

TROTSKY'S POLITICAL ECONOMIC ANALYSIS OF THE USSR: 1929-1940

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Trotsky's political economy of the USSR remained incomplete. He provided an analysis which could be extended to provide a fuller political economy of Stalinism but, although this evolved over the period 1928-40, it remained incomplete. Furthermore it was internally inconsistent: always less than a theory and more a series of observations and insights. He saw the Stalinist elite as parasitic, but he also viewed it as a socioeconomic entity. Nonetheless, Trotsky (whose crucial concept was not that of a workers' state but of the transition period), did not theorize his own perception although logically he could have argued that the transition period had incorporated the effects of the October Revolution irrevocably. Yet, in 1940, his argument for the defence of the USSR no longer relied on that point.

Trotsky's Method

Trotsky's discussion on the nature of the USSR, unlike his political economy of capitalism or his history of Russia, was impressionistic. In particular *Revolution Betrayed* was originally written as a journalistic piece. To piece together his discussion of the political economy is difficult because his view was not consistent over time. Nonetheless, in his various writings he did capture the essence of the movement of the Soviet economy.

It was Preobrazhensky who described the laws of the political economy of the USSR in the twenties, and formulated the laws of the transition period, stressing the conflict between planning and the market¹. He was the most profound and courageous political economist of the Bolshevik Party and the left opposition but he lacked the subtlety of Trotsky, the historical understanding and the dialectical skill necessary to grasp the full nature of Stalinism. Trotsky, probably the most dialectical of all Marxist writers since Marx, also failed in this respect. In examining the interaction of socialist planning and market forces at work, he saw the forces of socialism fighting those of capitalism, that is, that there were two conflicting laws operating under the New Economic Policy (NEP). Yet, in referring to the contradiction between the forces of production and the bureaucratic relations, he failed to uncover the operation of the fundamental laws by not unravelling the political economy of the Soviet Union.

Consequently, neither Trotsky nor Preobrazhensky grasped the full nature of Stalinism. The problem is that the two laws of which Preobrazhensky speaks, that of planning and the market, did indeed interpenetrate and contradict each other, providing two poles of a new entity. Planning and the market stand in conflict, with the one necessarily squeezing the other out. In this Preobrazhensky provided an understanding of the dynamic of a genuine transition period². Despite this, these two theoreticians saw Stalin and the bureaucratic elite as centrist, standing be-

tween Bukharin, whose views led to capitalist restoration, and a proletarian revolution as propounded by the left opposition. They failed to see that the Stalinist road carved a path of its own: that is, it did not establish a mode of production but only a temporary system which had its own life and laws. It is that specificity and historical role which Trotsky did not understand.

On the other hand, Trotsky's work is full of insights, impressions and profound categorizations of the movement of Soviet reality. When he characterized Stalinism as worse politically than fascism it was an insight which was as profound as any. Only now are we beginning to learn of the depths of the brutality of Stalinism. But Trotsky's characterization was political, not social and economic.

There are three reasons for Trotsky's relatively limited understanding of the USSR. Firstly, when all information was so heavily controlled and, in exile, he lacked knowledge of the changes occurring in the USSR at the time. Secondly, although Trotsky saw that the USSR was unformed, he did not realise that it was the nature of the USSR to be unformed. He never understood that a society could come into being which never truly forms, that is, never establishes itself as a mode of production and swallows up its own population in the process.³

Thirdly, Trotsky's greatness derived from his presence in the specific political economic process in Russia. When exiled, and deprived of people with whom to discuss and interact, his abilities could only decline. Despite the profundity of his thoughts in his last years, they were below his previous best.

Trotsky's Problem

The overall outline of the USSR was already clear in theoretical terms by 1929. A new bureaucratic elite had taken power and was establishing its own system of control. A number of questions then arose. Where did this new group come from? What was the objective basis of this bureaucratic elite in Soviet society? What laws governed the operation of Soviet society and what was its nature? The answer to the latter question provided the basis for the determination of the longevity of the regime. Trotsky's answers were opaque. While pointing out that 'there still remains the character of the Soviet State, which does not remain at all unchangeable throughout the whole transitional epoch',⁴ he argued that the social democrats had rescued the bourgeoisie and consequently the period 'stretched out to a whole historical epoch'.⁵ He appeared to regard the bureaucracy as a subjective phenomenon born of objective circumstances saying: 'The historical crisis of mankind is reduced to the crisis of the revolutionary leadership'⁶. The problem is that the subjective/objective dialectic has to be formulated.

As Trotsky correctly saw, the epoch was one of transition in which the movement from capitalism to socialism involved a change towards a socialist form of planning. In the intermediate period the organization and administration of the economy and political life were bound to come to the fore. Hence, the subjective factor would play an increasing role in political life. But what role? Since there was neither planning nor the pristine spontaneous market, it was not at all clear.

Trotsky had asked in the late 1920s where the bureaucracy came from and his answer was two-fold. It was the organ of the world bourgeoisie, or, in other words,

the expression of the victory of the world bourgeoisie within the USSR, within the limits that were possible to the bourgeoisie.⁷ It was also the immediate expression of the interests of the apparatus which had come into being, under conditions of both scarcity and the market. Obviously, the combination of relatively well-paid non-Marxist specialists and party and state officials, who emerged in positions of privilege and authority, even if un-corrupted, was a conservative force. That is, as he saw it:

The Soviet bureaucracy, which represents an amalgam of the upper stratum of the victorious proletariat with broad strata of the overthrown classes, includes within itself a mighty agency of world capital⁸

This view, if pursued, should have led him to continue his analysis on an objective plane.

Rakovsky's Letter to Valentinov of 2 August 1928, which Trotsky found 'exceptionally interesting and significant', marked a new stage in the discussion and led logically to an analysis of the origin of the bureaucracy in terms of the market.⁹ In his analysis of the bureaucracy, which was novel, he claimed that this was a new social group. Rakovsky argued, firstly, that in taking power a section of the workers that ruled were corrupted, by the accession of material privileges (via the market), by the nobility, and by the corruption of power in itself. This Trotsky specifically termed 'superstructural'.¹⁰ Rakovsky then stressed the importance of educating the working class. The degeneration, said Rakovsky, could be mitigated through the correct leadership of the Communist Party, which was not forthcoming at the time. On the other hand he specifically argued that 'we should have been prepared for the nefarious influence of the NEP, against the temptations and ideology of the bourgeoisie'.¹¹

At the time the question of the source of the degeneration seemed unnecessary, since it was obvious that if the bureaucracy was the organ of the world bourgeoisie, it arose from the market.¹² Today, however, the question must be clearly posed. Even if Trotsky's view is clear, it has not been spelled out. What is needed is a discussion of the interaction between NEP and the origins of the bureaucratic elite. Trotsky does make it clear that the bureaucratic apparatus merged with the 'bourgeois elements'.¹³ Why then did it not introduce the market at the time? Trotsky said that it would have preferred to, but could not.¹⁴ That is, the conditions of the time acted as a constraint on the bureaucracy that prevented it introducing the market.

Trotsky's Critique

Trotsky's critique was composed of several elements. With respect to labour, he argued that the framework of the USSR remained nationalized property. This gave those who controlled the bureaucratic apparatus enormous strength based on their ability to direct labour in the economy. This insight has unfortunately been largely forgotten in the literature outside of the journal *Critique*. The stress on the control of an amorphous labour force goes straight to the heart of the matter.

Methodologically this went back to Marxist political economy and its starting point in human social labour and the specific form of that labour. Trotsky argued implicitly that human social labour in the USSR was not free but was controlled, and therefore the regime had enormous economic and social power. What he did not foresee was that the contradictions involved in such control would lead to the purges, the gulag and a grossly inefficient economy. He saw the advantages in terms of growth, and the disadvantages of lack of democracy in terms of waste ('bureaucratism as a system became the worst brake on the technical and cultural development of the country')¹⁵, but he did not perceive the scale of the killing and the enormity of the waste. The fundamental problem was that he anticipated the rapid end of the bureaucracy and so had no need to theorize the nature of its economy.¹⁶ The question of the contradictions of the system is discussed below.

In any social system labour has to have a form. Under feudalism it is subsistence labour combined with a direct extraction of the surplus product, under capitalism it is abstract labour, under socialism it is directly social labour. What is it under Stalinism? Implicitly I have already answered the question: it is the form of no form. Put differently, the question is one of extraction of the surplus product and the form under which it is taking place. It was clearly unique since it was neither capitalist nor socialist. In fact, it is because the extraction of the surplus product conflicts with the control over the labour process that the system malfunctions, is inefficient and gives rise to massive waste. This only states that there is no historical form of social labour but a stalemate between the social groups in the USSR and a historical stalemate between the classes in the world. Trotsky insisted on the crucial role of labour productivity, pointing out ceaselessly that as long as productivity was lower than the rest of the world, the USSR remained unstable.¹⁷

Trotsky's strength lay in his statements that the nature of the USSR was undetermined and his perception that it was the centralized control over labour which permitted the bureaucracy to rule. He specifically argued that 'The control of the surplus product opened the bureaucracy's road to power'.¹⁸ His weakness lay in his inability to take these points to their natural conclusion.

Trotsky's second point rose from his discussion of the gains of the October Revolution. Misled by optimism and poor information, he still placed hopes on the preservation of aspects of the revolution, leading to his formulation of the conflict in the USSR as lying between 'the social revolution still exist(ing) in property relations', and bourgeois norms of distribution.¹⁹ That such a conflict existed in the early days of the Lenin period was obvious but that a bureaucratic apparatus would necessarily appropriate as much control as possible to itself over the means of production did not enter Trotsky's discussion. To appropriate the surplus product the bureaucracy had to have control over the means of production and consequently over labour and its product. Then there is no longer a conflict between production and distribution. If, as Trotsky argued, the working class in some sense remained in power and the elite were confined by the structure itself he would have been correct. He maintained that: 'in spite of monstrous bureaucratic distortions, the class basis of the USSR remains proletarian',²⁰ but no elite could accept such structural control and would be bound to find ways of removing it.

The essence of the discussion, since the thirties, is about the nature of the structural control and how the elite liberated itself from the original form of the nationalized property. From one angle a division between production and appropriation is a nonsense but looked at historically it has its own justification. If the proletariat were in power but, lacking the skills and the experience, could not run its own economy, it would have to delegate authority to a bureaucratic apparatus. This is what Trotsky argued starting from the general principle that any transitional period involved a bourgeois state enforcing bourgeois norms of distribution on socialist property relations.²¹ However, was the working class still in power, in however attenuated a sense, in the thirties? Here Trotsky's political view of Stalinism as centrist (that is, standing between the left and capitalist restoration) was crucial. In that case Stalin still embodied, in however distorted a form, the spirit of the October Revolution. But, if Stalin represented a temporary but nonetheless systemic change in control, which completely dispossessed the working class then it could not be said that there was a difference between the form of control over the means of production and the form of distribution. They seemed, indeed, exactly suited.

The discussion on the nature of the USSR was derailed by the primitivism of the arguments of Bruno Rizzi, Max Shachtman and James Burnham. They simply asserted that the USSR was a new mode of production with classes. But they had no theory and could not provide the laws of motion of this new mode of production. Whereas Trotsky at least had some understanding of the society they only had a label. Today it is obvious that if it were a mode of production it ought to have at least lasted longer than six decades. Trotsky, however, took their contention seriously, specifically stating that there was no new class in the USSR or no new mode of production. His arguments are in fact irrefutable in Marxist terms. A class must have a specific form of control over the surplus product and Trotsky argued that the Soviet bureaucracy was too constrained to have developed that new method of pumping out surplus product. The privileges were hidden, they were forced to use planning and to industrialize the country.

Planning

The major underpinning of Trotsky's view of the USSR was that it was planned and the whole debate hinges around that question. Shachtman, *et al*, argued that planning was possible in a new social formation. However, Marxists had argued effectively that planning, as the basis of socialism, was the antithesis of the market. Trotsky remained convinced of that, arguing that planning was only possible on the basis of democracy: 'The plan is only a working hypothesis. The fulfilment of the plan inevitably means its radical alteration by the masses whose vital interests are reflected in the plan'.²²

Both sides of that debate were then locked into arguments which were incoherent. Had Trotsky completely abandoned the view that the USSR was planned he would have been forced to conclude that it was not a worker's state and that there was no contradiction between production and distribution, despite his having written in 1933 that: 'The Soviet economy today is neither a monetary

nor a planned one. It is an almost purely bureaucratic economy'.²³ Trotsky then embraced the contradiction in himself that the USSR is planned and not planned, while not recognizing that fact.

On the other hand, the bureaucratic collectivists produced a mechanical statement which was not dialectical in that they did not try to perceive the contradictions operating in the society. Nonetheless, the underlying point that Shachtman and others were trying to make is that the USSR cannot be understood as socialist, or proto-socialist, which a worker's state viewpoint must assert. Nationalization of the means of production can give rise to a form which is exploitative. The problem was not that Trotsky disagreed. He explicitly states that a social revolution would be required.

Needless to say, the distribution of productive forces among the various branches of the economy and generally the entire content of the plan will be drastically changed when this plan is determined by the interests not of the bureaucracy but of the producers themselves...Certain of our critics (Ciliga, Bruno and others) want, come what may, to call the future revolution social. Let us grant this definition. What does it alter in essence?²⁴

He went from critical support based on the view that the USSR was a worker's state and had to be defended against imperialist attack to an uncompromising hostility to all the institutions of the USSR. It really is not clear why the USSR, if exploitative, has to be defended unless it is argued that nationalization in itself has to be defended. Yet, no-one calls for the defence of a conservative country simply because it has nationalized institutions. No-one would need to: nations are entitled to support in order to control their own destiny. Indeed Trotsky did argue in precisely this manner in 1940, when he said:

When Italy attacked Ethiopia, I was fully on the side of the latter, despite the Ethiopian negus for whom I have no sympathy. What mattered was to oppose imperialism's seizure of this new territory. In the same way now I decisively oppose the imperialist camp and support independence for the USSR, despite the negus in the Kremlin'.²⁵

While such a view is consistent with a defence of the USSR as a workers' state, it actually makes the workers' state defence otiose.

It would seem that for Trotsky the political economy of the USSR would need to rest on the question of planning and the ability to direct labour centrally. Logically when these two elements were removed the regime would cease to have any historical justification and would cease to exist. Since Trotsky did not foresee the regime lasting he could not develop such a political economy. Instead, following Preobrazhensky, he saw the contradiction in terms of the market versus planning. This was transformed into bourgeois norms of distribution, a capitalist state with a bourgeois bureaucracy versus the continuation in some form of the October Revolution. As early as 1933 he wrote: 'The Stalinist system is exhausted to the end and is doomed. Its breakup is approaching with the same inevitability with which the victory of Fascism approached in Germany'. He then argued that Stalinism is

like a parasite which has wound itself around the tree of the October Revolution, which 'will yet know how to fend for itself'.²⁶

If planning versus market had been transformed in this manner, Trotsky was left with the question of the nature of the new laws. What was the new political economy? Here Trotsky was left with a description of the abolition of the market in market terms. His fundamental error was not to understand that the period of the form of no form could be the nature of the epoch itself. In his chapter in the *Revolution Betrayed* on the nature of inflation he argued that the market is needed simply in order to have a measure of value and therefore a measure of costs. The argument, however, reflects a critique from the angle of NEP but fails to understand the nature of the economy of the time. The point is that the Stalinist economy did evolve a non-market system and it was the task of Marxists to analyze it.

As I remarked, Trotsky did not realize that Stalinism could last for so long. It could be said that the mistake is understandable and only recognized as such with hindsight. Nonetheless, Trotsky admitted that he had made a mistake when he had earlier argued that Thermidor had not occurred.²⁷ Logically, he was on the way to admitting that an indeterminate system was being formed.

Indeed, Trotsky could have taken an alternative and more logical path. The crucial concept was the epoch itself, of which the unformed nature of the USSR was itself part. Proceeding from that point it would follow that it is the world which is in transition, caused by the movement of the laws of capitalism and the decline of value itself. Trotsky had this to say

The sharpness of the social crisis arises from this, that with today's concentration of the means of production, i.e. the monopoly of trusts, the law of value — the market — is already incapable of regulating economic relations. State intervention becomes an absolute necessity.²⁸

In addition to its objective decline, capitalism had been overthrown at least once. Whatever happened to the USSR could not alter the fact that capitalism was overthrown, placing conscious transition on the agenda throughout the world. This was a transition, said Trotsky, that had been prolonged because of social democracy. It followed then that the prolongation of the transition gave birth to Stalinism, which, in its turn, delayed the onset of socialism still further.

What Trotsky overlooked was the consciousness of the bourgeoisie of its own decline. It could and did take counter measures to ensure that it remained in power. Delay is today the essence of the epoch and the bourgeoisie has taken on board the lessons of the October revolution. It realized that it would have to make concessions to the working class to stabilize the situation. Nationalization, growth, full employment have now become standard aims of reformist and Christian democratic governments. Even Conservative governments have nationalized property and introduced forms of proto-planning. France, Germany and Japan are examples.

The socialization of the means of production has already enshrined the gains of the October Revolution, and the epoch now expresses its spirit. Only complete reaction could return the world to a pre-October Revolution position and that,

only if the working class the world over was prepared to return to mass unemployment and a low and static standard of living. The USSR in this sense is no longer important. Even the US has maintained growth and relatively low unemployment levels largely because the nature of the modern capitalist class depends on it. Arms production, the centrepiece of modern industrial production, cannot be eliminated without enormous disruption to capital itself: yet it is a needs based industry funded by the state and organized and planned over a long period of time. Plan periods, predictability, organization, are now watchwords of industry, which would not exist if growth had not become a feature of modern capitalism. That is, Trotsky saw the objective character of the epoch in terms of the decline of the law of value and the increased economic role of the state but he did not foresee its extent nor that the bourgeoisie would use what instruments it could to retain power, even if they were the very tools required for the transition to socialism.

Trotsky did not argue this point although the concept of the transitional epoch is his own. It is not a question of automatic movement anywhere, but a simple understanding of the laws of motion underlying not one country but the epoch. Yet, by continuing to maintain that Stalin was a centrist, Stalinism became a subjective phenomenon rather than having its own political economy. Furthermore it appeared to be a largely Russian rather than an epochal phenomenon.

The Process at Work in the USSR

The market had really been abolished in the USSR and the conflict between the laws of which he and Preobrazhensky had spoken had left out the actual result of such a conflict. In principle either planning defeats the market or the market wins. If neither wins there would be only degenerate forms of both, temporarily united in a society which has no historical form but has an historical existence. At one level Trotsky was struggling towards such a statement when he spoke of the historical nature of the USSR being open.

But let us bear in mind that the unwinding process has not yet been completed, and the future of Europe and the world during the next few decades has not yet been decided.²⁹

At another level, he was still bound to the previous history of NEP seeing the USSR in terms of plan and market.

It was the common currency of the early twenties that primitive socialist accumulation was required. Later, some identified the Stalinist process of industrialization with primitive socialist accumulation. While Trotsky hailed the industrialization of the USSR as a result of the elements of October, he did not call it primitive socialist accumulation. Indeed any identification would have implied that the USSR was building socialism. When Trotsky criticized Preobrazhensky he had referred to the possibility of using his analysis for purposes of building a national socialism.³⁰ Hence Stalin's industrialization could not even be called primitive socialist accumulation. Indeed, its highly contradictory nature, gross inefficiency and high levels of repression were perhaps reminiscent of primitive capitalist accumulation. Yet it is not at all clear if there was an extraction of surplus

product from the countryside: there was a shift of population but even that is questionable given the numbers killed in collectivization and perished in the famines. Would there really have been a shortage of labour, in the absence of collectivization? In that case, the process served no historical purpose, except to maintain the elite in power.

Trotsky saw the contradictions of the system and opposed the forms of collectivization and so-called planning but he still saw the system as demonstrating the advantages of nationalization and planning. At that time, of course, no other country had utilized those instruments, but he did not tease out the nature of the system coming into being. Logic would have driven him into arguing that the Soviet bureaucracy could neither use planning nor return to the market so that it would be driven from pillar to post to find an inherently impossible solution. Indeed, I would argue that this position is the only one consistent with Trotsky's theories.

For Trotsky the bureaucracy constituted a brake on 'the demands of development'. By the late 1930s development had ceased, leading to 'political convulsions' and the purges³¹ He therefore theorized the contradictions of the system, but in an absolutist way, failing to say any more than the truism that the forces of production were coming into conflict with the relations of production. What was missing was an explanation of the forms in which the conflict was taking place.

In his discussion of the market versus planning Trotsky argued strongly in favour of the restoration of the market.³² This misled Alec Nove and Richard Day into believing that Trotsky argued for the market. This is absurd. Trotsky argued quite clearly that in a transitional period between capitalism and socialism there would have to be a market. Nonetheless the market is not on the side of socialism, it is the enemy and would have to be phased out in the transition period. Thus,

The rouble will become the most stable valuta only from that moment when the Soviet productivity of labour exceeds that of the rest of the world and when, consequently, the rouble itself will be meditating on its final hour.³³

And again, Trotsky basically repeated Marx when he said:

In a communist society the state and money will disappear. Their gradual dying away ought consequently to begin under socialism. We shall be able to speak of the actual triumph of socialism only at that historical moment when the State turns into a semi-State, and money begins to lose its magic power. [He then added]: Money cannot be arbitrarily 'abolished', nor the State and old family 'liquidated'. They have to exhaust their historical mission, evaporate and fall away³⁴

Trotsky was only following Marx's critique of political economy, in highlighting the contradiction between exchange value and use value. Only the reformist Stalinists and social democrats argued otherwise. What Trotsky was saying was that money and the market must continue to be used until the demise of the transitional period to socialism. They have to wither gradually.

How can the proletariat use the market, either under the best or the worst conditions of the transitional period? The latter was the case in the USSR, alone in the capitalist world and with an economy that was both backward and in ruins. In the first case, the proletariat could be assumed to be strong enough to deal with the problems which would arise out of a market economy. They would begin to phase it out from the first day of taking power, even if it took some time to completely extinguish the market. In the case of the USSR, however, the local market would inevitably link to international capitalism and therefore constitute a political enemy. Furthermore, the small size of the proletariat (a tiny proportion of the population) would make it easy for the growing market sector to displace them from power. That would be the political problem, which indeed Trotsky had pointed out much earlier when he made it clear that the market was essential for all countries undergoing a transition to socialism. At the same time he declared that it was the use of 'methods and institutions of the capitalist system' which would be phased out as quickly as the new socialist methods of planning, centralization and accounting could be introduced.³⁵ And then at the 12th Party Congress on the Scissors crisis he pointed out that there was an impossible conflict between the market and planning. There he described NEP as 'our recognition of a legal order for the arena of struggle between us and private capital'.³⁶

There was also an economic problem which would be eased in the case of an advanced country that was part of a wider socialist fraternity of nations by two factors: a high and rising standard of living and a high level of democracy. It would be eased but not removed. Economically the market and planning are not complementary but undermine each other. This was the essence of Preobrazhensky's argument and again it is a logical development of the contradiction between exchange value and use value carried over into the transitional period. The basis of the market sector has to be exchange on the basis of value, precisely what Trotsky insisted was needed for planning in the USSR.³⁷ But, the basis of value is abstract labour, whereas the basis of planning is democratic participation in decision making by the associated producers themselves. These cannot co-exist. The first rests on alienated, controlled workers, whereas socialism requires free workers, increasingly engaged in creative labour and whose interests as human beings come above production.

It follows that under the market (where value is the touch-stone), labour is degraded, cheapened, or over exploited. Thus women's labour is degraded or worse paid because of time off to have children. From the point of view of the planned society, however, women's interests are primary, with production itself coming secondary. Ultimately women's labour will be much more productive under planning, but in the transitional period it would take some time to manifest itself. In like fashion, mining is an inhuman form of labour and the planned sector would have to automate it to the maximum degree or phase it out. On the other hand, the market sector might find it highly profitable to use cheap peasant labour. The proletariat would have to remove crucial aspects of the law of value on taking power: that is, unemployment and with it the reserve army of labour, and introduce a minimum wage and standard of living. Consequently, workers in the market sector would have less incentive to work hard, since they could not be dis-

missed or would easily find another job. The quality of goods did indeed drop in all sectors after the revolution as compared with the same firms under Tsarism. Preobrazhensky's plaintive cry that we have neither the advantages of capitalism nor of socialism would be an inevitable concomitant of any transitional period

The kind of problem faced by co-operatives in the USSR is also inevitable. Where do supplies come from for the different sectors? They cannot be self-sufficient. If the market sector needed machinery from the planned sector, it would have to conform to the planned form. That is, it would have to put in its orders to the central planners, in accordance with the planned economy's needs. Under conditions of shortage the planned sector could not rely on the wholesale trade or some spontaneous factor to fulfil its demands. Yet the planned sector could make enormous demands of the market sector at random. There would have to be planned co-operation. The market sector would then chafe at the difficulty in obtaining supplies and in selling to the state sector. The state sector would find, in its turn, that the market sector would charge it whatever it could get. If the market firm was a monopoly it could overcharge the planned sector while if there were competition, the monopoly of the state sector would permit it to squeeze the market sector.

The whole question of pay would be enough to lead to a revolution. The private sector would be based on profits and the managerial staff would be very well off, but in the planned sector, based on need, managers would be less well paid because their wages would be dependent on the needs of further investment. The result would be an increasing animosity between workers and the private sector managers, supervisors, skilled workers etc. Indeed the workers of the private sector would be bound to strike for higher pay, better conditions and more democratic participation in management. How could they be denied them?

These problems are inevitable and have no solution. In a developed society the market sector would be quickly reduced in size and scope, but in a backward society this was not possible. Trotsky faced these problems which were indeed raised in the twenties, but saw them only in the most general class form. At one point, he saw Stalinism as the expression of the bureaucratic apparatus, which found itself in conflict with its erstwhile allies, the growing petite bourgeoisie of the twenties.³⁸ From this perspective it would be clear that socialism in one country is nonsense. It also follows that Stalinism did not turn against money and the market by accident. NEP was only a holding operation and could not possibly have lasted very long. Logically, the Stalinist economy, which arose from the failure to introduce the planned economy, had to follow. But the planned and market economies could not co-exist under existing conditions in the USSR.

Trotsky failed to foresee that the Stalinist economy could last some time, although it was not a mode of production and did not have classes. Nonetheless, it is possible to understand Stalinism using Trotsky's method and initial starting point. That is, a Stalinist regime is necessarily non-market and non-Socialist. Reform is impossible. It must either disintegrate and be overthrown or go back to capitalism. The USSR had a limited life based on the expansion of the absolute surplus product and it has exhausted it.

References

1. See 'Challenge of the Left Opposition' (1926), p 57 . Trotsky endorsed Preobrazhensky's laws but expressed the fear that some people might use them for purposes of national socialism.
2. I argue this point in 'Trotsky and the Social Forces leading to Bureaucracy', in Leo Olschki (1982), pp 451-467.
3. How are we to understand a statement like the following: 'Industry, freed from the material control of the producer, took on a supersocial i.e. bureaucratic character'. 'The Degeneration of Theory and the Theory of Degeneration, Problems of the Soviet Regime', April 29, 1933, *Writings, 1932-3*, p 234. A supersocial character implies that the bureaucratic form of which he speaks is really undefined. Otherwise he could just say that it takes on a new form.
4. 'The Degeneration of Theory and the Theory of Degeneration', p 216.
5. Trotsky: *The Revolution Betrayed*, p 62.
6. Trotsky: 'The Transitional Programme', p 181.
7. *Writings, 1937-38*, 'Not a Workers' and Not a Bourgeois State?', 25 November 1937, p 65: 'Stalin serves the bureaucracy and thus the world bourgeoisie'.
8. *Writings, 1930-31*, 'Problems of the Development of the USSR', 4 April 1931, p 219.
9. Rakovsky (1928), 'The "Professional Dangers" of Power'. Deutscher (1959), who said Trotsky commended this work, saw Rakovsky' as more sociological, and more pessimistic, than Trotsky. He said that Rakovsky saw the division in the working class as inevitable in any country, in any period. Fagan in his introduction followed Deutscher. Both those interpretations are tendentious. Rakovsky was certainly more incisive than Trotsky and possibly less optimistic but there is no evidence that he had adopted a liberal position and argued that power automatically corrupted, to the point where the inevitable rise of a bureaucracy would prevent socialism; Trotsky, *The Challenge of the Left Opposition*, p 261.
10. Trotsky, op cit.
11. Rakovsky, op cit, p 261.
12. Trotsky, 'Not a Workers' and Not a Bourgeois State?' *ibid.* p67: 'In that period [of Lenin] bureaucratic deformation represented a direct inheritance of the bourgeois regime and, in that sense, appeared as a mere survival of the past'. Trotsky then said that the 'bureaucracy received new sources of nourishment'.
13. Trotsky, 'Platform of the Opposition', in *Challenge of the Left Opposition* p 304, said that 'The capitalist element finds its primary expression in the class differentiation in the countryside and in the increased numbers of private traders. The upper layers in the countryside and the bourgeois elements in the city are interweaving themselves more and more closely with various components of our government and economic apparatus'.
14. *Writings, 1929*: 'Where is the Soviet Republic going?' 25 February 1929, p 48. Trotsky argued that there was a battle between the petty bourgeoisie and Stalin but also that 'This conservative layer [the majority of this officialdom], which constitutes Stalin's most powerful support in his struggle against the opposition, is inclined to go much further to the right, in the direction of the new propertied elements, than Stalin himself or the main nucleus of his faction'. From this point of view, there were two political forces that wanted the restoration of private property, those who held private property, i.e. the property owning peasantry and the NEP men, and large sections of the bureaucratic apparatus itself. Stalin did not choose that path. The same general attitude is taken later in the same volume, in the Preface to *La Revolution Defiguree*, pp 118-122.
15. Trotsky: *In Defence of Marxism*, p 7.
16. *Ibid*, p 10.
17. Trotsky, *Revolution Betrayed*, P 52.
18. Trotsky, *Stalin*, p 410.

19. Trotsky, *Revolution Betrayed*, p 237.
20. Trotsky, *Stalin*, p 405–6. In similar vein: 'In general and on the whole the new economic base is preserved in the USSR, though in a degenerated form'. *The World Situation and Perspectives*, 14 February 1940, *Writings*, 1939–40, p 156.
21. Trotsky, *Revolution Betrayed*, p 58.
22. *Writings*, 1929–33: 'Planned Economy in the USSR, Success or Failure?' p 296.
23. 'The Degeneration of Theory and the Theory of Degeneration', p 224.
24. Trotsky: *In defence of Marxism*, p 4.
25. *Writings*, Supplement 1934–40. 'Fragments on the USSR', p 885.
26. 'The Degeneration of Theory and the Theory of Degeneration', p 225.
27. Trotsky, *In Defence of Marxism*, p 6.
28. Trotsky, *The Struggle against Fascism in Germany*, p 460.
29. Trotsky, *Stalin*, p 406, and *Revolution Betrayed*, pp 238–241.
30. See footnote 1.
31. Trotsky, *In Defence of Marxism*, p 8.
- 32 Trotsky, *Revolution Betrayed*.
33. *Ibid*, p 79.
34. *Ibid*, pp 68–9.
35. *Dvenadtsatyi S'ezd PKP/b*. 1968, p 310.
36. *Ibid*, p 313.
37. Trotsky, *Revolution Betrayed*, pp 69–70.
38. Trotsky, *Stalin*, p 410, 'In the matter of the national surplus product the bureaucracy and the petty bourgeoisie quickly changed from alliance to enmity'

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