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THE NEW INTERNATIONAL

A Marxist Review

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THE NEW INTERNATIONAL

A Marxist Review

Vol. XIX, No. 2 **MARCH-APRIL, 1953** **Whole No. 158**

NOTES OF THE MONTH:

America's Post-Stalin Policy

Increasing Discord Between U. S. and Her Allies

The Republican administration had been in office just sixty days when Stalin left this earth a better place for his departure. The seventy days which followed have wrought a massive change in the plans of the men who make up the "Eisenhower team." The turn in world affairs, so strikingly illustrative of the swiftness with which history can change its course in our unstable society, has descended on the businessmen and generals who run things in Washington like a bolt out of the blue. In their frantic attempt to reorganize themselves and their "thinking," it can hardly be expected that they will find the time to reflect on the fact that this new "peace" crisis shows that their previous plans were far from the "the best laid" in the first place.

In the January-February issue of the NEW INTERNATIONAL we described the Eisenhower administration as seeking to take the offensive in foreign policy. Those were the far-off days in which Dulles was touring Europe with a view to whipping the allies on that continent into a forced march on remilitarization and political and economic integration; in which the government had just "de-neutralized" Formosa; in which there was widespread talk of a full-scale naval blockade against the coast of China; in which the administration had started on its futile attempt to satisfy the Republican right wing while at the same time entrapping the Democrats in a declaration "repudiating" the agreements at Yalta and Teheran which had formalized the division of the world after the last war.

It is not much over two months since then, but it is already difficult to remember that the Republicans were hell-bent on a "new" foreign policy, or just what were the opening moves in that foreign policy. Stalin died, and the Kremlin began to talk "peace" in well-modulated tones. Within a matter of weeks it became clear once more just who has the *political* initiative in this world.

The American government's foreign policy offensive was short-circuited before it could get a good start. The reason for this should be obvious. Its basic strategy, as well as the tactics which flowed from it, were fundamentally *military* in character. Political results were to be derived from stepping up the military pressure on the Stalinist world. If the Kremlin and/or Peiping showed signs of retreating before this military pressure, it would be proof to all the world that might still has primacy on this globe, and that America has the might on its

side. This would stiffen the allies and bring them more firmly behind America in the struggle. If, on the other hand, the Stalinists sought to resist the military measures by counter-measures of their own, the world tension would be increased, and the allies would have no alternative but to band more closely together in the face of imminent military peril.

For any kind of success, the strategy required an enemy who would continue to keep the tension at a high level throughout the world. It was based on the conception that what makes Stalinism a threat is its military potential, that Stalinism's advances and successes have been basically military in character, and hence that the leaders in the Kremlin would have no choice but to continue to apply military pressure on the periphery of their empire. The conception was one-sided. It was the other side of Stalinism, its political side, which came around and whacked the American policy makers in the left eye, where they have been blind from birth.

THE POLICY OF "TOUGHNESS" with allies and Stalinists alike had a basic weakness, even given the most favorable circumstances. That was the attitude of the peoples of Europe and Asia, and of the governments which have to take this attitude into account. Outside of this country, there was almost no serious political force which supported the American "offensive." It cannot be said that the American government was blind to this fact. But cheered on by the most reactionary elements in Congress and in the country at large, it hoped to overcome the reluctance and resistance of Europe and Asia by a few major successes (combined, of course, with very potent economic threats). Unless it could score a quick victory, however limited, the danger was that the aforementioned reluctance would flare up into a major conflict among the allies, endangering the whole structure so painfully built up since 1946.

If the American government was aware of the chief danger besetting its strategy in the cold war, the Stalinist rulers understood it even better. It has been widely pointed out that the chief conclusion for world policy to be drawn from Stalin's theses for the 19th Congress of the Communist Party of Russia was that contradictions in the capitalist world were of a continuing and ineradicable character, and that Russia could count on these contradictions to break up the world capitalist alliance sooner or later.

It would be assuming too much to maintain that the Stalinist "peace offensive" is simply the translation of this concept into policy. First of all, the concept has validity in the long run, in the epochal sense. Only rigid sectarians attempt to deduce their tactics solely from the nature of the epoch in which they live. Secondly, the idea that the capitalist world is bound, if left to itself, to fall apart into economically and eventually militarily warring segments has a big "if" in it. This is an abstraction from the existence of Stalinist powers in the world, and the forces which prevent *them* from standing still in the struggle for world power while waiting for the inter-capitalist Armageddon. This theory is akin to the excellent schema according to which, during the '20s and early '30s, it was demonstrated that the next great struggle would be between the United States and Great Britain, the two major capitalist economic rivals of that time. Its only fault was that it ignored the specific drives which impelled Germany to make its bid for world power long before the Anglo-American conflict could ripen into belligerency. And finally, Stalin's theory suffered, as a guide to action, from the fact that it abstracted also from the inner weaknesses and contradictions of the Stalinist empire itself. As it turned out, the first one to show up in effective form was the corruption of the flesh of the "immortal leader," which threw the whole structure of power inside Russia out of balance at least to the degree that his successors badly need a period of stability and calm in which to get their bureaucratic society back on a steady and even keel.

It appears that the immediate reason for the "peace offensive" lies in the dangerous position in which the Russian ruling class finds itself today, more than in any long-range calculation by the Stalinist gang. Yet the fact remains that there is a large element of truth in Stalin's analysis of the tendency of the capitalist world to disintegrate, and this makes it *possible* for the Kremlin to gain time and advantage by its present tactic, regardless of whether this is viewed as a long-range strategy or merely as a temporary expedient.

To official American analysts of world affairs, it appears that the Kremlin has diabolically chosen the "worst" possible time at which to "pull" its peace offensive. The more discerning, or the more honest among them admit that this time is really no worse than any other would have been since the end of World War II. After seven years, during which the United States has supported the economic and political structure of the nations of Western Europe and of much of the rest of the world with over thirty billions of dollars, that structure is as precarious and vulnerable as it has been at any time since the Marshall Plan was inaugurated.

From the beginning of the war in Korea till this is written, the American armament boom, combined with the foreign aid programs, has served to keep the capitalist world from crisis. But now that boom is showing very definite signs of weakening, and the Republican administration with its businessman mentality seems to be doing its best to hasten the process. Britain and Western Germany, Belgium and the Netherlands and Japan all have benefitted from the enormous demands of the American war economy in different ways. But with a slackening of that demand two things are on their way: (1) a contraction of the American market for their goods; (2) an increased competition among themselves and with the United States for the rest of the world market. Not one of them can look to the future with any degree of confidence.

The tendency toward the economic and political integration of Western Europe, induced by the military threat of Russia, and lashed on by American threats and urgings has practically come to a stop. The Benelux customs union, the only actual achievement of note in that particular field, is straining at the seams. And the Schuman Plan steel union still has to undergo the first test which a sag in world demand would place on it. The plan for a European Defense Community is bogged down in the French Parliament, and faces a major test in the coming general elections in Western Germany.

The economic situation in Western Europe shows weakness and vulnerability wherever one looks. In the backward economic areas of the world, the situation is no better. The high demand and resultant high prices for the raw materials which form the chief source of export and of internal economic stability for these countries have already begun to tum-

ble. Representatives of Indonesia, of the rubber interests in Malaya, and their colleagues in other countries look fearfully at the plans of the American government in the hope that its drive to put business *über alles* will not mean an economic knife drawn across their throats.

All these problems, though difficult, would not necessarily lead to an early catastrophe, given one of two alternatives. Either a continued buildup of American military power on terms which could absorb the production of the capitalist world, or international pump-priming by the United States on an ever-expanding scale. The Russian peace offensive has made both of these alternatives virtually impossible.

The first reaction of the American government to the peace offensive has been to try to pretend that it does not exist. This motif still dominates the utterances of its major spokesmen. Quite justifiably, they demanded that Russia prove with "deeds" that her government is really intent on a truce in the cold war. It soon became evident, however, that the "deeds" demanded were the equivalent of a Stalinist capitulation on all the major issues over which the cold war had been fought.

In President Eisenhower's only foreign policy speech since the peace offensive started, he gave as "examples" of the things the Stalinists would have to do to prove their peaceful intentions: an end to the war in Korea, Indo-China and Malaya; a peace treaty for Austria, and the unification of Germany on American terms. After this, he said, the United States would be willing to consider disarmament on the terms it had put forth in the United Nations, and it would then also consider the possibility of diverting a portion of the funds now spent on arms to the development of the economies of other countries.

The rest of the world, however, greeted the Stalinist peace propaganda with an almost audible sigh of relief. As far as the countries of Western Europe are concerned, the choice between continuing re-armament at the levels demanded by the United States, and of the economic dangers implicit in the slackening of the war drive is a choice between almost indistinguishable evils. On the other hand, to these war-weary peoples and governments even the hope that World War III may be averted has an almost irresistible attraction.

While the American government has stood firm on its inspiring assertion that it is willing to "meet halfway" any real evidence of the willingness of the Stalinists to end the cold war, the latter have been performing one "act" after another which gives *some* substance to their peace offensive. Among these have been the freeing of allied civilians interned by the Stalinists in North Korea; the re-opening of Korean truce negotiations by making proposals which at least appear to yield to the United Nations principle of non-forcible repatriation of prisoners of war; the release of William Oatis who had been convicted on "espionage" charges by the Czechoslovak government. It is quite possible, too, that the abrupt termination of the Vietminh offensive in Laos was another "act" by the Kremlin or Peiping which shows their intention, at the very least, to prevent the spread of that conflict beyond its previous confines.

All of these actions do not necessarily indicate that the Stalinists have decided to end the cold war for good. Such a decision is beyond their capacity. The "cold war" is, after all, a term given to the friction and conflict between the capitalist and Stalinist world which is historically irreconcilable. Although no one gave it that name at the time, a "cold war" between Germany, Britain and France and between Austro-Hungary and Russia preceded World War I, and a "cold war" between Germany and the Western powers raged at least from 1936 through 1939. There was only one power in the world which could have prevented those two wars, and it did not reside in the governments of the great powers which engaged in them. That was the organized socialist working class of Western Europe whose leaders capitulated before their governments in the first war, and before the rise of Nazism which preceded the second.

But this does not exclude a truce in the cold war, an extension of the time before the conflict explodes into world catastrophe. And in these times, when for capitalism nothing is permanent any longer, the governments and peoples of most of the capitalist world are quite willing to settle even for a little time.

Hence, from the moment the peace offensive was announced from the Kremlin, the division between the United States and her major allies has been growing. Much of that growth has been silent, even underground. In a certain sense, the governments of Europe which seem determined to grasp at every straw offered them by the Kremlin are acting just as irrationally as the Amercian government which wishes that the whole annoying problem of the offensive had never come up in the first place. But what really counts for the moment is that those governments are, in their own way, expressing the deepest fears and aspirations of their peoples, while the American government reflects the smug satisfaction and blind provincialism of a nation riding the crest of thirteen years of war and war-induced prosperity.

The first open break in attitudes toward the peace offensive came in the debate on foreign policy in the House of Commons. Prime Minister Churchill called for a top-level conference of the great powers to attempt to negotiate a truce in the cold war. Clement Attlee, leader of the Labor opposition, went farther. He took the occasion to point out that in America there are powerful interests who do not appear to want a truce in Korea, and to demand that Britain take a real share in the truce negotiations in that country to counter-balance those forces. He went on to say that with the separation of powers inherent in the American constitution, it is impossible for any American government to give firm commitment on foreign policy questions. In the present situation, he said, it is difficult to know who really speaks for the American government, President Eisenhower or Senator McCarthy.

From this discussion it became quite clear that in Britain both parties ardently desire a conference of the heads of the most powerful governments in the world (it appears it is indelicate to specify just which these are, in view of the inflated sensibilities of the French and the difference over which is the real government of China). When Attlee stated that Communist China would have to be included in any really stable settlement, Churchill simply interjected: "Not while the actual fighting is going on, though." He then remained silent, in apparent acquiescence, while Attlee continued to make his point.

The reaction from this side was immediate. Senator McCarthy, of course, came out for sinking every British ship which carries goods to China. He

demanded an apology from Attlee for criticizing the American Constitution. The more direct government spokesmen had little to say. Eisenhower handled the question of a meeting with Churchill and Malenkov evasively, and the *New York Times* and liberals of all stripes rose to the occasion by clucking like nervous hens whose favorite chicks had got into a squabble.

In India, Nehru spoke out in favor of the latest Stalinist truce proposal, and condemned the Americans for turning it down. In Germany, Chancellor Adenauer was so concerned about the effects of the peace offensive on his electoral prospects in the coming contest with the Social Democrats that he had little to say. The French are preoccupied with putting down the colonial stirrings in North Africa, the open war in Indo-China, and the stirrings of their "loyal" governments in the same country. In short, the American government could find virtually *no one* in the whole wide world outside American borders who was willing to firmly back up the American position that short of capitulation by the Stalinists nothing can be done about the cold war except to arm and stand firm.

THERE ARE WAYS in which even the blind can sense that they are blundering into danger. And frustrating as this may appear to Eisenhower's businessmen in one way, and to his more belligerent "socialistic" would-be advisers in another, America's allies are forcing a change of pace on the American government. If there is any prospect of a relaxation of cold-war tensions even for a few months or a few years, they are going to embrace them. This is not a policy or an attitude which can avert World War III, or which can give it a progressive content if that disaster finally deluges us. But if the Stalinists are in sufficient difficulty to have to slow up *their* drive toward war, it is an attitude which can give the world a breathing-spell.

The question is simply: what will the world do with such a reprieve from destruction? If the masses sink down in apathy, and simply wait till the conjuncture of economic and political forces once more permits a resumption of the struggle, they will have gained little. Surely this is the opportunity for the conscious socialists to come forth with policies for the labor and socialist movements which can once more give *them* the initiative in the struggle for the world.

For us in the United States, the isolation from world support into which the Democratic and Republican governments have taken us should be the beginning of wisdom. The American labor movement must be shown that this isolation is not a product of foreign stupidity or perversity, but rather of the character and policies of their own government. As the continued burden of armament on the one hand, or of depression on the other falls on the backs of the workers, they must be shown that these evils are direct consequences of the kind of social system and the kind of government which they have supported heretofore. Only after this lesson has been absorbed can we hope that the American labor movement will become a positive force for social change and for peace in the world.

Gordon HASKELL

May 20, 1953

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Dissension and Friction in the Russian Ruling Class

The Russian Bureaucracy Before and After Stalin

Since the law of the jungle governs the internal politics of Stalinist Russia, the life-span of a responsible party or state official is a calculated risk. The higher a man stands on the hierarchical ladder, the less likely is he to end his days naturally. Either he is struck down by the lightning of a purge or else he falls in the savage struggle to maintain or extend his power and prestige.

Applying this rule—that a natural death is almost excluded for those who are part of the ruling clique, some imaginative political writers have raised the question of Stalin's death. How is it possible, they ask, that the supreme organizer of intrigue and assassination escaped a similar fate at the hands of one or more of his ambitious would-be heirs? Some writers have presented "evidence" to sustain this speculation.

By far the most ambitious and remarkable is the line of reasoning taken by Franz Borkenau after the arrest of the Kremlin doctors on January 13, 1953. Writing in the *Rheinischer Merkur* on January 23, 1953, six weeks before Stalin's death, Borkenau noted that whoever gained control of the Kremlin medical staff disposed of a powerful political weapon. Borkenau commented, "We do not say that the assassination of Stalin is imminent, but if someone or other has taken over control of the Kremlin doctors, this signifies on the political plane the acquisition of a formidable means of pressure on the dictator."

At a later point we shall consider Borkenau's speculations, among others, on the factional struggles in the Kremlin. But we present his views on Stalin's death at the outset because it is a typical example of much of the writing devoted to Russian affairs. And it raises an interesting question. Is it worth while speculating on past and present factional struggles in the Kremlin?

As Marxists we are primarily concerned with the evolution and clash of those social forces that will decide the fate of the system as a whole, i.e., the conflict between the masses and the bureaucracy. After all, where power is the monopoly of one man or a few, palace intrigues and even palace revolutions are inevitable. But so long as the *system* of totalitarian dictatorship remains, what does it really matter whether Beria triumphs over Malenkov, Malenkov over Beria or they compromise and rule together?

To which it might first be answered that the various historians of the Russian counter-revolution, Trotsky, Souvarine and Deutscher, to name a few, were compelled to write their narrative in the form of Stalin's biography. Where political power is concentrated in the hands of an autocrat or an oligarchy, personal relationships, personal antagonisms, sooner or later begin to reflect the pressure of conflicting social forces. Stalin's hatred of talent, not to say genius (Bukharin, Trotsky) and his gift for intrigue were personal characteristics. Under certain historical conditions, they acquired tremendous force.

Even if we accept the above reasoning as valid, a serious obstacle remains. Our sources of information are few and the facts meager. As we shall show, on the basis of the same set of facts it is possible to build three or four theories (informed speculation) of factional struggle, each in direct contradiction to the others. There is, for example, the slightly comic wrangle among "Russian experts" on the meaning of the decline and fall of the former Minister of State Security, more recently a member of the new Presidium of the party, S. D. Ignatiev, who prepared the case against the Kremlin doctors.

One school argues that Ignatiev was a Malenkov supporter, who was preparing a blow at Beria, Malenkov's rival for power. The criticism of the laxness of the intelligence agencies which followed immediately on the arrest of the doctors is taken to mean that the affair of the doctors was only the stage-setting for a bigger drama—the downfall of Beria. Accordingly, the release of the doctors and the denunciation of Ignatiev represent a counter-blow by Beria.

Another school argues that Malenkov and Beria are not rivals but allies; that Ignatiev was not Malenkov's agent at all. It is argued by Boris Nicolaevsky that Ignatiev was a link in the direct chain of command that led through Stalin's personal secretariat to the autocrat himself. Stalin, says Nicolaevsky, was planning to purge not only Beria but Malenkov as well. Where, Nicolaevsky wants to know, is Poskrebyshev, the head of Stalin's personal secretariat? Why has he disappeared from the public stage?

We will never know who is right in this dispute until either Malenkov or Beria succeeds in doing the other in or Poskrebyshev stands in the prisoner's dock and confesses. In the feverish search to establish factional membership and order of rank in the Kremlin clique, some writers engage in the scientific absurdity of counting the number of times a Presidium member's name is mentioned in the press in the course of a week or month and the frequency with which his photograph appears.

Since Malenkov had been named chairman of both the Party and Soviet Presidiums on March 6th and since it was presumed he was still first Party Secretary, Harry Schwartz of the *New York Times* immediately took this as fair proof that Malenkov was truly Stalin's heir and had succeeded him to the throne. Unfortunately for the *New York Times* expert, events soon refuted this notion.

The examples just cited illustrate a plain truth—that all reasoning about what is going on inside the Kremlin walls contains a high percentage of guesswork. Nevertheless, the question still remains. Can any one of Stalin's heirs, now ruling jointly, come to absolute power along the same road of intrigue, and manipulation of the apparatus? Or will events take a different turn?

History teaches us that a collective dictatorship is one of the most unstable forms of rule. The French Directorate, for example, expired under Napoleon's coup after four brief years of existence. If history provides us with a basis for prediction then the future of the present regime is bleak indeed. A study of the factional struggles which are said to have occurred in the Politburo in the course of the last 13 years may help us anticipate the form the inevitable struggle for power will take and the effect it will have on Russia as we know it today. And it is for this reason that we review the work of a small group of political writers who have attempted to

fill in the picture of factional struggle with specific detail.

The Emergence of Factions

It is the view of Boris Meissner* that two factions began to take shape in Stalin's immediate entourage at the end of the '30s, after the great purges had been brought to a bloody close. Zhdanov, Shcherbakov, Andreyev and Voznesensky formed the nucleus of one group. Khrushchev, Beria, Melankov and Mikoyan, with Kaganovitch in the lead formed the other. Stalin and Molotov stood outside the factional groupings.

The first group was Great Russian in national composition and based itself on the party organization in the Russian Federated Republic, resting primarily on the Leningrad organization. Zhdanov had been appointed proconsul of that city after Kirov had been assassinated on Stalin's orders.

The second group was of mixed nationality and drew its strength from the party organizations in White Russia, the Ukraine, the Caucasus, and Turkestan.

The fundamental question, Meissner asserts, that divided these two groups was foreign policy. Both groups agreed that the ultimate goal was an empire stretching from the Atlantic to the Pacific—the disagreement revolved around the question: Which way to turn first?

What had been a debating point in 1939 became a practical problem of great urgency by 1946 and deepened the split between the two groups. There was no dispute in filling the vacuum in Eastern Europe, but it was necessary to decide on whether to advance into Western Europe.

Zhdanov believed that the industrialized countries in Western Europe had to be conquered not by military means primarily but by using the West European Communist Parties as shock troops. The conquest of political power by the Stalinist parties would be reinforced and consolidated by the arrival of the Russian army.

The other faction, which had crystallized around the triumvirate of Malenkov-Beria-Khrushchev advocated the consolidation of the satellite empire in East Europe, coming to terms with the West and expanding into Asia.

The debate was won by the Zhdanov group and a sign of this was the fact that Malenkov fell from favor in late 1946 when he was ousted from position of first party secretary and his place taken by Zhdanov.

In their outline the views expressed by Meissner on the existence of a split on foreign policy in the post-war period are shared by almost all other close observers of Russian affairs. They point to the fact that certain changes in policy can be linked with the rise and fall of this or that political luminary in the Politburo. In addition, there is the substantial although indirect evidence in the debate that arose around Eugene Varga's book, *Changes in the Economy of Capitalism As a Result of the Second World War.*

On October 30, 1946, *Culture and Life,* the newspaper of the Central Committee of the party published a sharp attack on the Institute of World Economy and World Politics which Varga headed. It demanded that the Institute "concentrate its attention on a deeper theoretical analysis of problems of the present stage of imperialism and the general crisis of imperialism." The warning signal was clear and on May, 1947, the blow fell. A conference of economists was called to discuss Varga's book.

*In his book, **Russland im Umbruch** (Russia in Transition), Frankfurt, 1951.

We need only summarize Varga's theses to see what was involved. Varga maintained (1) that capitalist governments could plan, not only in times of war, but, to a degree, in times of peace as well. The implication which was drawn by his critics, and correctly, was that there need not be immediate depression in the United States. (2) The United States would help reconstruct Europe and that this would take approximately ten years. *That this reconstruction would be on a capitalist basis.* This meant—no revolutionary upheaval in Europe. (3) That the relationships between the imperial motherlands and the colonies had undergone a substantial change during the war (witness the relationships between India and England). It was no longer simply a question of creditor and debtor, exploiter and exploited. England was now in debt to India. This meant, no colonial revolutions. (4) The changes taking place in the East European countries were not fundamental, they were still capitalist in nature and would maintain their links with the capitalist world market.*

In itself the attack on Varga was not especially significant since it was merely part of the general change in line which Stalin had set in motion soon after the end of the war. Other scholars, who had developed their ideas in accordance with the party's war-time line, were subjected to similar humiliation. For example, G. Alexandrov, whom Zhdanov had installed as head of the Central Committee's administration for propaganda and agitation denounced an economist by the name of Zazonov for writing in 1943 that the economic laws prevailing in the USSR were similar to those that governed in capitalist countries. He also accused Zazonov of advocating freedom of trade on the basis of a free market. Similarly a Soviet legalist by the name of Kechekyan had written an article in which he explained that the essence of social relations in bourgeois society consisted not in exploitation, but in "non-interference" by the state in the economic sphere. As a back-handed commentary on Russian state control of industry the remark is illuminating.

Virtually all of those reproved for having "deviated" from the party-line accepted their humiliation in silence if not with grace. *But Varga resisted and defended his point of view vigorously, even stubbornly.* And that was indeed surprising, in view of the known facts about Varga's past. There are many jokes about Varga's supple spine. At one time during a heated debate in the Politburo on what course to take in Germany in 1923, Varga is said to have sent Stalin a telegram which read: "Send political line, economic prognosis will follow." Trotsky characterized him as the theoretical Polonius of the Comintern who is "always ready to prove the clouds in the sky look like a camel's back, or if you prefer like a fish, so long as they bear witness to 'Socialism in one country.'" The conclusion has been drawn, among others, by Boris Nicolaevsky, who emphasises the political significance of Varga's unusual display of courage, that behind Varga stood the Beria-Malenkov-Khrushchev faction. Unable to convince Stalin of the correctness of its line, it was still strong enough to protect its theoretical mouthpiece.

Nicolaevsky and the others may be right in stressing Varga's link with Malenkov, but in doing so they overlook another aspect of the Varga affair which provides a key to the nature and scope of the factional struggle among Stalin's subalternatives. Varga could defend his point of view only if he had Stalin's permission to do so.

Just as significant as the virulent attack on Varga was the loud official acclaim which greeted the publication of Nikolai Voznesensky's book, *The Economy of the USSR During World War II,* in 1947. Voznesensky's book is a direct answer to Varga. On page 17 of the English translation (Foreign Affairs Press) we read, "The discussion of certain theoreticians who consider themselves Marxists about 'the decisive role of the [capitalist] state in the war economy are nonsense, not worthy of attention. . . . Just as naive are the discussions about planning of the war economy by the state in the U. S. A. . . . The pitiful attempts to 'plan' the economy of the U. S. A. collapse as soon as they step outside the limits of aiding monopolies in the earning of profits." Again Voznesensky answers Varga by saying, "Imperialist expansion of the U. S. A. is moving toward a new war as a means of seizing world domination and as a means of crushing democracy, preventing an economic crisis and opposing the working class within the country." Finally, Voznesensky contended that the combined industrial (and therefore military) potential of the USSR and the "poeple's democracies" of Eastern Europe far outweighed that of the capitalist countries.

Voznesensky's book refutes Varga in toto and what gives weight to his words is the fact that he was no mere professor of economics forced to comply with the current line, but presumably one of its originators and executors, a leading member of the regime. A Deputy Prime Minister and chief of the State Planning Commission, Voznesensky became a full member of the Politburo in the same year his book was published, 1947.

The implications of this line for the Stalinist parties throughout the world and particularly in Western Europe were foreshadowed by Duclos' open attack on Browderism which appeared in *Cahiers du Communisme* in April, 1945. Of course, this new militancy had not prevented Stalin from ordering the French partisans to give up their arms and the French and Italian leaders to collaborate in the post-war governments in France and Italy.

The coordinating center and executive organ for the new line was to be the Cominform which was finally set up in September, 1947, with Belgrade as its center and Zhdanov as its head. But it is interesting to note that 1947 was rather late in the day to set up the Cominform. Why hadn't Stalin created the Cominform in 1945 when Tito first had suggested it, according to the latter's biographer, Vladimer Dedijer?

We raise this point because some of the writers who have propounded the theory of a struggle over foreign policy between Zhdanov and Malenkov have succumbed to the power of their own imagination and described the former as a "revolutionary of the Leninist type."

According to Meissner, Zhdanov was oriented toward a policy of West European expansion as early as 1939. Why then did he fail to carry the day with Stalin in 1945 when Europe was in revolutionary ferment? State power like an over-ripe fruit was ready to drop into the outstretched hands of the first claimant.

The answer is that Stalin and his subordinates were not in the least interested in seeing a revolution made by the working-class arms in hand,

*The vicious attacks to which Varga was subjected and which are peculiar to discussions of "theory" in Stalin's Russia do not make pleasant reading, but those interested will find it in an English translation issued by the Public Affairs Press under the title, "Soviet Views On the Post-War World Economy."

and free of the control of the secret police and the Russian army. The Czech coup of February, 1948, which is held up as the model of a "Zhdanovite insurrection" was the last stage in a process that began when the Czech Stalinist party entered the coalition government after the war. By 1948 the Stalinists already had the real state power, control over the "organized means of violence," the police and the army.

The creation of the Cominform, originally suggested by Tito and supported presumably (and logically) by Zhdanov proved the undoing of the latter and his faction. The events which occurred in 1947 and 1948 are well known to the readers of THE NEW INTERNATIONAL and need only a cursory review: the "insurrectionary" strikes in Italy and France in 1947, the coup d'etat in Czechoslovakia in February 1948, the beginning of the Berlin blockade in June, 1948, and the public declaration of Tito's heresy by the Cominform gathered in Bucharest the latter part of that same month.

Zhdanov's policy had ended in failure and worst of all damaged the mystique of Stalin's infallibility in a serious way. What happened in late 1948, 1949 and 1950 is worth studying in some detail for the light it throws on the existence of the Zhdanov group and the line of expansion to the West.

Zhdanov died, conveniently enough, on August 31, 1948. Did Stalin punish his failures by liquidating him? This is the feeling of many of the writers on the matter. Both Nicolaevsky and Borkenau feel that Zhdanov came into conflict with Stalin, when, with the aid of a section of the Red Army leadership, he advocated the use of the Russian army to save the day in Berlin.

Failure, as such, Stalin could forgive so long as it was not identified with his own person. The miscreant might be penalized by a severe jail sentence, or by mere disgrace or even be forgiven. Khrushchev, for instance, did not suffer as a result of his failure to reorganize the Kolkhozes. The project of joining together many small and not so small collective farms into large "agricultural cities," announced with great fanfare in the spring of 1950, ground to a slow halt by the spring of 1951. Yet Khrushchev remained a member of the Politburo.

Zhdanov, however, had committed the unpardonable. He had damaged Stalin's prestige, created a crisis in the satellite empire, and perhaps had challenged Stalin's authority. Just as dangerous, from Stalin's point of view, he had a faction and a policy. Using the language of scientific caution, we can conjecture that the probability is great that Zhdanov suffered the fate of Kirov and Ordjonikidze, that is, Stalin "organized" his death.

The Purge Begins

What happened after Zhdanov's death is not a matter of speculation but fact. First Stalin began a merciless reorganization of the Politburo. The housecleaning of a newly-married bride could not have been more vigorous. Zhdanov died and his theoretician Zoznessensky was read out of the party in mid-summer, 1948, and vanished into thin air. To this day his fate remains unknown. Among other members of the Polit and Org-Buro who were purged were: Radionov, Chairman of the Council of Ministers of the Russian Federated Republic; Shikin, head of the political administration in the army; Popkov, head of the Leningrad organization and member of the Organizational Bureau; Popov, secretary of the Central Committee and leader of the Moscow party organization, member of the Organization Buro, and Bolyakov, head of the Soviet Supreme Court.

The second step was a purge of the Stalinist party leadership in the satellite countries. The systematic and violent nature of the purge is revealed by merely setting the different stages of the process in chronological sequence: Lt. General Koci Xoxe, Deputy Prime Minister, Minister of the Interior and organizational secretary of the Albanian Stalinist Party was arrested in October, 1948, and shot on June 11, 1949; Gomulka, Prime Minister and Secretary-General of the Polish Workers (Stalinist) Party, who had argued against reading Tito out of the Cominform was ousted from office in January 1949; the Greek partisan leader Markos vanished into thin air in late 1948, a fact which was announced by the Greek Partisan radio in February, 1949; Ladislos Rajk, Hungarian Minister of Internal Affairs was shifted from that position to Foreign Affairs (an invariable danger signal), and in June, 1949, shifted again, this time to jail. He was hanged on October 15, 1949. Finally, to speak only of the satellite countries, Kostov of Bulgaria was expelled from the Politburo on March 26, 1949, from the Central Committee and the party in June, 1949, arrested and hanged in December, 1949.

The history of the purge is written in large and bloody letters for all to read; and the internal connection with the liquidation of the Zhdanov faction is unmistakable. Nevertheless, there are several puzzling aspects of the purge which deserve our attention. For one thing, the purge was accompanied by a scarcely-veiled anti-Semitic campaign in the Soviet Union and the satellites. Officially the campaign took the form of an attack on Zionism. Secondly, the purge engulfed not only Titoists but *anti-Titoists* as well; and thirdly, the purge was not completed; the wave of executions in the satellite countries lost their urgency and diminished to a minor key during 1950.

In seeking a key to these riddles, different political observers have come up with varying solutions. In the light of the renewed wave of anti-Semitism and the arrest of the Kremlin doctors on January 13, 1953, Franz Borkenau came to the conclusion that anti-Semitism was a weapon which Malenkov used in his struggle against the Zhdanov faction. Borkenau shares Nicolaevsky's and Meissner's view that Zhdanov was an internationalist of the "Leninist" type (!). In attempting to carry out his "revolutionary" line against the West he relied greatly on Jewish leaders in the satellite countries, particularly in Czechoslovakia, where the February putsch represented a victory of the Slansky group over the late Klement Gottwald.

A blow against the Titoists and the Jews in the satellites, concludes Borkenau, was part of Malenkov's offensive against the "left bloc" in the Kremlin. Inside the Soviet Union, Borkenau points out, a liquidation of Jews in the cultural field took place. (See article in Jan.-Feb. issue of THE NEW INTERNATIONAL.) And also, what has not been generally noted, *General Antonov, Jewish chief of Staff, was supplanted by General Shtemenko, a Gentile,* in October or November, 1948. It is Borkenau's belief that the anti-Semitic campaign which accompanied the purges in the satellites in 1948-49 and early 1950 was an attempt on the part of Malenkov to win the support of the army leadership, which was primarily Great Russian in composition, and to win the support in particular of that faction which opposed the adventuristic policies of Zhdanov. This faction is represented

for Borkenau by Marshall Zhukov.

Borkenau attempts to meet the objection that (1) anti-Titoists were eliminated in the course of the purge, Rajk in Hungary and Kostov in Bulgaria, and (2) that the purge was not carried out to its logical end. That is, if Malenkov were intent on purging Jews and advocates of aggressive action in Western Europe why were Ana Pauker and Slansky permitted to remain in power?

His answer is quite ingenious. Somebody got hold of the anti-Titoist operation and turned it on the anti-Titoists themselves! That is, several of Malenkov's allies in the struggle against Zhdanov joined together to render Malenkov impotent and maintain a balance of power in the Politburo. Lapsing into the error of being categorical in these matters Borkenau names the new faction opposing Malenkov as being composed of Molotov, who had sided with Zhdanov while the latter was alive, Bulganin and Beria.

Boris Nicolaevsky, writing in the *New Leader* of April 30, 1953, and also attempting to decipher the mystery of what happened after Zhdanov's death, comes to the conclusion that it was Stalin himself—acting through the chief of his personal secretariat, Poskrebyshev—who began to stir the waters of factional strife against Malenkov.

To be sure, in offering this solution, Nicolaevsky is compelled to revise an earlier opinion (*New Leader* of October 6, 23, 1952 and March 30, 1953). In October he wrote "This struggle [with Zhdanov] was not an easy one for Malenkov, even though, as is now apparent, *he enjoyed Stalin's surreptitious support.* Now the fight is concluded, Zhdanov and the Zhdanovites have been mercilessly annihilated and Malenkov comes to the 19th Congress of the Soviet Communist Party the undisputed victor." Nothing, it would seem, could be clearer. But on April 30, 1953, in attempting to explain the Ignatiev case, Nicolaevsky says the exact opposite. "Only naturally, after the Zhdanovites had been crushed, Poskrebyshev attempted to organize forces to counter-balance the victorious Malenkovites, who were powerful, aggressive and skillfully led. Of course [of course!] Poskrebyshev was merely executing the orders of Stalin, who throughout his career was careful to see that no single subordinate achieved too much influence."

Boris Meissner believes that after Zhdanov's death, the evolution of factions took the shape of a struggle for power between the generations, with Molotov as the leader of the "older" group and the "troika" Beria-Khrustchev-Malenkov as representative of the "middle-aged" group. Complicating the situation was the silent pressure of the younger generation which had no representatives in the high places of power.

According to Meissner the "troika" controlled the state-economic police and party-propaganda apparatus while the Molotov group based itself on the ministries of foreign affairs, foreign trade and the army through Bulganin. Meissner makes the interesting claim, that because of the deadlock between the two groups, Bulganin—having the confidence of the army and state-industrial bureaucracies—had been able to come forward and play a leading role. Continuing along this line, Meissner concludes that a struggle for control of the "mass organizations" and the navy, which "follows a line independent of the army" was inevitable.

While the three theories we have just outlined consider the struggle that began after Zhdanov's death in late 1948 as a naked power struggle, Richard Lowenthal, writing in the *London Observer* of January 18, 1953, follows a slightly different course. He attempts to unriddle the mystery of the unfinished purges in 1948, 1949 and early 1950 with the following explanation: Although there was full unity in the Politburo on the need to carry out a purge against Titoist tendencies in the satellite countries, *there still remained differences on the question of foreign policy.* The Zhdanovites may have been purged out of the Politburo, Lowenthal points out, but the Zhdanovite line of continuing an aggressive line in Western Europe must have found new supporters, and it was to their interest to protect people like Ana Pauker and Slansky who were loyal to Stalin and at the same time for a "militant" line in West Europe. The unending series of political strikes and demonstrations in Western Europe against the Marshall Plan, the Schuman Plan and NATO (although conducted on a less ambitious scale than those of 1947), continued. At the same time, the Kremlin began turning its energies and interests to the East, the most striking proof being the invasion of South Korea in 1950.

Lowenthal's theory of a continuing difference in foreign policy as the reason for calling off the purges toward the end of 1949 receives independent support in an article that appeared in the November, 1951, issue of the Russian émigré magazine published in Paris, *Na Rubezhe.* The author of the article declares that the relative inactivity of the Cominform is explained by a conflict rending its Political Secretariat. The differences on policy became so tense that it was necessary to call a plenum of the Cominform in November, 1950. On one side stood those who believed that the Schuman Plan represented a weakening of the European bourgeoisie and the fascistization of Europe, with the help of the right-wing socialists. A militant policy by the Stalinist parties in Western Europe would topple the weakened bourgeoisie (already demoralized by the Korean war) from power. The author, who remains anonymous, declares that Malenkov, Beria, Longo, Duclos, Gottwald and Chervenkov (Bulgaria) supported this point of view.

The other point of view (reminiscent of Varga's thesis) insisted that the Schuman Plan was not a road to Fascism, that it did not mean an immediate economic crisis for Europe and could even strengthen the continent, while at the same time transforming it into an American colony. The political conclusions this group drew from its thesis, according to our anonymous author was that it would be foolish to push the masses into action on a large scale at that time. It would result in isolation for the parties. Among those adhering to the second point of view were said to be Zapatocky of Czechoslovakia; Leopold, secretary of the Hungarian trade unions; the Russian political generals, Sviridov and Marshal Bulganin.

According to our informant the bitter and unresolved debate lasted fourteen days and it was finally decided to leave the resolution of the differences to Stalin. At the end of November, 1950, Yudin, chief editor of the Cominform paper, was called to Moscow and returned three days later with Malenkov, who delivered the following message from Stalin: the Cominform was not to engage in any specific line of action until the Politburo decided the question. In February of 1952, the Russian Politburo (Stalin) handed down its decree—to adopt the second line of "work with the masses"

as Cominform policy. And as always happened with a change of line, a purge of "alien class elements" was ordered.

For the purposes of clarification, let us sum up the four theories of what was happening in the Kremlin during the post-Zhdanov period which extends from the late Fall of 1948 until October, 1952, when the 19th Congress of the Russian Stalinist Party was held.

Borkenau interprets the purges in the satellite countries (and the anti-Semitic campaign) in terms of a struggle for power inside the Politburo. Meissner, restricting himself to the constellation of forces in the Kremlin comes to the same conclusion. Nicolaevsky sees Stalin as the instigator of the struggle. Lowenthal believes that there was agreement on the purge but not on foreign policy. None agree on the precise number in these factions, and there is certainly no way of substantiating the specific lists they draw of factional membership.

Whatever the nature of the factional line-up and the issues involved, that there were differences can be confirmed by referring to a curious outburst in the controlled press during December of last year. Just as in 1947 it was Varga who had to submit to a violent assault, now it was the turn of Voznessensky (in absentia) and his supporters. Writing in the *Pravda* of December 24, Suslov, secretary of the party's central committee, denounced Dmitri Shepilov (just named to the Central Committee at the 19th party congress and editorship of *Pravda)* and P. Fedoseyev (officially chosen to expound Stalin's latest economic theories in *Izvestia)*.

In the course of abusing Shepilov and Fedoseyev for their "insincere" repudciation of Voznessensky's theories, Suslov quoted from a hitherto unpublished Central Committee resolution dated July 13, 1949. The resolution had ordered the removal of Fedoseyev as editor of the magazine *Bolshevik* and of Shepilov as head of the party's propaganda apparatus and cited as the reason their praise of Voznessensky's book.

We can then take for granted that factions arose in the post-war period and continued after Zhdanov's death. But what, precisely, was Stalin's relation to this factional struggle? Meissner notes in his book that the tension generated by the struggle between the two factions (based on conflict of generations) permitted an expansion of Stalin's power. Nicolaevsky goes a step further and operates on the premise that after Zhdanov's death it was Stalin who fomented the factional struggle.

That Stalin exploited these differences can be shown by some rather interesting facts. Stalin not only liquidated the Zhdanovite faction in late 1948 and early 1949, *he also struck out against other important members of the Politburo.* On March 4, 1949, the regime announced that Molotov had stepped down as Minister of Foreign Affairs. On March 24 Marshal Bulganin yielded the Ministry of the Armed Forces to Vasilevsky. The same fate befell Beria. He had to give up the Ministry of the Interior.

To understand what Stalin was doing let us turn our attention to the much discussed abolition of the Politburo at the October, 1952, party congress. In attempting to explain the significance of the new enlarged Presidium, all sorts of "deep" sociological interpretations were given at the time. Nicolaevsky, still a victim of his early theory, declared that Malenkov was Stalin's chosen heir, and that the liquidation of the Politburo heralded the end of party rule and the triumph of the state. The New Soviet Man (Malenkov) had come into his own.

The change from the 10-man Politburo to the 25-man Presidium has in part a simpler explanation. It represented a further stage in the degradation of Stalin's subalternates. In 1949 they were separated officially from their vested spheres of interest; in 1952 they were degraded one step further. As members of the Politburo they had been Stalin's equals, in the formal sense. But now they were lost in the crowd. This interpretation is borne out by the behavior of Stalin's heirs the day after he died—they cut the Presidium down to the size of the old Politburo, and resumed their original posts and powers in the various ministries—the very things Stalin had taken from them.

The whole evolution of Stalin's rule was in one direction only, toward greater concentration of power in his own hands. This not only corresponded to certain personal traits, but to certain imperatives dictated by internal conditions in the country. In the post-war period this was concretized by the triple burden Stalin imposed on the country—to reconstruct and expand the industrial base and simultaneously to equip the armed forces. The silent resistance not only of the masses, but of the bureaucracy as well, demanded the tightening of the dictatorial vise.

The failures in the West and the deadlock in Korea imposed certain objective necessities on Stalin's foreign policy. Either to make peace or prepare for war in earnest. There is no doubt that Stalin was preparing for a peace settlement of sorts, but *without relaxing the stringencies of the dictatorship.* The attitude toward Germany is the best proof that Stalin was preparing a shift in tactics. The note of March 10, 1952 completely reversed the Kremlin on Germany. The Zhdanov line of "militant" conquest had been abandoned by Stalin.

The shift in tactics on Germany was accompanied by stealthy preparation of purges in the satellite countries as far back as the Fall of 1951. For although Slansky was brought to trial finally in late 1952, his decline began in September, 1951, when he was removed from his post of party secretary. Ana Pauker's fall from grace came in May, 1952. And in the Stalinist parties of Western Europe, the preparations for a purge of the "militants" was well under way by midsummer of 1952. In France, the policy of the National Front was adopted as official policy in September, 1952. In the United States, the Stalinist party issued a draft resolution on the change of line on December, 28, 1952.

From the Slansky Trial To Stalin's Death

The trial of Rudolf Slansky and thirteen co-defendants began on November 20, 1952, and ended with the hanging of eleven of the defendants on December 13, 1952. The arrest of the 15 Kremlin doctors took place on January 13, 1953. The convulsions which had begun at the outer circle of the Stalinist empire travelled swiftly toward the center.

It is at this point that the explanations of the political writers under review take on the aspects of sensationalism. In itself, this is no objection, since the history of Stalinism is incredible in the scope of its criminality, intrigue and violence. However, even in Russia, some deaths must be natural and not every action of the regime is a product of intrigue and the struggle for personal power.

Actually, there are only two theories offered for the events which begin with the Slansky trial and end in the release of the Kremlin doctors. The

authors of these two exceedingly ingenious accounts are Borkenau and Nicolaevsky. We will begin with Nicolaevsky.

Exactly one month after the formal announcement of Stalin's death *Pravda* printed the incredible editorial exonerating the fifteen Kremlin doctors of the charges of conspiracy to murder leaders of the government and army. On the next day came the inevitable consequences—the discharge and humiliation of Ignatiev, former head of the MGB, and secretary of the party's Central Committee.

Taking Ignatiev's dismissal as his point of departure, Nicolaevsky asks: Who was his sponsor? That is, in whose name was he acting when he prepared the case against the doctors? According to Nicolaevsky, who goes into considerable detail in the matter, Ignatiev could not have been linked with Malenkov because he was on the way up the bureaucratic ladder of success in the period of Malenkov's greatest humiliation, 1946-47. It was in this period that Ignatiev became a part of the Central Committee secretariat as a deputy in the Administration for Cadres. From this post he went on to become a member of the Council on Collective-Farm Affairs, a committee presided over by a known opponent of Malenkov's, Andreyev.

Having proved to his own satisfaction that Ignatiev was not a protégé of Malenkov's, Nicolaevsky then asks, who could have appointed him as head of the MGB? Nicolaevsky, as always, answers his own questions forthrightly—Poskrebyshev, chief of Stalin's personal secretariat was the only person powerful enough to disregard Beria and appoint Ignatiev—in preparation for a purge against the too powerful head of the MVD.

Our author attempts to prove his case by pointing out that the January 13 public indictment of the doctors and ensuing editorials in the official newspapers were in essence attacks on the intelligence agencies (Beria) for laxness and "negligence." Furthermore, the inclusion of Mikhoel in the "Jewish conspiracy" was another warning signal, since it was Beria who had authorized the Jewish actor's trip to the United States in wartime. The connection between Beria and the "terrorists" could be easily enough established. Finally, there was the fact that Ignatiev had purged the state and party apparatus the previous summer in Beria's own native Georgia.

In addition to annihilating Beria, the purge in the making had broader "social" purposes. It was aimed at the Soviet industrial administrators and the non-party intelligentsia who had gained too much influence in top party circles to please Stalin. Since Nicolaevsky believes that Malenkov had identified himself with the new industrial aristocracy, it was only natural that he should have resisted the coming purge. As a result of his resistance, Malenkov fell into disfavor with Stalin. And at this point, Nicolaevsky turns to the time-honored practice of the Russian expert. He points out that Malenkov's name appeared in the official papers practically every day in the first weeks after the Nineteenth Congress, "stabilized" in November and December, being mentioned fifty per cent of the time, and had his name mentioned not more than once a week in January. In the second half of February, and Nicolaevsky underscores this point, Malenkov's name ominously disappears completely from *Pravda's* lead articles.

The next link in Nicolaevsky's finely woven chain of circumstantial evidence is the complete disappearance of Poskrebyshev, Stalin's confidential secretary, after the death of the autocrat. If Stalin had died from natural causes, Nicolaevsky argues, Poskrebyshev would most likely have been one of his pallbearers and been mentioned prominently in the press.

Nicolaevsky measures the seriousness of the conflict which raged in the Kremlin (and must have led to Stalin's death as the result of a political defeat) by the extraordinary content of the communique which announced the release of the Kremlin doctors. Just as Malenkov's resistance to the coming purge transcended the narrow bounds of a personal conflict and represented a struggle between the representatives of the industrial bureaucracy (Malenkov) and the dictatorial regime (Poskrebyshev-Stalin), so, too, Nicolaevsky believes that in trying to save his own skin, Beria transcended his immediate interests as head of the secret police. For in admitting that the MVD and the MGB could make "mistakes," i.e., extort false confessions by inadmissable means, and violate "the inviolable rights of Soviet citizens guaranteed under the Constitution," Beria was officially sanctioning the right of Soviet citizens to doubt. His purpose was to appeal to broad social groups outside the narrow ruling circle and gain their support in the struggle of Beria-Malenkov against those who wanted to initiate a purge—Stalin-Poskrebyshev and Co.

Borkenau's dramatic tableau is reminiscent of the last scene in Shakespeare's Hamlet—all the chief actors are slain or poisoned. His point of departure is the following chronological sequence: The Party Congress and dissolution of the Politburo in October, the Slansky trial in November, the discovery of the "Jewish plot" of the Kremlin doctors against the army chiefs and the arrest of Stalin's personal physicians in January, the sudden death in February of the Jewish former head of the army's political administration, Mekhlis, the equally sudden demise of the chief of the Kremlin guard on February 15 and the death of Stalin, himself, on March 5.

In these events Borkenau claims to see an internal and consistent logic. For one thing, the deaths of Mekhlis and the conspiracy of the doctors have a common content — anti-Semitism. Why, asks Borkenau, were the supposed victims of the doctors predominantly the military? Because the conspirators in the Kremlin were appealing to the armed forces to support them in a struggle against the secret police, against Beria. This gives the clue to the death of Mekhlis. From 1926 to 1936, says Borkenau, the army was the only place where an ambitious man could have a career without being molested by the secret police or the internal wrangles in the party. But when Stalin began his bloody purges in '36 he restored the system of political commissars which had been abolished in 1926. In May, 1936, the Jew, Mekhlis, became head of the political administration in the Red Army and Stalin's direct agent in carrying out purges in its ranks. (Borkenau notes in passing, that Stalin always chose members of minority groups as political commissars and secret police to prevent any feeling of solidarity between victim and victimized.) Hence Mekhlis' death and the arrest of the doctors (natural or otherwise) was seized upon by the conspirators as a signal to the army that they were ready to annihilate the political (secret) police. It was an open bid to the army to crush the MVD and MGB (Beria).

The conspirator was Malenkov, says Borkenau, and traces the crisis back to the 19th congress when Malenkov achieved a political victory by the

liquidation of the Politburo. Power had passed to the Secretariat. But Malenkov not only had to reckon with the hostility of Beria, but that of Stalin as well. Every time a forceful personality had emerged in the Politburo the autocrat had encouraged him and then carefully organized his liquidation. Such had been the fate of Kirov, such had been the fate of Zhdanov. Malenkov had every reason to fear for his life.

The announcement of the untimely death of Major-General Kosinkin, head of the Kremlin Guard, provides Borkenau with his next clue. The arrest of the doctors had been necessary as the first step in gaining control over Stalin. The next step was to gain control of his personal bodyguard and this explains Kosinkin's death.

This is Borkenau's reading of the events that led up to Stalin's death. Attempting to fit the exoneration of the doctors into his pattern, he comes to the conclusion that the opposition, consisting of Beria-Molotov-Bulganin, was able to snatch the fruits of victory from Malenkov and compel his retreat *because the army failed to respond to the latter's overtures.* As a result we see the present collective regime, resting at present on a razor's edge. The slightest shift in power will upset the precarious equilibrium that prevails.

In broad outline these are the constructions raised by Nicolaevsky and Borkenau to expalin the circumstances surrounding Stalin's death. An informed reader will question the credibility of both, but such an analysis is beyond the scope and intent of this article.

In speculation of this type fantasy is as good as fact, since nothing can be proved or disproved. Hegel was fond of shocking those who spoke of God as being everything by saying that God was therefore nothing, since being as such is equal to non-being. And indeed, the only limit to determining who schemed against whom in the Kremlin lies in the law of permutations and combinations. . . .

Factional Struggles Before Stalin's Death

In appearance, the struggle among Stalin's subalternates took the form of a conflict over foreign policy. But this was only form. The substance was a permanent intrigue to settle the question of succession to the throne. The intrigue took the form of a clash on foreign policy, because THAT WAS THE ONLY FORM STALIN WOULD PERMIT IT TO TAKE.

Being an empricist in such affairs, Stalin was quite willing to try now this tactic, now another in the field of foreign policy. When a particular move or tactic failed, a subalternate would suffer the stigma of failure while Stalin maintained his god-like reputation for infallibility. When Stalin signed the pact with Hitler, Litvinov disappeared and Molotov became foreign minister. Did this mean that Litvinov had first convinced and forced Stalin to follow the line of alliance with the democracies, or that later Molotov (and his faction) exerted sufficient pressure to force Stalin to change his tactic? To speak of the weight of a faction, its pressure on the autocrat is sheer delusion. The entire apparatus of power rested in Stalin's hands, and his decisions were arbitrary and final.

Most of the political writers under review never raise the question of a factional struggle on internal policies. Are we then to assume that all the members of the Politburo agreed with Stalin on this point? What happened the day after Stalin's death proves otherwise. The truth is Stalin never permitted any differences to arise on the question of maintaining the rigors of the dictatorship, even after the war when there was a great yearning in the country for a relaxation of the terror. For anyone of his hirelings to have done so would have been to court instant death. The fate of Kirov and Ordjonokidze hung like a Medusa's head in their memories. Nicolaevsky's notion that Malenkov rose up to defend the state and industrial bureaucracy against the approaching purge is as believable as the notion that Zhdanov was a revolutionary of the "Leninist type." It meant that Malenkov was consciously signing his own death warrant.

Factional Struggle After Stalin's Death

Let us assume for a moment with Borkenau and Nicolaevsky that Stalin was assassinated and that the differing factions have arrived at a momentary compromise. What course will the future struggle take?

In the April, 1953, issue of *Preuve,* Borkenau writes, "It is precisely terror—in the Hegelian sense—which is the dominant law of the Stalinist regime." Since only one organized force can overthrow another, Borkenau was compelled to organize his theory of factional struggle around the clash of army and secret police.

He is explicit on this point in his *Commentary* article dealing with Stalin's death, where he says, "organized physical force counts for more in a totalitarian society than in most other kinds—as we already saw with Hitler Germany. In the USSR, the secret police monopolizes it on the 'party side,' the army on the 'non-party side.' Though party crises in the Soviet Union have usually looked from the outside like struggles between purely party factions, actually antagonisms between the army and the secret police have almost always played some role. And what has always been at issue underneath is who was to have the upper hand in terms of physical force."

(Borkenau outrageously distorts the history of the struggle inside the Bolshevik Party, and reverses the relationship between the "instruments of violence" and social forces (party factions), as if classes only serve as means for "organized force" to seize power. Did Tukhachevsky and his generals submit to the GPU because Stalin's secret police were stronger than the army or because the GPU represented a class which had already conquered state power?)

Less conscious than Borkenau, Nicolaevsky drives in a totally opposite direction. He declares that the "Moscow battle now in progress has been extended from the top ruling clique to broad social groups in the country, contact with which seems vital to the participants in the top level struggle." And again, "In the bitter struggle raging behind the Kremlin walls, the contesting group to which Beria belongs deemed it necessary to inform Soviet society that *everything* [Nicolaevsky's emphasis] is at stake in the struggle." But to involve "broad social groups" in the struggle is to consciously accept the perspective of shattering the totalitarian dictatorship and means nothing else than a call to civil war.

In search of sensationalism, Borkenau and Nicolaevsky ask "how did Stalin die?" But the crucial question is, "how does Stalin's death affect the nature of the totalitarian regime?" Any perspective on the form the factional struggle in the Kremlin will take must be predicated on the answer to this question. And both these

writers, as we have seen, give their views without having tested them on the touchstone of this problem.

A. Weissberg, physicist and socialist, author of the famous book *The Accused,* who spent many years in Russia (some of them in a concentration camp), comes to direct grips with this question. In an article entitled "The Chances for Freedom" which appears in the May, 1953, issue of *Preuve,* Weissberg declares, "The cerebral hemmorhage which seized Joseph Vissarionovitch Stalin on the evening of March 1, 1953, has *put an end to the totalitarian dictatorship in the Soviet Union.*"

To justify this striking affirmation, Weissberg outlines the nature of the totalitarian dictatorship. It possesses two basic characteristics: (1) ideological control; (2) the absolute and arbitrary concentration of power in the hands of the dictator.

Under Stalin, declares Weissberg, ideological control became a means of enforcing complete conformity of language and feeling. Every word published or spoken publicly in the last few years was examined by the secret police who either passed or rejected it from one point of view only —whether it was good or bad for Stalin.

But now each phrase will have to be judged as to whether it is favorable or detrimental to Malenkov, Beria or Bulganin. As a consequence, the former ideological control exercized over the country, and above all, over the leading strata of the Party becomes a permanent object of struggle among the new masters.

But what is even more important is *the distintegration of the dictatorial power.* Stalin ruled the country through the secret police, the MGB-MVD, which controlled the Party, administrative, army and Cominform apparatus. And in order to protect himself against a palace revolution by the secret police (Beria), he created a small, very secret apparatus of people who functioned in all the branches of the secret police. They were formally subordinated to their official superiors, but their real ties were with Stalin. (As Nicolaevsky has noted, the head of this apparatus was Poskrebyshev.)

The moment Stalin died this apparatus disintegrated. But since the centralized control of all the different instruments of power exercised by a single man constitute the essence of the totalitarian dictatorship, this dictatorship was wiped out. All the separate reins of power which were held in Stalin's hands have now been seized by the different members of the new Politburo-Presidium. Beria was the entire police apparatus, Bulganin, the army, Malenkov-Kruschtchev, the state-Party apparatus. This disintegration of power means the disintegration of authority. Beria must reckon with the power of Bulganin just as much as Bulganin with the power of Beria. And this deadlock must filter down to the lower ranks of the apparatus.

With Stalin's death not only was there a disintegration of the apparatus ensuring ideological uniformity, and the parcelling out of the heretofore unified "instruments of organized violence" (the army, the secret police) but *there is no longer a "line."*

After the great purges of the middle Thirties, there was no more discussion in the Soviet Union. *There was not even discussion in the Politburo.* When a new problem arose, Stalin would call together the government ministers involved and specialists personally chosen by his Secretariat. After discussing the question with them and arriving at a solution, he would

put the question on the agenda of the Politburo; first having privately and separately informed the members of the Politburo of his decision.

For the first time in twenty years, the members of the Politburo are compelled to express their own opinions in discussion. If such discussion takes place, and minorities and majorities are formed, what will happen when a strong-willed minority refuses to submit to the will of the majority? The only recourse, outside of on appeal to arms, is to turn for a decision to the Central Committee of the Party.

Although Weissberg does not exclude a recourse to naked violence to settle the question of succession, he rejects the metaphysics of a Borkenau who sees only one means of resolution: a naked struggle for power between the two decisive forces in the country, the secret police and the army.

The rulers in the Kremlin are too prudent, says Weissberg, to choose this means because they understand its explosive content—it can lead to a popular uprising. And they are not only Stalin's heirs, they are as criminally guilty as he of all the crimes committed against the Russian people by the regime.

Furthermore, Stalin's rise to power took place during the period of the NEP when the country was calm, even satisfied. It was possible in such a period for those at the commanding heights of society to consolidate their power. But Stalin's heirs are struggling for power in an entirely different period.

Below them seethes a submerged nation which has experienced the forced collectivizations and the famines they produce, the purges with their millions of victims, the war with its terrible losses, and the sacrifices and deprivations of the post-war period. But even more than they fear the people, those of Stalin's heirs who would lose in the struggle for power fear the would-be dictator. His victory would signify their death. Under such conditions, there is nothing else to do but to submit conflicts to arbitration by the Party's Central Committee.

Should this be the choice of the new ruling clique *it would mean the re-democratization of the Party.* The 200 and more members of the Central Committee and their alternates come from all parts of the country. The discussions of its plenums would have to be published in the press, and since the members of the Central Committee would not know who the strongest man in the new Presidium-Politburo was, each one would say what he truly thinks.

The revival of democracy poses new dangers for the contestants in the Politburo; to win the supports of the Party ranks, each member of the Politburo may propose measures that taken collectively are dangerous for the bureaucratic ruling class as a whole. Let us assume the peasantry wishes to dissolve the collectives, the urban masses demand an amnesty for political prisoner. What is to prevent a Bulganin or a Mikoyan from throwing out this or that demand in the struggle against Beria or Malenkov?

Those who expect a sudden change in the situation will be disappointed, Weissberg declares. The interest of a large stratum of the privileged bureaucracy demands the maintenance of the existing state of things. And yet, since a collective regime (directory or triumvirate) is an inherently unstable form, and the conflicts will continue to multiply and create unbearable tensions, the ruling clique will, in the end, have to settle the issue either through a call to arms or by appealing to the masses. It is even

possible to conceive of a combination of the two methods. But in any case, the anonymous masses will be drawn into the arena of struggle. "The people," says Weissberg, "have a possibility of liberating themselves."

Collective Dictatorship In Action

If we exclude the probability of an armed overthrow in the immediate future because of the explosive social forces it can unleash from below, of which the ruling class is quite conscious, then Weissberg's analysis of the dilemma of the new regime seems reasonable. There is no other means of peacefully resolving the conflicts which will arise in the next period than by submitting all issues to the party. And this solution seems all the more inviting since the party is the exclusive property of the ruling-class. It contains few genuine workers or peasants. Those enrolled under that heading in the party are part of the ruling-class. They are the aristocrats of labor, the stakhanovites, the shock-workers, the winners of awards and medals who live quite apart from the ordinary worker or peasant chained to the factories and collective farms.

On April 16, *Pravda* devoted a lead article to the question of collective leadership in the party. As if Stalin and his autocratic rule, which reflected itself on all levels of the apparatus, had never existed, the article severely criticizes party leaders who decide problems on their own and take critical statements aimed at them as personal offenses.

Pravda declares that, "The principle of collectivity in work means, first of all, that decisions on all important questions of principle adopted by party committees are the fruit of collective discussion. . . . Leaders must know how to meet criticism courageously, to manifest readiness to subordinate their will to the will of the collective. Without such courage, without the ability to overcome their pride and to subordinate their will to the will of the collective, there is no collective leadership. There is no collective."

How are we to interpret such statements which are beginning to appear more and more frequently in the Russian press? Without falling into the trap of the categorical, it would seem that the party ranks (the apparatus as well as the ordinary member) are being informed that the party is entering a new phase where open discussion is not a crime which will invite a visit from the secret police but is obligatory. The bureaucracy, trained and terrorized into complete submission by Stalin will not lift its head to assert any opinion until it receives guarantees from the regime. And this indeed seems to be the sense of the measures decreed by the regime since it took power. The new rulers are seeking to restore the faith of the bureaucracy in the regime and are prepared to give and are giving guarantees against the irresponsible use of power within certain limits. Such a promise is necessary if a struggle for power is to evolve peacefully in the party.

In his usual melodramatic way, Boris Nicolaevsky speaks of the statement which accompanied the release of the Kremlin doctors as a factional means of informing "Soviet society that *everything is at stake in the struggle*" [Nicolaevsky's emphasis]. But where everything is at stake, a civil war is the consequence.

The release of the Kremlin doctors and the statement issued on it by Beria's Ministry are something else. With the aid of hindsight we can reconstruct the chain of events which forced this drastic step on the regime.

In the first place it was necessary to reverse the whole machinery which had been set in motion in early December to carry through a purge. And since the ordinary factory director or party functionary has as much knowledge of what is going on in the Kremlin as "Russian experts" in Paris or New York, it was necessary to demonstrate publicly to the country that the purge was being called off. The need was doubly urgent in view of the fear that a struggle for power ending in defeat for one side might convulse the country with a purge whose scope would be comparable to if not greater than that of 1936-38.

Directly linked with the release of the Kremlin physicians and the pledge to respect the "inviolable rights" of each Soviet citizen is the amnesty decreed on March 28, 1953. The wide sweep of the amnesty is unmistakable in its provisions and it has been estimated that between one and four million people will be directly affected. It unconditionally sets free women over 50, men over 55, children under 18, mothers with children under ten years of age, pregnant women, and people suffering from incurable ailments.

It releases from prison and concentration camps those sentenced up to five years and cuts in half the term of those imprisoned for more than five who have not served at least half their sentence. It restores the "civil rights" of all those amnestied, which means that their internal passports will bear no damaging record of their stay in concentration camp or prison.

There is no doubt that the amnesty is in part a deliberate attempt on the part of the regime to purchase the support of workers and the peasants. Yet what is distinctive in it is the specific attention paid to categories of crimes which afflict only the different sections of the bureaucracy, military, state and economic. Point 2 of the decree reads, "Those persons—independent of the punishment—are to be released from imprisonment for crimes incurred in the performance of state, economic and military duties."

The range of such "state" or "economic" crimes is so broad that sooner or later a factory manager, administrator or office employee is trapped by his violation of the criminal code. A list of "economic" crimes would include, for example, "thriftlessness on the part of a factory director," "abuse of authority," "failure to use authority," "non-fulfillment of contractual obligations." Such crimes result in jail sentences or stays in corrective labor camps from six months up to three years.

Point 2 is specific in its reference to military crimes. These include being absent without leave for a short period, neglect of routine military duties, abuse by junior officers of their authority. That is, minor crimes, that do not basically affect the draconian discipline of the army.

Not only does the amnesty pardon these bureaucratic offenders, in the final section of the amnesty, paragraph 8, it promises to revise the criminal code, and here again, only the crimes peculiar to the bureaucracy are mentioned. It reads, "cognizance is taken of the need to revise the criminal code of the USSR and the Union Republics with the purpose of doing away with criminal responsibility for certain "office," and "economic" crimes, minor offenses and other less dangerous crimes by administrative and disciplinary measures as well as to mitigate criminal responsibility for certain crimes.

The class nature of the amnesty is emphasized by the categories of crimes

it excludes, and by the silence it maintains on certain laws in speaking of the need to revise the criminal code. Paragraph 7 specifically excludes those prisoners condemned under article 58 for "counter-revolutionary activities," under article 59 for "crimes against the state," those condemned for theft of "socialist property," that is, under the decree of August 7, 1932, and those convicted of murder or banditry. Excluded as well are military personnel sentenced for failing to carry out orders, showing resistance to commanders, insubordination, desertion, defeatism in wartime, surrendering as a prisoner, and for espionage and revealing military secrets.

In paragraph 8, dealing with the promise to revise the criminal code for the benefit of the bureaucracy, strict silence is maintained on the following laws: The infamous labor law of June 26, 1949, which makes it a crime for a worker to leave his job, come late, be absent, or perform his work poorly; the law of August 7, 1932, which was specifically directed against the peasantry, making it a serious crime to steal state or collective farm property. (That is, if a peasant was starving, as millions were at that time, it was a crime punishable even by death for a peasant to steal the products of his own labor.)

While maintaining its class whip over the workers and peasants, and without yielding in the slightest the basic and arbitrary powers of the dictatorship and the secret police as the exclusion of those condemned under paragraphs 58 and 59 shows, the amnesty demonstrates that the regime is nevertheless attempting to give the state, economic and military bureaucracy a greater feeling of freedom and security.

But it is not merely the need to create a framework within which conflict can be solved without resort to arms that seems to be pushing the regime in the direction of "collective leadership" and "party democracy." There is another and independent force at work here which deserves some attention.

To put the matter as simply as possible—the bureaucracy wants freedom, freedom from the terrors of the secret police, freedom to express its opinion, freedom to enjoy life. This is a powerful magnet pulling the regime along the road of relaxing the dictatorship. The needs of the regime and the ruling class coincide at the present time, which was not always true of the relationship between Stalin and the bureaucracy.

Our conception of the bureaucratic class as authoritarian in character, trained to receive commands from above without questioning is true—but only half true. Stalin did not arrive at his position of complete and irresponsible power without a struggle with the bureaucracy—the Stalinist bureaucracy.

It is necessary to go back almost twenty years to Kirov's murder for an understanding of this point. Kirov was not assassinated, with Stalin's approval or at his instigation, merely because the despot feared his position threatened by the popularity of his heir-apparent. There was a more profound motive. Kirov's popularity in the ranks of the Stalinist bureaucracy rested on the point of view which he advocated vigorously and which had wide support: *A terrorist dictatorship had lost all justification after the defeat of the Opposition and the success of the industrialization.*

The pistol shot that snuffed out Kirov's life in December, 1934, put a period to the short interval in which the terror had been relatively eased after the horrors of the forced collectivization. *And Stalin used Kirov's murder as the very proof that not only was the terrorist dictatorship necessary but that it had to be intensified.* Kirov's assassination both eliminated the most forceful representative of this point of view and at the same time served as the pretext to begin the terrible purges which were to physically annihilate the defeated Opposition, the army leadership and an *entire section of the Stalinist leadership, who it can be presumed disappeared because they shared Kirov's point of view.*

Among those who disappeared, either poisoned, shot or packed off to concentration camps, were such tried and true members of the Stalinist faction as Kuibyshev, Ordjonikidze, Petrovsky, Kossior, Chubar—all of these being members of the Politburo. And each of these was a symbol of thousands of other Stalinists of less outstanding rank who vanished as well.

Yenukidze, another of the Old Bolsheviks who had long ago gone over to Stalin's camp, is quoted by Trotsky in his biography of Stalin as saying "I am doing everything he has asked me to do, but it is not enough for him. He wants me to admit that he is a genius." Behind this seemingly personal protest and refusal to take Stalin's deification seriously lay a passive resistance within the ranks of the Stalinist bureaucracy to the total terror which the despot deemed necessary and which could not be achieved unless this resistance was also liquidated.

The monolithism, the tightening of the totalitarian dictatorship grew even more severe in the post-war period, and precisely because there seems to have been silent resistance to the road Stalin was taking not only from the old layers of the bureaucracy but from the younger generations as well. It is here that we can find the explanation in large part for the purge which Stalin was undoubtedly preparing. The arrest of the doctors was accompanied by wholesale denunciations of the state and economic bureaucracy which indicated just what groups would fall under the axe of the purge.

In the discussion revolving around Ignatiev, various political writers have turned their attention to the question of whom he represented—Stalin, Malenkov or Beria. But while this riddle cannot be resolved, it is interesting to note that Ignatiev was named to the Supreme Soviet as the representative of the MGB, the secret police. At the same time he had been promoted at the 19th Party Congress in October as fifth member of the secretariat. But the fifth secretary was responsible for the appointment of cadres. To grasp what is involved, it need only be pointed out that on March 1, 1948, *Pravda* informed its readers that the Secretariat's administration of cadres had appointed 12,000 new functionaries in 1947 to posts in the party, state and economic apparatus in the Leningrad area alone. In the person of Ignatiev, the fusion of party and secret police had gone one step further. The specific purpose was plain. Whoever had control of the party apparatus, and we must presume it was Stalin, was preparing a new purge and a further tightening of the totalitarian terror.

The dismissal of Ignatiev, the release of the doctors, the amnesty, all fell into one and the same pattern: an undoing of Stalin's handiwork. And while, we repeat, one must beware of falling into the trap of the categorical, we call the attention of our readers to an event which is saturated with symbolism. On May 14, 1953, the *New York Times* reported that Grigory Petrovsky had just been awarded the Red Banner of Labor on his 75th birthday, although, in fact,

that event had occurred last year. But Petrovsky is one of the old Stalinists whom Stalin had purged in 1938 because he felt that he could not solidify his personal dictatorship while such people remained in positions of power. Petrovsky is no saint, having participated in all the crimes and dirty work which the Stalinist clique perpetrated against the Bolshevik party and the Soviet people. But his resurrection is, so to speak, a direct repudiation of Stalin's autocratic dictatorship. And Petrovsky is the symbol of many thousands more in his reappearance just as he was in his fall from Stalin's grace.

The bureaucracy in its mass wants a measure of freedom, and the consequences of Stalin's death—in its way the equivalent of a political revolution—seems to be pushing the regime in this direction as well. *But freedom is incompatible with the rule of the bureaucratic class*—for the bureaucracy as well as the exploited classes. The only political form which is consistent with the concentration of social and economic power in the hands of a state controlled by an exploiting class is a personal totalitarian dictatorship. Given his cruel and vicious nature combined with an inordinate lust for power, Stalin raised this form of dictatorship to its utmost pitch. But he only refined, he did not invent the basic ingredients. The bureaucracy, party and non-party, the officer caste and the industrial managers find the whip of the party and the torture chambers of the secret police unbearable. Yet the regime could not survive a single date, and with it the class in whose name it rules, if it were to abandon these cruel instruments of compulsion. For just as Stalin ruled arbitrarily over the bureaucracy, the bureaucracy as a class rules arbitrarily over the vast mass of workers and peasants.

Furthermore, the state must enforce compulsion not only against those at the bottom but against those at the top if the system is to work. Besides keeping the masses in complete subjection, the secret police, and the purge are the stimulants that drive the lagging blood through the channels of the economic and social body.

Under capitalism, the ruling class can tolerate various types of political regimes so long as these forms do not infringe on its basic social and economic power which it holds in the distinct form of private property. But even the bourgeoisie has been known to sacrifice its political freedom when it felt the "hot breath of expropriation" on its neck. After the fall of Napoleon, the French bourgeoisie conducted—or more exactly—permitted other classes to conduct a vigorous struggle for political freedom—the right to manage its affairs. But having gone through two revolutions—in 1830 and 1848—it became aware of a new force in society—the working class—that threatened its control of the state and its property. It promptly abdicated and yielded political power to the mediocre imitation of his namesake—Napoleon III. In our own days, a decadent bourgeoisie threatened by the same social force gladly yielded its freedom to the fascist dictators in Italy and Germany with all its horrible consequences.

The unique characteristic of bureaucratic society—that the state owns the property and the ruling class owns the state—places a severe limit even on "Stalinist democracy." An amnesty for bureaucratic offenders immediately raises the demand for an amnesty for political offenders, Trotskyists, "kulaks," etc. The proposal to revise certain laws which give more elbow room to the industrial and state functionaries immediately raises the question of revising the draconian laws which bind the workers, the peasants and ordinary soldiers in virtual slavery. The right to discuss on top encourages the right to discuss on the bottom. If the ruling-class permits itself the luxury of collective discussion in the party and "Soviets" what is to prevent the workers from appropriating this same right for themselves in the "trade unions?" But these political demands mask an economic content—nothing less than the demand that a different distribution of the national income take place in favor of the workers and peasants. And should the workers and peasants take this elementary right to themselves at a later stage and attempt to enforce them—in ways we cannot foresee—this would bring them into direct collision with the state, the property of the ruling class. Under such conditions, the longing of the bureaucracy for freedom must give way to its exact opposite, a need to end discussion and open the road to a new dictator, another Stalin.

In the struggle for power within the new ruling clique, a struggle which we can assume will be postponed for a certain period of time, the issue at stake will and must be the character of the domestic regime—how far to go in relaxing the dictatorship.

But to say more than this about the factional groupings is frankly to enter the realm of speculation—but with a difference. Under Stalin, factional struggle among his subordinates was a shadow play encouraged by the despot himself as a means of preventing any single would-be heir apparent or group from accumulating too much power. Now the commanding posts are within the grasp of each of the contenders, and it is possible for each rival to strengthen his position by seeking the support of different social layers of the ruling class.

This means that whoever seeks absolute power must seize control of the party either by force or by intrigue. And none of Stalin's heirs will yield to any other in the art of duplicity and double-dealing. They did not travel the bloody road to power with Stalin in vain. We can therefore assume, granting beforehand that it is only speculation, that Malenkov was ousted from the party secretariat by the other members of the new regime who know the strategic value of this post and placed in the hands of a neutral—Khruschev—under the joint supervision of the new Politburo.

Again we can speculate on the possibility that we will witness a struggle between the generations. If we assume that Malenkov represents the "middle" generation of party bureaucrats and that his only allies in the Politburo are Peruvkhin and Saburov, who belong to the same generation, then this group is outnumbered by the "older" generation of Molotov, Voroshilov, Kaganovitch and Beria. If this is the manner in which the groups are shaping themselves, then it was the "older" generation which forced the reduction of size in the new Presidium from 25 members to 10 in the existing Politburo. For such a change would work to their benefit. Again, it would be the latter group which would intervene in behalf of such people as Petrovsky, with whom they have personal ties of many years standing. But such interpretations cannot be taken as final. Events will unfold differences and in the nature of the struggle they will have a semi-public form.

Foreign Policy After Stalin's Death

The domestic changes wrought by Stalin's death are deep and foreshadow a period of transition. The bureaucracy has entered new territory

and is not at all certain of its way. To speak, therefore, as Washington and American political writers do of the peace offers of the Kremlin as a mere change of line is to reveal a stupidity which borders on the criminal. This does not mean that we need have any illusions as to the motives which compel the new regime to beat a retreat in the realm of foreign policy, but it does mean that these new moves cannot be dismissed as another variant on the old shell game.

There is no doubt that Stalin was preparing to shift to a peace policy, but he intended, as we have seen, to maintain the old tensions, the severity of the dictatorship at home by means of a purge and to justify it by the creation of a new danger, "a Jewish international conspiracy." In the case of his heirs, the changes which are taking place domestically must have their effect on the foreign policy of the regime. It needs peace abroad while it resolves its problems at home.

It is curious to see on what shifty foundations some writers base their judgment of Russian foreign policy. Because he was convinced that Malenkov *was* Stalin's appointed successor, Boris Nicolaevsky could write in the *New Leader* of March 10 that "He [Malenkov] is heading for war but he will act only after he has carefully weighed his chances. *One must undoubtedly expect an intensification of the cold war in the near future.*" But writing in the same magazine on April 20, Nicolaevsky introduced a slight revision into his predictions of Russian foreign policy precisely because events had forced him to change his views on the nature of the factional struggle in the Kremlin. He wrote at that time, "Having come to power, Stalin's successors remain the same exponents of foreign aggression. All that has been altered is their potential. Their policy, therefore, has to be one of shrewd maneuver, designed to in time and consolidate their on ranks hile splitting those of the enemy." Only one all-important phrase has vanished from this prediction which was present in the March 30 article: "one must undoubtedly expect an intensification of the cold war in the near future."

While even a Nicolaevsky is compelled by events to admit in a backhanded way that something new is happening in Stalinist Russia, the Eisenhower administration in Washington persists in the dim view that basically nothing has changed.

The strategy of Eisenhower and Dulles is not simply due to native stupidity, although this factor ought not to be underestimated. These people represent the American ruling-class (how old-fashioned some people will say this phrase is and yet how true it is), a class which in its dominant majority firmly believes there is but one solution to the differences between Russia and the United States—war. They will not, and do not want to comprehend what is going on inside Russia. As far as they are concerned, it is still the same old shell-game.

There can be no doubt that the course of internal developments in Russia will be shaped in part by the international situation. And it is one of the ironies of fate that the continued intransigence of the Eisenhower regime will play into the hands of that faction in the Kremlin which will argue for a "hard" domestic policy. Using as their justification the "war danger," they will strive to cut short the whole present trend of "liberalization."

It is an irony of fate, particularly for those who abandoned the socialist concept of an independent struggle against both imperialist camps. They embraced Truman and Eisenhower not because they believe in the "lesser evil." They know only too well the evil forces which are transforming American capitalist democracy into a garrison state. They sought salvation in Washington's program of military struggle because they saw no other way, because they saw no sign of life within Russia.

Stalin's death has catapulted Russia into a new stage whose outcome is yet to be decided. The illusion of invincibility is gone and gone with it the implacable and massive monolithism, if we read the signs carefully. If the measures enacted by the new Russian regime have any meaning, then there is life, a stirring not only in the ranks of a restless bureaucracy, but down beneath the visible surface as well, among the workers and peasants. This many-millioned force will, if the opportunity arises, makes itself heard.

Abe STEIN

The Permanent War Economy Under Eisenhower

An Analysis of Economic Trends in 1953

The Stalinist "peace offensive" has been a long time in coming, but it was inevitable so long as the military stalemate continued in Korea. Stalin's death may have accelerated the new Kremlin line, although there is considerable evidence that the basic strategy and major tactics of the "peace offensive" were worked out under Stalin's personal leadership during the past six months. Stalin's heirs may require time to work out and consolidate the succession. They may also wish to take precautions against any bold foray by the advocates of "preventive war" in Washington; and in an atmosphere of "peace" counsels of military attack are not likely to make much of an impression. Above all, however, they must figure on the "peace offensive" strengthening already apparent deflationary tendencies in the American economy.

Initial reactions in the United States show that the Kremlin's strategists have not entirely miscalculated. A front-page article on April 8 by ace political reporter of the *New York Times,* James Reston, is headlined, "Soviet Tactics Give U. S. Problem of Avoiding Slump if Peace Comes." The dependence of American prosperity on war outlays is expressed by Reston in these words: "So long as the Kremlin was waging war in Asia and crying havoc all over the world, the Western nations were able to achieve full employment at home and at least a measure of unity with each other." After pointing out that a host of problems in the field of foreign policy are pressing for solution, Reston goes on to state:

> The drop in stock market prices immediately after the red doves were sent aloft in Moscow was another reminder to the Administration that the pace of its planning in the domestic economic field was also running behind the pace of world events.
>
> Labor union leaders, concerned about the talk here of cutting the defense budget, already have started appealing to the President to plan at once for the day when the vast Government orders for munitions will drop off. This same thesis is being heard within the President's official family, particularly from those

officials who have been studying the meaning of the recent Soviet moves.

These officials see increasing evidence of an internal struggle for power in Moscow. They believe that, for the time being, the Soviet leaders may want to relax the tension in the world so that they can deal with these internal problems. But the observers think that at the same time the Soviet hierarchy is trying to bring the United States up against the major problem of keeping its people employed when it shifts to a modified peace economy.

In the Soviet mind, the capitalist world cannot close the gap between its production and consumption without vast expenditures for war. The Russians insist on believing that Americans have learned nothing about distribution in the last fifty years and that the only answer to unemployment here is to create international crises that put men to work in the munitions factories.

Even more forthright is Arthur Krock, in his column in the *New York Times* of April 5:

Though tragic is the jest that what officials fear more than dateless war in Korea is peace, the jest has a real foundation. The vision of peace which could lure the free world into letting down its guard, and demolishing the slow and costly process of building collective security in western Europe while the Soviets maintained and increased their military power, is enough to make men in office indecisive. *And the stock market selling that followed the sudden conciliatory overtures from the Kremlin supports the thesis that immediate prosperity in this country is linked to a war economy and suggests desperate economic problems that may arise on the home front.* (Italics mine—T. N. V.)

The possibility, even the probability, of a major change in the political and economic climate serves as an opportunity to review some of the major trends in the Permanent War Economy and to focus attention on some neglected aspects that are not without importance. First, however, it is instructive to recall the so-called "Varga controversy" that disturbed Stalinist circles in 1947. It will be recalled that virtually all Stalinist theoreticians took the position that there would be an immediate capitalist collapse following the cessation of military hostilities. Varga, however, disagreed. He maintained that there would be a short period of capitalist prosperity before any crisis developed. The dispute was important not only for its substantive features, but because it is alleged that Varga's political mentor was Malenkov.

According to the authors of one of the reports of a Zhdanov-Malenkov faction fight, Zhdanov was the "internationalist," basing his "revolutionary offensive" on the prospect of postwar depression in the capitalist world. Malenkov, however, is supposed to have been the "nationalist," advocating concentration on Stalinland's internal problems. Varga's views were supposed to have been anathema to Zhdanov and to have been welcomed by Malenkov. When Varga was disgraced, it was presumably evidence that Zhdanov had the upper hand in his struggle with Malenkov. Why, then, Varga waited until 1949, after Zhdanov's death in 1948, to recant is not at all clear. Be that as it may, if Varga played such an important rôle in the struggle for Stalin's mantle, he has presumably been installed as number one economic advisor to the Kremlin now that Malenkov is premier. Thus reasons the "cloak-and-dagger" school of interpreting Kremlin actions, of which there are many and varied exponents in this country.

Regardless of whether Varga's views were or are of political importance in helping to determine Kremlin policy, he has been the leading Stalinist economist and a summary of his views may well be instructive in providing some insight into the motivation for the Kremlin's "peace offensive." An article by Evsey D. Domar, associate professor of political economy at The Johns Hopkins University, in the March 1950 issue of the *American Economic Review,* entitled "The Varga Controversy," summarizes the essence of Varga's predictions (published in September, 1946), as:

1. During the first decade after the war economic conditions will be a natural aftermath of the war itself.
2. The impoverished countries of Europe and Asia will suffer throughout the period from what he calls a "crisis of underproduction."
3. The United States, Canada and other countries whose productive capacities were greatly increased during the war will enjoy a short, two-to-three-year prosperity after its end.
4. This short prosperity will be followed by a sharp crisis of overproduction, probably more prolonged than that of 1920-21
5. When this crisis has been overcome, a new industrial cycle will begin. It will be not of the 1921-29, but of the 1929-37, type; i.e.,*its recovery will be incomplete. In its background there will be a sharp and prolonged agrarian crisis.* (Italics mine—T. N. V.)

The above analysis conforms rather well to actual events, if one assumes that the outbreak of the Korean war prevented the "recession" of 1949-50 from developing into "a sharp crisis of overproduction." Actually, of course, neither Varga nor any other Stalinist foresaw the development of the Permanent War Economy, but Varga's expectations of "a sharp and prolonged agrarian crisis" are prescient. For the agricultural crisis has already started, as the Republicans are beginning to discover.

While the news of surplus butter, and threatened surpluses in wheat, cotton, tobacco, etc., is more dramatic, any Kremlin analyst working on trends in the American economy would be able to point up a number of significant developments indicating that a downswing in the economic cycle is at hand:

1. The raising of the rate of interest. The Federal Reserve rediscount rate has been raised from one and three-quarter per cent to two per cent. This has the effect of reducing business loans by commercial banks and raising the bank rate. The Eisenhower Administration has also raised the interest rate on long-term (thirty-year) bonds to 3¼ per cent, the impact of which will reinforce the tendencies already at work to raise the average rate of interest throughout the economy. A rise in the average rate of interest is normally deflationary; in fact, it is because of a mistaken fear of further inflation that the Eisenhower Administration has admittedly used state power to bring about a rise in the rate of interest.

2. The falling backlog of orders in the machine tool industry. This was already evident at the end of last year, for the *Wall Street Journal* in its edition of December 29, 1952 was able to write: "The heyday of new defense business for machine tool builders is about running out, at least for the time being. This is in marked contrast to the deluge of orders that poured in a year ago on an industry struggling feverishly to expand production. . . . Backlogs, meantime, continue to be further reduced as rated productive capacity goes up and new business falls off. The industry now has enough business on its books to keep it working at capacity for 11 months, compared with about 18 months at the start of 1952. However, the backlogs are not evenly distributed. Only about one-fourth of the industry can boast a six-month-or-more backlog. Included in the remainder, in fact, are many companies looking for busi-

ness." And the machine tool industry, of course, is the prime mover in the production of means of production.

3. The slight, but steady, decline in wholesale prices. The wholesale price index for all commodities of the Department of Labor (which has a base of 1947-1949 equal to 100) declined during 1952 from 113 in January to 109.6 in December. While this is a decline of only 3 per cent, it indicates that the period of acute inflation in the primary markets is passed. As a matter of fact, for several months now virtually every raw material has been in distinctly easy supply. The final evidence, of course, is the abandonment of the Controlled Materials Plan, revealing that there is an ample supply of basic metals. While the Eisenhower Administration boasts of decontrol as part of its philosophy, the truth of the matter is that the basic decontrol steps so far taken were planned under the Truman Administration.

4. The parity ratio, comparing prices received and paid by farmers, shows a perceptible decline during 1952. The figure was 105 in January 1952, but declined almost 10 per cent to 95 in January 1953. Since the parity ratio is based on average prices received and paid by farmers in the period 1910-1914, which was a rather good period for American farmers, a parity ratio below 100 does not indicate that farmers are starving. But a decline of 10 per cent in a year is precipitous, and when the parity ratio goes below 100 (which it did beginning November) political storms start brewing in the Congressional farm bloc.

5. The deflationary attitude of the Eisenhower Administration as contrasted with the inflationary outlook of the preceding Truman Administration. This manifests itself in various ways, notably in announced programs to reduce Federal expenditures, to stretch out the defense program over a longer period of years, while at the same time there is an apparent refusal to reduce taxes and strict admonishment about the dangers in the expansion of consumer credit. The Eisenhower Administration is believed to be not averse to a mild deflation and to an accompanying modest rise in unemployment.

It is only natural, therefore, that the Kremlin should be aware of growing signs of a deflationary trend in the American economy and should seek to take advantage of them. If its "peace offensive" encourages a larger reduction in war outlays than already planned, the possibilities of American internal difficulties diverting attention from consolidation of alliances and strengthening the military position of American imperialism abroad are that much greater. Moreover, no careful analysis of the American economy is required to arrive at the conclusion that deflation is at hand. It is only necessary to read the public statements of responsible spokesmen of big business and organized labor.

For example, *Fortune* magazine in its March, 1953, issue states:

> A majority of U. S. businessmen expect some sort of decline in business actvity in the next couple of years, according to a recent *Journal of Commerce* survey, as do a majority of economists and analysts of business. *Fortune* looks for a slight downturn as early as the second half of the year. But as for the larger and longer-term worries about recession or depression sometime in 1954 or 1955, we believe the readjustment is apt to be mild, if relatively prolonged.

After a discussion of semantics and defining a "readjustment" as a mild recession, *Fortune* takes an unusually forthright position (which accounts for this article being much quoted) by stating:

> The present outlook is for "a mild but prolonged readjustment," perhaps lasting a year and a half, because non-durable goods and services should grow as taxes come down (along with defense outlays), and because public works and exports should offset a decline in capital expenditures. This readjustment would wind up, according to *Fortune's* "reasonable" projection of 1955, with G.N.P. and industrial output distinctly below prospective capacity and with *possibly five million unemployed.* (Italics mine—T. N. V.)

Unemployment of five million would mean an increase of 200 per cent over present levels, and would undoubtedly pose serious problems. Such a prospect naturally concerns organized labor, particularly its more articulate sections such as the U.A.W. One can, for example, quote at great length from the report of President Walter P. Reuther to the 14th Constitutional Convention of the UAW, held at the end of March at Atlantic City. A 20-page section on "General Economic Conditions" begins by stating: "The national economy is now headed for a long-postponed showdown with basic economic realities. Since 1939, when 9½ million unemployed walked the streets, there has been no real test of the stability of our economy. In all the years since, this country has not had to face up to the question of whether we can raise our living standards to match our power to produce, and then keep both rising together." After recounting the increase in productive capacity ("Manufacturing capacity increased by 31 per cent from 1939 to 1946 and by 55 per cent from 1946 to 1952") and the enormous currently unsatisfied needs of the American working class, as well as reviewing in a comprehensive manner the basic trends within the economy, Reuther concludes with an impressive *non-sequitur* that "our economy [must] move rapidly forward to constantly improved living standards, or collapse in depression."

One should not fall victim to one's own propaganda. Everyone will agree that the constant improvement of living standards is a desirable goal, but the probability of such a development is rather small. In fact, under the Permanent War Economy it is impossible over any extended period of time. It does not, therefore, follow—as Reuther (and others) would have us believe—that the economy will "collapse in depression." On the contrary, an understanding of the Permanent War Economy would reveal that a sizable depression is excluded. This does not mean that a downturn is impossible. We have shown in our original series of articles on the Permanent War Economy that "the changes [in the ratio of war outlays to total output] are rapid and qualitative in nature, which is another characteristic of the Permanent War Economy stage of capitalism. The figures suggest that about 10 per cent of total output must be spent in the form of war outlays before the latter become significant in their impact." (*The New International,* January- February, 1951, p. 38.)

Actually, what has happened is that the ratio of war outlays to total output is beginning to decline. This trend was already evident prior to the start of the new Stalinist "peace offensive." It appears likely that it will become more pronounced in the near future. There is still no evidence, however, that capitalism intends to abandon the Permanent War Economy. Both political and economic considerations clearly exclude such a variant.

If we revert to the analogy of "habit-forming drugs," used in the in-

troduction to Part III of the series on the Permanent War Economy, "Increasing State Intervention," (*cf. The New International,* May-June, 1951, p. 132), we can refer to the economy as a drug addict. War outlays are the drug which has sustained a high level of economic activity. As is apparently the case with pathological drug addicts, a constantly increasing dosage is required in order to maintain the same effects of activity as previously. The measurement of the "dosage" is the ratio of war outlays to total output. Even a stable ratio of war outlays leads to a process of atrophy setting in. The "appetite" of the economy for war outlays increases steadily. If the ratio of war outlays to total output, although significant, merely remains level, tendencies toward a slackening in activity begin to appear in various sectors. If, on top of this, an actual decline in the ratio of war outlays to total output is to be recorded, then deflationary consequences are unavoidable. How much deflation is, of course, another question. There can be deflation without depression, in any recognizable meaning of the term.

Inasmuch as it is now more than two years since the basic calculations were made in the development of the theory of the Permanent War Economy, we can now substitute actuals for our estimates. This is done below for the period 1949-1952 inclusive.

Our concept of measuring the ratio of war outlays by comparing direct and indirect war outlays to net national product remains as heretofore stated. Our concepts of direct and indirect war outlays, however, have undergone some modification because in the interim Commerce has redefined and republished the Federal war component of Federal government purchases of goods and services. This has been in the form of a series entitled "national security," which is broken down into "national defense" and "other national security." The definitions, contained in the July, 1952, issue of the *Survey of Current Business,* are: "national defense purchases comprise the purchases of the Atomic Energy Commission, Defense Department, Maritime Administration (before 1950), National Advisory Committee for Aeronautics, and Selective Service System, together with purchases for the programs of defense production and economic stabilization, foreign military assistance administered by Mutual Security Agency (formerly Mutual Defense Assistance program), and the stockpiling of strategic and critical materials." This is a broader concept than we previously used, and involves shifting from indirect to direct war outlays such programs as atomic energy, foreign military assistance and military stockpiling. There can, however, be no objection to this revised definition of war outlays.

WAR OUTLAYS, 1949-1952
AND THEIR RELATIONSHIP TO TOTAL OUTPUT
(Dollar Figures in Billions)

Year	*Net National Product (1)*	*WAR OUTLAYS Direct (2)*	*Indirect (3)*	*Total (4)*	*Col. (4) As % of Col. (1) (5)*
1949	$238.9	$13.6	$13.7	$27.3	11.4%
1950	262.6	14.2	11.7	25.9	9.9
1951	304.6	33.7	9.3	43.0	14.1
1952*	320.4	46.0	8.8	54.8	17.1

*Net national product is derived from gross national product for 1952, as shown in the March, 1953, issue of the **Survey of Current Business;** war outlays are derived from the Commerce series on National Security, together with the Treasury series on National Defense and Related Activities. Our estimates, therefore, follow the procedure explained in the text and are dependent upon official government figures.

The "other national security" series of Commerce forms only one part of our concept of indirect war outlays, for it is defined as comprising those purchases of "the Maritime Administration (after 1949), National Security Council, National Security Resources Board, Philippine Damage Commission, and State Department, as well as purchases for the following foreign economic assistance programs: those now administered by the Mutual Security Agency, government and relief in occupied areas, India Emergency Food Aid, International Children's Emergency Fund, and Yugoslav Emergency Relief Assistance. To this base, we have added purchases of the Veterans' Administration, as well as certain minor governmental programs, as explained in Part I, p. 36 of the January-February, 1951, issue of *The New International.*

The differences between our revised calculations and our earlier estimates may be seen by comparing the ratios of war outlays to total output, as follows:

WAR OUTLAY RATIOS

	Revised	*Original**
1949	11.4%	10.6%
1950	9.9	10.9
1951	14.1	20.0
1952	17.1	21.1

*Taken from Table B of Part I, January-February 1951 issue of **The New International.**

Not only did we fail to take into account the degree of inflation that actually occurred (in fact, we deliberately made no attempt to forecast the amount of inflation), but we also underestimated the real increase in production and overestimated the amount actually spent on war outlays, as there developed a considerable lag between military expenditure plans and actual purchases. There was, in addition, of course, the conscious stretching out of the defense program by the Truman Administration. The trend line of our new series differs markedly from the old. War outlays have not reached the 20 per cent level, and the necessity for direct controls on production and prices has diminished. Moreover, the rate of increase in the ratio of war outlays to total production has been significantly less than predicted, thereby encouraging the process of atrophy to develop.

The pronounced change that has occurred in the economic outlook may be seen quite clearly from examining the 1952 data on a quarterly basis, while remembering that in our original forecasts we had expected the peak ratio of war outlays to be reached in 1953, as was at that time the apparent plan. On the assumption that net national product will show the same trend as gross national product, and the further assumption that our total war outlay series will correlate closely in trend with the Commerce series for total national secur-

ity, we can construct index numbers for the quarterly ratios in 1952, with the first quarter of 1952 as base. We then obtain the following picture:

INDEX NUMBERS OF WAR OUTLAYS RATIO

First Quarter 1952	100
Second Quarter 1952	107
Third Quarter 1952	106
Fourth Quarter 1952	102

As can be seen from the above tabulation, the incidence of war outlays during the current military build-up reached a peak during the second quarter of 1952. A slight decline during the third quarter of 1952 was followed by a more significant decline in the last quarter of the year. Present information indicates that this trend continued during the first quarter of 1953. Here, then, we have cogent economic reasons for the setting in of a deflationary trend. The fact that the ratio of war outlays to total ouput can change in both level and direction during the epoch of the Permanent War Economy is a factor of enormous importance in appraising current trends in the economy, and one of the more neglected aspects of the theory of the Permanent War Economy.

On reëxamination, therefore, we feel that our basic conclusions remain valid, although certain formulations may require modification and several of our short-term predictions are invalidated by faulty assumptions. We have, for example, referred to the chronic character of inflation under the Permanent War Economy. Over a period of years, this remains true; yet, as we did indicate, there will be ups and downs in the price level. Hence, a formulation such as "This rate of increase in the price level will continue to be maintained, regardless of controls, because inflation is unceasing and permanent" (Part II, "Declining Standards of Living," March-April, 1951, issue of *The New International*, p. 89) is incorrect. It has to be modified by the demonstrable fact that there is a marked variation in the ratio of war outlays to total output, and during the period when the ratio declines, the inflationary pressures are reduced and, in many cases, converted into their opposites—i.e., deflationary pressures.

The decline in the cost of living, as measured by the Consumers' Price Index, new or old, of the Bureau of Labor Statistics, is clear-cut evidence that the peak of the present inflation has passed. The manner in which several large corporations have used this decline in the cost of living to reduce wages should serve as a reminder that the class struggle has not disappeared.

In retrospect, it is clear that our major error of fact was our gross underestimation in the amount of capital accumulation that could be expected to take place in the period following the outbreak of the Korean war. While we consciously underestimated in order to maximize the amount of civilian output available to sustain civilian standards of living, we neglected to take into sufficient account the fact that even at a 20 per cent level of war outlays there was room for sizable private capital accumulations that did not exist in 1943-1944, when the ratio of war outlays exceeded 40 per cent. As a consequence, we have underestimated the impact of capital accumulation in sustaining the inflationary boom. By the same token, we have not given full weight to the increase in productive capacity to which these unusually large capital accumulations have given rise.

It may help, therefore, if we set the record straight by presenting revised

NET PRIVATE CAPITAL FORMATION, 1946-1952
(Billions of Dollars)

Year	*Gross Investment*	*Capital Consumption Allowances*	*Net Investment*
1946	$33.3	$12.2	$21.1
1947	39.1	14.8	24.3
1948	44.6	17.6	27.0
1949	34.0	19.4	14.6
1950	48.0	21.5	26.5
1951	58.7	24.6	34.1
1952	52.4	25.9 est.*	26.5 est.
TOTAL	310.1	136.0	174.1
AVERAGE	44.3	19.4	24.9

*Estimated assuming the same ratio of net to gross national product in 1952 as in 1951.

actual figures on capital accumulation in substitution for our previous estimates. As before, we equate capital accumulation to net investment in the Commerce private capital formation series. This procedure possesses several weaknesses, especially a dubious treatment of inventory accumulation, but it is the only handy official series and serves the purpose of providing a broad picture of what has happened in this vital sector of the economy.

For the seven post-World War II years, 1946-1952, net private investment totals more than $174 billion, averaging about $25 billion annually. This means that on the average 10 per cent of the net output of each year has been added to the capital stock. There has, consequently, been an enormous increase in productive capacity. This substantial increase in capacity manifests itself first and foremost in durable goods, especially consumer durables. Passenger automobiles, for example, could be produced at a rate of seven million a year and production for 1953 is expected to exceed six million. Since this comes on top of six high production years in a row, there may possibly be some difficulty in disposing of the entire output. The Reuther report, previously cited, states (p. 64): "The industry as a whole, however, is becoming uneasy about future marketing prospects." In fact, it is a rather open secret in the trade that what prompted the recent price reduction in the Chrysler line is that their cars are backed up all the way to the factory. In short, it may not be long before sales for the entire passenger auto industry fall short of production. Automobile production remains the bellwether of the civilian economy. A similar trend may be expected in several important durable goods lines, thereby adding to the deflationary forces enumerated above.

In discussing the increasingly high organic composition of capital in Part III, "Increasing State Intervention," in the May-June, 1951, issue of *The New International*, we stated (p. 150): "Precisely where the breaking point is likely to be, no one can say, but it is clear that the composition of capital is already dangerously high

and constitutes a sword of Damocles, hanging over the unsuspecting head of such a highly-geared capitalist economy that in a few years it is possible to produce all the automobiles, television sets, etc., that can be sold under capitalist conditions of production." While precise figures are not available, all available evidence indicates that the composition of capital has continued to increase. Theoretically, these trends ought to result in a falling average rate of profit. Empirical evidence indicates that both the mass and rate of profit did begin to decline in 1952.

If the net investment figures developed in the previous table are compared with net national product (total output) for the same years, 1946-1952, it will be seen that the ratio is 10 or 11 per cent in all but two years. These were 1949, when an "adjustment" took place, and 1952, when a plateau was reached and the beginnings of an adjustment are apparent. In 1949, the ratio of net investment to net national product was 6 per cent. In 1952, it was 8 per cent.

The pressures previously cited that would lead to increasing reliance on state foreign aid, given the continued low level of private exports of capital, remain. To what extent the Eisenhower Administration will curtail state foreign aid remains to be seen. In any case, exports of capital, both state and private, are unlikely to increase and cannot offset the deflationary trends analyzed above.

Some deflation is clearly in process of taking place. The question remains: how much? A sober consensus is given by Thomas F. Conroy in the *New York Times* of April 12, 1953: "While the economy appears to be entering a deflationary transition period which may involve some setback and certainly intense competition, business and industry do not face another 1929. There are too many favorable differences between 1953 and 1929."

In Part V of the Permanent War Economy, "Some Significant Trends," September-October, 1951, issue of *The New International,* we stated (p. 254): "A sharp reduction in war outlays in the near future is therefore unlikely and would in a remarkably short time cause a collapse of the economy." There seems no reason warranting change of this forecast. The ratio of war outlays to total output may decline to 15 per cent or thereabouts, but there is no indication that any sharp reduction in war outlays is in prospect. In fact, peace or no peace in Korea, according to Anthony Leviero in the *New York Times* of April 8th, "John Foster Dulles, Secretary of State, is planning to go to the North Atlantic Treaty Council meeting in Paris on April 23 with a restatement of this country's defense policy predicated on *ten or twenty years of tension.*" (Italics mine—T. N. V.)

It does seem possible, however, that at a 15 per cent level it is possible to dispense with most direct controls, although it is worth noting that the Eisenhower Administration has been forced to set up a permanent control establishment in the Office of Defense Mobilization. This agency will undoubtedly be responsible for introducing the stand-by controls in the event that they become necessary.

While official forecasts are necessarily optimistic, indicating that there will be no deflation, it is apparent that some deflation, accompanied by rising unemployment, perhaps to the level of the five million forecast by *Fortune,* is the likely order of events over the next two years. There should, therefore, be a consequent eruption in the class struggle, with increasing strikes throughout the economy. Objective conditions are perceptibly ripening for a leap forward in the political level and class consciousness of the American workers, and it behooves the socialist movement to pay close attention to these awakening forces. Let us not go overboard with predictions of dire depression and mass unemployment. But let us not imbibe capitalist propaganda to the effect that "capitalism has learned how to solve the fundamental problems of the business cycle." Both extremes are wrong and to be avoided in developing socialist policy for the current economic environment and that of the immediate future.

T. N. VANCE

April, 1953

BOOKS IN REVIEW

A Valuable Aid for Understanding Russia

LABOR IN THE SOVIET UNION, by Solomon M. Schwarz. 361 pp. Praeger. New York. $6.00.

Solomon Schwarz has written a precious contribution to the worthwhile literature on Stalinism. His book does not deal with "the fundamental question which has stirred controversy for years," as he puts it in the foreword, namely: "What is the essence, the social content of the Russian economic and social order? Is it socialism? Is it 'state capitalism'? Is it a 'transitional form' from capitalism to socialism? Or is it something else?" Quite the contrary, for the author has intentionally "refrained from even touching the question in this book." Not because Schwarz has nothing to say on this most vital of questions. Those who have read some of his other writings have been given a stimulating glimpse of his opinions on that matter. But eschewing treatment of it here has enabled him to concentrate on the specific subject at hand. The reader suffers no loss thereby. He gets from Schwarz what is cavalierly ignored or mischievously misrepresented in nine-tenths of the literature on Russia—a statement of the *facts* about the position of the working class in Stalinist Russia.

In order to present the facts in the least exceptionable way, Schwarz confines his research almost exclusively to official Stalinist sources. That procedure is, by itself, deprived of merit by the worthlessness of these sources in general. They become meritorious and sufficiently revealing only if the analyst knows how and where to look for relevant material and to winnow it from the irrelevant; how to distinguish grudgingly or unwittingly disclosed facts from mendacious falsehoods and social reality from legal fiction; and how to combine selected data into significant generalizations. Schwarz has these abilities to a high degree. Although he is a Menshevik, he is not among those who, like the late Theodore Dan, opposed Lenin and Trotsky only to capitulate to Stalinism. Yet his opposition to Stalinism does not give him the blind staggers and mental acne which so many hysterical contemporaries break out into when they write or speak about Stal-

inism. He writes about it without any friendliness, to be sure, but with the scrupulous objectivity and respect for facts which makes him one of the few writers on the subject today who can be read with profit.

In this work, the author does not show how adequate his investigator's qualities would prove to be in the wider field of the basic political or sociological conclusions he might draw about Stalinism as a whole. That question remains open. But in the field to which he has confined himself —"showing and analyzing the complicated actual evolution of Russian labor policy"—there are no two answers to the question. One more word should be added about the scope of the book. It is really confined to treating the question of the Russian working class for the past quarter of a century—that is, as it has evolved *under Stalinism.* References are necessarily made to the pre-Stalinist period, for purpose of comparison, but the limitation is pretty precise. That adds not only to the compactness of the treatment but to its clarity.

Schwarz does not hesitate to start his analysis by showing that it has been precisely under the rule of Stalinism that a new working class—indeed, a new *type* of working class—has come into existence in Russia. It is a most appropriate and illuminating beginning of any study of Stalinism itself. Before the revolution of 1917, and indeed throughout its historical development, the Russian working class was, so to speak, half-peasant, not only in its social psychology but even in its social origins and economic and family ties. "This close connection of urban workers with the farm led many Russian economists and sociologists for a long time simply to deny the existence of a Russian industrial working class." This denial was absurd; but the peculiarity of the Russian working class was nonetheless undeniable. It was only toward the end of the pre-war (i.e., pre-1914) period that the rural and semi-rural character of the Russian working class began to give way to a more-or-less definite and durable urban character. Add to this the fact that as late as 1913, Russian industry employed only 2,552,000 workers throughout the whole empire (not counting handicraft and home workers), and you get a graphically clear idea of the essential difference between the Russia of those days and the advanced capitalist countries of the West. This difference could not but make a heavy mark on Russian politics in general and on the socialist movement in particular; it could not fail to affect deeply the character of the Russian socialist revolution, the original prospects for its unfoldment, and the actual evolution it underwent. To be exact, its effect proved to be decisive.

It is of surpassing interest that the size—one might add, the social quality —of the Russian working class reached an exceptionally low point in 1921-1922. The country had by then been wracked and sacked and all but completely exhausted by the exertions of the civil war, of the war against the foreign military intervention, of the revolutionary struggles themselves—over four unbroken years of this against a background of the wreckage of three years of the first World War that preceded it. What it did to the Russian working class, especially to its more experienced, more stable, more socialistic part, is never dealt with by the supercilious (and extensively ignorant) critics of Bolshevism; and is given far less attention than it deserves by critics of these critics. Schwarz points out that in 1921-1922, the size of the Russian working class

employed in industry proper (again excluding handicraft and home workers) had fallen to the startling figure of 1,243,000—less than half as large as it was in 1913 and even below the figure of 1,515,000 given in the year 1897!

For all practical purposes, this working class had, by 1921-1922, lost the socialist character it was saturated with in 1917-1918. It had even lost a good deal, perhaps the bulk, of its socialist membership—in the persons of those who had perished in the wars, or those who went to make up the socialist cement holding together the peasant Red Army, or those who went to make up the socialist (or more-or-less socialist) officialdom of the country. In fact, by that time it had even lost its classically proletarian character, being made up largely of peasants or near-peasants or chance elements of all sorts.

The rise of the Stalinist faction, the growing self-confidence of a bureaucracy impatient with the restraints represented by the principles and practises of the Bolshevik revolution—these were certainly not chance elements, however. It is anything but an accident, indeed, that what came to be known later as Stalinism had its discernible beginnings precisely in this period. The Bolsheviks triumphed with an aroused, vigorous, socialist working class; it was defeated when this working class disappeared, died out. Without diminishing in the least the value and validity of the fight begun then by the Trotskyist Opposition for a return to workers' democracy, it should now be clear, looking backward, that its fight was doomed. It had no effective working class to appeal to —neither inside the party nor outside of it. The bureaucracy numbered no less than the industrial working class at that crucial moment (the end of the civil war period) and its victory over the Opposition, and therewith over the working class, was comparatively (we stress: comparatively) easy. Its initial victory vastly facilitated those that followed. These are some of the decisive social realities from which Stalinism sprang, and not from some alleged inner substance of Bolshevism itself.

Schwarz does not, of course, deal with this aspect of the question, remaining true to the limitations he has imposed upon himself. But he provides invaluable raw materials.

Noteworthy, too, is the material presented to show that up to 1928—while there were still the rudiments or rather the remnants of a workers' regime in existence — the Russian working class was growing gradually and gradually acquiring a stable character. It is true that as late as 1928, only 76.8 out of each 1,000 inhabitants were employed as wage or salary earners, compared with a figure of 80.0 in 1913 and of 76.0 in 1897. Actually, the picture was much better. If we take only workers employed in industry proper, the 1928 figure (2,822,000) was already better than the 1913 figure and almost twice as large as the figure for 1897 (1,515,000). But that was impressive only by Russian standards; by Western European or North American standards, it was still pitiable. Yet, it is precisely the year 1928 which is recorded by many of the best and most objective analysts of Russian economic developments, Schwarz included, as the one in which the Russian working class reached the highest social living standards it attained before or since. From that time onward begins the almost unbroken decay and depression of its economic and political status. That being so — and Schwarz's data taken from official sources leaves no room for doubt—we

cannot escape the significance of the coincidence of the period which this year opened up at the same time by the expulsion of the outspoken Bolsheviks from the Communist Party, the definitive triumph of the Stalinist faction, and the banning and growing persecution of all the principles, ideals, traditions and practises of the Bolshevik Revolution.

The modern Stalinist bureaucracy has to its credit the development of an industrial basis for the socialist reorganization of Russian society which Russian capitalism was never able to achieve and which the Russian socialist working class, left in the lurch by the proletariat of the West, could not hope to carry out by itself. This development has been grossly overrated, for Russia is even today far behind the advanced countries of capitalism. The development is nonetheless unmistakeable. Its real achievement from the class point of view, however, is the shaping and maintaining of its own grave-digger. This it had to do, this it did for its own purposes and in the interests of its own rule, but do it it did and the achievement is not only a great one but, so far as the future of the bureaucracy itself is concerned, a decisive one. This grave-digger is the new Russian working class, which was to total, in the figures projected for the end of the third Five Year Plan (1942), some 32,000,000 wage and salary earners, with one-third or more in industry proper, and not counting at least 10,000,000 toilers in the slave camps. Even if these figures require some modification, it cannot make a serious difference. The change between 1913 and today, between 1917 and today, certainly between 1921 and today and even between 1928 and today, is, in this respect at least, of tremendous importance. What is more, the period of Stalinist rule has seen the formation of what we called the new type of working class—old and familiar to the main capitalist countries, but not to Russia. Schwarz provides all the necessary data on this score. Even of those workers now drafted from the rural areas, or who migrate to the large centers from the farms, he says, "Once trained, however, they do not go back to the country. Their assimilation into industrial labor is final. They no longer resemble the traditional half-rustic type of Russian worker. . . . Today the process of developing a modern working class without rural ties is all but completed in the Soviet Union."

For this achievement, the Russian working class has had to pay a price that is not imposed upon the working class of any modern country (one might almost say of any country on earth), that has not been known to the working class of any modern country in our generation at least. This price is still being paid, and there is no indication of a relaxation in the pressure from the regime. Here especially the material painstakingly assembled by Schwarz is invaluable. He shows how gradually but unrelentingly the bureaucracy proceeded to eliminate all the safeguards and protections and benefits enjoyed by the working class from the time of the revolution, until it was reduced to the level of slavery or, at best, a semi-slavery which is microscopically relieved by the fleeting moments of freedom created when rival bureaucrats "pirate" working forces from one another with tempting offers and assurances of protection from punishment by the state. All social legislation beneficial to the working class has either been repealed, bowdlerized by administrative amendment, or is brutally violated in practise at the instigation of the state, with

its connivance or with utter indifference on its part.

The Stalinist trade unions, as they are called, differ from the late Dr. Ley's Nazi Labor Front, only in being more cynical and more brutal toward the workers. They would not be tolerated by the workers of any civilized country; they would not be tolerated as company unions in the United States; their leaders would be lucky to escape the fury of the workers with half their hides on their backs. The Russian "unions" are nothing but organized Simon Legrees, laying the lash on to one part of the worker while the plant manager and the GPU lay it on to others. Under Hitler, Goering, Speer and Ley, life was a bitter nightmare for the workers; it is doubtful if the regime was worse, taken on the whole, than it is under Stalinism. We find this quotation in the Schwarz book: "No one but management shall be primarily responsible for technical standardization, for wage scale, quotas, piece rates, etc. Today quite a few comrades in the plants share the idea that the union should have as much to say about wages as management. That is a fundamental error. It would imply that the union takes the place of management. It is a 'leftist' opportunistic distortion, undermining of one-man management, interference with the operational function of management. This must be stopped."

These words do not come from the head of the German or American steel trust or from Wilson of General Motors, but from G. D. Veinberg, secretary in charge of wage questions (!) of the All-Union Central Trade Union Council. Would a gangster in the New York waterfront unions allow himself the luxury of talking like that? Or like this, from another speech by the same Veinberg: "You sometimes hear whispering in union ranks, like this: 'Does it behoove the unions to oppose concessions which industrial executives grant in wage questions? If we do that, how can we face the workers?' This is the most shameful misconception of union tasks. It is 'trade unionism' pure and simple. . . . We must actively combat this kind of 'defense' of labor's interests!"

These words are, we should underscore, not exceptional but perfectly typical. They are of the very essence of the social relations which the Stalinist state exists to maintain by force of arms. We recommend them to the attention of all trade unionists, pure and simple, or any other kind; of all "friends of the Soviet Union" except for Kremlin hirelings; to all Stalinists, workers in particular, but not their officials, who already know it and glory in it; to both official Trotskyists —the official official Trotskyists and the unofficial official Trotskyists.

We recommend to the attention of all of them the sections of Schwarz's work which deals with the growing intensification of exploitation of the Russian working class, including some of the facts of the hiring out of serf labor from the collective farms to the industrial enterprises, with the farm management being paid for its serfs—an exploitation for which it is hard to find a match anywhere in the world, and for which the Russian worker is recompensed by one of the most wretched wage and living standards to be found in any more or less developed country. In fact, while the index of real hourly earnings for the Russian worker has remained essentially unchanged between 1936-1938 and 1950, the earnings of the workers in sixteen other countries (Italy, Hungary, Vienna-Austria, Chile, West Germany, Netherlands, Finland, Ireland, Switzerland, Great Britain, Sweden, Den-

mark, Canada, Norway, United States, and Australia) increased in the same period, very greatly in many cases. The exception, Paris France, earnings for 1950 were nevertheless twice as high as those of the Stalinist slave.

There are literally dozens of other aspects of the position of the working class in Russia, some of great importance and others of lesser importance, but all bearing the same hallmark of the social relations typical of Stalinist society, that are to be found in this book, with some treated at length and others touched on in passing. A review could do no more than mention them. One point that must be mentioned, however, is the highly interesting contribution made by Schwarz to the "mystery" of the slave labor regime in Russia. He is the first analyst, it seems, to refer to this particular point. It deals with the difference between two sums often mentioned by Stalinist statisticians and economists when dealing with what is presumably the same "wage fund." Schwarz discards the explanations made of the disparity to date and finds the true one in a reference work of the Central Statistical Administration of 1944 which has since been suppressed by the regime. It reads: "Wages are carried on the books not only for free workers and employees, and cooperative artisans but also for the military personnel and for other categories which are not free wage and salary earners." Since the disparity is no trifle—more than 37 billion rubles in one year and more than 51 billion rubles in another—Schwarz seems to be entirely justified in concluding that "In the larger wage fund—the 'full wage fund'—the term is broadened to include the money earnings of the military personnel and, counting for a great deal more, the *unfree* workers and employees: of the millions of Soviet slaves in labor camps and elsewhere."

What a disgusting mockery of socialism to say that the slave-owners and slave-drivers who coolly work out such budgets and maintain such conditions are "with us" in the camp fighting for world socialism! What a disgusting mockery of objectivity to say that the revulsion against this slavery and the categorical refusal to defend its beneficiaries or to join with them in the struggle against capitalism, is nothing but "sentimentality"!

Max SHACHTMAN

A Contribution to Economic Literature

THE PHYSIOCRATS, Six Lectures on the French Economists of the 18th Century. *By Henry Higgs.* The Langland Press, N. Y., 158 pages and index, $3.25.

The Langland Press, which only recently published Marx's "A History of Economic Theories," an English version of the *Theorien über den Mehrwert,* edited by Karl Kautsky, has now issued this little book.

The reader may be surprised to learn that with the issuance of this work, Langland Press has made available the only book in the English language devoted exclusively to the Physiocratic school of economic theory. Another work by Max Beer is not obtainable. If it were, together with Higgs' book, they would still be the only two treating wholly with the famous French founders of Physiocracy. Considering the importance of the Physiocrats, as the first "school" of economic theory, the English speaking economists and economic historians have treated them quite shabbily.

Most of the writings of the Physiocrats are available only in the French. Yet their contributions have had a far more fundamental importance and lasting significance than the writings of literally dozens of other economists in the past two or three hundred years.

The book by Higgs is the compilation of lectures given more than fifty years ago. Its original publication occurred in 1896. But it has genuine historical value and is exceedingly informative as to the individuals who made up the group, their internal relations and the common struggle they carried on in behalf of their doctrines against the old aristocratic order in France.

The reader will find it quite useful, in fact, almost indispensable, to read this book together with "A History of Economic Theories." McCarthy quite rightly points out that ". . . Marx's analyses of the *Tableau Economique* and his subsequent examination and criticism of national income flow as conceived by Quesnay (the author of the *Tableau*—A. G.), is the most searching examination of Physiocracy that has yet appeared in English."

HIGGS DATES THE PHYSIOCRATIC SCHOOL of economists from the meeting of Francois Quesnay and the elder Marquis of Mirabeau in July, 1757. He advises that they were undoubtedly influenced in their thinking by the economist Cantillon. At least the latter's ideas were faithfully represented in Mirabeau's "L'Ami des Hommes," in which Physiocratic economic ideas were presented publicly.

To understand the Physiocrats, it is necessary to bear in mind that their doctrine arose in a predominantly agricultural country, ruled over by a king with a large parasitic aristocratic class. The sovereign and the aristocracy lived off their share of the wealth produced by agriculture. Industry and commerce were yet but a segment of the national production. Restrictions to economic growth were many. The ruling classes siphoned off an enormous share of the productive wealth of the country—an almost complete loss to the economy—internal trade suffered many bars, and foreign trade was likewise largely prohibited. Under the conditions that prevailed, there was little possibility for a free development of the economy, such as was experienced by the Industrial Revolution in England.

Higgs effectively describes the conditions of life under the rule of the sovereign, and explains why the rise of the Physiocratic school appeared as an inevitable response to the terrible poverty of the population, the waste of land, and the economic decay of the times.

These were the decades immediately preceding the French Revolution. In retrospect, one can see the gathering forces of the Revolution. The Physiocrats, whether they were aware of it or not, and many certainly were aware of it, were fighting for liberation of the economy from the stranglehold of reactionary feudalism. Higgs quite rightly called them "not merely a school of economic thought; they were a school of political action." Despite their "feudal appearances" the Physiocrats worked closely with the Encyclopaedists, and Minister Turgot helped to prepare the ground for the French Revolution.

In looking back at the Physiocrats, we can see the evolution of economic thought from their great beginnings to modern times, especially to Marx's economic doctrines. One is reminded again, how each successive school or

individual economist broadened the knowledge of mankind on the basis of the work of their predecessors.

Before Quesnay, Cantillon had written: "Land is the source or material from which wealth is extracted . . . human labor is the form which produces it, and wealth in itself is no other than the sustenance, the convieniences and the comforts of life."

The Physiocrats regarded agriculture and commerce as the two sources of wealth in France. But commerce and industry were, in their minds, mere branches of agriculture, the latter being the primary and indispensable source of them. According to them, manufacture yields nothing: it is a sterile endeavor! Higgs summarizes the Tableau Economique, in the following way:

(1) Labor expended in industry (*les travaux d'industrie*), as opposed to agriculture, does not multiply wealth, though (2) it contributes to population and the increase of wealth, unless (3) it occupies men to the prejudice of agriculture, in which case it has the contrary effect. (4) The wealth of the agriculturist begets agricultural wealth. (5) Industrial labor tends to increase the revenue from the land, and this again supports industry. (6) A nation having a large trade in its raw products can always keep up a relatively large trade in manufactures; but (7) if it has little of the first and is reduced to the second for subsistence, it is in a dangerous and insecure condition. (8) A large internal trade in manufactured articles can only be maintained by the revenue from the land. (9) A nation with a large territory which depreciates its raw products to favor manufacturers, destroys itself in all directions. (10) The advantages of external trade do not consist in the increase of money. (11) The balance of trade does not indicate the advantage of trade or the state of wealth of each nation, which is (12) to be judged by both internal and external trade and especially by the first. (13) A nation which extracts from its soil, its men, and its navigation the best possible result needs to grudge the trade of its neighbors, and (14) in reciprocal commerce nations which sell the most useful or necessary commodities have the advantage over those which sell luxuries.

Quesnay then proposes that, to quote from Higgs again, the government should make possible "freedom in the production and circulation of goods; the abolition or diminution of tolls on transport; the extinction of local or personal privileges in dues of the same character; the repair of roads and of river communication; the suppression of the arbitrary discretion of private persons in subordinate administrations, so far as the national revenue was concerned."

Given their basic conceptions, it is easily understandable why the Physiocrats should demand that taxes to support the state and the aristocracy be collected at their source, i.e., a single, simple, direct tax *(impot unique)* levied upon the land and not to exceed one-third of the ground rent *(produit net)*. In this every consumer would pay a proportionate share of the tax because the landlord and farmer would adjust prices of raw materials to meet them.

The Physiocrats believed the best political system to be the single hereditary sovereign with a "fee-simple" interest in the nation. To Quesnay, the right to liberty meant the right to property which the state ought to defend. The sole funcion of the state was to guarantee security and to extend the powers of the state would be to encroach upon individual liberty. For the specific purpose he had in mind, the state could not be too strong, and constitutional checks and balances would weaken this central authority to uphold the right to property and guarantee security. What of the despotism of the state? That would be tempered by enlightened public opinion.

Most important of all, however, is the fact that it was the Physiocrats "to whom credit is due for having first analyzed capital (Marx)." Given the agricultural character of the country they could hardly be blamed for having in the mid-years of the 18th century thought that bourgeois forms of production "necessarily resembled natural forms." They understood the meaning of value and labor power, and were among the first to seek the origin of surplus value.

Marx points out that "In their researches into the origin of surplus value, the Physiocrats shifted the emphasis from the sphere of circulation into that of immediate production. They thus posed the fundamentals of the analysis of capitalist production."

Marx points out that they did understand the meaning of surplus value but not in its purely capitalist form. They had not reduced value "to its bare substance, the quantity of labor or labor time," but they did understand that "labor alone is productive which creates surplus value, whose product contains greater value than the sum of values consumed in the production of this product." But, as we have already indicated, it was in agriculture that the Physiocrats discovered the difference between the value of labor power and the "value it can yield, i.e., the surplus value which the purchase of labor power yields to the employer."

They believed only agricultural labor to be productive labor, because, in the conditions of the French economy, they saw it as the only labor producing surplus value and "knew no other form of surplus value than ground rent."

As we have already pointed out the Physiocrats thought the industrial laborer added nothing to matter, but only modified its form. And agriculture supplied him with his materials. Everything pointed back to the land, and as agricultural labor is the only productive labor, ground rent, "the form of surplus value which differentiates agricultural from industrial labor, seemed to them the unique form of surplus value."

Living in our age, it is easy to see why the "true profit of capital, of which ground rent is only a derivative, did not exist for the Physiocrats." In one brilliant paragraph, Marx summarizes his analysis of the Physiocrats:

Physiocracy was truly the first systematic analysis of capitalist production and the first to present as natural and eternal laws of production the conditions under which capital produces and is produced. On the other hand, it bore no slight resemblance to a bourgeois reproduction of the feudal system and of the regime of the landed gentry; and the industrial sphere, where capital begins its autonomous evolution, seemed to it, unproductive branches of labor, merely parasitic complements to agriculture. As the first condition of its development, capital requires separation of labor from the soil, primordial instrument of labor become an independent power in the hands of a particular class. In this conception, the landowner appears to be the true capitalist, to be the one who appropriates the surplus labor. The feudal system thus finds itself reproduced and explained *sub specie* of bourgeois production. Agriculture seems the only branch where capitalist production—that is to say the production of surplus value—is realized. While feudalism embourgeoises itself, bourgeois society takes on a feudal demeanor.

These appearances deceived the aristocratic followers of Dr. Quesnay, among others the quaint, patriarchal Mirabeau the elder. In the works of the other leaders of Physiocracy, particularly in Turgot, this appearance completely vanishes, and the Physiocratic system presents itself as the new capitalist society taking shape within the framework of feudalism. It therefore corresponds to bourgeois society at the period of its birth from out the feudal system. It is

for this reason that its birthplace was France, a predominantly agricultural country, and not England, where commerce, industry and maritime navigation predominate.

It is true that the Physiocrats made many errors, but they were the first to seek a fundamental economic explanation for the phenomena they observed. Though they regarded use value as mere matter, and surplus value as a simple gift of nature, they did seek the explanation for surplus value in the appropriation of the labor of others, and to "base this appropriation upon the exchange of commodities. . . ."

Because the Physiocrats, in their glorification of land ownership, demanded that all taxes be charged to ground rent alone, they sought to free industry, the "sterile" portion of the economy. It is to the Physiocrats therefore that we are indebted, if not for the origin of the term, then at least the popularization of *laissez faire, laissez aller,* characteristic of an earlier capitalism.

The Physiocrats, Higgs reminds us, did form "the first and most compact school to be encountered in the history of economics." His book describes their enthusiasm, their unity, and their daring and original thinking in the field of economics, since they endeavored to treat the subject as an organized science.

Although the "school" did not long survive, expiring even before the French Revolution, its ideas influenced many, most notably Adam Smith. In retrospect, however, it is easy to see why advancing industrial capitalism would push the doctrines of the Physiocrats into the background, though many of their fundamental ideas were to influence economic thought of the future decades.

It is a pity then, that so little written material exists in the English language devoted solely to the Physiocrats. True, Eric Roll treated the Physiocrats handsomely in his "A History of Economic Thought," as others have done. But on the whole, no great amount of works appears on this historically important group of thinkers. In issuing the Higgs book, as well as the Marx volume, Langland Press has made a considerable contribution to English economic literature.

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