

Lecture 2

“Socialism in One Country” and the Soviet economic debates of the 1920s—Part 2

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Nick Beams, national secretary of the Socialist Equality Party (Australia) and a member of the International Editorial Board of the WSWS, delivered two lectures at a summer school of the SEP in Ann Arbor Michigan in August 2007. The lectures deal with some of the crucial conflicts over economic policy in the Soviet Union during the 1920s. One of the motivations for the lectures was to answer the distortions advanced by the British academic Geoffrey Swain in his book Trotsky published in 2006. Further material can be found in Leon Trotsky & the Post-Soviet School of Historical Falsification by David North.

The following is second and concluding part of the second lecture concerning the Stalinist theory of “Socialism in One Country.” The first part of this lecture was posted Wednesday, May 6. Beams’ first lecture was posted in two parts, on May 4 and May 5. For other lectures from the 2007 SEP summer school, [click here](#).

In the end the Opposition was defeated and Trotsky exiled. The roots of the defeat lay, in the final analysis, in the further blows to the international revolution, now prepared by the policies of the Stalinist apparatus itself, which caused the masses to hold back. While the ruling factions needed only the passivity of the masses, the opposition needed their arousal and active involvement and that was not forthcoming under the impact of further defeats, especially the defeat of the Chinese Revolution in 1926-27.

While Trotsky held the preeminent position within the Opposition, Evgeny Preobrazhensky played a significant role in the sphere of economic policy. Preobrazhensky was to capitulate to the Stalin regime. But his analysis, and the theoretical conceptions within it, which led to his eventual recantation, contain important issues that have lost none of their relevance.

Preobrazhensky was born on 15 February 1886 in Bolkhov, a small town in central Russia established in the 13th century, and was shot in Stalin’s purge of 1937. The son of an Orthodox priest and Bible teacher, Preobrazhensky later maintained that his youthful radicalism developed in opposition to “all the religious quackery” he could see around him. While at high school he emerged as a political militant and founded a political journal. He joined the Russian Social Democrats in 1903 at the age of 17 and was arrested during his first year as a student at the Moscow University Law Department.

He took part in the 1905 Revolution, and, after its suppression, went to the Urals where was chosen to attend the 1907 all-Russia party conference in Finland where he met Lenin. Preobrazhensky was repeatedly arrested for his political activities and in September 1909 was sent to internal exile. When the February Revolution erupted he did not support the provisional government and was one of the first to accept Lenin’s April Theses.

During the negotiations at Brest-Litovsk in 1918, Preobrazhensky was among those who opposed the agreement and was closely aligned with Bukharin. Elected as an alternate member of the Central Committee in 1917, he became a full member in 1920. Preobrazhensky was one of those during the period of War Communism who sought to develop a system of centralized planning. He was a critic of the NEP from the beginning and as early as December 1921 criticized Lenin for describing War Communism as a mistake.

Preobrazhensky was a prominent signatory of the Declaration of the 46 in 1923, and, after the introduction of the NEP, was in sharp and continuous conflict with the theories of Bukharin, the chief spokesman of the right wing. In 1929, after the opposition had been crushed, Preobrazhensky was one of the first to break with Trotsky on the grounds that the Stalin regime had turned to the left and was implementing measures on industrialization demanded by the Opposition.

He was expelled again from the party in 1931 following the publication of his book *The Decline of Capitalism*, which expressed significant differences with Stalin’s chief economist Varga. Readmitted to the party in 1932, he made a recantation at the so-called Victors Congress in 1934, in which he made an attack on Trotsky. After being arrested and jailed in 1935 he served as a prosecution witness in the trial of Zinoviev in 1936. Arrested again in 1936 he was scheduled to be tried but did not appear and was shot in 1937 after refusing to confess.

Preobrazhensky’s major contribution to the debate on economic policy centred on what he called the law of primitive socialist accumulation, which was elaborated in articles and in his major book *The New Economics* published in 1926.

In the Soviet economy of the NEP, he maintained, there was a conflict between the law of value, through which the capitalist market was regulated, and the law of primitive socialist accumulation. The equilibrium of the Soviet economy was established “on the basis of conflict of [these] two antagonistic laws.” [24]

The concept of primitive accumulation was drawn from Marx’s analysis of the historical development of capitalism. Before the capitalist system had developed to the stage where it could sweep away all earlier modes of production through the spontaneous operation of the market, it had to establish an initial accumulation of wealth. This primitive accumulation was achieved by means of colonial policy, the plundering of peasant production, the use of taxes and, above all, the use of force by the state.

Socialist production would in its full development achieve superiority over capitalism. But at this point, in the backward economy of the Soviet Union, it lagged far behind. Over time, it would be possible to carry out socialist accumulation by building up the means of production from the resources created from within the socialist economy. But that stage had

not been reached. It was necessary to engage in “primitive socialist accumulation.” This involved “accumulation in the hands of the state of material resources mainly or partly from sources lying outside the complex of state economy. This accumulation must play an extremely important part in a backward peasant country, hastening to a very great extent the arrival of the moment when the technical and scientific reconstruction of the state economy begins and when this economy at last achieves purely economic superiority over capitalism.” [25]

Preobrazhensky rejected the claims by his right-wing opponents that he was proposing the type of harsh measures against the peasantry that had accompanied primitive accumulation under capitalism. The process of accumulation, he insisted, would take place through the pricing mechanism.

He explained the issues with the following example.

The products of industry and agriculture have the same price. The inequality lies in the fact that grain, embodying 150 hours of agricultural labour, has been exchanged for industrial commodities embodying only 100 hours of industrial labour. In the world economy it might be assumed that grain, embodying 150 hours of agricultural labour, would be able to be exchanged for a greater quantity of industrial goods. But this is prevented by the monopoly of foreign trade. The unequal exchange provides the basis for accumulation by the socialist industrial sector in the form of new equipment and machinery, which lifts the productivity of labour leading to a change in the exchange relations.

In the second stage the exchange is still unequal but the position of the peasantry has improved. It now receives 120 units of industrial goods compared to the 100 units previously. Preobrazhensky acknowledged that the appropriation of surpluses from the peasantry would “give rise to a certain discontent.” But at the same time such a policy would begin to create the conditions for overcoming that discontent by expanding industrial production and lowering prices, thereby lessening the exploitation of peasants by the merchants, as well as providing for the recruitment of new workers from the countryside. On the other hand, to continue with underaccumulation led to the continuation of the “goods famine” and a build-up of peasant discontent “so that this pressure from the countryside threatens our system of protectionism and the foreign trade monopoly.” [26]

Preobrazhensky was not content to describe the mechanisms of this process, he sought to discover what he believed were the objective laws which governed it. The economy was driven by the struggle to increase the means of production belonging to the state and this meant striving for the maximum primitive socialist accumulation.

“The whole aggregate of tendencies, both conscious and semi-conscious, directed towards the maximum development of primitive socialist accumulation, is also the economic necessity, the compelling law of existence and development of the whole system, the constant pressure of which on the consciousness of the producers’ collective of the State economy leads them again and again to repeat actions directed towards the attainment of the optimum accumulation in a given situation.” [27]

This emphasis on the objective character of the law of primitive socialist accumulation, which presses itself on consciousness, becomes significant when we consider the reasons for Preobrazhensky’s capitulation to Stalin.

Preobrazhensky insisted that it was not enough to simply speak of the struggle between the socialist planning principle and spontaneity of the commodity economy because this said nothing about the particular phase of that struggle and the conditions under which it was developing.

Moreover, he maintained that the law of primitive socialist accumulation was based on tendencies within the development of capitalism itself that undermined the operation of the law of value. Because this analysis formed the basis of his eventual break from the Left Opposition and Trotsky, it is necessary to elaborate the fundamental

questions of Marxist political economy, in particular the law of value, which are involved.

In *Capital*, Volume 1, Marx demonstrates that the value of any commodity is determined by the amount of socially necessary labour embodied in it. In a simple commodity society—a theoretical abstraction employed by Marx—commodities exchange in the market at their values. On the basis of this analysis, Marx shows how surplus value arises out of the purchase and use of the commodity labour power that the worker sells to the capitalist in the wage contract. Marx shows that surplus value arises from the very laws governing commodity exchange and emerges as soon as the buying and selling of labour power takes place. The origin of surplus value lies in the fact that labour power is a special commodity in that its expenditure in the process of production gives rise to more value than it embodies itself.

Marx’s method of analysis involves a continuous movement from the abstract to the concrete. In *Capital*, Volume 3, we no longer have the exchange of simple commodities, the products of the labour of individual producers. The commodities that now appear in the market are the products of capitalist firms, in which the proportions of the means of production [constant capital] to living labour differ across the range of industries.

The price of a commodity, now no longer the product of an individual producer but of a capitalist firm, will not be determined directly by the amount of new labour it embodies but will be such that it returns to the total capital that produced it an average rate of profit. This average rate is determined across society as a whole by the relationship of the total surplus value extracted from the working class to the total capital employed.

On the basis of this analysis Marx demonstrates that competition is the form of the struggle between different sections of capital to appropriate their share of the available mass of surplus value. If prices in one sector of the economy are at a level that returns capital in that sector a profit higher than the average rate, then capital from other sectors will move there, increase production, and lower the price until profit rates reach average levels again. However, if the firms already in that sector are able to prevent the entry of new capital, that is, if, for whatever reason, they are able to exert monopoly control, then profits in that sector will remain at higher than the average rate. The overall mass of surplus value will not have increased, but it will be distributed differently. The monopolized sectors of capitalist industry will have benefited at the expense of the more competitive sectors.

Preobrazhensky believed that Marx’s analysis of the impact of monopoly on the operation of the law of value had immediate relevance for the Soviet economy where the state sector operated as a giant trust or monopoly vis-à-vis the peasant producers competing in the domestic market. Furthermore, the Soviet economy as a whole functioned as a monopoly in a world market that was increasingly dominated by giant trusts and monopoly corporations.

The state economy of the proletariat, he wrote, had arisen historically on the basis of monopoly capitalism. This led to the creation of monopoly prices on the home market of national industry, the exploitation of petty production and the expropriation of surplus profit. This situation formed the basis of the pricing policy in the period of primitive socialist accumulation. The further concentration of industry into the hands of a single state trust in the hands of the workers’ state “increases to an enormous extent the possibility of carrying out on the basis of monopoly a price policy which will be only another form of taxation of private economy.” [28]

But Preobrazhensky went further, insisting that with the development of monopoly capitalism the law of value had at least been “partially abolished along with all the other laws of commodity production which are connected with it.” [29]

Free competition was not only being eliminated within national markets but increasingly on the world market where giant trusts, in particular those emanating from the United States, were becoming increasingly dominant. The equalization of the rate of profit—the mechanism through which the law of value operates—was rendered almost impossible between the trustified branches of production that had become “transformed into closed worlds, into the feudal kingdoms of particular capitalist organizations.” [30]

We can begin to see here differences between the approach of Preobrazhensky and that of Trotsky. In his “Notes on Economic Questions,” prepared in May 1926, Trotsky pointed to some of the dangers contained in Preobrazhensky’s analysis.

“The analysis of our economy from the point of view of the interaction (both conflicting and harmonizing) between the law of value and the law of socialist accumulation is in principle an extremely fruitful approach—more accurately, the only correct one,” he wrote. “Such analysis must begin within the framework of the closed-in Soviet economy. But now there is a growing danger that this methodological approach will be turned into a finished economic perspective envisaging the ‘development of socialism in one country.’ There is reason to expect, and fear, that the supporters of this philosophy, who have based themselves up to now on a wrongly understood quotation from Lenin, will try to adapt Preobrazhensky’s analysis by turning a methodological approach into a generalization for a quasi-autonomous process. It is essential, at all costs, to head off this kind of plagiarism and falsification. The interaction between the law of value and the law of socialist accumulation must be placed in the context of the world economy. Then it will become clear that the law of value that operates within the limited framework of the NEP is complemented by the growing external pressure from the law of value that dominates the world market and is becoming ever more powerful.” [31]

Trotsky returned to this point in January 1927: “We are part of the world economy and find ourselves in the capitalist encirclement. This means that the duel of ‘our’ law of socialist accumulation with ‘our’ law of value is embraced by the world law of value, which ... seriously alters the relationship of forces between the two laws.” [32]

Trotsky maintained that industry in the Soviet Union had to be developed in accordance with the international division of labour. That is there was not an “abyss” between the structure of economy in the Soviet Union and that which would develop when the working class took power in the rest of Europe. Preobrazhensky had a different conception. If the proletarian revolution triumphed in Europe, then not only would the planning principle triumph as the method of organizing the economy “but the proportions and distribution of labour and means of production would be substantially different.” [33]

The differences also extended to the type of industry that should be developed. On many occasions Trotsky pointed to the fact that in the pre-war period almost two thirds of Russia’s technical equipment was imported, while only one third consisted of home production, and even this third comprised the simplest machines. The more complicated, more important machines were brought in from abroad. In other words, economic policy should have regard for the pre-war international division of labour.

Preobrazhensky’s analysis moved in another direction. The law of value, he maintained, exerted the least influence in the sphere of the production of the means of production where the state was both the monopolist purchaser and producer. “This means that heavy industry is the most socialist link in the system of our socialist economy, the link where the furthest progress has been made in the process of replacing market relations by a system of firm, planned orders and firm prices with the unified organism of the state economy.” [34]

In fact, the law of value and the international division of labour could no

more be ignored in this sphere than in any other. The production of the means of production, heavy industry, meant tying up large amounts of capital over an extended period of time, consequently diverting resources from other areas of the economy—light industry and the production of textiles, for example. Increased production in these areas, had it been able to go ahead, could have resulted in a greater flow of grain to market as peasants found more goods there that they wished to purchase.

This in turn would enable the state to sell more grain on the world market and with the increased export revenue purchase the required capital goods at less cost and a better quality than they could have been produced domestically. In other words, the decision on whether to go ahead with production of a piece of capital equipment depended not simply upon the relationships within that industry, but on those which prevailed in the Soviet economy as a whole and more generally the world market.

The same differences emerged in relation to the concessions policy—opening the Soviet economy to private international investment. Preobrazhensky warned of the dangers of concessions while Trotsky advocated a relaxation of the existing policy. In the early period the Soviet authorities were extremely cautious, one might say too cautious, he told a delegation of German workers in July 1925:

“We were too poor and weak. Our industry and our entire economy were too ruined and we were afraid that the introduction of foreign capital would undermine the still weak foundations of socialist industry. ... We are still very backward in a technical sense. We are interested in using every possible means to accelerate our technical progress. Concessions are one way to do this. Despite our economic consolidation, or more precisely, because of our economic consolidation, we are now more inclined than a few years ago to pay foreign capitalists significant sums for ... their participation in the development of our productive forces.” [35]

Which is better, Trotsky asked at one point: the independent production of a poor and costly turbine or the dependent production of a better one?

When the Stalin leadership made a turn towards planning and industrialization at the end of 1928, largely in response to the crisis in grain supplies that its own policies had produced, Preobrazhensky was one of the first to shift away from the Opposition. In April 1929 he declared: “One has to make the fundamental and overall conclusion that the policy of the party did not deviate to the right after the Fifteenth Congress, as the Opposition described it ... but on the contrary, in certain substantive points it has seriously moved ahead on the correct path.” [36]

Reviewing the contrasting positions of Trotsky and Preobrazhensky it can be seen that for Preobrazhensky the fundamental issue was planning and the industrial development of the Soviet Union. For Trotsky, however, these issues formed part of a broader perspective—the development of the world socialist revolution. Accordingly, the “left” turn by the bureaucracy could not be separated from the disastrous policies it had pursued in the Comintern, leading to the defeat in China, or from the party regime.

For Trotsky the question of the party regime was inseparable from the question of industrialization and socialist development. It was not possible, he insisted in June 1925, to build socialism by the bureaucratic road and through administrative orders, but only through the initiative, will and opinion of the masses. “That is why bureaucratism is a deadly enemy of socialism. ... Socialist construction is possible only with the growth of genuine revolutionary democracy.” [37]

While Trotsky referred at times to the “law” of socialist accumulation, it meant something different for Preobrazhensky. The law of value in capitalist society operates as an objective tendency of development under conditions where the economic organization of society is not undertaken consciously. But the same cannot be said of the “law” of socialist accumulation—it does not simply impose itself on those who are directing

the economic policies of the state. To be sure, there are objective connections and relationships on which decisions must be based, but very different outcomes will emerge depending on the decisions that are made.

Once they have been freed from the constrictions of feudalism, bourgeois market relations develop spontaneously, eroding and undermining other social formations. It is quite otherwise with socialist relations. They have to be developed consciously under conditions where it is possible, if the incorrect policies are followed, for a reversal to take place.

The Stalinist regime undertook its “left” turn because it felt endangered by the crisis in the economy—objective conditions forced it to act. But the measures it undertook—forced collectivisation and a virtual civil war in the countryside—created the conditions where, had they not been otherwise preoccupied, the imperialist powers could well have turned the situation to their advantage.

The differences between Trotsky and Preobrazhensky are by no means of mere historical interest. An examination of this question helps both to illuminate the underlying reasons for the collapse of the Soviet Union and to clarify the socialist perspective for the future.

Preobrazhensky, as we saw, based his analysis on the impact of monopoly capitalism on the law of value. The state economy established in the Soviet Union, he wrote, was “historically the continuation and deepening of the monopoly tendencies of capitalism, and so also the continuation of these tendencies in the direction of the further decay of commodity economy and the further liquidation of the law of value. If already in the period of monopoly capitalism commodity economy was, in Lenin’s expression ‘undermined,’ then to what extent have it and its laws—consequently, also its basic law of value—been undermined in the economic system of the USSR?” [38]

In other words, Preobrazhensky grounded his perspective on a certain historical form of capitalist development—the rise of national-based monopolies and trusts,

Trotsky, however, based himself on more fundamental processes, above all, on the inherent drive of the productive forces to leap over or drive through the confines of the bourgeois nation-state system. Internationalism for Trotsky was not an abstract principle but, as Richard Day rightly emphasizes, was the “subjective reflection of the objective course of economic history.” [39]

However, the tendencies which Preobrazhensky had identified operated over a considerable period of time and to the extent that the world economy was dominated by national-based monopoly corporations, the Soviet Union, functioning as a kind of giant economic trust according to the program of socialism in one country was able to achieve a certain measure of stability. It has been said, and not without justification, that nothing so much resembled the workings of the Soviet Union as the internal operations of General Motors when it functioned as “national champion” of the US during the post-war boom.

The processes that led to the development of national-based monopoly capitalism were very powerful. But the law of value had not said its last word. As we know, the law of value determines, in the final analysis, the average rate of profit. National-based monopoly capitalism—the regime of the national champions—could continue to function so long as the rate of profit did not fall. But by the mid-1970s the rate of profit had declined sharply. This led to a fundamental reorganization of the capitalist mode of production on a world scale. The processes of globalization based on the disaggregation of production across national borders and boundaries led to a new international division of labour. They made unviable the nationally based state economies of the USSR and the other Stalinist regimes. Preobrazhensky maintained that the state economy of the USSR was a continuation of the tendencies of monopoly capitalism. But those tendencies proved to be historically limited.

The new international division of labour, fashioned in the final analysis

by the working of the law of value that he claimed had been overcome, resulted in a crisis in the Soviet economy. Fearing that this crisis would lead to a movement from below, the Stalinist bureaucracy completed the journey it had begun with the attack on Trotsky and the Left Opposition in the 1920s and organized the restoration of capitalism.

For Preobrazhensky’s analysis the most fundamental question was the growth of monopoly—that is the change in the relations between different sections of capital as they struggled to appropriate the surplus value extracted from the working class. For Trotsky the base of the bases—more fundamental than either property or market form—was the global drive of the productive forces.

Here Trotsky’s analysis has an immediate significance for the development of the perspective of socialism in the present epoch of globalized production. Does not this new structure of world economy mean that it will only be possible for the working class to come to power across the world all at once, or at least in several countries at the same time?

If not, then the following question arises: given the disaggregated nature of production and the fact that today the manufacture of almost any commodity involves processes that stretch whole continents and time zones and is no longer carried out within the confines of a single national state, how will it be possible for the working class, having come to power in one country, to sustain the economy for the period it takes for the socialist revolution to extend? In other words, if the globalization of production has sounded the death knell to regimes based on the program of “socialism in one country,” has it not also rendered impossible the taking and holding of political power?

Only if one leaves out of consideration the objective significance of the international division of labour. As Trotsky emphasized, this unfolds on the basis of fundamental shifts in the productive forces—the base of the bases—irrespective of ideology and property forms. The bourgeoisie will no doubt greet a successful socialist revolution in any part of the world with the same ferocity with which it met the Russian Revolution.

But the globalized character of production means that any attempts to isolate or blockade a workers’ state established in the present era will have far-reaching consequences for the world capitalist economy itself. Just consider in that regard the relationship between China and the United States.

In addition, the ferocious competitive struggle for markets and profits, which has been a driving force of globalization, will provide opportunities for a newly established workers’ state to tack and manoeuvre between the conflicting capitalist powers as the socialist revolution develops internationally.

And above all, the very nature of globalized production, which has forged the objective unity of the international working class on a scale never before attained, means that the socialist revolution will itself take the form of a global political movement, that, like the productive forces themselves, will rapidly leap across time zones, national borders and continents.

Concluded

Notes:

24. E. Preobrazhensky, *The New Economics*, Clarendon Press, 1965, p. 3.
25. Preobrazhensky, p. 84.
26. Preobrazhensky, *The Crisis of Soviet Industrialisation*, Donald A. Filtzer ed., p. 62.
27. Preobrazhensky, *The New Economics*, p. 58.
28. Preobrazhensky, *The New Economics*, p. 111.
29. Preobrazhensky, *The New Economics*, p. 140.
30. Preobrazhensky, *The New Economics*, p. 152.
31. Trotsky, *Challenge of the Left Opposition 1926-27*, pp. 57-58.
32. Day, p. 147.

33. Preobrazhensky, *The New Economics*, p. 65.
34. Preobrazhensky, *The New Economics*, p. 178.
35. Day, p. 132.
36. Daniels, p. 374.
37. Day, p. 142.
38. Preobrazhensky, *The New Economics*, p. 141.
39. Day, "Trotsky and Preobrazhensky," in: *Studies in Comparative Communism*, 1977.

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