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**The Laws of Motion
of the Soviet Economy**

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ABSTRACT: *The concept of a transitional society is utilized to analyze the laws of development of the Soviet economy. A transitional society, it is argued, is not defined by the simple combination or articulation of old and new relations, but instead is understood to be a formation with relations of production specific to this transitional period. The decisive feature of these new relations is the conscious distribution of the means of production and labor-power through the plan. The distribution of consumer goods, however, still maintains the commodity form.*

Consequently, the economic order is governed by the conflict of two antagonistic logics – the logic of the plan and the logic of the market.

To the extent that one can discover general laws for the existing societies in transition between capitalism and socialism, which are characterized by extreme bureaucratic deformation or degeneration, they would have to be characterized as follows:

(1) State ownership of all important industrial, transportation and financial enterprises (i.e. of the means of production and circulation), combined with legal (constitutional) suppression of the right to their private appropriation, centralized economic planning and state monopoly of foreign trade, imply the absence of generalized commodity production and the *rule* of the law of value in the USSR. This means that the economy is no longer capitalist. There is neither a market for large means of production nor for manpower, and labor-power has ceased to be a commodity.

On the other hand, the pressure of the world market, the insufficient level of development of the productive forces, the conflict of interest between social classes (workers, peasants) and social layers (the bureaucracy), the enormous structural differences between industry and agriculture, town and countryside, manual and intellectual labor [1] lead to an inevitable survival of commodity production – essentially of means of consumption [2] – and to the

impossibility of freeing the economy completely of value. The survival of a partial commodity production implies that the economy is not yet a socialist one. The unfolding conflict between the logic of the plan and the influence of the law of value is therefore the main contradiction and the main law of motion of the Soviet economy, as of all economies in the phase of transition between capitalism and socialism.

(2) The absence of the *rule* of the law of value implies, among other things, that the Soviet economy has been able to develop independently from the profit-derived sector priorities and distortions imposed by international capitalism on all less developed economies in the epoch of imperialism. It also implies that it has been able to avoid the business cycle, periodic crises of overproduction, and conjunctural large-scale unemployment. It has been characterized by long-term average rates of growth superior to those of industrialized capitalist countries, even after achieving its basic industrialization. But the survival of partial commodity production, the pressure of the world market and all the other constraints mentioned above, objectively restrict the efficiency and scope of global economic planning. They imply periodic fluctuations in the rate of economic growth and a series of tensions and crises specific to a society in transition between capitalism and socialism, qualitatively different from both the capitalist and socialist economy. They also imply the possibility of

partial overproduction of all those goods which remain commodities.

(3) Survival of commodity production in department II – and its correlative, the money or wage-form of redistribution of labor-power (the workers' access to consumer goods mainly through exchange against money) – implies for every society in transition between capitalism and socialism a contradiction between non-capitalist relations of production and bourgeois forms of distribution. [3] This conflict is not restricted to the sphere of distribution only. It has repercussions in the sphere of production, in the organization of work and production relations at a plant level, and in the techniques of planning. One of these repercussions is a bias towards independent book-keeping at enterprise level and, as a result of the generalized use of money for national book-keeping, a bias towards financial autonomy of enterprises. So long as only partial commodity production survives, money does not and cannot have the same functions as under capitalism or even under petty commodity production; it cannot become large-scale capital, and only in marginal cases (“black market production”) does it become a means of direct exploitation of labor-power. But though never an instrument for really appropriating large means of production, it *can* become a means of *partial* private appropriation of the social surplus product (interest, rent) and it *does*

unleash a spontaneous tendency to primitive private capital accumulation, up to a certain ceiling. It remains especially a key vehicle for the consolidation and transmission of social inequality (inheritance). This is another key contradiction and law of motion of the Soviet economy.

(4) These basic contradictions, characteristic for *all* social formations in transition between capitalism and socialism, are greatly aggravated in the USSR. by the political counter-revolution (Thermidor) which triumphed in the Twenties, and which led to a monopoly of power (administration) in all spheres of social life by a materially privileged social layer, the bureaucracy. In the same way as the law of value reigns in its most normal, least impeded way under competitive capitalism, socially planned investment and distribution of the main economic resources function in a normal and unimpeded way only under the control and management of the economy by the associated producers themselves. Management of productive units and of all basic economic processes by a privileged bureaucracy necessarily introduces enormous distortions and waste in the planning process, which combine with those distortions arising from the survival of partial commodity production, the pressure of the world market, etc., and strengthen them constantly. These distortions account for many of the specific crises which the Soviet economy has

witnessed during the past half-century. This is another basic law of motion of the Soviet economy.

(5) The mass of the producers have an evident *dual* interest in optimizing the planned use of economic resources: their interest in minimizing their (mechanical, non-creative) labor inputs, and their interest in minimizing their consumer satisfaction. [4] Any waste of economic resources violates one or both of these interests. There is no empirical evidence or theoretical “proof” that under real democratic workers’ management, a centrally planned collectivized economy would not allow a more efficient combination of economic resources than that achieved through competition and attempts at profit maximization under capitalism.

But in the absence of democratic control over planning, production and distribution by the associated producers themselves, the only way in which a centrally planned collectivized economy can be run is by a (contradictory) combination of the drive for material self-interest by the “managerial” layer of the bureaucracy, and of political control by the state apparatus (the party apparatus having long since been absorbed by the state apparatus). Experience has confirmed what Marxist theory could predict: such a combination *must* keep the development of Soviet economy constantly *below* its optimum rate of growth, and *must* periodically produce explosive disproportions between different branches of the national economy. This is again a basic law of motion of the Soviet economy.

(6) The material privileges of the bureaucracy are essentially restricted to the spheres of consumption. (We leave aside “immaterial privileges,” “social prestige,” the “thirst for power” *not* expressed in material advantages, which are irrelevant to economic analysis.) Given the specific nature of the Soviet economy, these privileges take two forms: higher money incomes (including those illegally acquired through bribes, corruption, theft, “grey” and “black” market operations, etc.), and non-monetary advantages linked to given hierarchical levels inside the bureaucracy (access to special shops, to state-owned cars, apartments, *dachas*, etc.). Both forms lead to a qualitatively higher access to consumer goods (of higher quality) than that of the average worker (not to speak of the average peasant). But they do *not* lead to private ownership of the means of production, nor to the accumulation of huge private money fortunes.

This introduces an additional, and explosive, contradiction into the functioning of the Soviet economy. While the material self-interest of the bureaucracy is the main instrument for the realization of the plan (the main mechanism through which economic growth is socially mediated, given the bureaucracy’s monopoly of administration of the economy), there is no economic mechanism, not to speak of a spontaneously or automatically functioning one, through which the fulfillment of that self-interest can dovetail with the optimization of economic growth – at least not from the moment a certain

threshold of industrialization has been passed. (Incidentally, this is one of the main theoretical proofs that the bureaucracy is *not* the new ruling class). [5]

All the main economic reforms of the Soviet economy since the Second Five-Year Plan – from the *khozraschyot* principle introduced under Stalin, to Khrushchev's *sounarkhozy*, Lieberman's proposed "restoration of the profit indicator of overall economic performance," – and Kosygin's system of "combined indicators" – are unsuccessful attempts to overcome that contradiction which fuels another basic law of motion of the Soviet economy. They *must* remain unsuccessful, because by its very nature as a *material* privileged layer in consumption, the bureaucracy *cannot* overcome its tendency to subordinate overall social priorities to *private* sectoral advantages (calculated by and gained for the management of each separate factory, trust, locality, region, branch, nationality, etc.). Only democratically associated producers receiving an *equalized "social dividend"* from increased economic growth or increased productivity of labor, would be genuinely interested in global *social* optimization of the use of economic resources.

Any form of bureaucratic management will, therefore, always lead to a waste of such resources, e.g. hiding reserves, transmitting false information, excessive input requirements, outputs of low quality or unrelated to consumer needs, under-employment of productive capacity, theft of productive inputs for "grey" or "black market" operations, etc. Neither the systematic use of terror (as under Stalin) nor the partial restoration of market mechanisms can eliminate the source of that waste, which is the conflict between the material private self-interest of the managing bureaucracy and the needs of optimum use of economic resources made possible by the abolition of

private ownership of the means of production and of the rule of the law of value, and demanded by the collective interests of the overwhelming majority of the producers. (It is obvious that each successive bureaucratic reform *can* achieve, and has achieved, *some* temporary, partial success in overcoming particularly heavy blocks to further economic growth.)

(7) The tremendous cumulative growth of the Soviet economy over more than half a century, made possible by the overthrow of capitalism, has transformed that country from a relatively backward one into the second largest industrial power on earth, at least from the point of view of total absolute production figures. It has even permitted industrial productivity of labor to approach the levels of Italy and Britain, while agricultural productivity of labor remains dismally low. This economic growth has dramatically increased the social weight of the Soviet proletariat, its level of culture and technical skill. The objective possibilities of workers' management of the economy are today incomparably higher than they were in 1917, 1927 or 1937.

However, none of this implies that the more the Soviet economy grows the easier and quicker becomes the overthrow of the bureaucracy's monopoly of power and management of the economy and society. The relative stability of its rule which has lasted much longer than most Marxist critics thought possible, can be explained by the fact that this overthrow can result only from *conscious* political action, i.e. a political revolution, which requires not only ripe objective conditions but also ripe subjective conditions.

The relative unripeness of these latter is the key reason for the relative longevity of bureaucratic dictatorship.

(8) On the one hand, one of the main results of the long period of dictatorship (especially under Stalin's reign of terror, but not only under these conditions) has been a process of progressive automization and de-politicization of the Soviet working class, which has put big subjective obstacles in the path of a political revolution. The way in which communism, Marxism, and socialism have become discredited in the eyes of the Soviet proletariat, as a result of their systematic prostitution as an apologetic state religion in the service of the bureaucracy, is typical of these new subjective obstacles. This is especially so in the absence of a victorious socialist revolution in the West or of a victorious political revolution in an Eastern European country, which could offer the Soviet workers a more attractive "alternative model for the building of socialism" than the Stalinist one.

On the other hand, the very growth of the Soviet economy, in spite of all the waste caused by bureaucratic mismanagement, has created the basis for a slow but steady long-term improvement in the standard of living of the Soviet workers, which is now much higher than it was. The Soviet bureaucracy can therefore embark upon a course of "reformist consumerism" as an alternative to political action inside the Soviet working class. While such a course provokes new tensions and contradictions, arising from unsatisfied *rising* expectations (for quality consumer goods, access to higher education, a better health service, freedom

to travel abroad, etc.) it has, at least for a period, maintained depoliticization and atomization inside the working class and has hampered a rebirth of systematic mass action or mass organization (except, in part, among oppressed nationalities, and then for national goals only).

But the relative unripeness of the subjective preconditions for political revolution does not lead either to a smooth reproduction of bureaucratic rule or to automatic economic growth. It introduces another partially explosive contradiction into the Soviet economy. The more the growing objective weight of the Soviet proletariat collides with its continuous elimination from meaningful decision-taking processes in management and planning, the more a *generalized indifference towards the outcome of the productive process* permeates all levels of workers' activities, and this in turn becomes a major source of slow-down in economic growth (and a huge reserve source of additional growth in the event of a victorious political revolution).

(9) For twenty years, the Soviet bureaucracy has confronted growing problems arising from the need to pass from extensive to intensive industrialization. This need results from the gradual exhaustion of the large-scale reserves in land, agricultural labor and raw materials which had been available for industrialization during the first decades after the initiation of the Five-Year Plans. All attempts to solve these problems till now have failed to achieve a qualitatively higher degree of efficiency in the use of economic resources, though some progress continues to be achieved. The two basic stumbling blocks which

the Bonapartist leadership of the bureaucracy cannot overcome are the impossibility (already mentioned) of rationally tying the material self-interests of the bureaucracy to the optimization of economic growth, and the impossibility (already mentioned) of overcoming the relative indifference towards production of the direct producers. The first of these could be overcome only through re-establishing a permanent tie of material interests between the individual bureaucrats and given enterprises, i.e. re-introducing private property in the economic (and not necessarily at the same moment in the juridical) sense of the term, i.e. through a restoration of capitalism. The second stumbling block could be overcome only through the conquest of generalized workers' control, workers' management, and workers' political power in the economy and society. The first of these radical changes would mean a victorious social counterrevolution, the second a victorious political antibureaucratic revolution.

(10) Inside the bureaucracy, especially its "managerial" wing, there is undoubtedly a tendency towards linking its drive for security of social status, income and privileges to *permanent* ties with a given enterprise or group of enterprises. This tendency reflects the general historical experience that without such ties (i.e. private property in the economic sense of the term), no permanent guarantee can be found

for the security of material privileges and social status and their transmission to the next generations. This tendency dovetails with the objective trend of the dictatorship to try to find a unifying *rationale* between the material self-interests of the bureaucrats and the need to streamline the operation of the system. It likewise dovetails with the pressure of the world market, the trend towards private small-scale primitive capital accumulation, the operation of “grey” and “black market” sectors of production, etc. If successful, it would lead by degrees to a disappearance of central planning, a dismantling of the state monopoly of foreign trade and to a growing symbiosis of a certain number of Soviet enterprises – freed from the iron control of the plan – with their counterparts in imperialist countries.

But before such tendencies could lead to a restoration of capitalism, they would have to eliminate the resistance of the key sectors of the state apparatus which oppose that trend. This, incidentally, is the objective justification for the use of the scientific formula “degenerated workers state” for the Soviet state, in spite of all its anti-working class measures and the total lack of direct class power or even political rights in the USSR. They would especially have to break the resistance of the working class itself which would stand to lose, as a result of such a process of capitalist restoration, the principal remaining conquest of the October revolution in its own eyes: a qualitatively higher degree of job security than under capitalism (the right to work). [6] Restoration of capitalism on the “cold” or gradual road (as imagined through a “palace revolution,” by the Maoists,

Bettelheim and other theoreticians) is as impossible as the overthrow of capitalism in a gradual way. To believe otherwise is, to use an apt formula of Trotsky's, "to unwind the reformist movie backwards." Such a restoration could result only from new and disastrous defeats of the Soviet and international proletariat, after violent social and political confrontations. These are still before us, not behind us.

(11) The overthrow of capitalism in a number of East European countries after World War II, as a result of military-bureaucratic interventions by the Soviet state, has created a Kremlin-controlled *glacis* at the Western frontier of the USSR over which the Soviet bureaucracy exercises a far-reaching control. But while that control was nearly unlimited during the first years after the upheaval and during the cold war period, it has gradually become more contradictory under the – sometimes combined, sometimes autonomous – operations of the three major factors: in each of those countries a ruling "national" bureaucratic layer has emerged which has its own material interests to defend and which, while ultimately depending on the Soviet army to guarantee its rule, can up to a certain point haggle with the Kremlin over the degree of "national autonomic economic development" and can put innumerable stumbling blocks in the road to greater integration inside COMECON. (The Rumanian bureaucracy is the prototype of such a "national" bureaucracy.) Each of these countries (with the possible exception of

Bulgaria) is much more dependent upon foreign trade with the capitalist countries, and is therefore much more vulnerable than the Soviet economy to the fluctuations of the international capitalist economy. This also has social and political consequences inside those countries; especially in those where the degree of atomization and political passivity of the working class is much less than in the USSR. Indeed, in four of these countries (GDR 1953, Hungary and Poland 1956, Czechoslovakia 1968) we have already witnessed the beginning of huge mass movements centered around the working class and leading to the very threshold of political revolution.

Objective economic needs make unavoidable a gradual growing integration of the Soviet economy with those of the “people’s democracies.” But the Soviet bureaucracy cannot finalize such an integration beyond a given threshold, and each attempt unleashes further powerful contradictions, especially if it conflicts with the immediate interests of the masses: for in that case a higher level of working class activity and consciousness in Eastern Europe is transferred (at least partially and temporarily) into the Soviet economy and society. This has become an additional and important law of motion of the Soviet economy.

(12) The laws of motion of Soviet economy and society are inextricably linked to the class struggle on a world scale, i.e. to the outcome of the historical conflict between the world proletariat and the international capitalist class, i.e. to the fate of world revolution and of the international capitalist system. The victory of

the October socialist revolution in a relatively backward country is in the last analysis understandable only against the background of the decline beginning of the world capitalist system in the imperialist epoch. Historically, it signifies the beginning of the process of world revolution.

The counter-revolutionary victory of Stalinism, the establishment of the bureaucratic dictatorship in the USSR, is ultimately the result of grave defeats of world revolution, of which the defeat of the Russian proletariat by the bureaucratic onslaught was an important part. But the survival of the USSR, as a non-capitalist economy and society (in spite of three powerful attempts at capitalist restoration by imperialism in 1918-1921, in 1941-1944 and in 1947-1951) is the result of the fact that the Stalinist counter-revolutionary victories were only partial, that the world proletariat was not completely defeated and reduced to passivity, that the historical crisis of the capitalist mode of production was itself too powerful an obstacle to be overcome, and that periodic new upsurges of world revolution occurred after the early forties.

In that sense, the future of the Soviet Union is yet undecided. Its fate depends upon the outcome of the struggle between antagonistic class forces on a world scale. Precisely because the Soviet economy is not a new mode of production, definitely crystallized and capable of autonomous self-reproduction, its inner laws of motion in and by themselves cannot decide its final form. New decisive defeats of the international proletariat will give a powerful impulse to a restoration of capitalism in the USSR. Any decisive victory of world revolution will give a powerful impulse to a victory of the politically antibureaucratic

revolution in the Soviet Union, and will reopen the road to socialism which the bureaucratic dictatorship has blocked.

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Notes

1. Rudolf Bahro proposes, not without justification, to replace that old formula with one which distinguishes between “specific” and “general” labor (i.e. mechanical labor and labor which is really helping to develop the human personality). He has a point. Especially after the technological revolution, many forms of intellectual labor (not to speak of administrative labor) can be as boring, mechanical and soul-destroying as manual conveyor-belt labor (indeed, there is literally an “interoffice conveyor-belt” functioning already!), while certain forms of manual labor are obviously creative. The question is not so much that certain forms of mechanical labor will stay with us for a long time, even under socialism. It is that nobody should be restricted to performing such jobs, even in the period of transition between capitalism and socialism. Hence the key importance of a radical reduction of the workweek (indeed, the introduction of the half-work-week, by the socialist revolution). Bahro, **Eine Dokumentation** (EVA, 1977).

2. Of course some means of production remain commodities in the USSR. Those sold to nonstate enterprises (kolkhozes, handicraft shops, foreign buyers) are the most important category. Small tools are also sold to individuals, and can be used for small scale production.

3. Those who continue to repeat that the mode of distribution has to “strictly conform” to the mode of production in each and every social formation, according to historical materialism, we can only recall for the nth time Engels’ statement: “Each new mode of production or process of exchange is at first retarded not only by the old process and the political associations which is essential to

it in the course of a long struggle.” Frederick Engels, **Anti-Dühring** (Progress Publishers, Moscow, 1975): 179.

4. This is of course not meant in the vulgar sense of accumulation of more and more material goods, but in the broader sense of creating increasing opportunities (to start with: time and material means) for individual self-development and the development of rich social relations.

5. There is no example in history of a ruling class whose basic interest would conflict with the logic of the mode of production it represents.

6. Recently, Polish managers openly stated that “limited unemployment wouldn’t be such a bad thing to introduce more ‘work discipline’ into the factories.”
