most sensitive issue arises from the collapse of the Bank of Credit and

It may well be true that the officialdom of the bank were involved in deceit, fraud, mismanagement, and so on. But these are surface manifestations which have accompanied every bank failure over the years. In world political terms, the takeover of the bank shows that the imperialists are dealing with their economic crisis by launching a predatory assault against the oppressed peoples. It brings out once again that one of the most critical issues in world politics and economics is the struggle between the oppressed nations of the world and the oppressing imperialist countries.

The collapse of this bank and the manner in which the imperialists dealt with it are a financial counterpart to the brutal invasion of Iraq. The same powers are deeply involved. These are the same countries—the U.S., Britain and France—that took time out from their meeting in London to once again threaten Iraq with the use of military force.

Almost simultaneously with the takeover of the BCCI came the announcement that two of the most powerful banks in the U.S. and the world, Chemical Bank and Manufacturers Hanover Trust, were planning the largest bank merger in American history. Of course, the merger is a result of the devastating effects of the economic situation in the United States, most of all in the banking sector. Out of the merger of these two banks will come one with combined assets of \$135 billion, dwarfing any commercial bank in Europe. This can have a

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Commerce International, a mammoth bank with worldwide connections and branches across the entire spectrum of Third World countries, involving millions of oppressed people.

Bush, Mitterand and Major are faced

great impact on the competition vis-a-vis trade and commerce.

The Chemical-Manufacturers Hanover union is sure to set off a wave of mergers among the 12,000 banks in the U.S. As reported, the first victims of the present

CAPITALISM & SOCIALISM

merger are the workers — 6,200 will be laid off immediately.

But the banking crisis is also merely a symptom of the crisis of capitalist production. The wave of bank mergers results from the inability of the smaller institutions to sustain the viability of industrial enterprises during a period of

lies at the bottom of it all. On the one hand, production in the modern era is socialized; even the tiniest microchip has embodied in it the labour of millions of workers. Capitalist production has become thoroughly collectivized. On the other hand, however, this collective labour is appropriated by a small group

is why the imperialist countries are making it a precondition of any aid that the Gorbachev leadership first destabilize, decentralize, disrupt and wreck the socialist aspects of Soviet society. Only then will they contribute large-scale credits or loans or permit them to trade the rouble on an equal basis with the imperialist currencies.

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protracted recession caused by capitalist overproduction. Rising inventories and shrinking markets are reflected in the inability to repay loans.

Since the great crisis when the capitalist system actually broke down for a period of time after 1929, there have been a number of cyclical crises followed by upturns. These ups and downs have been interruptions <D> in the emergence of a second breakdown of the capitalist system.

The Great Depression was only overcome by the Second World War. Now we're facing a similar situation, where the U.S. ruling class is again trying to divert the economic crisis by such imperialist adventures as the war against Iraq. But this time militarism has not got them out of the crisis. Militarism as an artificial stimulant is not an eternal category. It has been seen over the past decade that eventually it turns into a depressant. The tendency toward a general breakdown of capitalism, while it may have been interrupted, has not been reversed. On the contrary, the diversion of resources into militarism can make the crisis more severe.

All these efforts to hold back the crisis don't solve the overall contradiction that

of super-wealthy imperialists who maintain a monopoly of ownership over the means of production.

The real world

If we were to address the bourgeois reformers in the USSR, we would ask them: Don't you see what the imperialist bourgeoisie is doing in the underdeveloped countries? It retards their development. Its objective is to prevent them from having large-scale industrial and technological enterprises, even on the level of France, Britain and Germany in the 19th century. Not one of the underdeveloped countries, no matter how large whether India, China (before the revolution), Brazil, Argentina, or any of the Arab countries was able to develop into an independent capitalist country. India has just had to reopen its economy to the ravages of imperialist penetration and lift

Experience is the test of all things. The six years of bourgeois reform in the USSR are at last showing their reactionary character. The toll they are taking in hardship and misery for the masses is bound to revive that revolutionary class consciousness which the Russian working class showed in three revolutions, from 1905 to 1917. What will objectively assist the workers in overthrowing the whole kit and kaboodle of bourgeois reformers and turning again toward building socialism should now be as plain as daylight. It is the emergence of another capitalist breakdown.

Is it possible that the bourgeois reformers in the USSR are so blinded by avarice, bribery and corruption, as well as imperialist intrigue and intimidation, that they cannot see what is literally in front of their noses? The capitalist world, and in particular the U.S., is experiencing bankruptcies, shutdowns, layoffs, budget deficits, homelessness, an enormous growth of the prison population, and a cut in the living standards of the people. The U.S. government cannot overcome its own indebtedness, and now the budget deficit has taken in tow the principal

The road of the capitalist reforms in the USSR leads to neocolonialism.

the restriction that has limited foreign ownership to 50%. And this after more than half a century of independence!

The road of the capitalist reforms in the USSR leads to neocolonialism. That

cities, beginning with the richest financial center of the world, New York. How can the bourgeois reformers in the USSR fail to see that?

Only the masses will open their eyes.