

7 The political economy of utopia

Communism in Soviet Russia, 1918–21*

It has become a copybook maxim to assert that the policy of “War Communism” was imposed on the Bolsheviks by the Civil War and the foreign intervention. This is completely untrue, if only for the reason that the first decrees on introducing the “socialist ideal” exactly “according to Marx” in Soviet Russia were issued long before the beginning of the Civil War (the decrees of 26 January and 14 February 1918, on the nationalization of the merchant fleet and of all banks), while the last decree on the socialization of all small handicraftsman and artisans was issued on 29 November 1920, i.e. after the end of the Civil War in European Russia. Of course, the conditions of the Civil War and the intervention left an imprint. But the main thing was something else – the immediate implementation of theory in strict accordance with Marx (from “Critique of the Gotha Program”) and Engels (from “Anti-During”).

(Sirotkin 1989)

In the failure of War Communism and the retreat to NEP the impossibility of planning as articulated theoretically in the Mises–Hayek critique was directly demonstrated in practice.

(Lavoie 1986–7)

Introduction

The historical understanding of the Russian revolution has traveled a rather strange road. The original interpretations of this event basically agreed that Marxian socialism had been tried by the Bolsheviks and failed to such a degree that by 1921 the Bolsheviks were forced to retreat from their experiment with Marxian socialism and switch back to market institutions in the New Economic Policy (NEP).¹ During the 1940s, however, this standard interpretation was challenged by individuals such as Maurice Dobb and, later, E. H. Carr.² Carr’s massive study of the history of the Soviet Union, perhaps more than any other source, was responsible for establishing the counterargument that the War Communism period (1918–21) was not an attempt to implement Marx’s utopia, but rather was forced upon the Bolsheviks by the conditions of civil war and international intervention.

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Recent decades, however, have seen a growing skepticism toward Carr's and other studies which disregard the ideological motivations of the Bolsheviks. The works of Paul Craig Roberts and Thomas Remington have re-emphasized the point that War Communism was a deliberate policy aimed at the elimination of all market institutions and not merely a matter of desperate emergency measures.³ Still, the hegemony of the emergency interpretation persists and finds two of its most ardent supporters in Alec Nove and Stephen Cohen, perhaps the most influential Soviet specialists today.

The timing of the Dobb and Carr re-evaluations of Soviet history coincided with a methodological thrust in the human sciences which sought to deny the force of ideas in human history. Statistical studies would prove or disprove the effectiveness of policies, so that endless disputes over intellectual history were not necessary. Such metaphysical concepts as ideology were not important for the scientific study of society. This methodological change was responsible for the success of Dobb's and Carr's work and for the belief that central planning began not as an attempt in 1918 to eliminate the market but as the attempt to mobilize agricultural resources in 1928.

But, the decline of the positivistic model of the human sciences and the establishment of a post-positivistic philosophy of science brings in its wake a renewed appreciation of the force of ideas in human history.⁴ This new philosophical thrust of the human sciences leads to a fundamental reassessment of this event and its relevance for the study of comparative political and economic systems.

Today, with full knowledge of the effects of Stalinism and the problems that continue to plague so-called socialist economies throughout the world, we can perhaps come to a better understanding of the true meaning of the War Communism period and its socioeconomic dimension. As philosopher Hans-Georg Gadamer states:⁵

Time is no longer primarily a gulf to be bridged, because it separates, but it is actually the supportive ground of process in which the present is rooted. Hence temporal distance is not something that must be overcome. This was, rather, the naïve assumption of historicism, namely that we must set ourselves within the spirit of the age, and think with its thoughts, not with our own, and thus advance toward historical objectivity. In fact, the important thing is to recognize the distance in time as a positive and productive possibility of understanding ... It lets the true meaning of the object emerge fully ... Not only are fresh sources of error constantly excluded, so that the true meaning has filtered out of it all kinds of things that obscure it, but there emerge continually new sources of understanding, which reveal unsuspected elements of meaning ... It not only let those prejudices that are of a particular and limited nature die away, but causes those that bring genuine understanding to emerge clearly as such. It is only this temporal distance that can solve the really critical question of hermeneutics, namely of distinguishing the true prejudices, by which we understand, from the false ones by which we misunderstand.

The Soviet experience from 1918 to 1921 represents a utopian experiment with socialism. The Bolshevik revolutionaries attempted to implement a Marxian social order. Examination of the texts of Lenin, Bukharin, Trotsky, and various other party documents of the time demonstrates the intent to build socialism immediately. The Bolshevik cadre possessed a strong faith in the imminent world revolution, and, therefore, believed in the Trotskyite concept of “permanent revolutions.”⁶ The civil war represents not so much a distraction in the building of socialism, but rather a method by which socialism will be brought to the West.⁷ “Reasoning from the premises of permanent revolution,” Robert Daniels points out, “the Bolshevik left wing – Lenin now included – envisioned vast but independent possibilities of revolution in Europe as well as in Russia. Europe was ripe for revolution, and Russia would shake the tree.”⁸

This faith in sparking the international revolution was demonstrated at the 6th Congress of the Russian Social-Democratic Workers’ Party (Bolsheviks) held in August 1917. “History is working for us,” Bukharin declared. “History is moving on the path which leads inevitably to the uprising of the proletariat and the triumph of socialism ... we will wage a holy war in the name of the interests of all the proletariat, and ... by such a revolutionary war we will light the fire of world socialist revolution.”⁹ And the draft resolution on the Current Movement and the War accepted at the Congress merely reiterated Bukharin’s thesis.¹⁰

The civil war was not a surprise to the Bolsheviks, but rather an expected response from the bourgeoisie. But, while it was expected as part of the transition period, and, in fact, the *raison d’être* of the dictatorship of the proletariat, the civil war did shape the implementation of policy. As Paul Craig Roberts argues, “It was not the policy [of War Communism] but the manner in which it was applied that was determined by civil war.”¹¹ The policies of War Communism, I hope to demonstrate, were not born “in the crucible of military expediency” as Stephen Cohen argues,¹² but originated instead from the political economy of Karl Marx and were transformed into praxis by Vladimir Illich Lenin from 1918 to 1921 in Soviet Russia.

The economic history of War Communism

There is no real dispute here over the economic facts. As Michael Polanyi wrote with regard to Maurice Dobb, “Mr. Dobb’s account of the events does not materially differ from that given in my text.”¹³ What differs between the standard account and the one offered here is the *meaning* of these facts. It is a problem of intellectual history and not one of better fact-finding or statistical manipulation. Substantial agreement exists concerning the chronology of events following the October uprising and the implementation of certain economic policies.

The Bolsheviks rose to power with the promise of advancing Russia toward socialism. Between October 1917 and May 1918, the Bolsheviks implemented several policies intended to be steps toward the realization of socialism. “Changes

of this sort," Charles Bettelheim points out, "took concrete form in certain decisive measures concerning industry and trade. Of these, the most important were the decree on workers' control, published on 19 November 1917, the decree on the formation of the Supreme Economic Council of National Economy (VSNKh), the decree on the nationalization of the banks (28 December), the decree on consumers' organizations, placing consumers' cooperatives under the control of the Soviets (16 April), and the decree on the monopoly of foreign trade (23 April)."¹⁴

However, the nationalization drive, which the standard account argues did not begin until after the urgency of civil war became apparent, was already in preparation in March and April of 1918; plans were being made to nationalize both the petroleum and the metal industries.¹⁵ But the sugar industry, with the decree of 2 May 1918, became the first entire industry to be nationalized. Three hundred enterprises were nationalized on 15 May, and by the beginning of June that number exceeded five hundred, half of which represented concerns in heavy industry. This was followed by the general decree nationalizing large-scale industry issued on 28 June 1918.¹⁶ And by 31 August the number of nationalized enterprises reached 3,000. The pace of the nationalization of industry grew throughout the War Communism period to such an extent that, by November 1920, 37,000 enterprises were nationalized: 18,000 of which did not use mechanical power and 5,000 of which employed only one person.¹⁷

Efforts to nationalize the economy were deemed necessary for the replacement of market methods of allocation by centralized allocation and distribution.¹⁸ A 21 November 1918 decree, for example, forbade internal private trading and a monopoly of trade was granted to the Commissariat of Supply.¹⁹ By March 1919 the consumer cooperatives lost their independent status and were merged with the Commissariat of Supply. And labor mobilization measures, i.e. the militarization of the labor force, were introduced in the attempt to insure the appropriate allocation of the work-force. Stern labor discipline was introduced and "deserters" were penalized accordingly.²⁰

Efforts were also undertaken during this period to eliminate monetary circulation. An August 1918 decree of the Supreme Economic Council declared that all transactions had to be carried out by accounting operations without using money. The figures concerning the emission of currency during this period are shocking: 22.4 billion roubles were in circulation on 1 November 1917, 40.3 billion by 1 June 1918, and 60.8 billion by 1 January 1919. And during 1919 the quantity of money tripled, in 1920 it quadrupled, leaving the purchasing power of the rouble in October 1920 at only 1% of what it had been in October 1917.²¹

Perhaps the most ambitious effort of the Bolsheviks during the War Communism period was the attempt to organize the planning apparatus of the national economy. The Supreme Economic Council (VSNKh) was established on 2 December 1917, and three weeks later the Councils of the National Economy (the *Sovnarkozes*) were created by the Supreme Economic Council to coordinate the activities of all economic units within their provinces and districts.

As the nationalization continued to increase, the management of nationalized enterprises called for central administrations. Special departments within the Supreme Economic Council, called *Glavkis*, were formed for this task. Enterprises were integrated vertically through the *glavki* system and horizontally through the *sovarkozes*.²²

This system of planning attempted to provide *ex ante* coordination of economic activities in place of the chaotic and *ex post* coordination provided by the market system. This planning system, while not provided in a blueprint form from Marx, was nevertheless influenced by him. As Malle writes: “Marxist ideology did not provide concrete guidance about economic organization, but it did provide a general hint about what to be kept and what had to be dropped on the path of economic development. This hint was not irrelevant in the selection of alternatives facing the leadership.”²³ It is this connection and its subsequent development that I will proceed to explore.

From Marx to Lenin

While Marx did not wish to write “recipes for the cookshops of the future,” there is no doubt about the broad outline of Marx’s project.²⁴ His project entailed the rationalization of politics and the rationalization of economics. Both spheres were interdependent within the Marxian system. The interpreter of Marx cannot merely concentrate on either Marx’s economics or his politics if he/she wishes to understand his project. Marx was a political economist in the broadest sense of that term.

Rationalization of the economy required the substitution of a “settled plan,” which achieved *ex ante* coordination, for the “anarchy of the market”; the substitution of production for direct use for production for exchange. Consider the following statement of Marx’s from *Capital*:²⁵

The life-process of society, which is based on the process of material production, does not strip off its mystical veil until it is treated as production by freely associated men, and is consciously regulated by them in accordance with a settled plan.

Furthermore, consider the following position taken by Marx in the Economic and Philosophical Manuscripts of 1844:²⁶

The positive transcendence of private property as the appropriation of human life, is therefore the positive transcendence of all estrangement – that is to say, the return of man from religion, family, state, etc. to his human, i.e. social, existence.

The abolition of private property in the means of production and the substitution of a settled plan for the market has the consequence of rationalizing economic life and transcending man’s alienated social existence. This is Marx’s “economic” project.

Rationalization of politics, on the other hand, required the establishment of “classless” politics. Marx’s political vision was one of radical democracy; one which included universal suffrage and insured full participation.²⁷ Since to Marx the state was an instrument of class conflict, the disappearance of class meant the disappearance of the state and political power. But this did not mean the disappearance of social or “classless” politics. As Marx argued in *The Poverty of Philosophy*:²⁸

The condition for the emancipation of the working class is the abolition of all classes ... The working class, in the course of its development, will substitute for the old civil society *an association which will exclude classes and their antagonism, and there will be no more political power properly so-called*, since political power is precisely the official expression of antagonism in civil society ... Do not say that social movement excludes political movement. There is never a political movement which is not at the same time social. *It is only in an order of things in which there are no more classes and class antagonisms that social evolutions will cease to be political revolutions.*

Marx, it is also clear, argued that the rationalization process of both politics and economics would be conducted in the transition period by the “dictatorship of the proletariat.” Moreover, it is quite clear that Marx believed the transition from capitalism to socialism would not be peaceful, but violent. “The first step in the revolution by the working class,” Marx and Engels wrote, “is to raise the proletariat to the position of ruling class, to win the battle of democracy.” “The proletariat,” they continued, “will use its political supremacy to wrest, by degrees, all capital from the bourgeoisie, to centralise all instruments of production in the hands of the state, i.e. of the proletariat organized as the ruling class; and to increase the total of productive forces as rapidly as possible.”²⁹

And, though it would be violent, Marx was of the opinion that the transition would be short-lived. Capitalism would negate itself within the process of its development. But within this process of negation, capitalism would develop the material preconditions for the advancement to socialism. As he argued in *Capital*:³⁰

Hand in hand with this centralisation, or this expropriation of many capitalists by few, develop, on an ever extending scale, the cooperative form of the labour-process, the conscious technical application of science, the methodical cultivation of the soil, the transformation of the instruments of labour into instruments of labour only usable in common, the economising of all means of production by their use as the means of production of combined, socialised labour, the entanglement of all peoples in the net of the world-market, and this, the international character of the capitalist regime. Along with the constantly diminishing number of the magnates of capital, who usurp and monopolise all advantages of this process of transformation, grows the mass of misery, oppression, slavery,

degradation, exploitation; but with this too grows the revolt of the working class, a class always increasing in numbers, and disciplined, united, organised by the very mechanism of the process of capitalist production itself. The monopoly of capital becomes a fetter upon the mode of production, which has sprung up and flourished along with, and under it. Centralisation of the means of production and socialisation of labour at last reach a point where they become incompatible with their capitalist integument. This integument is burst asunder. The knell of capitalist private property sounds. The expropriators are expropriated ... Capitalist production begets, with the inexorability of a law of Nature, its own negation. It is the negation of negation ... The transformation of scattered private property, arising from individual labour, into capitalist private property is, naturally, a process, incomparably more protracted, violent, and difficult, than the transformation of capitalistic private property, already practically resting on socialised production, into socialised property. In the former case, we had the expropriation of the mass of the people by a few usurpers; in the latter, we have the expropriation of a few usurpers by the mass of the people.

There have been many recent attempts to understand Marx's project, and assess its relationship to the Soviet experience with socialism.³¹ Many of these attempts, however, focus exclusively upon the relationship between Marx's political vision and Soviet authoritarianism. David Lowell, for example, concludes, after a thorough analysis and comparison of Marx's political project with that of Lenin's, that while "Lenin supplied the theoretical foundations for Soviet authoritarianism, Marx's contribution to them was not decisive. While there are many cogent reasons for rejecting Marx's project as a panacea for society's ills, the project's direct and necessary association with Soviet illiberalism is not one of them."³²

Others, such as the critical theorists of the Frankfurt School (Horkheimer, Adorno and Marcuse), consider it one of their fundamental tasks as social theorists to explain the relationship between the Marxian promise of emancipation and the Soviet reality of illiberalism. David Held, in his informative history on the development of critical theory, points out that one of the central problems of concern to the members of the Institute of Social Research, i.e. the Frankfurt School, was to address the following questions:³³

Given the fate of Marxism in Russia and Western Europe, was Marxism itself nothing other than a stale orthodoxy? Was there a social agent capable of progressive change? What possibilities were there for effective socialist practice?

Positive answers to these questions have not always been forthcoming from the critical theorists or Western Marxism in general. As a result, negativism and a sense of despair burdens Western Marxist discussion of the project of

emancipation. Martin Jay expresses this sense of frustration when he asks, “is it too much to hope that amidst the debris there lurks, silent but still potent, the germ of a truly defensible concept of totality – and even more important, the potential for a liberating totalization that will not turn into its opposite?”³⁴

Jay and Western Marxism, in general, find hope in the research program of Jurgen Habermas and the positive alternative that the Habermasian system suggests. Habermas wishes to focus on Marx’s project of the rationalization of politics. In this regard, Habermas has developed his idea of “uncoerced discourse” as a model for politics.³⁵ Habermas, however, does not provide a cogent discussion of Marx’s responsibility (if any) for Soviet authoritarianism.

Perhaps the most insightful discussion on the subject of Marx’s political project and the Soviet experience, therefore, is to be found within the Praxis group philosophers of Yugoslavia. Svetozar Stojanovic, for example, argues that modern Marxists cannot escape the fact that Marx’s fundamental ambiguity toward the concept of the dictatorship of the proletariat is responsible for the perversion of politics under Soviet rule. As Stojanovic argues:³⁶

No matter how we look at it, Marx’s idea of the dictatorship of the proletariat was practicable only by having one group rule in the name of the proletariat as a whole. In the best of cases, it would rule in its interest and under its control. In the worst case, it would rule without any kind of supervision and against its vital interests. In conceiving a new state it is no small oversight to set out from the most optimistic assumptions, where no real thought is given to measures and guarantees against the abuse of power.

Thus, modern Marxists need to deal with the terror inflicted upon the proletariat by the dictatorship in its name that occurred during the early years of the Soviet regime.

All these interpretations, however interesting they are, have a fundamental problem; they forget the economic sphere of Marx’s project and they ignore unintended consequences in social life. In this regard, the attempt by Radoslav Selucky to understand Marx’s project is much more satisfying.³⁷ Selucky suggests that Marx’s project of rationalization of the economy may be inconsistent with the rationalization of politics that Marx envisioned. The concept of a centrally planned unity in economic life is mutually exclusive from the ideal of full democratic participation within political life. This line of reasoning is also consistent with basic Marxian materialist philosophy which argued that the material base (economic life) determines the superstructure (the realm of ideas).

As Selucky argues:³⁸

No Marxist may legitimately construct a social system whose political superstructure would differ structurally from its economic base ... If one accepts Marx’s concept of base and superstructure, a centralized, hierarchically organized economic subsystem cannot coexist with a pluralistic, horizontally organized self-governed political subsystem.

Selucky seems to understand the institutional requirements of economic rationalization and their unintended consequences.

Those who assert that there is a line of continuity between Marx's project and Lenin's praxis need not argue that either Marx or Lenin was an authoritarian. The argument, rather, is that Marx's project of rationalization has the unintended, and undesirable, consequence of totalitarianism. Neither Marx nor Lenin needs to be viewed as a totalitarian in order to understand how the political utopia they envisioned resulted in such an order. The old Bolsheviks, Lenin, Bukharin, Trotsky, Zinoviev, etc., believed they were faithfully implementing Marx's project of social transformation.³⁹ In order to accomplish the process of social transformation, it would have to be directed by the dictatorship of the proletariat, i.e. the Bolsheviks, who represented the true interests of the working class. Bolshevik proposals were filled with intentions of radical democracy, both economically as well as politically, for the working man. Lenin was a faithful interpreter of Marx's project.

Don Lavoie, therefore, provides perhaps the most cogent understanding of Marx's political and economic project among recent interpretations. Lavoie presents Marx's project as an attempt to broaden the scope of democracy and public life. He states:⁴⁰

Karl Marx conceived of central planning as an attempt to resolve this inherent contradiction between the private and public spheres of society. As in any genuinely radical perspective, his particular diagnosis of the problem is inextricably bound up with his utopia, his notion of the cure. Marx saw the problem as being located in the competitive private sphere, the market system, where separate, divided, or "alienated" interests contend with one another for resources. He argued that, so long as democratic institutions tried to merge themselves with this competitive sphere, they would invariably succumb to it. The solution, then, was to eradicate competitive market relations and to replace them with a broadening of the democratically based public sphere to encompass all of social life. No longer would politicians stoop to being tools of special and conflicting interests, since the private sector would cease to exist as a separate component of society. All social production would be carried out by the "associated producers" in conjunction with a common plan. Production would no longer be a private act of war by some market participants against others in a competitive struggle for wealth, but would instead be the main task of the self-coordinated democratic institution ... The reason for our pervasive social ills, culminating in the modern threat of total destruction in use, is perceived to be the fact that we have narrowly confined the function of democratic institutions to a tiny part of social life and have left the bulk of economic activity to the unplanned outcome of non-democratic private struggles for wealth in the market. The proposed solution is to widen democracy to the whole sphere of economics and completely abolish private ownership of the means of production, thereby eliminating the competitiveness of market relations as a basis for economic decision-making.

And, although Marx was extremely reluctant to discuss how his utopia would work in practice, Lavoie suggests that we can envision the fundamental components of Marx's political and economic project, and study their operation. So despite Marx's reluctance, Lavoie argues that:⁴¹

One can still infer from his [Marx's] many indirect references to the communist society that some sort of democratic procedures would be constructed through which the goals of society could be formulated. After this is done, scientists would devise rational comprehensive planning procedures to implement these goals. Since this planning, to be meaningful and scientific, must obtain control over all the relevant variables, Marx consistently foresaw it as centralized and comprehensive. The commonly owned means of production would be deliberately and scientifically operated by the state in accordance with a single plan. Social problems would henceforth be resolved not by meekly interfering with a competitive market order but by taking over the whole process of social production from beginning to end.

This task of abolishing market relations and “taking over the whole process of social production from beginning to end” constitutes the economic policies followed by the Bolsheviks from 1918 to 1921. The policies of War Communism represent the conscious and deliberate attempt to realize Marx's utopia.

Ripeness and the rise to power

Much has been made of the issue of “ripeness” or whether Russia was sufficiently developed. Marx's model of dialectical materialism and the debate between the Mensheviks and the Bolsheviks is usually invoked to demonstrate Lenin's deviation from “real” Marxism. Russia's backward political and economic traditions, it is argued, precluded the possibility of a successful Marxist revolution. Lenin's political maneuvering was a gamble – the attempt to skip over the important historical stage of the bourgeois revolution – with the pay-off being a net loss to the Russian people.⁴² Russia became stuck, as a result of Lenin's hurried attempt to achieve utopia, in the Asiatic mode of production or “oriental despotism.”⁴³

The tyranny of Soviet oppression under Stalin, from this perspective, is the outcome of the intentional gamble by Lenin to rush the revolution in a backward country. What is noteworthy in this analysis is that Marx's project of rationalization is understood; what is disappointing is that the economic problem this rationalization process would have to confront, no matter what stage of development the country of revolution found itself, is misunderstood. Discussion, instead, focuses upon the proper historical conditions conducive to the world revolution.

Robert Daniels, for example, argues that the key to understanding the development of Communism is to keep in mind the importance of historical

conditions. The Soviet experience – a historical accident – could not possibly have succeeded in establishing socialism, because it lacked the necessary preconditions. What resulted in the Soviet Union was not the unintended outcome of attempting to implement Marx’s rationalization project, but rather a different system determined by the historical stage of development. As Daniels argues in *The Conscience of the Revolution*:⁴⁴

The important concern from the standpoint of understanding the development of Communism is to see how the ideal proved to be unrealizable under the *particular Russian conditions* where it was attempted. The Marxian theory underlying the ideal, whenever applied objectively, actually foretold the failure: proletarian socialism required a strong proletariat and an advanced economy; Russia lacked the strong proletariat and the advanced economy. Therefore, the ideal could not be attained, and any claims to the contrary could only mask the establishment of some other kind of social order.

While Daniels sees this focus upon historical preconditions as the key to understanding this episode, I contend that it turns into the key problem to understanding, and, actually leads to misunderstanding the meaning of the Soviet experience with socialism.⁴⁵ What is disappointing about much of the analysis of the Bolshevik rise to power is the almost exclusive emphasis upon historical preconditions for successful socialist practice and the differences in *political strategy* that existed between the Mensheviks and Socialist-Revolutionaries, on the one hand, and the Bolsheviks, on the other.⁴⁶

The Mensheviks and Socialist-Revolutionaries, after the February revolution, originally wanted to work with the Kadet government, as a critic of policy, in the belief that Russia needed to go through the bourgeois revolution before the possibility of the workers’ revolution could be discussed.⁴⁷ The April days and the July demonstrations, however, brought a closer coalition between the Mensheviks, the Socialist-Revolutionaries, and the provisional government.⁴⁸ The Bolsheviks, on the other hand, wanted no part of the compromise with the government, and grew more anxious throughout 1917 to take power and bring relief (and political power) to the suffering masses. This proved to be a tactical *coup d’état*, for, as conditions worsened through the summer of 1917, the Bolsheviks were the only political group to remain untainted by association with the government. Lenin and the party took full advantage of this “higher moral ground.”⁴⁹

Lenin, for example, in his essay “Political Parties in Russia and the Task of the Proletariat,” written in April 1917, set out to answer questions about the political positions of the four major political factions.⁵⁰ There existed, according to Lenin:

- 1 a group to the right of the Constitutional Democrats;
- 2 the Constitutional Democrats;

- 3 the Social Democrats and the Socialist Revolutionaries; and
- 4 the Bolsheviks.

The Constitutional Democrats, and the group to their right, represented the interests of the bourgeoisie, while the Social Democrats and the Socialist-Revolutionaries represented the interests of the petty bourgeoisie. The Bolsheviks, however, represented the interests of the proletariat and demanded all power to the Soviets, “undivided power to the Soviets from the bottom up all over the country” (1977, vol. 24, p. 99). The major difference between the political platform of the Social Democrats and the Socialist-Revolutionaries and the Bolsheviks was *pace*; the Bolsheviks demanded power to the Soviets *now*, while the Social Democrats argued that it was not time – Russia must wait until the bourgeois revolution was completed.

“The masses must be made to see,” Lenin argued upon his arrival in Russia in April 1917, “that the Soviets of Workers’ Deputies are the only possible form of revolutionary government, and that therefore our task is, as long as this government yields to the influence of the bourgeoisie, to present a patient, systematic, and persistent explanation of the errors of their tactics, an explanation especially adapted to the practical needs of the masses” (1977, vol. 24, p. 23). This is where he set out his famous “April Theses.”⁵¹

As long as the Bolsheviks remained in the minority⁵² their primary task was that of “criticising and exposing” the errors of the government, and to “preach the necessity of transferring the entire state power to the Soviets of Workers’ Deputies” (Ibid.). It was not the task of the proletariat at that time (April 1917) to introduce socialism immediately, according to Lenin, but rather to bring social production and distribution under the control of the Soviets.⁵³ The Bolsheviks were urged by Lenin to take the initiative in creating the international revolution. “It must be made clear that the people can stop the war or change its character,” Lenin wrote “*only* by changing the class character of the government.”⁵⁴

Lenin believed that the workers could, and should, take state power immediately. His belief was justified, he argued, because of the existence of two governments; the existence of “dual power” within Russia.⁵⁵ There existed the provisional government – which was the government of the bourgeoisie – but at the same time another government had arisen: the government of the proletariat – the Soviets of Workers’ and Soldiers’ Deputies. “This power is of the same type,” Lenin argued, “as the Paris Commune of 1871” (1977, vol. 24, p. 38). The workers’ state must assume power.

It is not a problem of ripeness, asserted Lenin.⁵⁶ The problem with the Paris Commune was not that it introduced socialism immediately (a bourgeois prejudice). “The Commune, unfortunately,” Lenin asserted, “was too slow in introducing socialism. The *real* essence of the Commune is not where the bourgeois usually looks for it, but in the creation of a state of a special type. *Such a state has already arisen in Russia, it is the Soviets of Workers’ and Soldiers’ Deputies!*”⁵⁷

The existence of dual power and the circumstances of the time led Lenin to declare at the 7th (April) All-Russia Conference that the whole crux of the matter can be summed up as follows: “We [Bolsheviks] put the issue of socialism not as a jump, but as a practical way out of the present debacle” (1977, vol. 24, p. 308). World War I had ripened the conditions for the revolution. Economically, the necessities of war planning had created greater concentration of capital and brought production under the conscious control of society.⁵⁸ Politically, the war had intensified the exploitation of the working class in the name of the capitalist war.⁵⁹ “But with private ownership of the means of production abolished and state power passing completely to the proletariat,” Lenin argued, “these very conditions are a pledge of success for society’s transformation that will do away with the exploitation of man by man and ensure the well-being of everyone” (1977, vol. 24, p. 310). Lenin argued that it was an utter mistake to suggest, because of some preconceived notion that conditions were not ripe, that the working class should support the bourgeois government, or that the proletariat should renounce its leading role in convincing the people of the urgency of taking practical steps toward the establishment of socialism. The time was ripe.

The steps Lenin advocated were nationalization of land, state control over banks and the establishment of a single state bank, control over the big capitalist syndicates and a progressive income tax. “Economically,” Lenin argued, “these measures are timely; technically, they can be carried out immediately; politically they are likely to receive the support of the overwhelming majority of the peasants, who have everything to gain by these reforms” (1977, vol. 24, p. 311).

Praxis and catastrophe

Concentration upon questions of historical ripeness results in a failure to discuss, within the usual analysis of these conflicts among the different political groups, the economic content of their respective platforms, and what they hoped to accomplish by implementing their programs. As Lenin pointed out, though, in the “Impending Debacle” (1977, vol. 24, pp. 395–7), there were no substantial differences between the Narodniks and Mensheviks, on the one side, and the Bolsheviks, on the other, over the economic platform. What Lenin’s complaint amounted to, therefore, was that the other groups were only socialists in word, being bourgeois when judged by their deeds. The Declaration of the “new” Provisional Government (issued on 6 May 1917 by the first coalition provisional government), for example, states that the “Provisional Government will redouble its determined efforts to combat economic disorganization by developing planned state and public control of production, transport, commerce and distribution of products, and where necessary will resort also to the organization of production.”⁶⁰ Moreover, Lenin quotes at length from a resolution of the provisional government concerning economic policy (Lenin, 1977, vol. 24, p. 396):

Many branches of industry are ripe for a state trade monopoly (grain, meat, salt, leather), others are ripe for the organization of state-controlled trusts (coal, oil, metallurgy, sugar, paper); and, finally, present conditions demand in the case of nearly all branches of industry state control of the distribution of raw materials and manufactures, as well as price fixing ... Simultaneously, it is necessary to place all banking institutions under state and public control in order to combat speculation in goods subject to state control ... At the same time, the most energetic measures should be taken against the workshy, even if labour conscription has to be introduced for that purpose ... The country is already in a state of catastrophe, and the only thing that can save it is the creative effort of the whole nation headed by a government which has consciously shouldered the stupendous task of rescuing a country ruined by war and the tsarist regime.

“We have here,” Lenin commented, “state-controlled trusts, the combating of speculation, labour conscription – in what way does this differ from *terrible* Bolshevism, what more could these *terrible* Bolsheviks want?” Lenin answers his rhetorical question by simply stating that the provisional government has been “forced to accept the programme of ‘*terrible*’ Bolshevism because no other programme offers a way out of the really calamitous debacle that is impending” (Lenin, 1977, vol. 24, p. 396). But Lenin charged the provisional government (the capitalists) with only accepting the programme “in order not to carry it out.” Even though “all this can be introduced by decree which can be drafted in a single day” the new provisional government possessed no intention of taking the correct action. Disaster was imminent, Lenin warned, and action should have been immediate.⁶¹

Lenin summarized his argument in “Lessons of the Revolution” (1977, vol. 25, pp. 229–43). He argues that Russia was ruled as a “free” country for about four months after the overthrow of the tsarist regime on 27 February 1917. Even though the bourgeoisie were able to “capture” the government (Kadet Party), Soviets were elected in an absolutely free way – genuine organizations of the people, of the workers and peasants. Thus, there arose a situation of dual power. The Soviets should have taken state power in order to:

- 1 stop the war, and
- 2 stop the capitalists who were getting rich on the war.

But only the Bolshevik social democrats demanded that state power be transferred to the Soviets. The Menshevik social democrats and the Socialist-Revolutionaries opposed the transfer of power. “Instead of removing the bourgeois government and replacing it by a government of the Soviets,” Lenin argued, “these parties insisted on supporting the bourgeois government, compromising with it and forming a coalition government with it. This policy of compromise with the bourgeoisie pursued by the Socialist-Revolutionary and the Menshevik parties, who enjoyed the confidence of the majority of the

people, is the main content of the entire course of the development of the revolution during the first five months since it began" (1977, vol. 25, p. 234).

This policy of compromise represented the complete betrayal of the revolution. By April a spontaneous workers' movement was ready to assume power, but the Socialist-Revolutionaries and Mensheviks, instead, compromised with the capitalist's government, betraying the trust of the people, and allowing the capitalists to maintain state power.⁶² The events of 1917, Lenin argued, merely confirmed old Marxist truths about the petty bourgeoisie and prepared the way for a true workers' revolution. The lesson was all too clear.

The lesson of the Russian revolution is that there can be no escape for the working people from the iron grip of war, famine, and enslavement by the landowners and capitalists unless they completely break with the Socialist-Revolutionary and Menshevik parties and clearly understand the latter's treacherous role, unless they renounce all compromises with the bourgeoisie and resolutely side with the revolutionary workers. Only the revolutionary workers, if supported by peasant poor, are capable of smashing the resistance of the capitalists and leading the people in gaining land without compensation, complete liberty, victory over famine and the war, and a just and lasting peace

(Lenin 1977, vol. 25, pp. 242–3).

This theme is reiterated in "The Impending Catastrophe and How to Combat It" (1977, vol. 25, pp. 327–69). There Lenin argues that six months had passed since the revolution, and, despite promises to the contrary, the catastrophe was closer than ever before. Unemployment had increased, shortages of food and other goods persisted, and yet, the "revolutionary" government did nothing to avert the catastrophe. Russia could wait no longer. The imperialist war was driving the country nearer to ruin at an ever-increasing speed. Yet the government did not implement the measures necessary to combat catastrophe and famine. The only reason, Lenin argued, that no movement was made to avert catastrophe was exclusively because their [i.e. the proper measures] realisation would affect the fabulous profits of a handful of landowners and capitalists" (1977, p. 328).

What was needed, according to Lenin, was for the government (a real revolutionary government) to take steps toward introducing the socialization of production; only such steps would avert catastrophe.⁶³ The chief and principal measure of combating, of averting, catastrophe and famine was to increase control of the production and distribution of goods, i.e. rationalize the economic process. "Control, supervision, accounting, regulation by the state, introduction of a proper distribution of labour-power in the production and distribution of goods, husbanding of the people's forces, the elimination of all wasteful effort, economy of effort" these are the measures necessary, Lenin argued. "Control, supervision and accounting are the prime requisites for combating catastrophe and famine." That this is so, Lenin stated, was "indisputable and universally recognized" (1977, vol. 25, p. 328).

The Mensheviks and the Socialist-Revolutionaries did nothing in the face of catastrophe. Their coalition with the government, and the government's sabotage of all attempts at control, made the Mensheviks and the Socialist-Revolutionaries "politically responsible to the Russian workers and peasants for winking at the capitalists and allowing them to frustrate all control" (1977, vol. 25, p. 330).⁶⁴ It is no wonder, given the increased suffering of the masses, that such energetic condemnations swung support from the provisional government toward the Bolsheviks.

The crux of the matter, to Lenin, was the need for a revolutionary dictatorship. "We cannot be revolutionary democrats in the twentieth century and in a capitalist country," he wrote, "if we fear to advance toward socialism" (Lenin, 1977, vol. 25, p. 360). Those who argued that Russia was not ripe for socialism, and, therefore, that the current revolution was a bourgeois revolution, had failed to "understand (as an examination of the theoretical basis of their opinion shows) what imperialism is, what capitalist monopoly is, what the state is, and what revolutionary democracy is. For anyone who understands this is bound to admit that there can be no advance except toward socialism" (Lenin, 1977, vol. 25, p. 361).

Capitalism in Russia, Lenin argued, had become monopoly capitalism due to the imperialist war. This was evidenced by the development of the syndicates, such as in sugar. Monopoly capitalism develops into state monopoly capitalism. The state, on the other hand, is nothing but the organization of the ruling class. If you substitute a revolutionary democratic state for a capitalist state "you will find that, given a really revolutionary-democratic state, state-monopoly capitalism inevitably and unavoidably implies a step, and more than one step, toward socialism!" Lenin continued by arguing:

For socialism, is merely the next step forward from state-capitalist monopoly. Or, in other words, socialism is merely state-capitalist monopoly *which is made to serve the interests of the whole people and has to that extent ceased to be capitalist monopoly* ... The objective process of development is such that it is impossible to advance from *monopolies* (and the war has magnified their number, role and importance tenfold) without advancing toward socialism (Lenin, 1977, vol. 25, pp. 361–2, emphasis in original).

From imperialism to socialism

Lenin's political position can be understood more clearly if one considers his two theoretical works which basically bookend the revolutionary activity of 1917, *Imperialism, The Highest Stage of Capitalism*, and *The State and Revolution*.⁶⁵ *Imperialism* set out to explain how the world economic system had changed, and how the war was the inevitable outcome of this change. *The State and Revolution* concerned itself with the discussion of the nature of the state, its use in the revolution and subsequent dictatorship of the proletariat, and its inevitable "withering away" in the post-revolutionary world.

“Competition,” Lenin argued in *Imperialism*, “becomes transformed into monopoly.” “The result [of this increased monopolization of the economy],” Lenin continued, “is immense progress in the socialisation of production. In particular, the process of technical invention and improvement becomes socialised” (1977, vol. 22, p. 205). The natural operation of the capitalist mode of production leads to increased concentration of industry because of the profit advantage inherent in economies of scale.⁶⁶ The monopolization of the economy, to Lenin, is not just the result of a state-granted privilege, but inherent to the capitalist process of production.⁶⁷ The state can only affect the form the monopoly takes.

The increased concentration of industry that occurs in the highest stage of capitalism has the advantage of bringing economic life under conscious control. The chaotic process of free competition is overcome. “Capitalism in its imperialist stage,” Lenin argued, “leads directly to the most comprehensive socialisation of production; it, so to speak, drags the capitalists, against their will and consciousness, into some sort of a new social order, a transitional one from complete free competition to complete socialisation” (1977, vol. 22, p. 205).

The system no longer relied upon the businessman’s ability to satisfy consumer demand. The concentration of banking had made business more and more dependent upon pleasing finance capital to stay in operation.⁶⁸ Economic success was not measured by profits gathered from satisfying consumers, but by the connections one had to finance capital. Advantageous business connections and not free competition dominated economic life. “At the basis of these manipulations and swindles,” Lenin observed, “lies socialised production; but the immense progress of mankind, which achieved this socialisation, goes to benefit ... the speculators” and not the people (1977, vol. 22, p. 207). The system must be made to serve the interest of the people instead.

One of the key factors in the socialization of the economic process under imperialism was the increased role of banks in economic life. “We see the rapid expansion of a close network of channels which cover the whole country,” Lenin commented, “centralising all capital and all revenues, transforming thousands and thousands of scattered economic enterprises into a single national capitalist, and then into a world capitalist economy” (1977, vol. 22, p. 213). This “banking network,” which under imperialism increases the power of the monopolistic giants, will provide the technical precondition for full socialization of the economy.⁶⁹

All of industry has become interconnected (not scattered as under free competition) and dependent upon the central nerve of economic life: the bank. “As regards the close connection between banks and industry,” Lenin stated, “it is precisely in this sphere that the new role of banks is, perhaps, most strikingly felt.” The result of this new role “is that the industrial capitalist becomes more completely dependent on the bank” (1977, vol. 22, p. 220).

Lenin sees this, economically, as a good and natural development. It enables control over the economic life process.⁷⁰ “Finance capital,” Lenin argued, “has created the epoch of monopolies, and monopolies introduce everywhere

monopolist principles: the utilization of connections for profitable transactions takes the place of competition on the open market” (Lenin, 1977, vol. 22, p. 244). The era of finance capital had laid the necessary economic ground work for socialization.

On the other hand, the increased monopolization generated war as capitalists fought over economic territory and the division of the world market. “The capitalists divide the world, not out of any particular malice,” Lenin stated, “but because the degree of concentration which has been reached forces them to adopt this method in order to obtain profits” (Lenin, 1977, vol. 22, p. 253). The inevitable striving of finance capital to expand its influence leads directly to colonialism and colonial conquest.⁷¹ This increases the misery individuals suffer under capitalist rule, and brings to consciousness the antagonism of the classes. The imperialist war had laid the necessary ground work for political revolution.

Lenin argued that imperialism was capitalism in transition. As he stated (1977, vol. 22, pp. 265–6):

Imperialism emerged as the development and direct continuation of the fundamental characteristics of capitalism in general. But capitalism only became capitalist imperialism at a definite and very high stage of its development, when certain of its fundamental characteristics began to change into, their opposites, when the features of the epoch of transition from capitalism to a higher social and economic system had taken shape and revealed themselves in all spheres. Economically, the main thing in this process is the displacement of capitalist-free competition by capitalist monopoly. Free competition is the basic feature of capitalism, and of commodity production generally; monopoly is the exact opposite of free competition, but we have seen the latter being transformed into monopoly before our eyes, creating large-scale industry and forcing out small industry; replacing large-scale by still larger scale industry, and carrying concentration of production and capital to the point where out of it has grown and is growing monopoly: cartels, syndicates and trusts, and merging with them, the capital of a dozen or so banks, which manipulate thousands of millions. At the same time the monopolies, which have grown out of free competition, do not eliminate the latter, but exist above it and alongside it, and thereby give rise to a number of very acute, intense antagonisms, factions and conflicts. Monopoly is the transition from capitalism to a higher system.

The epoch of imperialism had, according to Lenin, confirmed Marx’s theory of the increased socialization of production under capitalism. Socialism was to be born in the womb of capitalism, and the transition phase would have all the pains associated with birth.⁷² Imperialism signaled the advent of transition.

The interlocking of business and banking interests, and the world economy signified to Lenin the changing of social relations of production. As he wrote (Lenin, 1977, vol. 22, pp. 302–3, emphasis added):

When a big enterprise assumes gigantic proportions, and, *on the basis of an exact computation of mass data, organizes according to plan* the supply of raw materials to the extent of two thirds, or three-fourths, of all that is necessary for tens of millions of people; when the raw materials are transported in a systematic and organized manner to the *most suitable places of production*, sometimes situated hundreds or thousands of miles from each other; when a single centre directs all the consecutive stages of processing the materials right up to the manufacture of numerous varieties of finished articles; when these products are distributed *according to a single plan* among tens and hundreds of millions of consumers ... then it becomes evident that *we have socialisation of production* and not mere "interlocking."

The shell of private ownership and private enterprise no longer fits the content of the socialized mode of production; it must either decay (if its removal is artificially delayed) or be removed, but nevertheless it will inevitably fall away opening the door for people to exist in social relation with one another.

The process of removing the shell preparing for post-revolutionary social relations constitutes the subject of Lenin's *The State and Revolution*. This essay is perhaps one of the most fateful political tracts for the human condition written in the twentieth century. "The Soviet state," A. J. Polan writes, "that emerged after 1917 bore the stamp of *The State and Revolution* in all its subsequent phases, before and after the Bolsheviks secured the monopoly of power, before and after the decline of the Soviets as significant institutions, before and after the rise of Stalin."⁷³

Yet there is some controversy surrounding Lenin's essay and its place within Lenin's political thinking. Robert Daniels, for example, has argued that *The State and Revolution* represents a utopian aberration in Lenin's political career – a product of revolutionary fervor – and, therefore, views it as a mistake to treat the text as representative of Lenin's political philosophy. "To consider *State and Revolution* as the basic statement of Lenin's political philosophy," Daniels states, "is a serious error." Daniels' argument amounts to pointing out that the essay's "argument for a utopian anarchism never actually became official policy after the revolution," and that the text only served as "the point of departure for the Left Opposition." It was the Leninism of 1902, the "What is to be Done" Lenin, "which prevailed as the basis for the political development of the USSR."⁷⁴

Rodney Barfield, however, in challenging Daniels' interpretation has pointed out that Lenin's essay cannot be viewed as a product of revolutionary fervor because at the time he was researching it Lenin had no idea that revolution was looming on the horizon for Russia. "If *State and Revolution* is divorced from the revolutionary period and viewed as a theoretical work written for the future, a work intended to be Lenin's 'last will and testament,' consisting of ideas which were formulated not in the heat of revolution but in the cool detachment of the Zurich Library," Barfield argued, "then there is sufficient reason to interpret it as representing an integral part of the whole of Lenin's revolutionary thought and personal make-up. *The book may then be viewed as a serious revelation of the end to which Lenin had devoted his life.*"⁷⁵

Alfred Evans has recently argued that “*State and Revolution* has been misinterpreted in most of the scholarly literature on Lenin’s thought.”⁷⁶ Lenin is simply not the utopian or quasi-anarchist, Evans argues, that people make him out to be in *State and Revolution*. Lenin did not possess a blind faith in the masses, nor did he reject authority from above. Evans contends that:⁷⁷

In 1917 he did not in theory or practice throw all caution to the winds and stake everything on the unskilled wisdom of the masses. Lenin’s essay was vulnerable to the charge of being unrealistic, not because he failed to allow for authority from above, but because he expected centralized planning and guidance to be easily compatible with enthusiastic initiative from below.

Thus, *State and Revolution* is neither the crazy utopian tract depicted by Daniels nor the humanistic utopian tract depicted by Barfield, but a polemic in defense of the Marxian utopia of a politically and economically rationalized society. Lenin saw his “prime task” as that of re-establishing “what Marx really taught” (1977, vol. 25, p. 391). Once Lenin established, to his own satisfaction, what Marx really taught on the subject of the state, he turned his attention to clarifying the role of the state in the transition from capitalism to Communism and the tasks that the proletariat vanguard must confront in socioeconomic transformation.

Lenin defends the thesis of the withering away of the state against both the opportunists (Kautsky, etc.), who argue that the proletariat needs the state, and the anarchists, who argue that the state must be abolished without first transforming the economic system. The state – that special apparatus of coercion – is necessary during the transition, but it is a state that is withering away. Lenin asserted that (1977, vol. 25, p. 441):

The proletariat needs the state only temporarily. We do not at all differ with the anarchists on the question of the abolition of the state as the aim. We maintain that, to achieve this aim, we must temporarily make use of instruments, resources and methods of state power against the exploiters, just as the temporary dictatorship of the oppressed class is necessary for the abolition of classes.

The proletariat state would be modeled upon the Paris Commune, Lenin argued, which could not be properly labeled a state in the sense that it no longer operated as an instrument for the suppression of the majority, but the minority (see 1977, vol. 25, pp. 441–7). The proletariat state must conduct the process of social transformation along the lines of democratic centralism.

From this point of reference, Lenin argued, following Marx, that the proletariat must win the battle of democracy in order to overcome mere bourgeois democracy. “Fully consistent democracy,” Lenin wrote, “is impossible under capitalism, and under socialism all democracy will wither away.”⁷⁸ But, “to develop democracy to the utmost, to find the forms for this development,

to test them by practice, and so forth, all this is one of the component tasks of the struggle for the social revolution” (1977, vol. 25, p. 457). Democracy, though, is merely “a state which recognizes the subordination of the minority to the majority, i.e. an organization for the systematic use of force by one class against another, by one section of the population against another” (1977, vol. 25, p. 461). And, as Lenin pointed out, the goal of the social revolution was to transcend such a social existence (Ibid.):

We set ourselves the ultimate aim of abolishing the state, i.e. all organized and systematic violence, all use of violence against people in general. We do not expect the advent of a system of society in which the principle of subordination of the minority to the majority will not be observed. In striving for socialism, however, we are convinced what it will develop into communism and, therefore, that the need for violence against people in general, for the subordination of one man to another, and of one section of the population to another, will vanish altogether since people will become accustomed to observing the elementary conditions of social life without violence and without subordination.

However, during the special historical stage of development, where the revolutionary dictatorship of the proletariat assumes state power, capitalist democracy (democracy for the few) will be transformed into democracy for the majority of the people. The vanguard of the oppressed ruling class must suppress the oppressors. “Simultaneously,” Lenin wrote, “with an immense expansion of democracy, which for the first time becomes democracy for the poor, democracy for the people, and not democracy for the money-bags, the dictatorship of the proletariat imposes a series of restrictions on the freedom of the oppressors, the exploiters, the capitalists.” “We must,” Lenin emphasized, “suppress them in order to free humanity from wage slavery, their resistance must be crushed by force.” And thus, Lenin concluded (1977, vol. 25, pp. 466–7)

Democracy for the vast majority of the people, and suppression by force, i.e. exclusion from democracy, of the exploiters and oppressors of the people – this is the change democracy undergoes during the transition from capitalism to communism. Only in the communist society, when the resistance of the capitalists has been completely crushed, when the capitalists have disappeared, when there are no classes (i.e. when there is no distinction between the members of society as regards their relation to the social means of production), only then “the state ... ceases to exist,” and “it becomes possible to speak of freedom.” Only then will a truly complete democracy become possible and be realised, a democracy without exceptions whatever. And only then will democracy begin to wither away...

The extension of democracy under the dictatorship of the proletariat will not be without economic consequences. The political development in the transition

period “will exert its influence on economic life” and “stimulate its transformation; and in its turn it will be influenced by economic development ... this is the dialectics of living history” (Lenin, 1977, vol. 25, p. 458).

The epoch of finance capital and the imperialist war had transformed capitalism into monopoly capitalism and provided the necessary prerequisites for transforming the social relations of production. “The proximity of such capitalism,” Lenin wrote, “to socialism should serve genuine representatives of the proletariat as an argument proving the proximity, facility, feasibility and urgency of socialist revolution ...” (1977, vol. 25, p. 448). The “mechanism of social management” necessary for social transformation was at hand and demonstrated in such state-capitalist monopoly business organizations as the postal service. Lenin argued that once the workers overthrew the bourgeoisie they would inherit a “splendidly-equipped mechanism” that could easily be run by the united workers. This presented the proletariat with a “concrete, practical task which [could] immediately be fulfilled.” “To organize the whole economy,” Lenin wrote, “on the lines of the postal service so that the technicians, foremen, and accountants, as well as *all* officials, shall receive salaries no higher than “a workman’s wage,” all under the control and leadership of the armed proletariat – that is our immediate aim. This is the state and this is the economic foundation we need” (1977, vol. 25, pp. 431–2, emphasis in original).⁷⁹

Or as Lenin put the matter of economic readiness later in the text (1977, vol. 25, p. 478, emphasis in original):

Given these economic preconditions, it is quite possible, after the overthrow of the capitalists and the bureaucrats to proceed immediately, overnight, to replace them in the control over production and distribution, in the work of keeping account of labour and products, by the armed workers, by the whole of the armed population ... Accounting and control – that is mainly what is needed for the “smooth working,” for the proper functioning, of the first phase of communist society.

Once all have learned to administer and control social production, then “the door will be thrown wide open for the transition from the first phase of communist society to its higher phase, and with it the complete withering away of the state” (1977, vol. 25, p. 479).

With the political and economic task of overthrowing the bourgeoisie and bringing social life under rational control in mind, Lenin broke off from completing *The State and Revolution*. The events of the fall of 1917 had transformed Lenin’s activity from theorizing about revolution to revolutionary praxis. As Lenin put it on 30 November 1917: “It is more pleasant and useful to go through the experience of the revolution than to write about it” (1977, vol. 25, p. 497). Utopia had come to power.⁸⁰

Utopia in power

The revolutionary midwife – the Party – had proceeded in assisting a successful

delivery.⁸¹ The socialist child was born and Lenin and the others were faced with the task of insuring its development and maturation. Overnight the new revolutionary government sought to implement its program by decree.⁸² Referring to the Bolsheviks' economic program, K. Leites stated that: "It [was] safe to say that from the beginning of history humanity [had] never witnessed so complicated an experiment in government."⁸³ Having wrested political control from the provisional government the Bolsheviks were now "in a position to carry out the great economic revolution to which the political revolution was only a prelude, introduce socialism forthwith and transform the whole order of society."⁸⁴

The economic transformation of Russian society consisted of implementing five major principles of social organization.⁸⁵ First, the elimination of private property in land and the means of production and the maximum extension of ownership. This included the working class taking control of the banks, railways, shipping, mining, large-scale industry, foreign trade, etc. Second, the forced allocation and mobilization of labor. The strictest militarization of labor was necessary to successfully construct socialism. Third, centralized management of economic production. Centralized planning of production and distribution of resources was deemed necessary for rationalizing the economic life process. Fourth, introduction of class and socialist principles of distribution. Rationing according to class was considered necessary for the achievement of an equitable distribution of resources. Fifth, the abolition of commodity and money relations and the substitution of a "natural economy" for the market economy. The elimination of the monetary economy and commodity production were deemed necessary for the "defetishization" of economic life and the transcendence of man's alienated social existence.⁸⁶

Taken in combination, these policies constituted the economic program of the Bolsheviks from 1917 to 1921, although for purposes of exposition it is perhaps more accurate to place the beginning of this program as December 1917 or January 1918, when the Supreme Economic Council was formed and the nationalization of industry increased in pace. This period is known to economists and historians today as "War Communism," but at the time it was known simply as Communism.⁸⁷

This system attempted to substitute a unified plan of economic life, i.e. rational social relations of production, for the chaotic and exploitative relations of production that existed under monopoly capitalism. As Leo Pasvol'sky stated in 1921: "the plan, underlying the whole Soviet economic mechanism, is made up, primarily, of two elements, viz., unity and hierarchy. The first of these elements calls for an effective coordination of the various phases of the whole country's economic life and a concentration of the control over these various factors. The second makes it imperative that these various factors be classified and then subordinated one to another in an ascending order."⁸⁸ The task the Bolsheviks took upon themselves consisted not of "rebuilding the economic apparatus and organizing productive effort, but in placing both upon an entirely new basis. The Bolshevik[s] set out to purge the economic organization of Russia of its capitalist spirit and to breathe into it their version of the Socialist spirit."⁸⁹

This program of socialist construction was presented in the Party platforms and other writings of the leading Bolsheviks during this time. Various decrees were announced and resolutions passed with the intention of building socialism in Russia (see Table 7.1). Theoretical works, socialist polemics and Party propaganda were issued to clarify and explain the Bolshevik program to the masses.

Lenin, for example, in his pamphlet *The Immediate Tasks of the Soviet Government* (1977, vol. 27, pp. 235–77), argued that “For the first time in history a socialist party has managed to complete in the main the conquest of power and the suppression of the exploiters, and has managed to *approach directly* the task of *administration*” (1977, vol. 27, p. 242, emphasis in original). Having successfully convinced the majority of the people that its program and tactics were correct, and having successfully captured political power, the Bolsheviks were faced with the immediate task of organizing social administration. The decisive aspect in accomplishing this task was organizing “the strictest and country-wide accounting and control of production and distribution of goods” (1977, vol. 27, p. 245).

The successful implementation of accounting and control, alongside the amalgamation of all banks into a single state bank, would transform the banking system into “nodal points of public accounting under socialism”⁹⁰ and allow the Soviets to organize “the population into a single cooperative society under proletarian management” (1977, vol. 27, pp. 252, 256). But because the introduction of accounting and control had lagged behind the expropriation of the expropriators, Lenin argued, socialist construction would be slower than was originally expected. “The possibility of building socialism,” Lenin wrote, “depends exactly upon our success in combining the Soviet power and the Soviet organization of administration with the up-to-date achievements of capitalism.”⁹¹

The possibility of socialism also required, according to Lenin, the subordination of the desires of the many to the unity of the plan. The rhetoric of workers’ control and workers’ democracy meant something entirely different from the model of decentralization that is promulgated today. To Lenin, as to most Marxists at that time, workers’ control was a method by which central planning could be accomplished and not a decentralized alternative. As Silvana Malle points out: “In Lenin’s model of power, workers’ control would not evolve in any decentralized form, but, on the contrary, would facilitate the flow of information to the centre and the correct implementation of central guidelines.”⁹²

Centralized planning and control were considered the essential elements of socialist construction. “It must be said,” Lenin wrote, “that large-scale machine industry – which is precisely the material source, the productive source, the foundation of socialism – calls for absolute and strict *unity of will*, which directs the joint labours of hundreds, thousands and tens of thousands of people.” “The technical, economic and historical necessity of this is obvious,” Lenin continued, “and all those who have thought about socialism have always

Table 7.1 Major economic decrees and resolutions passed by the Bolsheviks

<i>Dates (Western calendar)</i>	<i>Decrees and resolutions</i>
8 November 1917	The Council of People's Commissars is formed
8 November 1917	Decree on Land; abolished the landlords' right of property and called for the confiscation of landed estates
27 November 1917	Decree on Workers' Control over Production
15 December 1917	Supreme Economic Council is established
27 December 1917	Declaration of the Nationalization of Banks
15 January 1918	Dividend and interest payments and all dealings in stocks and bonds are declared illegal
16 January 1918	Declaration of the Rights of the Working and Exploited People abolished the exploitation of man by man
10 February 1918	Repudiation of all foreign debt
22 April 1918	Nationalization of foreign trade
1 May 1918	Abolition of inheritance
9 May 1918	Decree giving the Food Commissariat extraordinary powers to combat village bourgeoisie who were concealing and speculating on grain reserves
9 June 1918	Labor mobilization for the Red Army
28 June 1918	Nationalization of large-scale industry and railway transportation
2 November 1918	Decree on the Extraordinary Revolutionary Tax to support the Red Army and the International Socialist Revolution
22 March 1919	The Party Programme of the Eighth Party Congress; called for increased centralization of economic administration
29 March to 4 April 1920	The Outstanding Resolution on Economic Reconstruction is passed; called for increased centralization of economic administration to insure the unity of the plan necessary for the economic reconstruction after the civil war and foreign intervention
29 November 1920	Decree of the Supreme Economic Council on the nationalization of small industrial enterprises; all enterprises with mechanical power who employed five or more workers, and all enterprises without mechanical power who employed ten or more workers, were nationalized
March 1921	The Kronstadt Rebellion
8–16 March 1921	Resolution on Party Unity abolishing factionalism within the Party is accepted
23 March 1921	The Tax in Kind is established and the New Economic Policy is introduced

regarded it as one of the conditions of socialism.” “But how can strict unity of will be ensured?” Lenin asked rhetorically. “By thousands subordinating their will to the will of one” he answered (1977, vol. 27, pp. 268–9, emphasis in original).

This theme of strict unity of the plan was echoed throughout various speeches and writings. Lenin, in fact, declared that anyone who challenged this view could not be properly considered a Marxist and was, therefore, not worth talking to. “Socialism,” he wrote, “is inconceivable without large-scale capitalist

engineering based on the latest discoveries of modern science. It is inconceivable without planned state organization which keeps tens of millions of people to the strictest observation of a unified standard in production and distribution. We Marxists have always spoken of this, and it is not worth while wasting two seconds talking to people who do not understand even this" (1977, vol. 27, p. 339).⁹³

Such policy prescriptions were not limited to Lenin but pronounced by all the leading Bolsheviks. Trotsky, for example, during a speech to the Central Executive Committee on 14 February 1918, repeated the necessity of rationalizing the economic life of Russia through strict conformity to the plan. "Only a systematic organization of production," he said, "that is, one based on a universal plan – only a rational and economical distribution of all products can save the country. And that means socialism."⁹⁴ This project of rationalization, as we have seen, entailed the abolition of private ownership in the means of production for exchange. The chaotic process of market exchange and production must not merely be tampered with, but abolished. "Socialist organization of production," Trotsky declared in 1920, "begins with the liquidation of the market ... Production shall be geared to society's needs by means of a unified economic plan."⁹⁵

The ubiquitous nature of monetary calculation under capitalist methods of production was to be replaced by the introduction of strict accounting and control within state enterprises. Proposals for the nationalization of the banks and the amalgamation of all banks into a single state bank was not, as Leon Smolinsky argues, a means to maintain money as the "lifeblood of the new planned economy," where "planners were to utilize the price system, making their choices on the basis of monetary values rather than physical terms." The economic transformation did not amount to utilizing "regulated markets" as a "medium through which plans would work themselves out."⁹⁶ The economic transformation demanded instead the abolition of "the alienated ability of mankind," i.e. money, and the substitution of moneyless accounting for monetary calculation.⁹⁷

Yuri Larin, who was commissioned by Lenin to study the operation of the German economy and ways to implement that model in Russia, argued fervently for the most extreme centralization of the economy and the elimination of all market exchange and production.⁹⁸ Larin declared in the spring of 1919 that the moneyless system of accounting should be pursued post-haste. The nationalization of banks provided the framework to eliminate hand-to-hand currency and to transform the financial institutions of Soviet Russia into, as Lenin put it, "nodal points of public accounting." Under the new economic organization of society, circulating media were rapidly becoming unnecessary. "Money as a circulating media," Larin declared, "can already be got rid of to a considerable degree."⁹⁹ And at the plenary session of the Supreme Economic Council in April 1918, Larin said: "We have made up our minds to establish commodity exchange on new bases, as far as possible without paper money, preparing conditions for the time when money will only be an accounting unit."¹⁰⁰

By May of 1918 the Party had declared that all state enterprises hand over all circulating media to the People's Bank, and in an August 1918 decree of the Supreme Economic Council it instructed the management of industries that, from then on, all settlements of deliveries and receipts of commodities should consist of book entries; on no account should they be used in transactions. The intent of the policy was to establish a cashless clearing system where circulating media would be replaced by bank money.¹⁰¹ Osinskii, who was the manager of the State Bank and the first chairman of the Supreme Economic Council, described the monetary policy of the Bolsheviks as follows: "Our financial policy has been aimed recently at building up a financial system based on the emission of paper money, the ultimate objective of which is the natural transition to distribution of goods without using money and to transform the money tokens into accounting units ... When introducing the system of cashless clearing, our financial policy does not wish thereby to restore the disorder of monetary circulation." On the contrary, "its main aim is to create normal conditions of exchange without money between parts of the uniform and mostly socialized national economy."¹⁰²

This program of the Bolsheviks was perhaps best articulated in the Program of the Communist Party of Russia adopted at the 8th Party Congress in March of 1919, and the popular exposition of that program by Bukharin and Preobrazhensky.¹⁰³ Bukharin gave a detailed presentation of the economic organization of Communist society in his chapter "Communism and the Dictatorship of the Proletariat." He argued that "the basis of communist society must be the social ownership of the means of production and exchange"; under these circumstances "society will be transformed into a huge working organization for cooperative production." The anarchy of production will cease as rationality is imposed upon the economic life process. "In such a social order, production will be organized."

No longer will one enterprise compete with another; the factories, workshops, mines, and other productive institutions will all be subdivisions, as it were, of one vast people's workshop, which will embrace the entire national economy of production. It is obvious that so comprehensive an organisation presupposes a general plan of production. If all the factories and workshops together with the whole of agricultural production are combined to form an immense cooperative enterprise, it is obvious that everything must be precisely calculated. We must know in advance how much labour to assign to the various branches of industry; what products are required and how much of each it is necessary to produce; how and where machines must be provided. These and similar details must be thought out beforehand, with approximate accuracy at least; and the work must be guided in conformity with our calculations. This is how the organization of communist production will be effected.¹⁰⁴

The planning process was to be entrusted to "various kinds of bookkeeping

offices and statistical bureau." Accounts would be kept (day-to-day) of production and its needs. All decisions for the allocation and distribution of resources necessary for social production would be orchestrated by the planning bureau. "Just as in an orchestra all the performers watch the conductor's baton and act accordingly," Bukharin wrote, "so here all will consult the statistical reports and will direct their work accordingly."¹⁰⁵

By achieving *ex ante* coordination of economic activity through the substitution of production for direct use for production for exchange, Bukharin understood that, organizationally, the need for money would disappear. "Money," he simply stated, "would no longer be required" under these circumstances.¹⁰⁶

The rationalization of economic life under Communism would eliminate the waste of capitalist production and lead to increased productivity. This burst of productivity would free individuals from the "chains imposed upon them by nature." The utopian promise of this project was that "concurrently with the disappearance of man's tyranny over man, the tyranny of nature over man will likewise vanish. Men and women will for the first time be able to lead a life worthy of thinking beings instead of a life of brute beasts."¹⁰⁷

Only the scientific organization of production under the direction of a unified plan constructed by the dictatorship of the proletariat could put an end to the capitalist anarchy of production and eliminate the tyranny of man over man. With the breakdown of commodity production and its replacement by the "socio-natural system of economic relations, the corresponding ideological categories also burst, and once this is so, the theory of the economic process is confronted with the need for a transition to natural economic thinking, i.e. to the consideration of both society and its parts as systems of fundamental elements in their natural form."¹⁰⁸ Social relations would no longer be veiled by the commodity fetishism of the monetary exchange system.

This project of rationalization and emancipation is spelled out in the party program adopted at the 8th Congress. In the realm of economic affairs, this amounted to expropriating the expropriators, increasing the productive forces of society by eliminating the contradictions of capitalism, mobilizing labour, organizing the trade unions, educating the workers, and basically, securing "the maximum solidarisation of the whole economic apparatus."¹⁰⁹ In order to accomplish this goal the Bolsheviks seized the banks and merged them into a sole single state bank. The bank, thus, "became an instrument of the workers' power and a lever to promote economic transformation." The bank would become an apparatus of unified book-keeping. "In proportion as the organization of a purposive social economy is achieved, this will lead to the disappearance of banks, and to their conversion into the central book-keeping establishment of communist society." The immediate elimination of money was not yet possible, but the party was moving in that direction. "Upon the basis of the nationalisation of banking, the Russian Communist Party endeavours to promote a series of measures favouring a moneyless system of account keeping, and paving the way for the abolition of money."¹¹⁰

The Bolsheviks did not just accept this program in the heat of civil war as

many historians assert. The civil war no doubt affected the way that the program was implemented, but the program itself was clearly ideological in origin. It emerged out of the conscious attempt to achieve Marx's utopia. Even after the civil war had ended, the Bolsheviks embarked upon continuous efforts of rationalizing the economy. For example, the "Outstanding Resolutions on Economic Reconstruction" (adopted by the 9th Congress of the Russian Communist Party in April 1920) argued that "the basic condition of economic recovery of the country is the undeviating carrying out of a unified economic plan."¹¹¹ And in November 1920, V. Milyutin, then Assistant President of the Supreme Economic Council, announced the decree of the Council to nationalize even small industrial enterprises and bring them under conscious control.¹¹² Only the insurgency of the sailors at Kronstadt convinced the Bolsheviks to reconsider their policy.

Utopia in disarray

The result of this policy of socialist transformation was an economic disaster.¹¹³ "Considered purely as an economic experiment," William Chamberlin commented, "War Communism may fairly be considered one of the greatest and most overwhelming failures in history. Every branch of economic life, industry, agriculture, transportation, experienced conspicuous deterioration and fell far below the pre-War levels of output."¹¹⁴ Economic life completely fell apart. "Never in all history," declared H. G. Wells, "has there been so great a debacle before."¹¹⁵ As Moshe Lewin points out: "The whole modern sector of urbanized and industrialized Russia suffered a severe setback, as becomes obvious from the population figures." "By 1920," he reports, "the number of city dwellers had fallen from 19 per cent of the population in 1917 to 15 per cent. Moscow lost half its population, Petrograd two-thirds."¹¹⁶ After only three years of Bolshevik rule: "The country lay in ruins, its national income one-third of the 1913 level, industrial production a fifth (output in some branches being virtually zero), its transportation system shattered, and agricultural production so meager that a majority of the population barely subsisted and millions of others failed even that."¹¹⁷ This economic debacle is recorded in various memoirs and novels of the time.¹¹⁸

The burst of productivity expected from the rationalization of economic life was not forthcoming. Instead, economic life and social relations under Communist rule merely worsened the condition of the masses of people. If "Lenin was the midwife of socialism," then the "mother's belly had been opened and ransacked, and still there was no baby."¹¹⁹ The socialist project proved unrealizable; utopia became dystopia within a matter of three years.

The Soviet socialist failure bore full witness to the Mises–Hayek critique of socialist planning. The economic disorganization of Bolshevik Russia was, as Lancelot Lawton pointed out, a result of the "disregard of economic calculation."¹²⁰ The attempt to realize a moneyless accounting system to replace the monetary calculation of capitalism proved to be an insurmountable difficulty

in economic coordination.¹²¹ “With moneyless accounting, as with all Bolshevik innovations, the simplicity of theory vanished in the unavoidable complications of practice.”¹²² The Bolsheviks had attempted to eliminate, by decree, the only means to achieve the economic knowledge necessary for advanced industrial production; the monetary calculation embedded within the dynamic process of exchange and production. The “attempts of the Bolsheviks to establish moneyless accounting ended with no accounting at all.” In striving “to make all men wealthy, the Soviet state had made it impossible for any man to be otherwise than poor.”¹²³ What had happened under the rule of Lenin and Trotsky was, as Mises said, “merely destruction and annihilation.”¹²⁴

Throughout 1920, Soviet power was threatened as the social order of production was destroyed. The political protests and uprisings culminated in March 1921 with the Kronstadt uprising. The “waves of uprisings of workers and peasants,” the Kronstaders declared, “have testified that their patience has come to an end. The uprising of the labourers has drawn near. The time has come to overthrow the commissarocracy ... Kronstadt has raised for the first time the banner of the uprising for the Third Revolution of the toilers ... The autocracy has fallen. The Constituent Assembly has departed to the region of the damned. The commissarocracy is crumbling.”¹²⁵

The Kronstadt rebellion represented an attempt by disillusioned revolutionaries to halt what they perceived to be a perversion of the revolution at the hands of the Bolsheviks. “In its economic content,” Paul Avrich points out, “the Kronstadt program was a broadside aimed at the system of War Communism. It reflected the determination of the peasantry and working class to sweep away the coercive policies to which they had been subjected for nearly three years.”¹²⁶ The Bolshevik government – and the government alone – was responsible for the hardship. Little or no blame was placed upon the civil war or the Allied intervention and blockade. “All the suffering and hardship, rather, was laid at the door of the Bolshevik regime.”¹²⁷

The Bolshevik regime must be rejected, the Kronstaders argued. Only by overthrowing the Bolsheviks could the Russian worker and peasant expect to live a humane existence. “Communist rule has reduced all of Russia,” they declared, “to unprecedented poverty, hunger, cold, and other privation. The factories and mills are closed, the railways on the verge of breakdown. The countryside has been fleeced to the bone. We have no bread, no cattle, no tools to work the land. We have no clothing, no shoes, no fuel. The workers are hungry and cold. The peasants and townsfolk have lost all hope for an improvement of their lives. Day by day they come closer to death. The communist betrayers have reduced you to this.”¹²⁸

The “new serfdom” associated with Bolshevik political power was condemned throughout the land. “Faced with a simultaneous revolt of both the proletariat and the peasants,” Leonard Shapiro has pointed out, the Bolsheviks were “prepared for drastic measures aimed at preserving party rule.”¹²⁹ And it was at this time that Lenin *et al.* decided to shift gears. The New Economic Policy (NEP) was introduced, but at the same time, it is important to remember, the Bolsheviks declared a political monopoly.

“From the standpoint of the development of the experiment in the economics of Communism,” Leo Pasvolksy wrote, “these measures [i.e. NEP] are very significant. They represent the first official, generalized acknowledgement of the breaking down of the state monopoly of distribution.”¹³⁰ Never again did the Soviets dare to implement such a project of economic centralization. Never again did they attempt to realize the Marxian utopia of a completely centrally planned organization superceding market modes of production and eliminating monetary calculation. Even under the most extreme policies of Stalinism, monetary calculation, though highly interfered with, served as the basis of “planning.” Marxism, instead, became merely a mobilizing ideology to maintain political power for the party.

Conclusion

The Soviet experience with Communism from 1918 to 1921 bears directly upon the calculation argument advanced by Mises. The Marxian project of economic rationalization proved unrealizable in practice. Today very few advocates of socialism would argue for comprehensive central planning, but they hold fast to the Marxist critique of the anarchy of the market. “But,” as Don Lavoie has argued, “the modification from comprehensive planning, which seeks to completely replace market competition as the coordinating process of the economy, to noncomprehensive planning, which seeks to reconcile planning with market institutions, is hardly an alteration of analysis. *It is the toppling of the basic pillar of Marxist analysis ... To preserve money, prices, and so on is to abandon Marx's whole system.*”¹³¹

Besides the point that Marx's critique is only relevant if the point of references from which he made the critique is valid, i.e. the future socialist world, there is another fundamental criticism that must be considered. As Soviet historian and philosopher A. Tsipko has recently argued in a series of essays on “The Roots of Stalinism,”¹³² the question of whether a democratic socialism can be built upon a non-commodity, non-market foundation is one of importance not only to those who are thinking about the future but also fundamental to understanding the past. “Why is it,” Tsipko asks, “that in all cases without exception and in all countries ... efforts to combat the market and commodity–money relations have always led to authoritarianism, to encroachments on the rights and dignity of the individual, and to an all-powerful administration and bureaucratic apparatus?” He concludes by saying that “All this bespeaks an urgent need for a serious and open ‘self-audit’ of Marx's teachings on the economic bases of the future society, on how the theoretical forecast relates to the real results of its implementation in real life.”¹³³

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- 1 See Pasvolsky (1921), Leites (1922), Shadwell (1927), and Brutzkus (1935/1982) for some of the first interpretations of this period by political economists and historians.
- 2 See Dobb (1948) and Carr (1980).
- 3 See Roberts (1971) and Remington (1984). Also see Boettke (1988 and 1990). Silvana Malle seems sometimes to take this point of view (e.g. in Malle, 1985), but, as pointed out by a referee for this journal, she had also in many occasions taken the opposite point of view.
- 4 See McCloskey (1985) for a discussion of the crisis within modernist methodology.
- 5 Gadamer (1960/1985, pp. 264–6).
- 6 For Leon Trotsky's views on the proletariat revolution and the importance of the European revolution for Russian success, see Trotsky (1983, pp. 337–52). Also see Trotsky (1947) and Trotsky (1932/1987, vol. 3, pp. 351 ff.). As Trotsky stated, "the Bolsheviks categorically rejected as a caricature the idea imputed to them by the Mensheviks of creating a 'peasant socialism' in a backward country. The dictatorship of the proletariat in Russia was for the Bolsheviks a bridge to a revolution in the west. The problem of a socialist transformation of society was proclaimed to be in its very essence international" (p. 380). I would also like to point out that in the preface to the second Russian edition of the *Communist Manifesto*, Marx and Engels wrote: "If the Russian Revolution becomes the signal for a proletarian revolution in the West, so that both complement each other, the present Russian common ownership of land may serve as the starting-point for a Communist development." See Marx and Engels (1969, pp. 100–1).
- 7 See Heller and Nekrich (1986, pp. 50–110). Heller and Nekrich argue (p. 93) that Lenin believed that the spark of the Russian revolution would ignite the fire of world revolution. In his view, conflict with Poland, a potential "Red bridge" to the West, was inevitable. None of the Bolsheviks doubted the necessity of "forcing the Polish bridge"; the only question was when and how to do it. Trotsky, who had said, "The road to London and Paris goes through Calcutta," declared at the end of 1919: "When we have finished off Denikin, we will throw all the strength of our reserves against the Polish front." By such a continued assault, Lenin became convinced that he could bring Communist independence to the world.

This perspective can also help us understand the debate between Lenin and the left wing (Bukharin *et al.*) within the Bolshevik party over the Brest–Litovsk peace agreement (signed 3 March 1918). At the time, Lenin agreed to peace with Germany (which cost the Soviets Poland, the Ukraine, and the Baltic region, and required the cessation of all revolutionary propaganda abroad), in order to regroup the country's resources and hold out until the world revolution began (which he argued might be within a few days or weeks). The peace was a necessary strategic retreat for Lenin, a retreat that would, in a short time, be reversed. Bukharin, on the other hand, argued that the conditions of peace would reduce the international significance of the Russian revolution to nothing and that, therefore, the peace treaty should be annulled and the proper preparations should be made to create a combat-ready Red Army that would help bring the revolution to the West. Both Lenin and Bukharin believed that the international workers' revolution was essential to the success of the Russian revolution. See Lenin and Bukharin on the peace agreement in Daniels (1960b, pp. 135–43). Also see Daniels (1960a, pp. 70–80).

- 8 Daniels (1960a, p. 53), emphasis added.
- 9 From Bukharin's report on the war and the international situation, excerpted in Daniels (1960b, pp. 95–6, emphasis added).
- 10 See Daniels (1960b, p. 97).
- 11 Roberts (1971, p. 26).
- 12 See Cohen (1972, p. 193).
- 13 Polanyi (1951/1980, p. 132, fn. 1).

- 14 Bettelheim (1976, p. 144).
- 15 Zaleski (1962/1971, p. 17).
- 16 This is where the standard account usually begins discussion of the nationalization of industry, thus discounting the earlier nationalization efforts of the Bolsheviks. (Discounting their efforts has the effect of making the emergency interpretation more cogent.)
- 17 See Zaleski (1962/1971, pp. 16–20) and Dobb (1948, p. 106). The armistice with Poland was signed in October 1920 and the decree nationalizing small-scale industry was published in November 1920, *after* the civil war.
- 18 While the standard account views this substitution as a product of war, I contend that it is the consistent application of Marxian ideology, and this is where the difference in interpretation lies.
- 19 Dobb (1948, p. 107).
- 20 See Remington (1984, pp. 78 ff.) for a discussion of the militarization of labor during this time period.
- 21 Zaleski (1962/1971, p. 18, fn. 27). While Dobb and Carr see this emission of paper money as a result of war emergency, Preobrazhensky argued that the breakdown of the capitalist system could be accomplished through inflationary destruction of the currency. See Preobrazhensky, 1920. The importance of monetary policy for understanding the ideological interpretation of War Communism will be brought out later in this chapter.
- 22 See Zaleski (1962/1971, pp. 24 ff.) and Malle (1985, pp. 202 ff).
- 23 Malle (1985, p. 202).
- 24 Prychitko (1989) makes a compelling case for an “essential tension” in Marx between his organizational theory of economic centralization and his praxis philosophy of radical decentralization and participatory self-management. Prychitko has also argued elsewhere that there is an organizational logic in Marx’s praxis philosophy and the attempt to abolish commodity production that leads to centralization in economic life. See Prychitko (1988).
- For the purpose of this chapter, I am dealing mainly with this logic of the Marxian attempt to abolish the system of commodity production. I leave to others the question of decentralized revisionism of Marx’s project.
- 25 See Marx (1867/1906, p. 92). Also look at Marx’s various criticisms of “the chaotic” process of market coordination. Within his negative view of the capitalist process of exchange and production, there lies a positive view of how the socialist mode of production would work; otherwise, by what point of reference would he be criticizing the anarchy of capitalism?
- 26 Marx (1977, p. 97).
- 27 See Marx and Engels (1969, vol. 1, pp. 98–137, pp. 186–299, pp. 394–487; vol. 2, pp. 178–244).
- 28 Marx (1978, p. 161, emphasis added).
- 29 Marx and Engels (1969, p. 126).
- 30 Marx (1867/1906, vol. 1, pp. 836–7).
- 31 Some of the classic treatments of this question can be found in Carew Hunt (1969), Wilson (1940), and Berdyaev (1937/1972). Also see Kolakowski (1978/1985, pp. 304–527), Rustow (1950–7/1980, pp. 537–58, and 564–84), Johnson (1983, pp. 49–103, and 261–308), and Besançon (1981).
- 32 Lovell (1984, p. 197).
- 33 Held (1980, p. 35).
- 34 Jay (1984, p. 537).
- 35 One of Habermas’s attempts to articulate this program can be found in Habermas (1984). An excellent discussion of Habermas’s project can be found in McCarthy (1985).
- 36 Stojanovic (1987, p. 453). Also see Stojanovic (1988).
- 37 Selucky (1979).
- 38 See Selucky (1979, p. 78).

- 39 Alexander Rustow provides an insightful discussion of the evolution of the Marxian heritage among the political élite within the first decade of Soviet rule, although I believe that he does not address clearly enough the subtle point of how Stalinism can be seen as an unintended consequence of Marx's project. See Rustow (1950–7/1980, pp. 571–2), where he argues that:

There can be no doubt that Lenin acted as a Marxist during his seizure of power and viewed his mission as one of carrying out the Marxist program under his regime. What followed was a dictatorship of the proletariat without foreseeable end, in which the totalitarian components of Marxism dominated. The ideal of a classless society was maintained as the ultimate aim, although it gradually faded into the background. Despite the deviations to which Lenin increasingly saw himself forced by circumstances, he himself remained a convinced Marxist until his death. Not so with Stalin, who, unlike Lenin, was not an intellectual. As a seeker after power, pure and simple, he let surrounding realities and opportunities rather than programs and ideologies determine his actions. The eschatological promises of Marxism lay beyond his intellectual horizon. Hence the idealistic aura, which in Lenin's time still surrounded the Communist Party and its policy, disappeared completely under Stalin, at least for the members of the ruling stratum. Stalin experienced no inner struggles in abandoning the doctrine of abolition of the division of labor as well as the hallowed Marxist dogma of the 'withering away of the state.' The new Russia placed the orthodox Marxist doctrine in the position of a state religion, or rather of a state theology, in place of the Greek Orthodox doctrine of the Russian church. Orthodoxy has been strictly enforced with the help of heresy trials, excommunications and executions.

- 40 Lavoie (1985a, pp. 18–19).
- 41 Lavoie (1985a, p. 19). Also see Lavoie (1985b, p. 29), where he argues that, "Marx's scientific socialism was not merely an excuse for avoiding any examination of socialist society. It was a recommendation of a particular method for the conduct of such an examination – that is, that socialism be described through a systematic critique of capitalism."
- 42 The gambling metaphor is important to keep in mind. It is not that the despotism was an unseen consequence of rationalization, just as it is not an unseen consequence of poker that one may lose a hand or money. Rather, the despotism in the gamble story was the possible outcome that the Bolsheviks, and specifically Lenin, were trying to avoid, just as the poker player tries to avoid losing. This has the result, I contend, of obscuring the economic problem that the Marxian social relations of production would have to confront in any socioeconomic situation, no matter how favorable.
- 43 The classic presentation of this thesis is found in Wittfogel (1957/1964, pp. 369 ff.). Wittfogel argues that Russia's development since 1917 deserves the most careful scrutiny. For reasons of historical development, Wittfogel supports the February revolution, but opposes the October one. As he states (1964, p. 9):

The marginally Oriental civilization of Tsarist Russia was greatly influenced by the West, though Russia did not become a Western colony or semi-colony. Russia's Westernization radically changed the country's political and economic climate, and in the spring of 1917 its antitotalitarian forces had a genuine opportunity to accomplish the anti-Asiatic social revolution which Marx, in 1853, had envisaged for India. But in the fall of 1917 these antitotalitarian forces were defeated by the Bolshevik champions of a new totalitarian order. They were defeated because they failed to utilize the democratic potential in a historical situation that was temporarily open. From the standpoint of individual freedom and social justice, 1917 is probably the most fateful year in modern history.

Wittfogel argues, therefore, that those intellectuals who profess adherence to Marxism and its promise of radical democracy “will fulfill their historical responsibility only if they face the despotic heritage of the Oriental world not less but more clearly than did Marx” (Ibid.).

Glen Holman combines Wittfogel’s analysis of oriental despotism with the interpretation of Soviet economic history found in Boris Brutzkus and Paul Craig Roberts, in his interesting and informative study, “War Communism,” on the *Besieger Besieged: A Study of Lenin’s Social and Political Objectives from 1918 to 1921*. Although his interpretations of the intent of the policies from 1918 to 1921 are similar, Holman’s understanding of the economic problems that War Communism faced differs considerably from the analysis here. To Wittfogel or Holman, the economic irrationality of War Communism is a result of underdeveloped historical conditions, which leads to the restoration of the Asiatic mode of production and Oriental despotism with Stalin. The claim here is stronger, the economic irrationality experienced during War Communism is of any attempt to completely supercede market modes of production. This is a crucial distinction to keep in mind, especially with regard to understanding Bukharin’s extreme swing from the left to the right of the Bolshevik party. Bukharin admits that from the “point of view of economic rationality” the attempt to implement comprehensive central planning during War Communism was “sheer madness,” but that holds only for the historical stage that the Bolsheviks found themselves in the 1920s. NEP, to Bukharin, was to last for quite some time, until the forces of production were developed enough to implement full Communist methods of production.

44 Daniels (1960a, p. 9, emphasis added).

45 As Lavoie (1986/1987, pp. 1–2) points out:

The reasons for Lenin’s failure to achieve either democratic political goals or a prosperous economy are seldom traced to intrinsic elements of his socialist aspirations. Russia, it is pointed out, began without democratic political traditions and with a backward economy. These special difficulties and not flaws within socialism itself, it is widely believed, brought Lenin’s dream to its rude awakening. This interpretation of Soviet history in effect lets socialism off the hook for whatever political crimes or economic irrationalities the USSR is shown guilty of.

But, as Lavoie argues later, this should not be the case. Rather we should see that: “In the failure of War Communism and the retreat to NEP the impossibility of planning as articulated theoretically in the Mises–Hayek critique was directly demonstrated in practice” (p. 10).

46 Besides the point of whether Marx would or would not have agreed with Lenin’s use of his doctrine to come to power, this focus in scholarly literature is symptomatic of two shortcomings. First, it represents an *uncritical* acceptance of Marx’s interpretation of historical development. Second, because of the latent historicism of the first shortcoming, it represents a bias on the part of historians and social theorists to view historical events only as the intentional outcome or design of the major actors, and to disregard unintended consequences in human interaction. For a criticism of this approach to social theory see Hayek (1952/1979, especially pp. 111–52). Also see Mises (1957/1985, p. 195), where he argues that:

History is made by men. The conscious intentional actions of individuals, great and small, determine the course of events insofar as it is the result of the interaction of all men. But the historical process is not designed by individuals. It is the composite outcome of the intentional actions of all individuals. No man can plan history. All he can plan and try to put into effect is his own actions which, jointly with the actions of other men, constitute the historical process. The Pilgrim Fathers did not plan to found the United States.

- And neither Marx nor Lenin planned to found the Soviet society of Joseph Stalin. Nevertheless that should not absolve them from responsibility or deny the important role that they (or their ideas) played in the establishment of the system.
- 47 In fact, it is the belief that Russia had already begun its capitalist development that led George Plekhanov to move from a populist (who believed that the peasant commune could serve as the foundation of anarcho-socialism) to a Marxist by 1883. See Harding (1983, pp. 41 ff.). Also see Baron (1962, pp. 42–54), and his more elaborate treatment in Baron (1963).
- 48 See Trotsky (1932/1987, vol. 1, pp. 332 ff.).
- 49 See Rabinowitch (1978, pp. 310 ff.) for an excellent discussion of the events from the July uprisings to the October revolution. In particular, see Rabinowitch's reflections upon the reasons for the Bolshevik success in 1917.
- 50 Lenin (1977, vol. 24, pp. 96–106).
- 51 "The Tasks of the Proletariat in the Present Situation," Lenin (1977, vol. 24, pp. 21–6).
- 52 It is interesting to note that the name Bolshevik was an accident of history; during the 1903 conference Plekhanov sided with Lenin on the organization of the party and, thus, created the Bolshevik (majority in Russian) wing of the social democratic party. In reality, the Bolsheviks constituted a minority of social democrats until their assumption of power in 1917.
- 53 Among other things, Lenin called for the immediate amalgamation of all banks into a single national bank, and decreed that control over the bank be immediately turned over to the Soviets of Workers' Deputies. Again, the stress was on moving toward the abolition of commodity production and, with that, social relations built upon money, i.e. the alienating ability of humankind. As Marx argued in *Capital*, p. 99, fn. 1, attempts to abolish money while retaining commodity production were like trying to "retain *Catholicism without the Pope*."
- 54 Lenin (1977, vol. 24, p. 33, emphasis added) "Notes for an Article or Speech in Defense of the April Theses".
- 55 Lenin (1977, vol. 24, pp. 38–41) "Dual Power". Also see Trotsky (1932/1987, vol. 1, pp. 206–15).
- 56 I am mainly documenting Lenin's convictions on the ripeness issue, but it should be emphasized that Marx during his lifetime was constantly watching for revolutionary chances – even France and Germany of the 1840s. Commenting on the rigid interpretation of historical preconditions that many "revisionist" Marxists held, Trotsky argued that: "Apparently Marx in 1848 was a Utopian youth compared with many of the present-day infallible automata of Marxism!" (quoted in Day 1973, p. 8). Moreover, from a Marxist perspective, this ripeness question represents a meek argument (allowing any failure of Marxism to be in principle excusable), and should be rejected as undialectical and not sufficiently materialist in its analysis. It represents a cop-out for something that claims to be a critical social theory. Marxian theory is built (supposedly) upon the connection between theory and praxis, and any analysis that is neither grounded in historical praxis nor sufficiently self-critical is to be rejected. The historical precondition response does not answer the questions raised by a critical Marxist concerning the problems of the Soviet experience. See the discussion above of both the Frankfurt School, and especially the Praxis group philosophers, for a more fruitful approach to the problem at hand.
- 57 Lenin (1977, vol. 24, p. 53, written in April 1917).
- 58 Lenin did not intend to abolish war planning but to transform it into a model of socialist organization. As he wrote in December 1916:

The war has reaffirmed clearly enough and in a very practical way ... that modern capitalist society, particularly in the advanced countries, has fully matured for the transition to socialism. If, for instance, Germany can direct the economic life of sixty-six million people from a single, central institution ... then the same can be

done, in the interest of nine-tenths of the population, by the non-propertied masses if their struggle is directed by the class-conscious workers ... All propaganda for socialism must be refashioned from abstract and general to concrete and directly practical; expropriate the banks and, relying on the masses, carry out in their interests the very same thing the W.U.M.B.A. [i.e. the Weapons and Ammunition Supply Department] is carrying out in Germany.

(quoted in Evans 1987, p. 18, fn. 79).

- 59 Lenin (1977, vol. 24, pp. 309–12).
- 60 This reference is supplied in the explanatory reference notes of Lenin (1977, vol. 24, p. 603, fn. 106, emphasis added).
- 61 Also, see Lenin (1977, vol. 24, pp. 424–30) “Inevitable Catastrophe and Extravagant Promises”.
- 62 “The ‘April days,’” Trotsky argued, “were the first candid warning addressed by the October to the February revolution. The bourgeois Provisional Government was replaced after this by a Coalition whose fruitlessness was revealed on every day of its existence. In the June demonstrations summoned by the Executive Committee on its own initiative, although perhaps not quite voluntarily, the February revolution tried to measure strength with the October and suffered a cruel defeat” (Trotsky, 1932/1987, vol. 1, p. 458).
- 63 Lenin’s program of control, which he argued could be established by a workers’ state by decree “in the first weeks of its existence,” consisted of (1) nationalization of all banks and the creation of a central bank; (2) nationalization of syndicates; (3) abolition of commercial secrecy; (4) compulsory syndication; and (5) compulsory organization of population. The creation of a central bank, in particular, was essential to Lenin, because the principal nerve center of modern economic life was the bank, and one cannot regulate economic life without taking over banks – control over the bank allowed the unification of accountancy. See Lenin (1977, vol. 25, pp. 333 ff.).
- 64 Also see Lenin, “Who is Responsible?” (1977, vol. 25, pp. 151–2), where he argues that: “In times of revolution, procrastination is often equivalent to a complete betrayal of the revolution. Responsibility for the delay in the transfer of power to the workers, soldiers and peasants, for the delay in carrying through revolutionary measures to enlighten the ignorant peasants, rests wholly on the Socialist-Revolutionaries and Mensheviks. They have betrayed the revolution ...”
- 65 *Imperialism* (Lenin 1977, vol. 22, pp. 185–304) was written from January to June 1916 and was published in Petrograd in late April 1917. *The State and Revolution* (1977, vol. 25, pp. 384–497) was written in August and September 1917.
- 66 This standard Marxist analysis of the operation of capitalism is based upon faulty reasoning, as discussed in Lavoie (1985b) and Boettke (1990, Chapter 2). Also, see Rothbard (1970, vol. 2, pp. 547 ff. and pp. 581–6). The problem of economic calculation puts a limit on the potential size of any firm within an economic system – the evolution of the economy into one big firm is not technically possible from an economic point of view.
- 67 In contrast, see the discussion of the economic and political reasons why the most meaningful definition of monopoly is a state grant or privilege given to a business enterprise to be the sole producer of a commodity or service, in Rothbard (1970, pp. 560–660), Armentano (1978, pp. 94–110), and Demsetz, (1982, pp. 47–57). For a historical discussion of “political capitalism” and the strategic use of the state by business managers to either guarantee or protect their profits, see Kolko (1964) and Weinstein (1968).
- 68 Although Lenin is a harsh critic, he gets most of his theoretical insights on the operation of finance capital from the Austro-Marxist, Hilferding (1910/1985).
- 69 Lenin concludes that “again and again the final word in the development of banking is monopoly” and he points to America where “two very big banks, those of the multi-millionaires Rockefeller and Morgan, control” most of the capital (1977, vol. 22, pp.

- 219–20). It is true that the Morgan banks dominated the financial system in the US, but this is a result of the system of political capitalism. The New York (Morgan) banks were losing their market share to the St Louis and Chicago banks prior to 1913. They tried to keep their market share through a cartel arrangement, which would have allowed them to overissue notes, but the cartel could not be maintained. So they sought to establish a government-enforced cartel and the Federal Reserve System (established in 1913) supplied just that for the “House of Morgan” see Rothbard (1984, pp. 89–136).
- 70 For the same theoretical reason that the realization of socialism is impossible and the assessment of increasing concentration of capital under capitalism is flawed, Lenin’s assessment of the desirability of central banking is also questionable. Central banking is not capable of bringing the economic life process under control – in fact, central banks operate in the dark. “They are not well-equipped to know whether an adjustment in the supply of money is needed or not because they lack the necessary economic knowledge” (see Selgin 1988, pp. 89–107).
- 71 Lenin’s argument here is that colonization supplies low-cost labor and natural resources which allows the capitalist to receive increased profits. This argument of the economic logic of imperialism should be kept in mind, especially later when we discuss the internal imperialism advocated by Preobrazhensky, and later Stalin, during the industrialization debate.
- 72 As Marx argued in the *Critique of the Gotha Programme*, p. 17:

What we have to deal with here is a Communist society, not as it has developed on its own foundations, but, on the contrary, just as it emerges from capitalist society; which is thus in every respect, economically, morally and intellectually, still stamped with the birth marks of the old society from whose womb it emerges.

The “first phase of Communist society,” Marx later added (p. 19) “will have certain inevitable defects” as it has “just emerged after prolonged birth pangs from capitalistic society.”

- 73 Polan (1984, p. 57).
- 74 Daniels (1960a, pp. 51–2).
- 75 Barfield (1971, p. 50), emphasis added. Barfield argued that Lenin researched the book from January to February 1917, the notebooks which constitute “Marxism on the State.” Barfield’s argument suggests that the utopianism evidenced in *The State and Revolution* permeates all of Lenin’s political writings – although I would agree that I think Barfield places his finger upon the wrong utopianism – a sort of anarcho-libertarian belief in the masses. Instead, Lenin’s utopianism is better represented by the ease with which he thought Marx’s project of rationalization could be accomplished.
- 76 Evans (1987, p. 3).
- 77 Evans (1987, p. 3).
- 78 Lenin here is discussing the idea that full democratic participation is impossible under capitalism because the state will be used to exploit the many to the benefit of the few, i.e. the capitalists. Under socialism, however, classes will disappear and, with their demise, formal institutions of democracy will also disappear. Polan has suggested that this theory of the state eliminates all possible checks against abuse and results in the lodging of power in the hands of a few – exactly what happened under Bolshevik rule. See Polan (1984, pp. 129–30), emphasis added, where he argues:

The central absence in Lenin’s politics is that of a theory of political institutions. All political functions are collapsed into one institution, the Soviet, and even that institution itself will know no division of labor within itself according to different functions. It allows for no distances, no spaces, no appeals, no checks, no balances, no processes, no delays, no interrogations and, above all, no distribution of power. All are ruthlessly and deliberately excluded, as precisely the articulations of the

disease of corruption and mystification. The new state form will be transparent, monological and unilinear. It is, in sum, a gigantic gamble; the gamble is that it will be possible to set about constructing this state in 'the best of all possible worlds.' The odds against the gamble are astronomical. *It does not simply demand the absence of the peculiarly unhelpful conditions of post-1917 Russia – although those conditions themselves have for a long time conspired to suggest the essential innocence of the model.* It also demands a situation devoid of all political conflicts, of all economic problems, of all social contradictions, of all inadequate, selfish or simply human emotions and motivations, of all singularity, of all singularity, of all negativity. *It demands, in short, for Lenin's political structures to work, that there be an absence of politics.*

The crime of Lenin's text, Polan argues, is not that it did not work: the crime is that it did work. Lenin's theory eliminated any of the possible checks that would have made the Gulag less likely.

- 79 Lenin seems completely naïve in his understanding of the complexity of economic organization. As A. J. Polan (1984, pp. 61–2, emphasis added) states:

Lenin seems to suggest that the economic problem that can be resolved by the adoption of the model of the 'postal service' is simply one of efficiency: where the multi-faceted confusions of the competitive mechanism have been removed, there is no 'economic' problem of organization. However, the problem remains that the capitalist mechanism, in the form of the market, accomplished the task of allocation and distribution of rewards and resources, while this task remains to be performed in the absence of the market. Confident assertions of the possibility of extending the 'postal' model to embrace the whole economy ignore the fact that the absence of a market forces the state to *inherit a task of immense complexity.*

This is essentially the point of departure for Polanyi's criticism of central administration of economic life, see "The Span of Central Direction," in Polanyi (1951/1980, pp. 111 ff.). On the nature of complexity in social relations also see Hayek (1967/1980, pp. 22–42), and Hayek (1973, vol. 1, pp. 35–54, and vol. 2, pp. 107–32).

- 80 The Bolsheviks and their allies among the Left Socialist-Revolutionaries overthrew the Kerensky government on 25 October [7 November] 1917. The Council of People's Commissars was established with Lenin as chairman and Trotsky as the Commissar of Foreign Affairs. The Revolutionary Military Committee of Petrograd Soviet of Workers' and Soldiers' Deputies declared that the provisional government had been overthrown and that "the cause for which the people have fought – the immediate proposal of democratic peace, the abolition of landed proprietorship, workers' control over production and the creation of a Soviet government – is assured" (Daniels, 1960b, p. 117). Also see Lenin "The Bolsheviks Must Assume Power," "Marxism and Insurrection," "The Tasks of the Revolution," and "Can the Bolsheviks Retain State Power?," all in Lenin (1977, vol. 26, pp. 19 ff.) and Trotsky (1932/1987, vol. 3, pp. 124 ff.).
- 81 As Trotsky wrote (1932/1987, vol. 3, p. 172, emphasis added): "If it is true that an insurrection cannot be evoked at will, and that nevertheless in order to win it must be organized in advance, then the revolutionary leaders are presented with the task of correct diagnosis. They must feel out the growing insurrection in good season and supplement it with a conspiracy. The interference of the midwife in labor pains – however this image may have been used – remains the clearest illustration of this conscious intrusion into an elemental process."
- 82 Trotsky provides an eloquent discussion of Lenin's first appearance before the Congress after taking power (1932/1987, vol. 3, p. 325).

Lenin, whom the Congress has not yet seen, is given the floor for a report on peace. His appearance in the tribune evokes a tumultuous greeting. The delegates gaze with all their eyes at this mysterious being whom they had been taught to hate and whom they have learned, without seeing him, to love. "Now Lenin, gripping the edges of the

- reading-stand, let little winking eyes travel over the crowd as he stood there waiting, apparently oblivious to the long-rolling ovation, which lasted several minutes. When it finished, he said simply, 'we shall now proceed to construct the socialist order.'" Also see Reed (1919/1985, pp. 117 ff).
- 83 Leites (1922, p. 65).
- 84 Shadwell (1927, p. 23).
- 85 See Szamuely (1974, p. 10 ff.). Also see Chamberlin (1987, vol. 2, pp. 96 ff.).
- 86 Notice that prominence is not given to grain requisitioning in this outline of the socialist program of the Bolsheviks from 1918 to 1921. While, undoubtedly, grain requisitioning was a major policy, it *was not* the major element in the program of socialist transformation. Concentration upon the food procurement policy of requisitioning, while ignoring the various other components of the Bolsheviks economic and social policy, leads to an overemphasis on the emergency situation aspect of gathering food for the Red Army. See Lih (1986, pp. 673–88). Also see Malle (1985, pp. 322–465) for a discussion of the ideology of food procurement and the expediency of *prodrazverstka*.
- 87 See Holman (1973, pp. 7–10), for a discussion of the evolution of the terminology from Communism (Bukharin and Kristman) to militant Communism (Alfred Meyer) to military Communism (Trotsky) to War Communism (Dobb, Carr, etc.). Also consider the following statement by Victor Serge (1963, p. 115): "The social system in these years was later called War Communism. At the time it was called simply 'Communism,' and any one who, like myself, went so far as to consider it purely temporary was looked upon with disdain." Also see Selyunin (1988, pp. 162–89).
- 88 Pasvolsky (1921, p. 21).
- 89 Pasvolsky (1921, p. 26).
- 90 Lenin's concept of the role of financial institutions within economic coordination is strikingly similar to the role predicted by some economists under a completely unregulated banking system. Lenin thought that under socialism monetary circulation would cease and that the People's Bank would keep account of transactions, i.e. the medium of exchange would be separated from the unit of account. In fact, eventually media of exchange would disappear altogether and all that would remain would be accounting. On the other hand, legal restrictions theorists argue that under a completely deregulated financial system, money as we know it would also disappear and banks would merely keep account of transactions made with, say, mutual funds or some other interest-bearing media (sophisticated barrier). The banks would serve as a central clearing-house in economic coordination. Of course, there is a world of difference in the organizational form of all the banks merged into one central bank as under Lenin's scheme, and the decentralized banking system advocated by the legal restrictions theorists. But both schemes underestimate the importance of monetary calculation in the coordination of economic activities and do so for ironically similar reasons, i.e. the apparent simplicity of human control over economic activities. Lenin did so because he thought that the task of achieving *ex ante* coordination was easy, legal restrictions theorists do the same because of the misplaced concreteness of general competitive equilibrium; they mistake the model for the real world. Since, in the model, money is not necessary for coordination (because the agents possess perfect information and face zero transaction costs), without any real-world legal restrictions the demand for cash balances would disappear. Lenin's mistake results because he ignored the knowledge problem. Legal restrictions theory fails because it assumes that the knowledge problem is solved already (by hypothesis). For a history of legal restrictions theory, see Cowen and Kroszner (1987, pp. 567–90). For a presentation of the theory see Wallace (1983, pp. 1–17). Also see the criticisms of legal restrictions theory in White (1984, pp. 699–712), White (1987, pp. 448–56), and Selgin (1987, pp. 18–24).
- 91 Lenin (1977, vol. 27, p. 259) invokes the Taylor system as an example of the technological innovations of capitalism that the Soviet system must experiment with and adopt. The Taylor system was expected to increase the productivity of labor, which was deemed a

necessary condition for socialist construction. The Taylor system fitted neatly into the social engineering bias of the Bolsheviks and other socialist thinkers at that time. Trotsky, for example, argued that the Minister of Trade and Industry should be a technician, an engineer, who would work under the overall control of the Council of People's Commissars. See Trotsky's memo to Comrade Sijapnikov in Trotsky (1964, p. 3). Also see the discussion in Remington (1984, pp. 113–45). This is also connected to Lenin's reliance upon the model of German War Planning as a means to achieve socialist planning: see Merkle (1980, pp. 172 ff.). The principle of one-man management (OMM) represents, both in military organization and technological management within industry, the latest stage of scientific development.

92 Malle (1985, pp. 32–3).

93 Lenin argues here that the Soviet dictatorship of the proletariat provides the political basis for social transformation, while the German war planning machine provides the economic basis. The task of the Soviets, therefore, was to study the German system and “spare no effort in copying it and not shrink from adopting dictatorial methods to hasten the copying of it” (1977, vol. 27, p. 340). Despite accounts that argue that Lenin *et al.* did not have a model of socialist organization because Marxism was confined to a critique of capitalism, it seems there was little doubt in Lenin's mind what was required to build socialism. Compare this assessment with Kauffman (1953, pp. 243–72), and Smolinsky (1967, pp. 108–28), who argue that neither Lenin nor the other Bolsheviks had any theoretical framework from which to develop an approach to economic planning.

94 Trotsky, as quoted in Shadwell (1927, p. 24).

95 Trotsky, *Sochinenia*, Moscow (1927, vol. XV, p. 215), as quoted in Smolinsky (1967, p. 113).

96 Smolinsky (1967, p. 112). Neither was the nationalization of the banks and the inflationary monetary policy that was being followed intended to be “simply used to finance government expenditures, just as in so many other countries” as Malle seems to suggest (Malle, 1985, p. 175).

97 See Marx (1977, pp. 127 ff.) and Marx (1973, pp. 115 ff.). Also see Vorhies (1982). Smirnov, for example, representing the left Communists, argued in June 1918 that: “the financial and monetary crisis may not be solved by the restoration of finance and monetary circulation, which leads back to a bourgeois system, *but by the liquidation of the monetary-financial system, leading toward the socialist organization of production.*” See the 1918 *Kommunist*, 4 (June): 5, as quoted in Malle (1985, p. 163, emphasis added). Smirnov (along with Osinskii and Savel'ev) was asked by Lenin to organize the Supreme Economic Council only days after the October revolution. See Remington (1984, p. 60).

98 His reports were published in several articles and pamphlets during this time. See Bukharin (1979, p. 212, fn. 5). These articles were collected and later (1928) published in the Soviet Union as *Gosudarstvennyi kapitalizm voennogo vremeni v Germanii* (1914–18). Larin, who was a Menshevik, died in 1932 before “the Terror” destroyed the rest of his colleagues of the War Communism period. He was buried in the Kremlin Wall with honors. See Remington (1984, p. 30). Larin's daughter, Anna Mikhailovna Larina, became Bukharin's wife and has led the struggle for Bukharin's rehabilitation within the Party in the post-Stalin era. See the 1988 article, “Taking a Closer Look at Bukharin: An Interview with Anna Mikhailovna, the Widow of Bukharin,” *The Current Digest of the Soviet Press*, XII(5) (2 March) and Remnick (1988, pp. E1 and E4).

99 Larin, as quoted in Lawton (1932, p. 108).

100 Larin as quoted in Malle (1985, p. 165).

101 Malle explains the policy of all-out nationalization of industry pursued in November 1920, after the armistice with Poland in October 1920, as an attempt to extend this cashless payment system. As she states: “One of the reasons for the overall nationalization of industry in November 1920 was the attempt to extend the system of non-monetary accounts to the sphere of small-scale and kустar industry, which had been working under war Communism on the system of cash payments. A decree of Sovnarkom in July 1920

- did, in fact, extend the rules of non-monetary payments to contracts negotiated with private institutions.” (1985, p. 172).
- 102 See the 1920 article, “Bezdenzhnye raschety i ikh rol v finansovom khozyaistve,” *Narodnoe Khozyaistvo*, 1–2, pp. 8–9, emphasis added, as quoted in Szmauely (1974, p. 34). Also see Malle (1985, p. 174), where she quotes Krestinskii, who was one of the Commissars of Finance, as arguing that the Bolshevik financial policies during War Communism were a result of their conviction that “the period had begun in which monetary tokens would become unnecessary and it would be possible to get rid of them without any damage to the economy. From such perspective originated our easy attitude towards monetary issue and our lack of concern to increase the value of the rouble.”
- 103 See Bukharin and Preobrazhensky (1919/1966). The appendix of this book contains the adopted Party program (see pp. 373 ff.).
- 104 Bukharin and Preobrazhensky (1919/1966, p. 70). It is this program of rationalization that Milyutin announced with pride in June 1920. “All enterprises and all industrial branches,” he stated, “are considered like a single enterprise. Instead of competition, instead of struggle, Soviet Power with determination implements the principle of unity of the national economy in the economic field.” See Milyutin (1920, p. 8) *Narodnoe khozyaistvo Sovetskoi Rossii*, as quoted in Malle (1985, p. 320) in 1927. It is also this very project of achieving *ex ante* coordination that Mises directly challenged, while Bukharin stated that the planner would know in advance how, what and for whom to allocate resources, Mises merely asked the planners how, in the absence of monetary calculation, they would know which projects are economically feasible and which ones were not. As we will see, it is this disregard on the part of the Bolsheviks for economic calculation that finally led to the collapse and the retreat to NEP.
- 105 Bukharin and Preobrazhensky (1919/1966, p. 74). Bukharin does, however, admit that this program is not fully realizable at the moment. Two or three generations would have to grow up under the new conditions before the project was fully realizable and “the bureaucracy, the permanent officialdom, will disappear” and the state would wither away. Bukharin, at least here, did not seem to understand the threat of the growing bureaucracy associated with the Communist scheme. For a discussion of the bureaucratization of social life under Soviet rule, see Rizzi (1935/1985), Djilas (1957), and Konrad and Szelenyi (1979).
- 106 Bukharin and Preobrazhensky (1919/1966, p. 72). Also see Bukharin (1979), where he argues that

Money represents the material social ligament, the knot which ties up the whole highly developed commodity system of production. It is clear that during the transition period, in the process of abolishing the commodity system as such, a process of *self-negation* of money takes place. It is manifested in the first place in the so-called devaluation of money and in the second place, in the fact that the distribution of paper money is divorced from the distribution of products, and vice versa. Money ceases to be the universal equivalent and becomes a conventional – and moreover extremely imperfect – symbol of the circulation of products.

(Bukharin 1979, p. 155)

- 107 Bukharin and Preobrazhensky (1919/1966, p. 77).
- 108 Bukharin (1979, p. 155).
- 109 Program of the Communist Party of Russia (adopted at the Eighth Party Congress Held 18–23 March 1919), in Bukharin and Preobrazhensky (1919/1966, p. 390).
- 110 Bukharin and Preobrazhensky (1919/1966, p. 397). Also see Lenin (1977, vol. 29, pp. 115–16). Lenin proposed that “the R.C.P. will strive as speedily as possible to introduce the most radical measures to pave the way for the abolition of money, first and foremost to replace it by savings-bank books, cheques, short-term notes entitling the holders to receive goods from the public stores and so forth ...” Lenin argued for the eventual

- elimination of hand to hand currency and its replacement by a system of cashless accounting, i.e. sophisticated barrier.
- 111 Appendix: Documents of the Revolution, in Chamberlin (1987, vol. 2, p. 490).
- 112 Chamberlin (1987, vol. 2, p. 494).
- 113 Bukharin would try to “apologize” for the economic destruction – not by reference to civil war or foreign intervention – but by reference to the dialectics of the transition period. This goes for his theory of expanded negative reproduction as well as his justification of non-economic coercion. The contradiction inherent in the transition period – “where the proletariat has already left the confines of capitalist compulsion, but has not yet become a worker in communist society” – demands it. See Bukharin (1979).
- 114 Chamberlin (1987, vol. 2, p. 105).
- 115 Wells (1921, p. 137).
- 116 Lewin (1985, p. 211),
- 117 Cohen (1971/1980, p. 123).
- 118 For example, Boris Pasternak’s *Doctor Zhivago* or Ayn Rand’s *We the Living* give explicit details of the destruction of economic and social life under Soviet rule during this period. Also see the memoirs of Emma Goldman (1923 and 1924) and Arthur Ransome (1919).
- 119 Besançon (1981, p. 278).
- 120 Lawton (1932, vol. 1, p. 107).
- 121 As early as 1912, Mises had argued the essential organizational connection between private property in the means of production and monetary calculation. See Mises (1980, p. 41), where he states: “The phenomena of money presupposes an economic order in which production is based on division of labor and in which private property consists not only in goods of the first order (consumption goods) but also in goods of the higher order (production goods).”
- 122 Lawton (1932, vol. 1, p. 108).
- 123 Lawton (1932, vol. 1, p. 111).
- 124 Mises (1920/1975, p. 125).
- 125 “Etapy revoliutssi,” *Izvestiya*, 12 March 1921, as quoted in Daniels (1960a, p. 144).
- 126 Avrich (1970, p. 163).
- 127 *Ibid.* Avrich seems to think this naïve, but, given the evidence presented above concerning the economic program of the Bolsheviks, and the economic coordination problems that program ran into, the Kronstadter’s assessment might not be that naïve after all. Avrich also seems to suggest that the Kronstadt rebellion was a result of the “failure” of the Bolsheviks to implement Marxian socialist programs, but this is because he interprets the socialist project to be one of a radical democratic decentralization of economic and political life. The Marxian ideal of both the rationalization of economic and political life is, thus, misunderstood. Nevertheless, Avrich provides perhaps the best history of the rebellion. Also see Daniels (1960a, pp. 137–53).
- 128 *Pravda o Kronstadte* (The Truth about Kronstadt) (1921, pp. 164–5) as quoted in Avrich (1970, pp. 163–4).
- 129 Shapiro (1990/1971, p. 211).
- 130 Pasvolsky (1921, p. ix).
- 131 Lavoie (1985a, p. 214, emphasis added).
- 132 “The Roots of Stalinism: Four Essays,” *Nauka i Zhizn*, (November 1988–February 1989), reprinted in *The Current Digest of the Soviet Press* XLI(10–13) (April 1989).
- 133 Tsipko (reprinted in 1989, pp. 3 and 5).

8 Soviet venality: a rent-seeking model of the Communist state

- 1 See Anderson and Tollison (1993) for a discussion.
- 2 This was a very complex issue for the transition to socialism after the Bolsheviks assumed power. The problem of bureaucracy was assumed to be irrelevant because, with the revolution, a new age had been ushered in, and, within a generation, the socialist culture