TWO SYSTEMS

VARGA

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SOCIALIST ECONOMY *and* CAPITALIST ECONOMY

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TWO SYSTEMS

INTRODUCTION

IN THE HISTORY of mankind, the changes in the modes of production are effected very unevenly in the form of revolutions separated both in time and space. *There has never been throughout the world the same mode of production* (with the exception of the epoch of primitive communism). Even today, with one-sixth of the globe freed from the rule of the bourgeoisie, there exist side by side with the still prevailing capitalist mode of production remnants of all earlier modes of production. There are still in most countries scanty traces of former common ownership of land in the form of common lands.[1] There is still slavery in the interior of Africa, South America, China; semi-slavery in the gold mines of South Africa, in the textile factories of Japan and in the cotton plantations in the south of the United States; feudalism in large areas of Asia and Africa; strong or weak remnants of it in most capitalist countries.

In the earlier epochs of the history of mankind, the new and victorious modes of production spread but slowly. Little affected by the mode of production which had arisen in one part, in other parts of the earth men often lived on for thousands of years in their old production relations. Transport was undeveloped. Only a small fraction of goods assumed the commodity form. International traffic in goods was limited to the exchange of superfluous use values in one country for needed use values from other countries without a directly destructive effect on the old mode of production.

The capitalist mode of production grew up for many centuries within the existing feudal mode of production, until in the most advanced countries it became predominant through the victory of the bourgeois revolution. But capitalism victorious in Western Europe—and herein it differs from all previous modes of production—undermined, destroyed or subjected all older forms of society which it encountered on the earth, with (from an historical point of view) extreme rapidity.[2] The rate of historical development grew at furious speed.

The bourgeoisie cannot exist without constantly revolutionising the instruments of production, and thereby the relations of production, and with them the whole relations of society. Conservation of the old modes of production in unaltered form, was, on the contrary, the first condition of existence for all earlier industrial classes. Constant revolutionising of production, uninterrupted disturbance of all social conditions, everlasting uncertainty and agitation distinguish the bourgeois epoch from all earlier ones...

The bourgeoisie, by the rapid improvement of all instruments of production, by the immensely facilitated means of communication, draws all, even the most barbarian, nations into civilisation. The cheap prices of its commodities are the heavy artillery with which it batters down all Chinese walls, with which it forces the barbarians' intensely obstinate hatred of foreigners to capitulate. It compels all nations, on pain of extinction, to adopt the bourgeois mode of production; it compels them to introduce what it calls civilisation into their midst, i.e., to become bourgeois themselves. In one word, it creates a world after its own image.[3]

Thus, almost a hundred years ago, the founders of scientific socialism, in the *Communist Manifesto,* characterised the victorious advance of the bourgeois order of society at the expense of the feudal lords. At the same time, however, they also showed the internal contradictions of the capitalist system of society—"the revolt of modern productive forces against modern conditions of production," which broke through in the periodically recurring crises of over-production; they showed the historically transitory character of the new bourgeois system of society; they showed that the immanent laws of movement of bourgeois society lead to its collapse, to the overthrow of the rule of the bourgeoisie by the revolution of the proletariat, the grave-diggers of the bourgeoisie.

Seventy years had passed since the writing of the *Communist Manifesto,* this ever-young masterpiece, when the great October Revolution proved by deeds the historically transient character of the bourgeois system of society. But even earlier, from fear of the ripening proletarian revolution, the big bourgeoisie had changed its attitude towards former modes of production. In the imperialist stage of capitalism the bourgeoisie are wary of a direct attack on the former modes of production. They no longer try to compel all nations "to adopt the bourgeois mode of production...i.e., to become bourgeois." On the contrary, they strive to exploit all peoples, even the most backward, capitalistically,

but at the same time to conserve this pre-capitalist social structure, in order to curb the development of the class of the "outlaw" proletariat, their grave-diggers. This policy of the imperialist bourgeoisie, grown reactionary, slows down the disappearance of the earlier forms of society; these are undermined and distorted by capitalism, but not turned into bourgeois society. The working people are simultaneously subjected to feudal and capitalist exploitation,[4] but not turned into "outlaw" proletarians. Even in the most highly developed capitalist countries the finance oligarchy endeavours to turn back the wheel of history by the use of the fascist form of its dictatorship, to carry on capitalist exploitation with pre-capitalist methods. This is clearest in Germany: prohibition of the free movement of the workers, forced labour camps, medieval ideology of estates, etc.

Bourgeois professors and right-wing Social-Democrats, from the slow change of the mode of production, from the long continuing simultaneous existence of these modes of production in the past, draw the conclusion that this will also be the case in the future; that capitalism and socialism will exist side by side for a lengthy period (in the historical sense). They found this upon the theory of a peaceful "gradual" transition of capitalism to socialism.[5]

This conclusion from the historical past with regard to the future is completely wrong. The proletarian revolution differs in principle from all previous revolutions, the socialist system of society from all previous systems of society.

All previous systems of society—with the exception of primitive communism—were *of one type.* They were all built up on the exploitation of the oppressed classes by the ruling classes. The change in the mode of production even when it took a revolutionary shape meant *only the change in the forms of exploitation.* Just for this reason every new mode of production could develop for a long time within the framework of the old. It was within the prevailing ancient slave economy that serfdom developed. It was within the feudal system of society that capitalism developed; and only after capitalist production had reached a relatively high stage of development within feudalism, did the bourgeoisie conquer political power (with the help of the proletariat) in the bourgeois revolution.

Revolutions in the past usually ended in changing one group of exploiters at the helm of the ship of state for another such group. The ex-

ploiters would change, while exploitation remained. Such was the case during the emancipatory movements of the slaves. Such was the case during the period of the rebellions of the serfs. Such was the case during the period of the well-known "great" revolutions in England, France and Germany. I do not refer to the Paris Commune which was the first glorious, heroic and yet unsuccessful attempt on the part of the proletariat to turn history against capitalism.[6]

The socialist mode of production differs fundamentally from all previous modes (with the exception of primitive communism built up on common property). It does not change the form of exploitation, but abolishes exploitation in all its forms, together with its economic basis, private ownership of the means of production.

The October Revolution differs from these revolutions *in point of principle*. It sets as its aim not the replacement of one form of exploitation by another form of exploitation, of one group of exploiters by another group of exploiters, but the abolition of all exploitation of man by man, the abolition of any and every exploiting group, the establishment of the dictatorship of the proletariat, the establishment of the power of the most revolutionary class of all oppressed classes hitherto existing, the organisation of a new, classless, socialist society.

It is precisely for this reason that the *victory* of the October Revolution means a radical change in the history of mankind, a radical change in the historical destinies of world capitalism, a radical change in the movement for the emancipation of the world proletariat, a radical change in the methods of struggle and the forms of organisation, in everyday life and traditions, in the culture and ideology of exploited masses throughout the world.[7]

It is therefore precisely for this reason, that the socialist mode of production cannot develop within the capitalist mode of production based on private property, as was the case in previous modes of production, similar in type because of their similar basis in exploitation. Capitalism creates *the social-economic pre-conditions of socialism* in a powerful development of the productive forces, in the socialisation of labour, in the concentration of production. Capitalism creates, schools and organises the modern proletariat, while the number and significance of "independent producers" become ever less. But these economic preconditions of socialism can only serve the building up of socialism after the political domination of the bourgeoisie has been overthrown

by the proletarian revolution, the means of production of the bourgeoisie expropriated and transformed into the common property of the working people. Before the victory of the proletarian revolution no kind of socialism is possible.[8] Productive and consumer's cooperative societies, "Labour Banks," municipal and state enterprises, etc., within capitalism are either brought to ruin or are subjugated by capital and often turned into capitalist undertakings which differ only in outward form from private capitalist undertakings. Whereas the bourgeois revolution in essentials transformed the political superstructure in correspondence with the already far-reaching changes in the economic basis, the proletarian revolution must first complete the basis of the socialist system of society—the transformation of the means of production from private capitalist ownership into social common property.[9]

The irreconcilable, unbridgeable antagonism in principle between capitalism, based on private ownership of the means of production and the exploitation of the workers, and socialism, based on common property and excluding exploitation, leads to a general struggle between the two systems embracing the whole world. The proletariat fights as the class already victorious in the Soviet Union, and as the class still oppressed under capitalism. For the fight against the outworn system of capitalism, the petty bourgeoisie of the towns, the petty bourgeoisie of the countryside (the peasantry) and above all the peasantry of the colonies are mobilised by the proletariat. The bourgeoisie, for its part, is feverishly preparing a new counter-revolutionary war against the Soviet Union, the fortress of the working class, is gathering together and organising the remnants of the previous ruling classes of tsarist Russia, is sending thousands of spies to the Soviet Union and recruiting traitors (especially from the ranks of the Trotskyists and Bukharinists) inside that country. It fights against the revolutionary working-class movement: in the capitalist countries by corruption of the small upper layer of the working class (the aristocracy of labour and its bureaucracy) and by means of demagogy; in the fascist countries by means of the forcible suppression of every lawful worker's movement. Thus bitter class struggles rage throughout the world.

The *Programme of the Communist International* refers to this question as follows:

The political domination of the feudal barons all over the world was broken in a series of separate bourgeois revolutions that extended over a period of centuries. The international proletarian revolution, however, although it will not be a single simultaneous act, but one extending over a whole epoch, nevertheless, thanks to the closer ties that now exist between the countries of the world, will accomplish its mission in a much shorter period of time.[10]

The internal development of the capitalist as well as the socialist system creates the conditions for the hastening of the victory of the proletarian revolution throughout the world. This, and not the analogy with the historical past, is decisive.[11]

The proper economic development of the capitalist part of the world deepens more and more the general crisis of capitalism introduced by the World War and constantly deepened by the fight of the two systems. The contradiction between productive forces and productive relations becomes more acute. Capital is no longer in a position either to utilise the productive forces it has created or to give the proletariat opportunity for work. Capitalism has become "over-ripe," is historically surpassed, has become an obstacle to the development of the productive forces. The bourgeoisie, who a hundred years ago could still come forward with the claim that their particular class requirements represented the interest of human progress in general, now more and more sustain their rule by mere force. More and more, in place of "Liberty, Equality, Fraternity," there appear the principles of Estates, of the Leader, borrowed from the feudal system of society; and, in the place of critical rationalism, the return to the authoritarian church, the demand for blind subordination to the Leader sent by divine Providence.[12]

The circle of people who feel at ease in capitalism becomes narrower and narrower, and the mass of the dissatisfied larger and larger—not only the workers, employées and officials, but also peasants, artisans and "little people" of every kind.

The history of the post-war period proves to the proletariat and the middle classes that they cannot count on any improvement in their situation within the framework of capitalism; it exhibits to them the terrible extension of chronic mass unemployment, the crippling uncertainty of life under capitalism: the spread of fascist methods of oppression and the danger of a second world war whose sacrifice of

blood and treasure will be incomparably greater than that of the first.

The dictatorship of the proletariat in the Soviet Union shows to the masses of the working people of the world in a clear light the falsity of the doctrine enunciated by the bourgeoisie and their ideologists that modern productive forces can be organised and mastered only by the bourgeoisie. For it has shown that the bourgeoisie as "organiser" of production is superfluous, and that the proletariat can master the productive forces created by the bourgeoisie.

The proletariat not only masters the modern productive forces, but develops them at an incomparably quicker rate than the bourgeoisie. With the overthrow of the rule of the bourgeoisie there disappears that which under capitalism—especially in the epoch of imperialism—restricts the development of production and the productive forces. With the establishment of the dictatorship of the proletariat the problem of the market disappears, over-production vanishes, there are no more crises—for consumption grows parallel with the increase in production. In the capitalist world the limited power of consumption of society—an unavoidable result of the proletarian position of the masses —sets relatively narrower and narrower limits to production, the problem of the market becomes more acute, and thereby economic crises become deeper, longer and more devastating.

It follows from this difference in the structure of society that production in the Soviet Union has grown many fold while production in the capitalist world in the main has scarcely surpassed the pre-war level.

The dictatorship of the proletariat is the indispensable condition for *planned economy*. Socialist planned economy dispenses with the huge "unnecesary costs" of anarchistic capitalism, leads to all the able-bodied being drawn in to the process of production, and makes possible a rapid planned accumulation together with a simultaneous extension of consumption. Socialist planned economy thus leads to a rapid improvement of the material and cultural situation of the working people in the Soviet Union, while capitalist anarchy leads to the growing material, cultural and moral decline of the masses of working people.

Chapter I: CAPITALIST ACCUMULATION AND SOCIALIST ACCUMULATION

In actual history it is notorious that conquest, enslavement, robbery, murder, briefly force, play the great part. In the tender annals of political economy, the idyllic reigns from time immemorial. Right and "labour" were from all time the sole means of enrichment, the present year of course always excepted.[1]

SEVENTY YEARS have passed since Marx wrote these lines; but as before the idyllic reigns in political economy. In vain has Marx comprehensively explained and proved *that capital is a social relation* and not a material thing. The "savants" of the bourgeoisie until this day identify the *means of production,* which are necessary in every form of society for the production of goods, with capital, and present the formation of capital as a result of individual work and thrift. Moulton [2] holds the view that "the creation of capital" was a very direct process in a primitive society. A fisher, he asserts, would make a rough net from grass or rushes in his free time, thereby raising his future capacity to catch fish. Or a farmer would use a sharp stone, in order to turn a bough into a rough spade or plough. The creation of capital under these circumstances is, in his view, "a purely individual affair."

The beginning of *"the creation of capital" is here laid in the Stone Age!* The older a human institution, the holier, the more eternal, the more untouchable it is! How could the proletariat dare to revolt against capital which has formed the basis of human progress from primitive times? How could the Soviet Union, where capital was destroyed, take up competition with the capitalist countries, where for many tens of thousands of years, since the Stone Age, capital, originating from the "savings" of hundreds of generations, forms the basis of civilisation? Here bourgeois science forgets, or at least has the appearance of having forgotten, that it is identifying capital with the means of production. But the means of production, as is well known, were not destroyed in the Soviet Union.

Marx has demonstrated that the prerequisite for the beginning of capitalist appropriation of surplus value is *primitive accumulation.*[3]

Once the capitalist mode of production is set in motion, accumulation through the compulsion of competition becomes the law for every capitalist entrepreneur under pain of ruin. In the most highly developed countries the fight for the distribution of surplus value, which decides the amount of accumulation for each individual enterprise is conducted with all kinds of weapons: Stock Exchange manœuvres, mergers, formation of monopolies, protective tariffs, state subsidies are the means by which the most astute big capitalists beat down their weaker class brethren and, appropriating their property, accumulate.[4]

If we are to investigate the question of accumulation from the point of view of the conflict between the two systems, it is above all necessary to form a conception of the magnitude of the formation of capital in capitalist conditions. This is made more difficult by the fact that bourgeois statistics do not give any usable data on the formation of capital or on the amount of value of the existing capital in the true Marxian sense. We are therefore compelled, for a preliminary approximation, to work with the data of the "National Wealth."

RELATIVE MAGNITUDE OF "NATIONAL WEALTH" TO "NATIONAL INCOME"[5]

(*In milliards of pre-war marks*)

		NATIONAL WEALTH	NATIONAL INCOME	PROPORTION
Germany	1928	250	49	5:1
France	1928	212	29	7:1
England	1925	304	55	6:1
U. S. A.	1928	1,262	267	5:1
Japan	1925	118	16	7:1
Poland	1924	50	6	8:1

These figures are mere rough approximations. The amount of national wealth is overestimated by the inclusion of capitalist revenues (land, building land, etc.), while national income is overestimated by duplication. Nevertheless these figures show that *the total wealth of a capitalist country amounts approximately to six times the amount of new values produced in the course of a year.* (The national income, correctly calculated, should be equal to the new values produced in the course of the year [$v + m$ plus the value product of the independent producers, peasants, artisans].)

Now it is clear that the value of capital in the Marxist sense is much

smaller than the "national wealth." In order to get at the value of capital, big deductions must be made from national wealth. The total price for land, which (with the exception of outlay on cultivation, improvements, drainage, etc.) represents the capitalised ground rent; the total price for urban building land; the income of independent producers (peasants, artisans); the non-capitalist "private" property of the population (furniture, objects of art, household conveniences, private motors, etc.); the non-productive property of the state and municipalities (schools, museums, hospitals), etc., must all be deducted.

Even if this is all quite clear methodologically, still—as a result of the lack of bourgeois statistics—it is impossible to separate capital wealth from national wealth. But the different calculations show this much, however, that capital amounts to less than half the national wealth. The followng estimate by the Brookings Institution[6] for 1929, serves as an example.

	In milliard dollars
National wealth	460.2
Industrial investments, armaments and other "capital investments"	214

But in these 214 milliards there are still large sums which, it is true, represent wealth, but which form no element of productive capital: state and municipal property (churches, museums, schools, etc.), gold and silver, capital investments abroad, the Navy (!), etc.

The *means of production* in the Marxist sense of the word, i.e., constant capital, do not, in Ingalls' calculation, amount to more than about 160 milliard dollars. The main items are:

	In milliard dollars
Agricultural buildings, inventory, cattle	20
Industrial investments (with raw materials)	53
Transport investments (railways, ships, docks, canals)	38
Communal services (electricity and gas works, telephone, telegraph, etc.)	21
Buildings and stocks for trading	40
	172

As, however, in many items town building rent or agricultural ground rent is included—e.g., many farm buildings serve partly the needs of housing, etc.—about 160 milliard dollars can be taken as near-

ing the correct value of productive capital in the United States in 1929.

We can therefore state as a fair approximation, that in the United States, *in 1929, the total amount of capital was about one-third to one-half the national wealth and about two to three times the national income of the same year.*[7] In the poorer countries the share of true capital in the given national wealth would be even less.

We will now pass on to the question of the *rate of accumulation of capital.* Here we come up against the same difficulty as in the calculation of the absolute magnitude of existing capital: the lack of the compatible statistical data. Here too therefore we must set to work with the aid of the increase of the national wealth in place of the true accumulation of capital. As in the post-war period there have been, as is well known, very extensive fluctuations in prices, we must divide these with the help of the wholesale price index. We take as our example the United States, the richest capitalist country in the world.

NATIONAL WEALTH OF THE UNITED STATES[8]
(*In milliard dollars*)

	1912[9]	*1920*[10]	*1922*[9]	*1929*[10]	*1932*[11]
Total	186	472	321	450	248
Wholesale price index (1910-14 = 100)	101	226	141	139	95
Recalculated on basis of 1910-14 prices	184	209	228	324	261
Percentage yearly increase between 1912 and 1932	2.1				

We are under no illusions about the great defects of these calculations. But they agree very roughly with historical development. In 1920 there was a crisis and the country, as a result of the war, sold enormous supplies to the Entente, for which it in fact did not receive any equivalent; therefore the very small increase in the national wealth up to 1920. The period 1920 to 1929 was marked by a very big expansion of the apparatus of production (rationalisation) and by the accumulation of large stocks before the crisis. Hence the pronounced increase in the wealth of the country. 1932 was the fourth year of the crisis, the stocks of goods (through consumption, damage and destruction) were largely absorbed; fixed capital was not renewed in accordance with depreciation (particularly the rolling stock of the railways), and was reduced partly by throwing whole plants on to the scrap heap.[12]

Added to this there is the big drop in the price of land as a result of the agrarian crisis, and of urban real estate as a result of the crisis in the housing market, etc. It is probable that the figure for 1929 is rather too high, the figure for 1932 rather too low.

We have no direct data on the *rate of true capital accumulation.* The rate of capital accumulation is *quicker* than the rate of the increase of the national wealth, in so far as a part of the wealth of independent producers is successively expropriated and turned into capital. (The *process of centralisation* of capital naturally does not alter the rate of accumulation of total social capital; it is only of significance for the fate of the individual capitalist who is either destroyed by centralisation or waxes at a faster rate.) But the difference should not be large, particularly in highly developed capitalist countries like the U. S. A., where the wealth of the independent producers is of tiny significance compared with capital wealth. We can therefore take it that the total social capital of the U. S. A. between 1912 and 1932 had increased yearly by about 2 per cent.

Still slower is the rate of accumulation in the second richest country of the world: England. According to Clark's[13] reckoning, new capital investments in percentage of the national income amounted to:

1907	*1924*	*1929*	*1935*
12.2	8.1	7.2	6.9

Since—as we showed above—England's national income amounts to about one-sixth of the national wealth, the yearly rate of accumulation amounts to a mere one to two per cent.

Even if these figures be ever so inexact, they show nevertheless the extraordinarily slow rate of accumulation even in the richest countries of capitalism.

This slow rate of accumulation is due to the basic contradiction of capitalist society: the contradiction between social production and private appropriation. The competitive struggle forces every capitalist undertaking to accumulate—under pain of ruin. But the extension of production under capitalism is possible only on a capitalist basis, i.e., if there is a prospect of realising the value invested in the natural form of means of production. The realisation of capital can only result from the sale, at their price of production, of the wares produced with the help of the means of production. But the sale of wares periodically

comes up against the limitations of the power of consumption of society—which become narrower as capitalism turns from free competition into monopoly and imperialism; and particularly in the period of the general crisis. The contradiction between the drive to accumulation, to the extension of production and these narrow limitations of the power of consumption, breaks out violently in the periodically recurring industrial crises. The crises interrupt the process of accumulation: they even bring a temporary reduction of the accumulated wealth, by destruction of capital (damage, depreciation of machinery as a result of the standstill, etc., dismantling of whole plants).[14] The keener competition for the market leads to the premature substitution of existing capital by new capital producing at less cost.

In the period of the general crisis the problem of the market becomes so acute that the existing productive plants can only be partly used. This fact leads to a slowing down of real accumulation: enormous sums of money "saved" cannot be turned into productive capital, but lie fallow as loan capital.

With the overthrow of the rule of the bourgeoisie, the social limitations of the extension of production disappear. There is no market problem in Soviet economy in the capitalist sense, and so also no crises of over-production. It is not production which is limited by the consuming power of society, but the other way round: *the extension of consumption in principle is unlimited,* consumption is limited only by the stage reached in the development of production. The more that can be produced the higher consumption rises.

With the overthrow of the bourgeoisie the *social* character of accumulation changes. (It is, of course, understood that accumulation in Soviet economy also—as in every form of society—cannot take place except as the use of a part of the newly produced products for the extension of production instead of for individual consumption.) It is *not,* as in capitalism, *capital* that is accumulated, which is intended for the enrichment of its owner by appropriation of surplus value, but *national wealth* in the true sense of the word: wealth, means of production which only serve to raise the consumption of the whole people, and to lessen the expenditure of the labour power of the whole people necessary for the production of the same quantity of use-values. It is *socialist* accumulation, not accumulation of capital.

This far more rapid accumulation is made possible by *the systematic increase in production,* by *the disappearance of the tremendous faux frais* of the capitalist mode of production and of *the luxury consumption* of the ruling classes and their hangers-on in the widest sense.

These three general reasons for the superiority of Soviet economy over capitalism, which make possible a much more rapid rate of accumulation, embrace a very large number of factors, with which we will deal in detail in another part of our work. Here we want merely to mention the most important.

The dictatorship of the proletariat forms the basis of the increase in production, the foundation of the development of socialist economy.

The increase in production is guaranteed by: the *higher productivity of labour* as a result of the rapid renewal of the apparatus of production; *the increased skill* of the working class; the *full utilisation of the material and human productive forces.* This last includes the abolition of unemployment (and of the possibility for able-bodied adherents of the ex-ruling class to live without work), socialist competition, the Stakhanov movement, the transformation of backward peasant agriculture into the most modern large-scale production of the collective farms and state farms, etc. Finally socialist planned economy makes it possible to get rid of the tremendous *faux frais* of capitalist economy (crises, competition, advertising, etc.).

The result of these factors is an incomparably quicker rate in increase of production, and therewith of the national income, than in capitalist countries. The following may serve as an example:

NATIONAL INCOME

	U.S.S.R.[15] (*In milliard rubles*) IN 1926-27 PRICES		GERMANY[16] (*In milliard marks*) IN 1928 PRICES	
		Index		*Index*
1913	21	100	69.3[17]	100
1924-25	16.8	80	...	...
1927	...	...	72.7	105
1929	28.9	137.6	74.8	108
1932	45.5	216.7	56.8	82
1935	66.9	318.5	70.6	102
1936	86.0	409.5	...	...

We see that whereas the national income of the Soviet Union has quadrupled compared with pre-war, in Germany it has remained at

the same level; and per head of the population even 9 per cent lower than in 1918.

It is clear that this rapid increase in the national income makes it possible *simultaneously to increase accumulation and the standard of life of the working population*. And all the more as with the overthrow of the rule of the bourgeoisie the enormous luxury consumption of the ruling class and their hangers-on in any case disappears.

Socialist accumulation in the Soviet Union, after the conquest of the dictatorship of the proletariat, got under way slowly. The economic inheritance which the proletariat received from the bourgeoisie was anything but brilliant. Tsarist Russia had built up large-scale industry on the feeble foundation of a primitive agriculture[18] with the help of foreign capital, which profited to a considerable extent from state and particularly military orders. But "Russia was in reality a semi-colony of the Western European countries."[19] A very large proportion of industrial and transport undertakings were owned by foreigners.

The imperialist war severely shook this economy with its weak foundations. The peasants went to the war, the horses were requisitioned for war service; agriculture declined as a result of the lack of labour and draught cattle. Transport went completely to ruin. Russia, that enormous agricultural country, after three years of imperialist war was threatened with famine.[20] Industry was put on a war basis; the machinery which came mainly from abroad was worn out and could not be renewed. The majority of the foreign specialists—engineers, chemists, technicians, etc.,—had left the country. Economic life was on the road to dissolution. The bourgeoisie in league with the utterly corrupt tsarist bureaucracy raided the Treasury and despoiled the working population. The Kerensky régime naturally was not fit to bring about any change in this matter.

There followed on the imperialist war, after the October Revolution, the years of civil war and intervention. All the reserves of the country had to be drawn into the defence of the country, to the defence of the dictatorship of the proletariat. Only in 1921 was Wrangel defeated, in 1922 the Japanese troops driven out of the Far East, and the territory of the Soviet Union finally cleansed of the foes of the working people.

Socialist accumulation, therefore, could not really get under way until the end of the civil war. Its scope at first was extremely modest. Lenin, with the greatest pride, told the Fourth Congress of the

Communist International that "a little over 20 million gold rubles" had been appropriated for the development of heavy industry.[21]

But after the civil war had come to an end and the foundations of planned economy had been laid, the superiority of the Soviet system became clearly manifest. The rapid increase of production and of the national income—as we showed above—also guaranteed the rapid rate in the decisive spheres of accumulation. Whereas, under capitalism, accumulation comes more and more strongly up against the limited possibility of realisation of accumulated capital, the possibility of accumulation in the Soviet Union becomes the greater the richer socialist society grows. The following figures show this:

THE BASIC INDUSTRIAL FUNDS OF NATIONAL ECONOMY[22]
(*In milliard rubles, in 1933 prices*)

1925	*1928*	*1933*	*1935*	*1936*	INCREASE *1925-1936*
46.5	53.5	83.7	106.8	121.1	160 per cent

The yearly average of socialist accumulation for this decade therefore amounted to 14.5 per cent, *three to ten times that of the capitalist countries.*

This rapid accumulation was bound up with a far-reaching change in the whole character of the economy of the Soviet Union. The proletariat had taken over as a heritage from tsardom a *backward* (poverty-stricken, ruined) *agricultural country. In less than 20 years the Soviet Union has been turned into a leading industrial country.* This great change is shown by the following figures:

SHARE OF AGRICULTURE AND INDUSTRY IN TOTAL PRODUCTION[23]
(*In per cent*)

	1913	*1937*
Agriculture[24]	59.4	22.6
Industry	40.6	77.4

Completely new branches of industry were created: machines formerly imported are now produced within the country, and even exported.[25]

Joseph Stalin, in his report to the Seventeenth Party Congress of the Communist Party of the Soviet Union, made a special reference to the years 1930-1933:

New branches of industry have been created, *viz.*, machine tools, automobile, tractor, chemical, motor-construction, aeroplane construction, combine-harvesters, powerful turbines and generators, high-grade steel, ferro-alloys, synthetic rubber, nitrates, artificial fibres, etc., etc.

During this period thousands of new up-to-date industrial enterprises have been built and started. Giants like the Dnieprostroy, Magnitostroy, Kuznetskstroy, Chelyabstroy, Bobriki, Uralmashstroy and Krammashstroy have been built. Thousands of old enterprises have been reconstructed on the basis of modern technique. New enterprises have been built and industrial centres have been created in the national republics and in the border regions of the U.S.S.R.: in White Russia, in the Ukraine, in the North Caucasus, in Transcaucasia, in Central Asia, in Kazakstan, in Buryat Mongolia, in the Tatar Republic, in Bashkiria, in the Urals, in East and West Siberia, in the Far East, etc.[26]

The development of industry in the bourgeois agrarian countries is always effected with the aid of foreign capital. The development of industry is paid for by the workers at home being delivered over to foreign capital for exploitation. It is different in the Soviet Union. Without foreign loans, without giving the slightest possibility to foreign capital to exploit the workers of the Soviet Union, in 15 years the transformation of the Soviet Union from a backward agricultural country into a modern highly industrial country has been completed.[27]

Accumulation is the pre-condition for a rise in the productivity of labour. The Soviet Union, far outstripping the capitalist world in the rate of accumulation, thereby lays the foundation also for a superiority in productivity of labour, which Lenin regarded as of decisive significance in the fight between the two systems.

But it is not merely a question of the much more rapid rate of accumulation: it is far more a question of the changed character of accumulation. Capitalist accumulation is a double process. Up to a certain stage it is the level of the cyclical rise of capitalist economy. Beyond a certain stage, when new investments are partly completed and the newly-built works begin to throw on the market goods which find no sale as a result of the limited power of consumption of capitalist society, accumulation lets loose the crisis. This brings not only an interruption in accumulation but also a destruction of values

already accumulated. Thus capitalist accumulation periodically turns into its opposite, the destruction of capital.

Socialist accumulation is accomplished in a planned way, free from internal contradictions of any kind. In accordance with the yearly accumulation, the type of factory to be built is determined by planning. Parallel with the progress of accumulation, the productivity of labour, production and consumption are also increased. No internal, social barriers stand opposed to this comprehensive advance, in contrast to capitalism with its internal contradictions between the social character of production and the private character of appropriation, which periodically lead to crises.

Our Soviet society succeeded in achieving socialism, in the main, and has created a socialist order, i.e., has achieved what is otherwise called among Marxists the first or lower phase of communism, that is socialism.

It is known that the fundamental principle of this phase of communism is the formula: "From each according to his abilities; to each according to his deeds." [28]

The class struggle does not stop during socialism; it takes on other forms and becomes sharper the greater the success of the dictatorship of the proletariat in building up socialism—the first phase of communist society—success which aggravates the despairing resistance of the enemies of socialism. The dictatorship of the proletariat overcomes the despairing resistance of the remnants of the class enemy smashed by the revolution who do not balk at any means in their counter-revolutionary struggle, and who take up criminal, hostile connections with the leading military circles of the fascist countries. These dark forces can still, in spite of their futility, do harm to some sections of socialist construction, but they are not in a position to hold up the victorious and uninterrupted growth of socialism.

This progress leads us to communism, in which the social productivity of labour will be so high that each one will work according to his abilities and will consume according to his needs.

Chapter II: DEVELOPMENT OF THE MATERIAL FORCES OF PRODUCTION UNDER CAPITALISM AND IN THE SOVIET UNION

WHEN NEWLY accumulated capital begins to function in the sphere of production,[1] then both constant and variable capital, both fixed and circulating capital of society are increased. This increase however does not take place in the same proportions as those in which the capital of the given branch of production was hitherto distributed. On the average, the organic composition of the newly invested capital is as a rule higher than the previous average; the new *c* (constant capital) is relatively larger, *v* (variable capital) smaller: the share of fixed capital is larger, of circulating smaller. The increase in the organic composition of capital is synonymous with technical progress, with the increase in the productivity of labour.

The determining rôle in the growth of the material forces of production (in distinction to human labour power as a productive force) is played by *fixed* capital, means of production proper: machines, apparatus, tools, buildings, etc. If we then put the question, *How have the material forces of production of capitalism developed in the twenty years of its general crisis,* we must first of all examine the development of fixed capital.

Here we have to note that Lenin's thesis on the restrictive influence of monopoly in the development of the forces of production was falsified by various Trotskyists, who afterwards turned traitors to socialism and to their own country. Against Lenin's revolutionary teachings about decaying capitalism, they put forward their own counter-revolutionary theory of stagnation, of the crippling of capitalism. In his work, *Imperialism, the Highest Stage of Capitalism,* Lenin wrote:

> It would be a mistake to believe that this tendency to decay precludes the possibility of the rapid growth of capitalism. It does not. In the epoch of imperialism, certain branches of industry, certain strata of the bourgeoisie and certain countries betray to a greater or less degree, one or another of these tendencies. On the whole capitalism is growing far more rapidly than before, but it is not only that this growth is becoming more and more uneven; this unevenness manifests itself also, in particular, in the decay of the countries which are richest in capital (such as England).[2]

This is closely bound up with Lenin's fundamental conception that imperialism is only a "superstructure" on capitalism; that there is no "pure imperialism"; that competition remains in spite of monopoly. He definitely rejects as anti-Marxist both the all-embracing "general cartel" of Hilferding, as well as the Bukharinite idea of "organised capitalism."

Insofar as competition exists, however, there exists also the effort to lower the costs of production by the introduction of technical innovations.

Actually, in the post-war period, particularly in the years between the first and second economic crises, there was a very significant technical advance, a very considerable development of the forces of production.

On this the *Theses* of the Sixth Congress of the Communist International state:

> There is not the slightest doubt that considerable progress has been made in the technique of industry in a number of capitalist countries. In some countries (United States, Germany), it has assumed the character of a technical revolution. The gigantic growth in the employment of internal combustion engines, electrification, the development of the chemical industry, the new methods of producing synthetic fuels and raw materials (benzine, artificial silk, etc.), the employment of light metals, and the extensive development of automobile transport on the one hand, and the new forms of organisation of labour, which is linked up with the extraordinarily rapid development of the conveyor belt system, on the other, have revived the productive forces of capitalism.[3]

In the years since the outbreak of the economic crisis of 1929, when the preparations for the new world war have been going on at an ever more rapid rate, technical advance has undergone a certain modification. *The military point of view has become of decisive importance.* There has been a development of whole branches of industry of military importance with the aid of state subsidies, as for example, "civil" aviation, extraction of petrol from coal, production of synthetic rubber, artificial wool and other textiles.[4]

In the years of the depth of the crisis when mass unemployment was particularly great, technical advance was restricted in various ways. In many cases the authorities forbade the utilisation of machines (in

public works, at the harvest) so as to create opportunities for work for more workers. The fact that a large part of the existing plants was not utilised, coupled with low wages, made the introduction of new technical inventions less profitable for capital. It is in correspondence with the two-sided character of the capitalist mode of production that just because unemployment is very great and therefore wages very low, it was just those technical innovations *which saved a great deal of labour,* which were introduced.[5]

Finally, in the years of revival and of upturn, 1935-1937, when there was once again a temporary shortage of goods in important branches of industry, technical advance—apart from the military drive—was accelerated by the endeavour on the part of capital to throw as large an amount of goods on to the market as possible while trade was good.

What, then, is the quantitative result and the rate of the development of the material productive forces in the post-war period, in comparison with the development of the productive forces in the Soviet Union?

No comprehensive answer can be given to this question, as the productive forces cannot be reduced to a common denominator.[6]

We are given a glimpse of the answer in the following table, where industrial production is divided into production of means of production (Division I) and into production of means of consumption (Division II).

INDEX OF INDUSTRIAL PRODUCTION (1929 =100)[7]

	1927		*1932*		*1936*	
	I	*II*	*I*	*II*	*I*	*II*
Soviet Union	62	65	213	156	486	286
U. S. A.	83	95	28	76	82	95
Germany	104	105	34	76	113	99
Poland	82	98	42	64	72	78

Thus while the production of the means of production in the Soviet Union grew eight-fold in ten years, in the big capitalist countries, for which we have such statistics, it remained at about the same level.

This development in the Soviet Union was conducted in a planned way. The chief task was first of all the creation of a strong base in heavy industry (machines, fuel, electricity, metal, tractors, automobiles, aeroplanes and other products) to serve as a foundation for the development of economy and the consolidation of the defence power of the country. The production of goods for mass consumption was also developed, but at a considerably slower rate than the above mentioned branches of production.

We are told—said Stalin—this is all very well, many new factories have been built, the foundations of industrialism have been laid. But it would have been far better to have abandoned the policy of expanding the production of means of production, or at least, to put that business in the background in order to produce more calico, boots, clothes and other articles of general use. Fewer articles of general use have been produced than are required, and this creates certain difficulties.

But then, those who say this should know and take into account what a policy of pushing the task of industrialisation into the background would have brought us to. Of course, out of the one and half milliard rubles in foreign currency that we spent on purchasing equipment for our heavy industry, we could have set apart half for the purpose of importing raw cotton, hides, wool, rubber, etc. We would then have had more calico, boots and clothes. But then we would not have had a tractor and an automobile industry, we would not have had anything like a big iron and steel industry, we would not have had metal for the production of machinery—and we would have been unarmed in the midst of a capitalist environment which is armed with modern technique. We would then have deprived ourselves of the possibility of supplying tractors and agricultural machinery to our agriculture—which means that we would have been left without bread. We would then have deprived ourselves of the possibility of achieving victory over the capitalist elements in the country—which means that we would have immeasurably increased the chances of the restoration of capitalism. We would have deprived ourselves of all the modern means of defence without which the political independence of the country is impossible, without which a country is transformed into a field of military operations of foreign enemies. Our position would then have been more or less analogous to the present position of China, which has no heavy industry, has no war industry of its own and which is pecked at by everybody who cares to do so.

In a word, in that case we would have had military intervention, not pacts of non-aggression, but war, dangerous and fatal war, sanguinary and unequal war; for in that war we would have been almost unarmed in the face of the enemy, who has all the modern means of attack at his disposal.[8]

After the task of constructing a heavy industry embracing all branches was solved, it was possible rapidly to build up industry producing consumers' goods. Whereas in the period of the First Five-Year Plan (1928-1932) new factories producing consumers' goods to the value of 2.5 milliard rubles were started, in the first three years (1933-1935) of the Second Five-Year Plan alone, this figure amounted to 5.2 milliard rubles, i.e., more than double.

The general measure of the development of the material productive forces is the production of energy, and in the present period especially the development of the production of *electrical* energy.

PRODUCTION OF ELECTRICAL ENERGY
(*In milliard kilowatt hours*) [9]

	1913	*1919*	*1925*	*1929*	*1932*	*1934*	*1935*	*1936*	*1937*
World (exclusive of Soviet Union)	..	..	..	270	254	291	..	..	..
Soviet Union	2 [10]	..	3	6	13	21	26	33	40.5
U. S. A. (public utilities)	18 [11]	39	66	97	83	91	99	118	..
Germany (public utilities)	..	..	21	31	23	31	37	42	50
England (public utilities)	..	..	8	12	14	17	19	..	..
Japan	..	..	8	13	16	20	22	24	27

The rate of development was far more rapid in the Soviet Union than in any other country: in the ten years, 1925-1935, production has grown by more than eight times compared with an increase of two to three times in England and Japan.

Next to the production of electricity, production in the machine industry is the most important symptom of the development of the productive forces. The machine industry of the capitalist world is chiefly concentrated in the United States and in Western Europe—England, Germany, France. These four countries have 90 per cent of the machine production of the capitalist world. It is difficult to make any comparison, owing to the lack of current data of production, and particularly owing to the fact that *the productive capacity of the same kind of machines is enormously raised by technical innovations.* A 1936 motor is quite different from a motor of the year 1917. But it is possible to establish this much, that post-war machine production in France and Germany moves about the same level as pre-war.

INDEX OF PRODUCTION IN MACHINE INDUSTRY (1928 = 100) [12]

	SOVIET UNION	U.S.A.	ENGLAND (*including shipbuilding*)	GERMANY (*sales*)	FRANCE (*including shipbuilding*)
1913....	43.1	....	....	106.3	72.5
1929....	135.3	118.8	107	100.9	113.8
1932....	439.0	14.9	78.3	38.2	69.6
1936....	1,196.8	104.1	129.7	98.3	72.5

These figures do not show *directly* the development of the productive forces of the given countries, as a big proportion of the machine production of the capitalist countries is exported, whereas the Soviet Union is still importing more machines than she exports; but they do show *the tremendous growth of the productive forces in the Soviet Union, and how moderate their development is in the largest capitalist countries.*

The development of the productive forces in the different branches of industry is extremely unequal.

A number of important branches of industry have arisen only in the last twenty years. Among these are:

PRODUCTION OF THE CAPITALIST WORLD [13]

	1913	*1929*	*1935*	*1936*
Automobiles in 1,000's	....	6,214	5,057	5,850
U. S. A.	485	5,358	3,947	4,456
Aeroplanes in 1,000's	0.9	14	16	21
Refrigerators in 1,000's, U. S. A.	....	840	1,590	2,080
Tractors in 1,000's	15 [14]	229	161	227
Combines U. S. A. in 1,000's	0.2	4.0	3.9	17
Aluminium 1,000 tons	64	273	232	329
Artificial silk 1,000 tons	16	196	456	....
Cellulose 1,000 tons	4,339	9,892	10,311 [15]	....
Artificial wool 1,000 tons	....	4	60	140

But also, in many "old" branches of industry there has been a big technical advance. For example, the extraction of coal has been extensively mechanised. (See table on p. 34.)

Even in the textile industry there has been a development of productive forces. It is true that the number of cotton spindles decreased, particularly in the leading industrial countries (United States, England, Germany). But the productive capacity of textile machinery was

considerably raised by further mechanisation, so that in the most up-to-date American factories one worker can look after dozens of machines.

AMOUNT OF COAL EXTRACTED BY MECHANISED MEANS [16]

(In per cent)

	1913	*1926*	*1929*	*1933*	*1934*
U. S. A.	51	71	75	80	...
England	8	22	28	42	47
Germany	2	66	91	96	97

The most backward branch of industry, as a result of land monopoly, is unquestionably agriculture, which in large areas has fallen into decay as a result of the agrarian crisis of the post-war period. But this does not exclude the fact that important technical innovations have been introduced into *agriculture organised on a capitalist basis* in the post-war period. Tractors and combines were first used extensively in America in the post-war period.

But all these data show clearly that there can be no talk of stagnation or even of a crippling of the productive forces of capitalist world economy in the period of the general crisis. The development of the productive forces goes on even if the rate is slowed down, even if it is extremely unequal both according to countries and branches of industry, and although it is seriously deflected by war preparations. The general crisis of capitalism is not expressed in the stagnation of the development of the forces of production, but in the inability of capitalism to use the existing forces of production which are continuously increasing under the pressure of competition, as we will show in detail in Chapter IV.

The development of the productive forces in the Soviet Union in the post-war period, and particularly in the last ten years, has leaped forward in a way unexampled in world history. In point of fact practically the whole of the productive apparatus of Soviet economy was reconstructed from its foundations or newly constructed. The following figures show this development:

PRODUCTION OF THE MACHINE INDUSTRY [17]

(In million rubles, at 1926-1927 prices)

1913	*1924*	*1928*	*1932*	*1935*	*1936*
748	530	1,735	7,616	15,049	20,764

The following table shows even more clearly the leap forward in the construction of machinery in the industry of the Soviet Union:

RENEWAL OF MACHINERY IN THE INDUSTRY OF THE SOVIET UNION

	TOTAL NUMBER OF MACHINES	PER CENT OF MACHINES CONSTRUCTED		
	Sept. 15, 1934	*Before 1917*	*1918-1928*	*1929 to Sept. 15, 1934*
Boilers (excluding domestic boilers) according to heating surface (in 1,000 cubic metres)	3,270.9	33.3	18.2	48.5
Steam turbines, Number	1,671	23.4	17.4	59.2
Capacity (in 1,000 kw.)	4,990.1	9.9	13.1	77.0
Diesel motors, Number	4,502	20.6	22.5	56.9
Capacity (in 1,000 kw.)	477.6	23.8	19.3	56.9
Electric generators, Number	16,988	17.1	21.8	61.1
Capacity (in 1,000 kw.)	6,264.9	11.1	14.5	74.4
Compressors	11,834	15.8	16.9	67.3
Transport conveyors	32,993	15.9	13.6	70.5
Electro-cars	1,781	0.4	5.6	94.0
Electric locomotives (narrow-gauge)	795	10.8	11.1	78.1
Locomotives (narrow-gauge)	784	6.7	8.6	84.7
Pneumatic drills	2,066	0.1	15.4	84.5
Excavators	553	5.6	8.2	86.2
Cutting lathes	231,680	23.1	17.6	59.3
Electric welding apparatus	13,762	0.5	6.0	93.5
Saw frames	3,889	22.0	24.4	53.6
"Furko" machines for glass factories	241	...	12.0	88.0
Electrically driven looms	249,137	78.5	9.4	12.1
Of which, automatic	19,524	9.8	38.3	51.9
Knitting machines for stocking manufacture (electrically driven)	16,299	5.1	20.3	74.6
Stockinet machines for clothes and underwear	12,216	9.9	28.0	62.1
Sewing machines	106,600	8.0	19.8	72.2
Sewing machines for shoe manufacture	748	6.6	17.3	76.1
Special presses for the shoe industry	290	7.3	28.9	63.8
Special machines for the food industry	2,979	4.8	20.7	74.5

This table shows us that, even in 1934, only in the textile industry was the machinery taken over as a heritage from pre-revolutionary times of any importance; in all other kinds of machinery, the decisive

rôle is played by machines installed between 1929 and 1934, while the machinery of pre-revolutionary times plays but a very small part. But three more years have passed since then, during which the machine construction industry of the Soviet Union has produced additional new machines to the value of about 50 milliard rubles, so that the relative importance of the old machines is considerably smaller, so small as to be almost negligible.

The following table shows us the rapid rate of the development of the productive forces in the Soviet Union in relation to industry as a whole.

PRODUCTION BY NEW FACTORIES IN 1936

(In per cent of the total production of the branch of industry concerned)

Whole of industry	75.4
Production of means of production	87.4
Production of means of consumption	55.2
For the most important branches:	
Electric power stations	90.8
Chemicals	95.2
Iron founding	96.6
Nonferrous metals	76.6
Machine construction	88.3
Manufacture of lathes	93.7
Agricultural machinery	95.3
Tractors	100.0
Automobiles	100.0
Wood working	91.2
Meat industry	94.3
Canning	98.5

Three-quarters of the industrial production of the U.S.S.R. is accounted for by factories either completely reconstructed or newly built by Soviet power.

We see that at the beginning of 1936, in values, almost 80 per cent of the factories were completely reconstructed or newly constructed, and 42½ per cent newly constructed; if we include the factories newly constructed in 1936 and 1937, then half of the Soviet factories consist of those constructed in the last ten years. It is clear that the slogan of the Bolshevik Party "to catch up and surpass" the most advanced capitalist states will be accomplished within a measurable space of time at this rate of the development of the productive forces.

The leap forward in the development of the productive forces in agriculture in the Soviet Union is even greater. We want here to give only the new machines introduced into agriculture.

TRACTORS, COMBINES AND MOTOR LORRIES IN THE AGRICULTURE OF THE SOVIET UNION

(In thousands, on October 1st of each year)

	1924	*1928*	*1932* [18]	*1936*
Tractors	2.6	26.7	125.3	440.4
Combines	..	..	6.4	87.5
Motor Lorries	..	0.7	5.8	63.6 [19]

But the development of the productive forces in agriculture is by no means limited to this introduction on a mass scale of the most up-to-date machines; it is carried through along the whole line, on the basis of the thoroughgoing collectivisation of peasant agriculture. The traditional bad wooden plough, the "socha," of which in 1910 there were 8.1 million, and in 1928 there were still 4.6 million in use, has completely disappeared and has been replaced by steel ploughs, and by 1936 half of the ploughing was already being done by tractors. All kinds of agriculture machinery have been extensively replaced and augmented by new and improved machines. The development of the productive forces in the agriculture of the Soviet Union is leaping forward even more than in industry.

While, therefore, in the capitalism of the post-war period the development of the productive forces has been retarded, while technical advance goes forward largely under the stimulus of the armament fever, and—what is of decisive importance—capitalism has become unable fully to use the existing productive forces, in the Soviet Union the productive forces are developing with geometrical progression, the possibilities of production are fully utilised and encounter no kind of social obstacle to further advance. Thus from year to year the superiority of socialism over capitalism becomes clearer to the working people of the whole world.

Chapter III: INDUSTRIAL PRODUCTION UNDER CAPITALISM AND IN THE SOVIET UNION

THE DEVELOPMENT of industrial production in the post-war period shows the superiority of the Soviet system over capitalism just as clearly as the development of accumulation and of the productive forces. The general basis for the retarded development under capitalism is the *restricted nature of the capitalist market.* (We will deal with this in detail in Chapter VII.) The narrow limits set by the power of society to consume on the sale of the goods of Division II [1] and—since the means of production can serve no other purpose than the production of the means of consumption—also on the sale of the goods of Division I, are the cause both of the slow development of industrial production [2] and of accumulation in capitalism; for no capitalist can produce for long if he does not find any sale for his goods, and the drive to accumulation must be diminished if the already existing productive plants cannot be fully utilised.

Let us see how industrial production has developed in the whole period of the general crisis of capitalism, taking 1913 as our starting point.

INDEX OF THE VOLUME OF INDUSTRIAL PRODUCTION (1928 = 100)

	CAPITALIST WORLD [3]	SOVIET UNION
1913	73	65
1936	*100*	*486*
Increase	27	421
Increase (per cent)	37	648
Percentage increase per year	1.6	28.2

One and a half per cent yearly increase of industrial production in the capitalist world; 28 per cent yearly increase in the Soviet Union!—that is the result of the period since 1913! This one result is sufficient to display the superiority of the Soviet system over capitalism.[4] When we consider that the population of the capitalist world during these 23 years has grown by about 15 per cent [5] and that at the present time a far larger part of production serves military purposes, then we find that *the provision of industrial products for the population of the capitalist world is scarcely more in 1936 than in 1913.* The great technical advance, the great rise in the productivity of labour has hardly

improved this provision; the possibility, for the population, especially for the proletariat, to provide itself with the products of industry was no better in 1936 than in 1913.

The historical obsolescence of the capitalist system is shown clearly in the greatly retarded rate of development of industrial production compared with the pre-war period. If we contrast the 23 years that have passed since the outbreak of the war, with a similar length of time before the war, we get the following picture:

INDEX OF THE INDUSTRIAL PRODUCTION OF THE WORLD

1890	43
1913	100
Yearly increase in per cent	5.8

The yearly increase in industrial production has fallen from 5.8 per cent, pre-war, to 1.6 per cent in the post-war period.

The retardation of the rate of the development of industrial production and simultaneously its growing unevenness according to countries is shown in the following table:

CHANGES IN THE INDEX OF THE VOLUME OF INDUSTRIAL PRODUCTION (*In per cent*) [6]

	U.S.A.	ENGLAND	GERMANY	FRANCE	CAPITALIST WORLD [7]
1897-1913 (16 years)	100.0	35.1	79.5	58.7	81.8
1913-1929 (16 years)	69.8	—0.9	3.0 [8]	38.0 [8]	46.6
1929-1937 (7 years)	—11.9	16.1	6.3	—29.7	—4.4

The objection naturally can be raised and is raised by bourgeois pacifists and certain Social-Democrats that this small advance in industrial production in the capitalist world in the post-war period is due to the World War (as though the blame falls on the errors of politicians) and not to capitalism.[9] Against this it is enough to refer to the fact that the World War was no "accidental" occurrence, but necessarily arose out of the drive of the bourgeoisie of the imperialist robber countries towards a re-division of the world. This is proved best by the fact that, in spite of the terrible sacrifices of the World War, the war for the re-division of the world is now going on (robbery of Manchuria by Japan, Italy's raid on Abyssinia, German-Italian intervention in Spain, German seizure of Austria and Czechoslovakia, Japan's

war on China). Only the firm will to peace on the part of the Soviet Union, fear of the strength of the Red Army and of the proletarian revolution in their own country have been able up to now to prevent these "small" wars from developing into a general world war.

However, even if we eliminate the period of the World War and the years immediately following, and begin the comparison between the capitalist world and the Soviet Union with the year 1920, the result is hardly any better for capitalism.

INDEX OF THE INDUSTRIAL PRODUCTION OF THE SOVIET UNION AND THE CAPITALIST WORLD (*1928 = 100*)

	SOVIET UNION		CAPITALIST WORLD [10]	
	Index	*Yearly Changes (In per cent)*	*Index*	*Yearly Changes (In per cent)*
1920	9	...	71	...
1921	13	44.4	63	— 11.3
1922	17	30.8	75	19.0
1923	25	47.1	82	9.3
1924	30	20.0	84	2.4
1925	49	63.3	90	7.1
1926	70	42.9	91	1.1
1927	80	14.3	97	6.6
1928	100	25.0	100	3.1
1929	126	26.0	105	5.0
1930	163	29.4	92	— 12.4
1931	204	25.2	79	— 14.1
1932	233	14.2	66	— 16.5
1933	253	8.6	75	13.6
1934	305	20.6	81	8.0
1935	372	22.0	90	11.1
1936	486	30.6	100	11.1
1937 (Plan)	583	21.3	114 [11]	...
Average annual change (in per cent) for 1921-1936	...	29.0	...	2.7

On a yearly average, industrial production in the Soviet Union has risen by 29 per cent since 1920; in the capitalist world by 2.7 per cent.

The rate of increase in production in the Soviet Union was ten times as fast as in the capitalist world.

If we examine the figures in the table given above, we see that production in the Soviet Union *has risen every year without exception,* whereas in the capitalist world, corresponding to the cyclical movement

of reproduction, it has fallen in four out of the 16 years and risen only in 12. In the Soviet Union too, the increase in production is not quite even; it was particularly large in the years 1921-1925, in the so-called "reconstruction period," when pre-war plants which had gone out of operation during the war and post-war periods were once more put into operation. The rate became slower when the extension of production demanded the construction of new factories and became more rapid when a large number of the planned newly built factories started to work. Here it must be emphasised that the *absolute* yearly increase in production naturally becomes greater year by year with an *equal percentage increase.*

At the same time this table shows the complete independence of the development of the economy of the Soviet Union from the cyclical movement of production in the capitalist world. In the years 1930-1932, when the *industrial production of the capitalist world went back 38 per cent, that of the Soviet Union rose by not less than 81 per cent.*

In the light of these figures, the "theory" of the counter-revolutionary Trotsky and his like—according to which Soviet economy is "subjected" to capitalist economy, is "regulated" by it—is shown to be mere humbug.

The increase in production in the Soviet Union would without doubt have been still more rapid if the construction of socialism had not had to be carried on in a constant fight with counter-revolutionary forces at home and abroad. With the victory of the proletarian revolution, with the seizure of state power, with the defeat of the armed counter-revolution and foreign intervention, the struggle of the ex-ruling classes against the new order of society is far from being ended. The dispossessed ruling classes do not give up the fight so easily, particularly since they enjoy the active support in all manner of ways of the still ruling classes in the capitalist world. Their fight took on the form of the sabotage of economic construction: the Schachty trial and particularly the trial of the Trotskyist "Parallel Centre" showed clearly how criminal elements, until very recently, made desperate attempts to put obstacles in the way of victorious socialist construction.

An even more important obstruction to a more rapid development of production in the Soviet Union is the expenditure on armaments forced by capitalist encirclement and particularly by the aggression of the fascist war-mongers. While in capitalism, under certain circum-

stances and up to a certain point, armaments have the effect of extending the market and thereby furthering production, for the Soviet Union, where there is no market problem, it means a reduction of industrial production, as some of the finest of the youth are taken away from productive work by being called up for the army.

The rate of the rise in the industrial production of the Soviet Union up to now—about 28 per cent per year—by no means signifies the highest limit for socialist society in general. If it had not been for the hard heritage of tsarism, the low cultural level of the overwhelming mass of the working population; if a large part of the most skilled workers had not fallen in the fight with the ruling classes; if the kulaks had not done agriculture such severe damage in the fight against collectivisation; if there had not been sabotage by wreckers of all kinds; if the need to defend the socialist fatherland did not draw such a significant number of the best labour forces away from productive work, etc.—then production in the Soviet Union would have risen at a far, far more rapid rate than has actually been the case. When we consider all this, it is clear that the possibility of the increase of production in a socialist society extending over the whole world is practically limitless.

In contrast to the Soviet Union, the rate of the development of industrial production in capitalism shows a tendency to fall.

The reason why production in the capitalist world is going on at an ever slower rate is the relatively increasing narrowness of the capitalist market. The accumulation of capital is greater than the possibility of extending sales; and hence the non-utilisation of productive plants, which is characteristic of the period of the general crisis.

In comparison with the Soviet Union, we gave above the development of industrial production in the capitalist world as a whole. But within this there are *tremendous inequalities* between individual countries, as the following figures show:

INDEX OF INDUSTRIAL PRODUCTION (*1913 = 100*) [12]

	U.S.A.	ENGLAND	GERMANY [13]	FRANCE [13]	JAPAN
1920	126	100	55	62	157
1929	173	101	103	140	297
1932	93	77	62	96	291
1936	152	107	109	98	449

We see that the great European industrial countries at the present time are more or less on the same level of industrial production as a quarter of a century ago! The increase in industrial production of the capitalist world is due to the industrial development of the non-European countries, above all, naturally the United States.

We also see just as great inequalities in the development of separate branches of industry. Whereas the production of the "old" industries, as they are called, has scarcely risen above the level of 1913, there are "new" branches of industry which have leapt rapidly forward.

PRODUCTION OF THE CAPITALIST WORLD [14]

"OLD" BRANCHES OF INDUSTRY

	COAL AND BROWN COAL	IRON	STEEL	SHIPBUILDING	CONSUMPTION OF COTTON
	(*In million tons*)			(*In million registered tons*)	(*In million centners*)
1905-1913	1,133	63	57	2.5	14
1914-1918	1,252	66	73	2.9	12
1919-1923	1,228	56	64	4.4	41
1924-1929	1,398	80	95	2.2	51
1930-1932	1,186	57	66	1.7	45
1933-1936	1,149	55	80	1.2	46
	Index (*1913 = 100*)				
1905-1913	85	80	75	75	89 [15]
1914-1918	96	83	96	87	85
1919-1923	92	71	84	132	83
1924-1929	104	101	124	69	104
1930-1932	89	72	86	51	92
1933-1936	86	72	104	36	94

"NEW" BRANCHES OF INDUSTRY

	PETROL	ALUMINIUM	NITROGEN	ARTIFICIAL SILK	AUTOMOBILES
	(*In million tons*)	(*In thousand tons*)		(*In thousand tons*)	(*In 1,000's*)
1905-1913	40.2	35	178	16	263
1914-1918	64	96	459	....	1,241 [15]
1919-1923	104	114	566	32	2,534
1924-1929	162	210	1,090	123	4,957
1930-1932	169	211	1,555 [16]	218	3,037
1933-1936	201	213	....	381	4,302

Index (1913 = 100)

1905-1913	78	56	51.5	100	46
1914-1918	123	151	133	....	214 [15]
1919-1923	202	180	163.5	196	438
1924-1929	314	332	315	759	858
1930-1932	328	334	449 [16]	1,348	525
1933-1936	390	338	....	2,351	743

These tables show the tremendous inequality of development as between the "old" and "new" industries. The production of coal, iron, steel and ships, the consumption of cotton throughout the whole period of the general crisis of capitalism moves about the pre-war level; production in the new branches of industry has risen rapidly to twenty times that of pre-war.

As a result of the rapid leap in the development of industrial production in the Soviet Union and the stagnation in most of the big industrial countries, the Soviet Union is overtaking the capitalist countries one after another.

PLACE OF NATIONAL ECONOMY OF THE U.S.S.R. IN WORLD ECONOMY

	1913		*1936*	
	IN THE WORLD	IN EUROPE	IN THE WORLD	IN EUROPE
Total production of industry	5	4	2	1
Machine building	4	3	2	1
Agricultural machinery	5	3	2	1
Tractors	None	None	2	1
Combines	"	"	1	1
Automobile industry	"	"	6	4
Of which, motor lorries	"	"	2	1
Power stations	15	7	3	2
Coal	6	5	4	3
Iron ore	5	4	2	1
Steel	5	4	3	2
Copper ore	7	3	6	1
Aluminium	None	None	3	2
Gold	4	1	2	1
Superphosphates	16	13	3	1
Beet sugar	2	2	1	1

There can be no doubt whatever that during the fulfilment of the Third Five-Year Plan (1938-1942), the Soviet Union will carry off

the first place among all the countries of the world in industrial production. The outbreak of the next cyclical economic crisis will further hasten this process of "passing and surpassing the technically most advanced capitalist countries."

If we compare the movement of accumulation and the development of the productive forces of the capitalist world since pre-war times with industrial production, we see that the latter considerably lags behind the former: the yearly rate of accumulation amounts to about 4 per cent, increase in industrial production to 1.5 per cent. From this disproportion arises the growing non-utilisation of productive plants in the capitalist world, to which we now turn.

Chapter IV: NON-UTILISATION OF FIXED CAPITAL UNDER CAPITALISM; COMPLETE UTILISATION OF PRODUCTIVE PLANTS IN THE SOVIET UNION

THE BOURGEOISIE is incapable of utilising the material productive forces which it has created. This is one of the most important features of the general crisis of capitalism; it shows with complete clarity that the capitalist system of society has become a fetter on the development of productive forces.

That this is no accidental phenomenon, but follows of necessity from the inner development of capitalism is self-evident. Consequently the chronic non-utilisation of productive capacity and chronic mass unemployment appear in their most acute form in those countries in which capitalism has reached its highest development: the United States, Germany and Great Britain. It is therefore impossible for bourgeois science in these countries simply to pass over these facts in silence. But in so far as it does busy itself with this question it tries to belittle, to suppress as far as possible the extent of the excess of fixed capital. We must therefore deal in greater detail with the statistical side of this question and expose the apologetics of the bourgeois "scientists."

A classical example of bourgeois apologetics is the book of the Brookings Institution of the United States, which enjoys a world reputation in bourgeois science, on the question of the degree of the utilisation of the capacity of production of American industry.[1] In spite of the apologetic character of this book, however, the data in the book—if we make the necessary methodological corrections—give a pretty clear picture of the amount of unused fixed capital in the United States. For this purpose we must examine first of all the methodology of this work:

a) As the basis for determining the degree of utilisation the *period of the greatest prosperity* in American industry, the years 1925-1929, is taken. This is absolutely wrong, methodologically. In order correctly to determine the degree of the utilisation of the capacity of production, a whole cycle from crisis to crisis must be taken as the basis, not merely the phase of prosperity.

b) Those enterprises which lay completely idle in 1929 are left out

of account in determining the capacity of production. The reason given for this is that enterprises which did not produce in the boom period must obviously have been "obsolete," not capable of competing. This is an unproven supposition! There are numerous cases in which monopoly does not keep workable factories employed in order not to allow supply to exceed the amount they consider desirable.

The way in which "commercially obsolete" factories are left out of account is completely unjustified. Factories thus designated are those which have become idle owing to changes in the direction of consumption.

Thus, for example, a certain amount of saw-mill capacity became obsolete with the shift from lumber to fire-proof materials for building construction. Woolen and cotton-textile mill capacity became obsolete with the growth of the silk and rayon industries.[2]

The following figures show the importance of the correction.

The capacity of the *idle* works in percentage of the aggregate capacity of shut-down and factories at work: [3]

BITUMINOUS MINES	ANTHRACITE COLLIERIES	COKE PLANTS	PETROLEUM REFINERIES	ELECTROLYTIC COPPER REFINERIES
17.2	3.4	44.0	5.2	0.0

c) In determining the productive capacity of any one of the branches of industry, all means are used so as to let these appear as small as possible. For this purpose the conception of *"practical capacity"* is introduced in contrast to "rated capacity." Essentially by "practical capacity" is understood utilisation *usual under capitalist conditions,* that is, utilisation which originated under the influence of the obstacles of the capitalist system. This is shown most clearly in the determination of labour time, which serves as the basis in calculating capacity.

Estimates of full-time capacity should be based on the hours per shift, shifts per day, and days per year established by local custom in the industry.[4]

This means that if, as a result of continuing deficiency in demand, the custom has been formed that only 250 days per year are worked in a shift in one branch of industry, then the production of these 250 days counts as "practical capacity." In this way the whole of the "min-

eral industry" as it is called, mining of all kinds, non-ferrous metallurgical works, as well as cement mills and coke ovens (with the exception of the factories lying idle) worked on an average 233 days per year during the 1925-1929 period.[5] This is made the basis for calculating practical capacity, *i.e., the superfluity of fixed capital is already anticipated in the determination of capacity!* In order to make this more plausible, correct and incorrect points are inextricably mixed.

It is correct that factories—quite apart from social relations—cannot work year in year out at full-time capacity. The process of production must be interrupted for shorter or longer periods according to the character of production, machinery must be overhauled and repaired, wornout parts exchanged, etc.

It is correct that individual branches of industry using agricultural raw material, fruit and vegetable canning, sugar factories, etc., cannot work throughout the whole year; it would be completely incorrect to calculate their yearly capacity on the basis of the simple multiplication of their production during the season.

But what do the gentlemen of the Brookings Institution do with this correct postulate? They transfer the same postulate in seasonal interruptions which are not of a technical or climatic character but which arise from capitalist conditions.

Let us take the example of bituminous coal mining. 308 days are taken as the full year's labour time: Sundays and holidays are not included. 265 working days are taken as the "practical" labour time, 265 shifts per year. On what basis? Nine days a year are lost owing to technical trouble in the works; no work is done on 34 days "owing to a seasonal reduction in demand."

> The seasonal discount does not, of course, extinguish the capacity: the investment survives through the days of seasonal idleness, piling up fixed charges. But as long as the seasonal pattern of demand persists the industry cannot expect to average more than about 265 days of operation under the most favourable conditions." [6]

It is clear that *the stoppage of production owing to "seasonal" reduction in demand is here nothing else than the form in which excess capacity appears!* This method of determining "practical capacity" conceals precisely what is being looked for, excess capacity.[7]

By using this method these gentlemen reach the conclusion that the superfluity of fixed capital at the present time is not larger than at the beginning of the century, that the utilisation of the capacity of production has not become worse.

But the actual excess of fixed capital is so large that—in spite of all these manipulations, in spite of the elimination of the factories lying idle, in spite of the fact that the production in *one* shift of *308* days in the year is taken as a basis for "full capacity" in general; and production on 230 to 260 days in the year as the "practical capacity"—a very large non-utilisation of the apparatus of production has to be admitted even in the prosperous period of 1925-1929.

CALCULATED UTILISATION OF PRACTICAL CAPACITY OF PRODUCTION
(*Per cent of full-time capacity*) [8]

	1925-1929
Mining	83.4
Manufacturing industry	80.0
Railway transport	50.0
Shipping	30.0

The result of the investigation is summed up as follows:

> How much plant capacity under practical conditions of sustained operation was utilised in the peak year 1929 or in the prosperous period 1925-1929?
>
> The answers to this question which come from the chapters on the several lines of production range from about 70 to 85 per cent. If we bring these together into a composite picture of industrial society working as an integrated whole, with reasonable allowance for failures of co-ordination, we arrive at a net estimate of 19 per cent as the amount of added production of which our industrial plant was technically capable under the conditions prevailing in 1929. This figure would need to be raised only about two per cent to measure the recoverable slack of the whole period 1925-1929.[9]

We will therefore for the moment stick to the fact that these gentlemen—in spite of all their efforts to extenuate the circumstances as far as possible—had to establish that more than one-fifth of the capacity of production in the economy of the United States remained idle in the boom period 1925-1929.

We want now to insert the most important corrections in more detail.

a) What interests us is the excess of fixed capital in the period of the general crisis in general, not during the years of particularly good business. In order to establish this, we have to extend the investigation to cover the following five years 1930-1934. This gives an almost complete ten-year industrial cycle.

As a basis we will take the index of industrial production of the Federal Reserve Board, whereby we presume that the level of the index of production and the degree of utilisation of capacity have a parallel development.[10]

INDEX OF THE FEDERAL RESERVE BOARD[11]

1925	*1926*	*1927*	*1928*	*1929*	*1930*	*1931*	*1932*	*1933*	*1934*
105	108	106	112	119	95	80	63	76	78

Average for five years *1925-1929*, 110. Average for five years *1930-1934*, 78.

DEGREE OF UTILISATION OF "PRACTICAL CAPACITY"

According to the calculation of the Brookings Institution 1925-1929.... 80
In proportion to the calculation of the Brookings Institution, 1930-1934 55
Ten-year average 1925-1934..... *67.5 per cent*

It results from this that in two five-year periods the degree of utilisation of "practical" capacity has sunk from 80 to 55 per cent. If we take the average of the two five-year periods we get a degree of utilisation of 67.5 per cent.

b) In order to come nearer to the truth, we must further include the capacity of the factories idle during the boom period, which were unjustifiably omitted from the calculations during the investigation. The book estimates the capacity of the factories lying idle in 1929 as 5 per cent of those at work.[12] In order to make allowance for the actually "morally outworn" factories we will take it as only 2½ per cent of the total capacity for the whole period. The degree of utilisation is thus reduced for the ten-year period from 67.5 to 65 per cent.

c) The most difficult to estimate is the difference between "practical" capacity and "full-time" capacity. It differs greatly according to the branches of industry. The two are the same in the extraction of oil, which from its very nature has to work day and night the whole year through. In coal mining the investigation takes 265 days of one shift as "practical" capacity and 308 days as "full-time" capacity. The difference amounts to 17 per cent. The same difference is adopted for the

cement industry (p. 125). In other branches of industry 52 weeks of 48 hours are taken as "practical" capacity (with certain deductions for seasonal slackness). In order to avoid any charge of exaggeration, we will take the difference between "practical" and full-time capacity at a *very low figure, merely 8 per cent.* With this the utilisation of capacity for the ten-year period 1925-1934 is reduced to 57 per cent.

d) But now comes the big question: can we regard 308 days of one shift per year as "full-time" utilisation of capacity, as has been adopted by the investigation for manufacturing industry in general? The practice of capitalist production shows that factories can work day and night in three shifts, if a profitable market is ensured for the goods! Why should 308 shifts per year serve as "full-time" capacity? There is no reason of a productive, technical nature, but simply the social reason of lack of markets. If we were to take two shifts per day as the measure of full-time capacity, the degree of capacity would be reduced to 28.5 per cent, with three shifts per day to 19 per cent.

Our investigation, even if we take 308 days of one shift as the basis of a working year, shows that in the ten years, 1925-1934, which includes the great period of prosperity in the United States, the utilisation of productive capacity amounted at most to 57 per cent but probably less than 50 per cent. Thereby the thesis that excess of fixed capital is characteristic of the period of general crisis, is proved by figures.

The German Institut fuer Konjunkturforschung likewise publishes a calculation of the utilisation of capacity of the industry of Germany in 1934 and in the first half of 1935.[13] The investigation comes to the conclusion that in 1934 "the productive plants of German industry" were used to about 60 per cent. For the first half of 1935, the degree of utilisation was reckoned at 63-67 per cent.

The method of calculation is the same as that of the Brookings Institution. In the words of the report:

> Methodological remarks. In the following, by capacity is meant the power of the factory to produce...
>
> In some cases it is extremely difficult to get comparable figures of productive possibilities for all factories and branches of industry. *Technical capacity ought not to be laid down once for all.* It is indeed conceivable that a factory is utilised to the utmost limits of its technique; but this is a rare exception. Part of capacity regularly serves as a reserve for cases of

disturbances in the factory of every kind (repairs, unequal supply of means of transport, accidents, unequal demand). But above all, full utilisation of technical capacity does not correspond *to the most favourable utilisation of the ability to produce according to costs.* Practice has shown that the optimum utilisation of capacity lies 10, 15, or even 20 per cent below the technical maximum. The following relative figures rely exclusively on *"economic capacity,"* which must be set at a given amount less than the technical capacity. Further the economic capacity must be laid down on a special scale for obvious seasonal and agricultural undertakings.

Idle factories could not be included in the figure of capacity mainly because the statistical material does not suffice to make it possible to establish whether a factory is permanently or temporarily lying idle. Apart from this in the peculiarity of the procedure for establishing new statistically valid units is to be found the reason why only those plants actually at work or ready for operations are taken into consideration.

It is clear that the same corrections must be applied to the calculation of the utilisation of capacity made by the Institut fuer Konjunkturforschung as were made for the calculations of the Brookings Institution. As, however, the figures are not published, a similar recalculation is impossible. By analogy with the United States calculations it is however obvious that the actual utilisation of capacity of the industry of Germany in 1934 was well under 50 per cent, if we take as a basis 308 working days of one shift.

The high degree of non-utilisation of the German apparatus of production is shown also in other German statistics: the percentage of labour hours worked in comparison with "labour hours capacity," i.e., the number of hours which are worked in "fully utilising" the 48-hour week. These statistics are only available since 1929; but as they include the boom of 1929 and the years of revival, 1935 and 1936, together with the years of crisis, they can be regarded as generally characteristic.

LABOUR HOURS WORKED IN PERCENTAGE OF LABOUR HOURS CAPACITY [14]

1929	*1930*	*1931*	*1932*	*1933*	*1934*	*1935*	*1936*
67.4	56.2	44.5	35.7	41.0	53.7	58.6	65.0

Average of 8 years—52.8 per cent

We see that in the almost complete cycle of 1929-1936 only about half of the possible labour hours were worked in German industry; half of the productive capacity remained unused.

We have no such calculations for England, but an examination of the index of production shows that the capacity of production in England which is unused must be even larger. The *Index* of industrial production of the London and Cambridge Economic Service gives the following picture for the post-war period (1913 = 100):

1920	100.2	1928	93.2
1921	67.6	1929	100.5
1922	80.9	1930	89.5
1923	88.8	1931	76.6
1924	90.0	1932	77.2
1925	88.6	1933	82.8
1926	68.5	1934	92.5
1927	98.6	1935	98.5

Average per year for 16 years—87.2.

These figures show us that the highest production in the post-war period was reached in 1929. The average production of 16 years *was 13.3 per cent lower than production in 1929.* But it is, however, well known that there was no real phase of prosperity in England before the 1929 crisis, that a large part of the apparatus of production was at that time lying idle, particularly in the "old" industries as they are called: coal mining, shipbuilding, textiles. Without fear of contradiction, we can take it that in 1929 at least 20 per cent of the fixed capital was not utilised, probably even more.[15]

We therefore get the result that the apparatus of production of English industry was utilised 67 per cent at the most, probably however, only 50 per cent (taking one shift per working day).

The following table (on p. 54) compares the year of highest production with the average of the years 1920-1935 (1914-1919 cannot be considered owing to the war) in some important branches of industry.

We see that the degree of utilisation is 46-49 per cent of the maximum production. In the year of highest production productive capacity was naturally not fully utilised [16] (perhaps with the exception of shipbuilding in 1920).

ENGLAND [17]

	EXTRACTION OF COAL (*In million tons*)		PRODUCTION OF CAST IRON (*In 1,000 tons*)		PRODUCTION OF STEEL (*In 1,000 tons*)		SHIPBUILDING (*In 1,000 registered tons*)		CONSUMPTION OF COTTON (*In million centners*)	
Maximum year's production	1913	287	1913	10,260	1935	9,842	1920	1,278	1912	24.8
Average production, 1920-1935	—	227	—	5,662	—	7,288	—	590	—	14.9
Average production in per cent of highest year's production	—	79	—	55	—	74	—	46.2	—	56

A somewhat higher degree of utilisation of productive capacity is shown by the following figures of France. But the fixed capital of the branches of industry concerned were by no means fully utilised in France in 1929.

FRANCE [18]

	EXTRACTION OF COAL (*In million tons*)		CAST IRON (*In 1,000 tons*)		STEEL (*In 1,000 tons*)	
Highest year's production ...	1929	68.5	1929	10362	1929	970
Average production 1920-1935		56.5	....	7188	....	674
Average production in per cent of highest production.....	....	82.5	....	69.4	....	69.5

	INDEX OF MACHINE BUILDING *Index 1913 = 100*		CONSUMPTION OF COTTON (*In 1,000 centners*)		INDEX OF TEXTILE PRODUCTION *Index 1913 = 100*	
Highest year's production ...	1930	157	1930	3607	1928	99
Average production 1920-1935		110	....	2805	....	79
Average production in per cent of highest production.....	....	70.1	....	77.8	....	79.8

The non-utilisation of the apparatus of production is naturally extremely uneven, ranging according to years, countries, branches of

industry, even single enterprises. In the crisis years it is much greater than in the phase of prosperity; in the old industrial countries much greater than in those "young" countries where industry is still being developed [19]; in the "old" branches of industry much greater than in the "new," e.g., motors, automobiles, artificial silk, refrigerators. New enterprises, particularly those with modern equipment, and therefore working at a cost lower than the socially necessary costs of production, can often use their capacity to the full, while competing enterprises lie idle.

But with all the inequalities, the basic fact remains that only a fraction of the fixed capital of the great industrial countries is utilised.

In recent years an entirely new factor has emerged in the conscious creation of surplus productive plants for the coming second world war. Since, with the rapid development of military technique, there would be no purpose in laying down large stores of *finished war materials,* as they could turn out to be obsolete at the outbreak of war, the governments of the imperialist countries are increasingly making *preparations for the production of war materials on a vast scale.* To this end the government themselves are either building large factories of all kinds which are in readiness for war (Germany, Japan), or, by subsidies and contracts for future war supplies, are urging capitalist enterprises to build factories for the coming war needs. In England, in the course of 1936 and 1937, a whole number of reserve factories ("shadow factories") were built, for aviation particularly, which will only start to work on the outbreak of war. War preparations thus lead to a further rise in the non-utilised productive capacity of the imperialist countries.

In the Soviet Union the utilisation of the existing productive plants is incomparably better than under capitalism, as here there are *never any market difficulties.* It does happen that fixed capital cannot be fully utilised owing to a lack of raw materials or workers,[20] but never on account of the difficulties of the market.

Some concrete examples may serve to illustrate the better utilisation of fixed capital in the Soviet Union. (See following table on p. 56.)

The degree of utilisation of electric power stations is about twice as large as in the big capitalist countries.

Heavy industry in the capitalist countries works—as we showed

above—on an average of the post-war period, with a utilisation of capacity of 50-75 per cent. In the Soviet Union heavy industry—apart from unavoidable repair work—works year in year out uninterruptedly at full capacity. More than that, in many cases it has been able to raise the production of blast furnaces and of Martin ovens (of a theoretically similar capacity) beyond that of other countries.[21]

UTILISATION OF ELECTRIC POWER STATIONS
(*Hours per year*)

U.S.S.R.	U.S.A.	ENGLAND	GERMANY	FRANCE	ITALY
1935	*1935*	*1932*	*1934*	*1935*	*1934*
4,570	2,273	1,718	2,154	1,465	2,355

The difference is particularly great in the utilisation of fixed capital in light industry. While the textile factories of the capitalist world as a rule do not work more than one shift (two shifts were only worked in exceptional cases in the brief phase of prosperity), the factories of the Soviet Union regularly work two or three shifts, in many cases even without a weekly rest day. The following figures, which at our request were placed at our disposal by the Central Administration for Statistics of National Economy, show the degree of employment in the spring of 1937:

PERCENTAGE OF WORK DAYS
(*In shifts*)

One shift	60.3 per cent
Two shifts	24.8 per cent
Three shifts	14.0 per cent
Four shifts	0.9 per cent

Four shifts are worked in factories particularly injurious to health, where there is a daily working day of five hours, in particular in the glass industry (9.9. per cent), in the paper industry (3.2 per cent), in bakeries (3.8 per cent). On an average of the factories covered by the statistics, employing 5.7 million workers, 1.66 shifts per day are worked.

The degree of utilisation of the plants is thus three to four times as great as under capitalism. Instead of 35-40 hours a week, our textile factories work in three shifts of seven hours, 126 hours a week.[22]

The utilisation of tractors is of particular interest. In the United States tractors (per 15 horse power, all work re-reckoned in ploughs),

in 1930, worked on an average 90 hectares; in the Soviet Union, in 1933, 427 hectares; at the present time more than 500 hectares. The degree of utilisation is five-fold.

We could add numerous examples; every comparison shows the tremendous superiority of the Soviet Union over capitalism in the utilisation of productive forces.

Chapter V: OUTPUT OF LABOUR UNDER CAPITALISM AND IN THE SOVIET UNION

THERE HAS BEEN undoubtedly a significant rise in the output of labour under capitalism since the war. This higher output results from both an increased productivity and a heightened intensity of labour. *Productivity of labour* is, as we know, determined by the mass and quality of the means of production utilised by the worker in the production process; the higher the technical development the higher the productivity of labour. *Intensity of labour* is determined by the amount of effort—physical and mental—that the worker must expend during the labour process or, as Marx says, by the quantity of muscle, brain and nerve, etc., which the worker must expend during his work. These two factors, productivity of labour and intensity of labour, are closely bound up one with another. Increase of productivity is, as a rule, bound up with an increase of intensity. This is also the case should the direct muscular effort be less. The uninterrupted repetition of a single movement undertaken at extreme speed, which the modern conveyor system forces the worker to make, demands an incomparably greater intensity of labour than the former varied, although apparently "harder," labour.[1]

Productivity and intensity of labour determine labour output *per hour*. The output of labour *per day* is also determined by the number of the working hours worked per day; the *yearly* output of labour by the number of hours worked per year. If we examine further the development of the *labour output of an entire people,* then a fourth factor is added, the number of productively employed workers on a yearly average.

The contradiction between social production and private appropriation is shown with extreme sharpness by the fact that a *big rise in the labour output of the individual worker per hour or per day can coincide with a reduction of the labour output of the whole nation.* Every capitalist entrepreneur is constantly striving to raise the labour output per hour or per day to the maximum. For him wage costs are an element of production costs, which do not differ in the slightest qualitatively from other elements. He does not know the difference between constant and variable capital; he knows nothing and wants to

know nothing of the fact that his profit is derived from the surplus value produced in the labour process and appropriated by him. All this for him is but the phantoms of unworldly scientists or the false teachings of conscienceless agitators. He strives to reduce the costs of production, and in order to do this he introduces new machines which raise the productivity of labour, he introduces new methods of organising the work which force the worker to increase the intensity of his labour. The individual interest of individual capitalists in reducing the costs of production leads to the fulfilment of the historic mission of capitalism: the development of the productive forces!

But the capitalist is only interested in the output of the workers during the time they are working in the factory. During this time they must produce the utmost possible.[2] The *yearly* output of each single worker does not interest him in the least. If there are labour forces in excess on the labour market, then he lets the worker alternately work one day and rest one day (of course without payment). He works with an alternating staff. Part time for the worker and full working time for the factory was already widespread before the 1929 crisis, in the American steel industry for example. This made it possible to force the worker who only worked every second day to produce a very much higher output. In other cases, capital lets the worker wait for months without pay, keeping him "in the reserve," in order then, in the season, to ex-

MAN HOURS IN THE AUTOMOBILE INDUSTRY, U.S.A.
(*Monthly Totals as Percentages of Annual Totals, 1929-1934*)

COMPANIES REPORTING UNDER THE AUTOMOBILE CODE WHICH ALSO SUPPLIED PRE-CODE DATA

	1929	*1930*	*1931*	*1932*	*1933*	*1934*
January	9.45	9.73	7.93	10.82	9.15	7.73
February	9.83	9.98	9.81	10.21	7.34	9.30
March	10.62	10.64	10.45	10.08	5.25	11.93
April	10.35	10.95	11.47	9.47	7.95	12.07
May	10.08	11.02	11.10	10.57	9.61	9.97
June	9.10	9.59	9.09	10.62	10.92	9.27
July	8.49	6.62	7.94	8.46	10.61	8.34
August	8.80	7.19	6.73	5.18	10.54	7.09
September	7.53	6.71	6.29	5.07	8.55	5.97
October	7.08	6.31	5.52	4.96	6.32	5.37
November	4.40	5.74	6.27	6.14	5.65	5.44
December	4.27	5.52	8.40	8.42	8.11	....

ploit a larger number of workers at murderous speed. As an example of this the same report of the American automobile industry will serve.[3]

This table shows us the terrible fact that the number of labour hours worked and thereby also the number of workers employed fluctuate by more than double according to the time at which new models are introduced. For months each year more than half the workers are kept in "reserve" and only temporarily, in the height of the season, actually given work.

This example shows with complete clarity that there is a big difference between the development of the output of the indivdual employed worker and the development of the average output of all the working people of a nation per year. This difference is of particular importance in comparing output in the capitalist countries and the Soviet Union. While the output of the *individual* worker per hour or per week under the same technical conditions is, in many cases, far lower than in the most advanced capitalist countries—we will deal later with the reasons for this—the average output of all those capable of work per year in the

MANUFACTURING INDUSTRY OF THE UNITED STATES (*1923-1925 = 100*)

	INDEX OF THE VOLUME OF PRODUCTION	DEGREE OF EMPLOY-MENT	INDEX OF OUTPUT PER WORKER ON YEARLY AVERAGE
1919	84	107	78.5
1920	87	108	80.6
1921	67	82	81.7
1922	86	90	95.6
1923	101	104	97.1
1924	94	96	97.9
1925	105	100	105.0
1926	108	101	106.9
1927	106	99	107.1
1928	112	99	113.1
1929	119	105	113.3
1930	95	91	104.4
1931	80	77	103.9
1932	63	66	95.5
1933	75	72	104.2
1934	78	82	95.1
1935	90	86	104.7
1936	105	92	114.1

Soviet Union increases at a far greater rate than in the capitalist countries, for the simple reason that here there are neither unemployed nor people living without working on their incomes as exploiters.

We want to try to illustrate the increase of labour output in some of the countries by figures. The most extensive material on this is supplied by the United States, on the basis of which we have worked out the preceding table (on page 60).[4]

What do these figures show? [5]

a) *The output of the employed worker has risen by about 50* per *cent in the couse of 17 years:* the yearly increase amounts to about 3 per cent.

b) The increase was accomplished very *unequally:* with the outbreak of the crisis there began a very sharp fall in output, and only in 1936 was the output of 1929 reached once more (even surpassed).

It would be completely incorrect to draw the conclusion from these yearly figures that the individual output of the employed worker per

DEVELOPMENT OF OUTPUT PER HOUR IN LARGE-SCALE INDUSTRY OF THE UNITED STATES (*1923-1925 = 100*) [6]

	INDEX OF THE VOLUME OF PRODUCTION (1)	INDEX OF EMPLOYMENT (2)	INDEX OF WEEKLY WORKING HOURS (3)	TOTAL INDEX OF WORKING HOURS 2 x 3 (4)	LABOUR OUTPUT PER HOUR 1 : 4 (5)
1920	87	108	100	108	81
1921	67	82	95	78	86
1922	86	90	102	92	94
1923	101	104	102	106	95
1924	94	96	98	94	100
1925	105	100	100	100	105
1926	108	101	100	101	107
1927	106	99	99	98	108
1928	112	99	100	99	113
1929	119	105	100	105	113
1930	95	91	91	83	115
1931	80	77	84	65	124
1932	63	66	75	48	132
1933	75	72	76	55	138
1934	78	82	72	59	132
1935	90	86	77	67	135
1936	105	92	83	76	138

hour or per day also fell during the crisis. The reduction in output during the crisis is the result of widespread part time, the result of the fact that the number of labour hours worked per worker on a yearly average was much less during the crisis than before and after the crisis. This is shown by the preceding table (on page 61), which expands the previous one by including the number of hours worked.

This table shows us:

a) *The labour output per hour* has risen far more rapidly than the output per year, since 1920: *by not less than 71 per cent,* i.e., 4.4 per cent for the year.

b) The dynamics of output per hour are quite different from that of the output per year. The years 1930, 1931 and 1932 show *no reduction in output* (as in the previous table) *but a more rapid rate of increase.*

During the crisis many workers were employed only a few days per month, or a few hours per day; therefore the sharp reduction in the yearly output. But during the shorter working time the workers were forced to produce a far larger output.[7]

This increase in labour output per hour during the crisis was almost entirely *the result of the heightened intensity of labour and not of increased productivity.* This is shown clearly from the fact that during these years practically no new machinery was installed in the factories. The production of the machine industry fell to practically nothing during the crisis; it was smaller than the amount necessary to replace wornout machines.[8]

The leap in output per hour during the crisis—from 113 in 1929 to 138 in 1933—is the result of measures of the bourgeoisie which we have described as "crisis rationalisation." It is marked by a lowering of costs *without* a rise in production, as was previously the case when the drive was for lowering the costs of production by raising the productivity of labour which was almost always bound up with increased production.

The most important elements of crisis rationalisation were: concentration of production within the best factories and shutting down the inefficient ones; the use of only the most modern machines within *one* factory; the selection and employment of only the "best" workers, from the point of view of capital; the heightening of the intensity of

labour as far as possible without resistance; far-reaching use of part time in order to squeeze out of the workers an output all the higher during the shorter time; the division of the labour process into single, absolutely simple manipulations. The far-reaching automatisation of the labour process lessens the number of skilled workers who are more difficult to replace, and turns the main body of the working class into easily replaceable unskilled and semi-skilled workers.

In this way, monopoly capital succeeded through new forms of rationalisation in raising the output of the worker during the crisis quite considerably, thus rolling the burden of the crisis on to the backs of the proletariat.

For the other big capitalist countries comparable figures are only available since 1924-1925. The rise in labour output per hour is only available for Germany; calculations can be made for England and Japan only for yearly output.

LABOUR OUTPUT IN GERMAN INDUSTRY

(*Estimates of the Institut fuer Konjunkturforschung, 1928 = 100*) [9]

	INDUSTRIAL PRODUCTION	NUMBER OF LABOUR HOURS WORKED BY INDUSTRIAL WORKING CLASS [10]	PRODUCTION PER LABOUR HOUR
1925	82.9	90–92	90–92
1926	76.3	70–79	97–98
1927	96.3	97	99
1928	100.0	100	100
1929	100.1	94	106–107
1930	87.0	76	114–115
1931	70.1	58–59	119–121
1932	58.0	46–47	123–126
1933	65.7	51-54	123–129
1934	82.9	65–71	117–127
1935	95.8	73–77	125–131

These figures, calculated by the German Institut fuer Konjunkturforschung, *show a rise in labour output per hour in the last decade of about 40 per cent,* i.e., about the same per year as that calculated by us for the United States (in 16 years 71 per cent). (Average rise something over 4 per cent per year.)

The following table shows the development of the output per worker per year in England.

LABOUR OUTPUT IN ENGLAND

	INDEX OF INDUSTRIAL PRODUCTION [11]	WORKERS EMPLOYED IN PRODUCTION [12] (*In 1,000's*)	*Index*	INDEX OF OUTPUT PER WORKER PER YEAR
1924	100.0	7,275	100.0	100.0
1929	110.6	7,234	99.5	111.2
1930	98.5	6,831	93.9	104.9
1931	84.3	6,338	87.1	96.8
1932	84.9	6,215	85.5	99.3
1933	90.5	6,444	88.6	102.1
1934	101.8	6,816	93.7	108.6
1935	108.4	6,984	96.0	112.9
1936	118.1	7,876	108.3	109.0

We see that the rise in output was less than in the United States during the last 12 years; only 9 per cent in 12 years, i.e., less than 1 per cent on a yearly average.

This reflects the strong influence of the general crisis of capitalism on English economy which shows a certain tendency to stagnation. The fluctuations from year to year were less; 1926 is an exception on account of the coal strike.

The development of labour output in Japan is of special interest, as the rate is even more rapid than that of the older capitalist countries.

YEARLY OUTPUT PER WORKER IN JAPAN
(*1929 = 100*) [13]

	INDEX OF INDUSTRIAL PRODUCTION	INDEX OF DEGREE OF EMPLOYMENT	INDEX OF LABOUR OUTPUT
1927	82.9	104.1	79.6
1928	89.7	99.1	90.5
1929	100.0	100.0	100.0
1930	94.8	90.0	105.3
1931	91.6	81.8	112.0
1932	97.8	82.0	119.3
1933	113.2	89.9	125.9
1934	128.7	100.2	128.4
1935	141.8	109.7	129.3
1936	149.8	115.5	129.7

The yearly rate of increase in output on an average of the last nine years was about 5½ per cent, i.e., five times that of England and greater than that of the United States.

Although there are great differences in rate between individual countries, and although the accuracy of all these figures is by no means great (they are rather estimates for scientific research than exact statistical data), nevertheless it is clear that the labour output of the worker has risen steeply. This is a result of the raising of the intensity of labour and to a much lesser degree a result of the raising of the productivity of labour—and this in spite of the general crisis of capitalism and the severe economic crisis, indeed partly as a consequence of the crisis.

In the fight between the two systems, the form labour output takes is of decisive importance. This was already emphasised by Lenin in 1919.

> ... Productivity of labour is the most important, the principal thing for the victory of the new social system. Capitalism created a productivity of labour unknown under serfdom. Capitalism can be utterly vanquished, and will be utterly vanquished, by the fact that socialism creates a new and much higher productivity of labour. This is a very difficult matter and must take a considerable time; but *it has been started,* and that is the main thing.[14]

Output of labour in the Soviet Union has risen rapidly in the course of the last decade as a result of the rise in *productivity of labour,* as a result of the development of technique by leaps and bounds as described above. More weight is placed on the rise in productivity than on the rise in intensity of labour. As a ruling class, the workers have no reason to make themselves prematurely incapacitated, to shorten their lives by the over-intensity of labour to which they are driven by the system of "speeding" under capitalism.

The following table (on page 66) gives the picture of labour output in the Soviet Union per year and per worker since 1920.

This table shows us that the output of the workers in big industry after the close of the civil war fell to less than half that of pre-war times. The causes for this were: deterioration of the means of production, lack of raw materials, destruction of transport, shortage of skilled workers, malnutrition of the workers, etc. But output began to

DEVELOPMENT OF OUTPUT IN BIG INDUSTRY

(Only those branches of industry as were comprised in the statistics of 1913) [15]

	YEARLY AVERAGE OF WORKERS EMPLOYED (*In thousands*)	GROSS PRODUCTION (*In million rubles, in 1926-1927 prices*)	PRODUCTION PER YEAR AND PER WORKER (*In rbl.*)	*1921 = 100*
1913	2,592	10,251	3,955	257
1921	1,298	2,004	1,544	100
1922	1,199	2,619	2,184	142
1923	1,480	4,005	2,706	175
1924	1,698	4,660	2,744	178
1925	2,119	7,739	3,652	237
1926	2,481	11,083	4,467	289
1927	2,651	12,679	4,783	310
1928	2,906	15,818	5,444	353
1929	3,272	19,923	6,089	394
1930	3,923	25,837	6,586	427
1931	4,927	32,263	6,548	424
1932	5,841	36,878	6,314	409
1933	5,710	39,934	6,994	453
1934	6,081	48,200	7,926	513

rise rapidly in the period of reconstruction, and already in 1926 had passed the pre-war level; in 1934 it amounted to five times that of 1921 and twice that of 1913. Compared with the rise in the yearly output of the workers of an annual 3 per cent in the United States (between 1919 and 1936) we see in the Soviet Union a yearly rise of over 30 per cent (between 1921 and 1934).

Output rose very considerably after 1934—as a result of the growth of capital investment, the utilization of new and better machines and the Stakhanov movement. The new norms of output are considerably higher than the old ones, but these new norms are surpassed in many cases.

The growth of the productivity of labour in the last few years is shown by the following figures (in per cent):

1934	10
1935	15
1936	21
1937 (Plan)	19.5

In one year, 1936—the first year of the Stakhanov movement—the productivity of labour in big industry rose by 21 per cent; in heavy

industry, in whose womb the Stakhanov movement arose, it rose by 26 per cent.

The rise in output is not even, either year by year, or according to the branches of industry. It was very rapid in the reconstruction period; somewhat slower in the years following, and again very rapid in recent years as a result of socialist competition and the Stakhanov movement. In individual branches of industry the rise in output went parallel with that of the renewal of the machines. This is shown in the following table:

DEVELOPMENT OF LABOUR OUTPUT IN SOVIET INDUSTRY (1928 = 100)

	1932	*1935*
All industry	136.8	190.3
Whereof:		
Production of means of production	148.5	226.1
Production of means of consumption	137.0	165.8
Mining	117.1	136.8
Petroleum	167.5	177.8
Iron ore	149.3	253.9
Iron founding	133.7	219.2
Non-ferrous metals	117.9	186.4
Engineering industry	157.4	260.9
Chemicals	167.2	302.4
Cotton	120.2	137.0
Knitting and hoisery	150.2	205.1
Canning	210.4	277.3

If we compare this table with the percentage number of new machines given in Chapter II, the connection is obvious. In the textile industry, where only 22 per cent of the machines were newly installed after reconstruction (up to 1934), the rise in output amounted to merely 37 per cent compared with 1928, not more than 5 per cent per year. Against this the rise in the total production of the means of production in which the new machines far outnumber the old, amounts to 126 per cent, almost 20 per cent annually.

There are still cases, despite this rapid rise in output, where the output of the workers in the Soviet Union on the same machines lags behind that of the workers in capitalist countries. There are two reasons for this: first, the lesser intensity of labour due to the absence of the system of "sweating." For the output of the whole working class this is compensated for by the following fact: while in the United

States a 40-year-old worker is reckoned to be too old and is not employed in factories with a conveyor system, the workers in the Soviet Union retain their working capacity to a late age and—even after they have been pensioned—can, if they wish, undertake lighter work at the full wage.

The second important reason is a transient one. With the leaping and bounding development in the Soviet Union, the number of workers employed in industry increased very rapidly. In the three years, 1930-1932, no less than 3.6 million new workers were taken on in big industry. The overwhelming majority of these new workers were sons and daughters of peasants, who had never before worked in a factory and of whom many came in contact with a machine for the first time in their lives. It goes without saying that new labour power of this kind—other things being equal—will yield a lesser output for a longer time than in the case of industrial workers familiar with machines, even when these are not skilled in the particular industry.

In capitalist countries the accommodation of peasant labour power to the demands of factory work is a protracted process that often takes generations.[16] In the Soviet Union this process of accommodation is shortened by systematic training of the workers, but cannot altogether be done away with. Socialist competition and the system of shock workers serve for a speedier adjustment and for the rise in output.

In this connection the Stakhanov movement gets its special significance. The venal press of the bourgeoisie, particularly the fascist press, puts the Stakhanov movement on a level with the speed-up in capitalist countries. This is a conscious calumny. The Stakhanov movement spontaneously arose amongst the workers and has retained its voluntary and unrestrained nature. No factory director or foreman can compel a worker to join the Stakhanov movement. What the leaders of industry do is to see that no limit is set to piece earnings and to support the Stakhanov workers by supplying the necessary means of production and materials. Under capitalism, piece rates are reduced as soon as earnings go beyond a maximum arbitrarily set by the capitalist; but the earnings of the Stakhanov worker are not limited at all: many of them earn many thousand rubles per month.

In the Stakhanov movement the mastery of new technique finds its best expression. Stalin described the Stakhanov workers in the following way:

> And, indeed, look at our comrades, the Stakhanovites, more closely. What type of people are they? They are mostly young or middle-aged working men and women, people with culture and technical knowledge, who show examples of precision and accuracy in work, who are able to appreciate the time factor in work and who have learnt to count not only the minutes, but also the seconds. The majority of them have passed what is known as the technical minimum examination and are continuing their technical education. They are free of the conservatism and stagnation of certain engineers, technicians and business executives; they are marching boldly forward, smashing the antiquated standards of output and creating new and higher standards; they are introducing amendments into the designed capacities and economic plans drawn up by the leaders of our industry; they at times supplement and correct what the engineers and technicians have to say, they often teach the latter and impel them forward, for they are people who have completely mastered the technique of their job and who are able to squeeze out of technique the maximum that can be squeezed out of it. To-day the Stakhanovites are still few in number, but who can doubt that to-morrow there will be ten times more of them? Is it not clear that the Stakhanovites are innovators in our industry, that the Stakhanov movement represents the future of our industry, that it contains the seed of the future rise in the cultural and technical level of the working class, that it opens to us the path by which alone can be achieved those high indices of productivity of labour which are essential for the transition from socialism to communism and for the elimination of the distinction between mental labour and manual labour.[17]

The great outputs of the Stakhanovites are not the result of an extraordinary intensity of labour, but of the correct use of the most modern technique, the ruthless sweeping away of the old routine which places restrictions on output. It is therefore folly when individual capitalists dream of introducing Stakhanov methods.[18]

The bourgeois press is just as wrong when it describes the Stakhanov movement merely as an affair of Communist workers. V. M. Molotov, in his speech to the first conference of Stakhanov workers, analysed the life story of the most outstanding among them and summed up his investigation in the following words:

> ... They all come from workers' families, or from the families of working peasants. What is characteristic of them, as of the other Stakhanovites,

is their zeal for study. Only a few of them have already become Communists or Young Communists, while the majority of them . . . are still not members of the Party at all.[19]

That the majority of outstanding Stakhanovites are up till now either non-party workers or sympathisers naturally does not mean that the Party had not laid the basis for the possibility of the Stakhanov movement. Only on the basis of the successful work of the Party, only because life, as J. V. Stalin said even before the beginning of the Stakhanov movement, had become "better and happier," could the movement rapidly develop and spread.

The Stakhanov movement is only possible in the land of socialism, where the workers know that no class comrade will become unemployed by his super-output; where they know that through their super-output it is not their exploiters who will become enriched but it is they themselves and the whole of socialist society who profit; in a country where the difference between physical and mental work is *already beginning to disappear;* in a country where labour, instead of being an oppressive and accursed burden, has become a matter of honour, of fame and of heroism; in a country where the workers know that they are hastening the further construction of socialism by their super-output.

Only in a land of socialism is the Stakhanov movement possible; it already shows the beginning of the transition to the higher stage of communism where each will work according to his abilities and receive according to his needs.[20]

The rise and spread of the Stakhanov movement is an important stage in the realisation of the slogan, "Overtake and outstrip the most advanced capitalist countries." The *average output* of the workers of the Soviet Union is still at the present time *below* the average output of the workers in the technically most advanced capitalist countries.[21] *But the output of the Stakhanovites is definitely higher* than the output of American workers on the same machines. And as those social causes which brought forward individual Stakhanovites and groups of Stakhanovites are at work constantly and progressively, an ever growing part of the working class of the Soviet Union will surpass with their output that of the most advanced countries!

Chapter VI: CHRONIC MASS UNEMPLOYMENT UNDER CAPITALISM; FULL EMPLOYMENT OF ALL LABOUR FORCES IN THE SOVIET UNION

"...it is capitalistic accumulation itself that constantly produces, and produces in the direct ratio of its own energy and extent, a relatively redundant population of labourers, i.e., a population of greater extent than suffices for the average needs of the self-expansion of capital, and therefore a surplus-population." [1]

IF WE LEAVE out of account the beginnings of the capitalist era when the peasants, robbed of their land, became vagrants and were forced by the state's "bloody legislation"—as Marx said—to go to work in capitalist factories, the capitalist mode of production—once it gets into full swing—automatically causes the creation of an *industrial reserve army.* The rise in the organic composition of capital, i.e., the relative diminution of the share of variable capital, has this result: that with the growth of the total capital there grows also its variable constituent. Hence there is an absolute use in the number of employed workers, but the proportion is constantly smaller. "The labouring population therefore produces, along with the accumulation of capital produced by it, the means by which itself is made relatively superfluous, is turned into a relatively surplus population; and it does this to an always increasing extent." [2]

Thus Marx had already shown seventy years ago how, on the basis of the capitalist mode of production, there inevitably arises a superfluous working population, an *industrial reserve army of growing extent.* This superfluous working population is a necessary product of accumulation; and at the same time a condition of existence of the capitalist mode of production.

In the seventy years that have elapsed since the writing of the first volume of *Capital,* the tendency to create a relatively super-numerary working population has developed uninterruptedly, if at an uneven rate. But in the period of the general crisis this quantitative increase of the industrial reserve army turned into a *qualitative* change.

Wherein consists this qualitative change? Marx defines the industrial

reserve army as that working population that is "redundant... to a greater extent than suffices for the average needs of the self-expansion of capital." In the period of the general crisis of capitalism the industrial reserve army is transformed into a chronic mass army of the unemployed, *who are superfluous not only for the usual but also for the greatest self-expansion of capital.* In other words, the pre-war industrial reserve army was regularly drawn almost entirely into production in the prosperity phase of the industrial cycle, so that the capitalists whined about a shortage of labour. The post-war chronic mass army of unemployed, it is true, alters in size corresponding to the alteration in phase of the industrial cycle, but even in the phase of prosperity it is no longer completely drawn into the process of production. Part of the labour force remains *permanently* unemployed.

The qualitative change consists further in the fact that before the war the number of workers employed became smaller only relatively to the size of capital, but larger in absolute numbers. In the post-war period, *in the most highly developed capitalist countries,* there is *a tendency towards an absolute reduction in the number of productive workers, i.e., workers who directly create value and surplus value.* The increase in the number of employed in the old industrial countries is almost exclusively in the "unproductive" occupations—trade, banks, domestic service, etc.

The obsolescence, the rottenness, the parasitic nature of capitalism in the period of the general crisis is shown particularly sharply in the qualitative change in the nature of unemployment. The most important factor in production, human labour power, is only partly used, although the surplus value appropriated by capital—other things being equal—rises and falls parallel with the number of employed workers.

The decisive reason for the idleness of the most important factor in production, human labour power, lies in the fundamental contradiction of the capitalist system: the contradiction between social production and private ownership which emerges more and more sharply in the period of the general crisis. Under capitalism workers can only find opportunity to work when the goods produced by them can be sold as commodities at their price of production (cost plus average profit). This is far from being always the case, since under capitalism there is a standing contradiction between the drive of capital to extend

production and the narrow limits of the consuming power of society. For a century this contradition has broken out in the periodically recurring crises of over-production when commodities are unsaleable and the workers are thrown in masses on the streets.

In the period of the general crisis of capitalism, this contradiction shows a tendency to become chronically sharp. Not only at the time of the crisis but during all phases of the industrial cycle there is—as we showed above—an excess of capital and an excess of labour power, a standing mass army of unemployed which will never again be drawn into the process of production. This growing incapacity of capital to guarantee its wage-slaves existence even within the framework of its slavery is the best proof that the capitalist mode of production is destined to decline, that it must succumb in the fight with rapidly advancing socialism which guarantees not only the opportunity to work but also liberty and growing well-being.

We want to give here some comprehensive data on unemployment in the period of the general crisis, although these may be generally known to the reader.

UNEMPLOYMENT IN 32 CAPITALIST COUNTRIES [3]

	AVERAGE FOR THE YEAR (*in millions*)	ANNALIST INDEX OF WORLD INDUSTRIAL PRODUCTION (*1928 = 100*)
1929	5.95	105
1930	11.68	92
1931	19.18	79
1932	26.37	66
1933	25.95	75
1934	22.34	81
1935	21.39	90
1936 [4]	20.50	100
Yearly average	19.00	

These figures are naturally only rough approximations, the real number of the unemployed being considered greater. Unemployed agricultural workers, home workers, domestic workers, are not as a rule reckoned in these figures. The number of the unemployed is

compiled in the different countries in a very incompatible fashion. Where there is state unemployment relief, as in England, the figure of the officially registered unemployed comes much nearer to reality than in Germany or in Italy (although it is true that in England many unemployed were struck off the register by the "means test"). Still the following is shown by this table:

a) On the average, during the latest industrial cycle, unemployment in the 32 capitalist countries concerned amounted to at least 19 million persons. Together with their dependents and with the unemployed not included in the figures *there was therefore a population of about 100 million who were year in year out without the means of livelihood.* This is more than the whole population of England and France taken together!

b) There is no sign that unemployment will ever fall back again even to the level of 1929. The industrial production of 1936 was nearly as high as that of 1929; the number of unemployed was however more than three-fold as high. The new cyclical economic crisis now rapidly maturing will push the number of unemployed to new heights.

The chronic character of mass unemployment comes to light most clearly in England. Not only because the general crisis of capitalism in England, the one-time "industrial workshop of the world," has had a particularly dominating influence, but because it, of all countries, possesses what is relatively the most complete statistics of unemployment.[5]

The number of totally unemployed registered on a *yearly average during 1921-1936 amounted in England to 1.77 million.*

With their dependents there lived seven to eight million persons on unemployment relief during the whole of the post-war period in England! If we take the percentage number of unemployed, then in the period 1921-1936, *14.6 per cent of all insured persons were unemployed. That means each seventh worker in England was continuously and totally unemployed in the course of the last sixteen years.*[6]

Chronic mass unemployment will be still higher in the coming cycle of the years 1937-1944. This is the opinion of the greatest bourgeois authority in this province, Sir William Beveridge, President of the State Unemployment Assistance Board in England. His calculation[7] (which serves as a basis for the financial administration of unemployment insurance) is that *unemployment in England will amount to 16¾ per cent on the average during the next eight years.*

That means that while in the whole post-war period each seventh worker in England was unemployed, in the next eight years each sixth worker on the average will be continuously unemployed. This perspective shows most clearly the historical obsolescence of capitalism and the indisputable superiority of socialism.

In the United States, the richest capitalist country, the figure of unemployment in the whole post-war period is gigantic—and this, although immigration (amounting before the war on a yearly average to three quarters of a million) was prohibited. Since there are no statistics of unemployment that comprise the great mass of the workers, there is no possibility of reckoning the yearly average of unemployment for the whole post-war period. We are therefore limited to making various *estimates* of unemployment for November, 1936:

"Seeking work" (according to the statistics of the Department of Labour)[8]	6,300,000
Unemployed (according to the calculation of the big business National Industrial Conference Board)[9]	8,968,000
Unemployed (according to the calculation of the Labor Research Association) Together with those employed in public works[10]	14,750,000
Without those employed on public works	10,956,000

These numbers reveal large discrepancies. But even if we take the calculation of the big business National Industrial Conference Board, the outcome is that *out of about 53 million workers in the United States about nine million, or more than a sixth part, were unemployed.*

In judging this figure it must be remembered that business was very good in the United States in November, 1936. The Index of Industrial Production (1929 = 100) reached 95.8 per cent and was thus only about 4 per cent behind the boom year of 1929. Nevertheless, a sixth of the workers remained out of work.

The anarchy of capitalist society is revealed in particularly crass form in the fact that although there are many millions unemployed in the United States the bourgeoisie at the beginning of 1937 were complaining bitterly about the shortage of skilled workers. Out of 404 engineering works, 211 with 208,000 workers announced an "actual labour shortage"; they could not procure the 7,158 skilled workers

they required.[11] The above-mentioned source writes as follows about this phenomenon:

Many reasons were cited to explain the condition of scarcity of skilled labour while large numbers were still unemployed. The most important contributing cause was the suspension during the depression of most company training programmes. Since it is conservatively estimated that 5 per cent of the skilled labour of the country withdraws from service each year because of death or obsolescence, practically 25 per cent of the skilled labour reserve was permanently lost during the depression, while very few replacements were being trained.

Many in the ranks of skilled labour, either voluntarily, because of dissatisfaction with intermittent employment, or as a result of loss of jobs during the depression, abandoned their trades and secured other work... World economic conditions combined with immigration restrictions, had shut off the former inflow of skilled artisants from Europe.

Of serious social significance was the loss of skill by formerly competent craftsmen through prolonged inactivity during the depression and association with various "made work" relief projects that destroyed efficiency and work discipline acquired in industrial employment. These men, for the most part advanced in age, found it difficult or impossible to regain their place in industry. Loss of skill, combined with mental inability to adjust to new conditions and techniques, and frequently with unwillingness to make the necessary effort, created a serious problem for employers who wished to use them but found them of little value.

This statement, which treats the question purely from the point of view of capital, shows us the horror year-long unemployment has for the workers. While unemployed, they overstep the age limit of 35-40 years which American capital lays down for taking on workers, as the older worker cannot stand up to the insane speed of the conveyor belt; they lose their skill, for need has forced them to take on heavy unskilled work, etc. Thus, dialectically, long continuing unemployment leads to a shortage of workers fitted for capitalist exploitation.[12]

We want to describe briefly the development of unemployment in Germany. In the early post-war years, unemployment was relatively small. Immediately after the end of the war, all demobilised soldiers were compulsorily taken on in the factories where they had worked before the war—in order to dampen the revolutionary movement. In

the years of inflation, real wages fell very low, wage costs forming a relatively small part of the costs of production, and therefore less weight was laid than usual by capital on rationalisation and reducing the number of starving and extremely exploited workers. Unemployment therefore was all the greater after the stabilisation of the mark and particularly after the outbreak of the economic crisis.

PERCENTAGE OF UNEMPLOYED AMONG ORGANISED WORKERS

1921-1923	*1924-1928*	*1929-1932*
4.8	11.1	28.2

After 1932 there are no more figures, as the fascists on May 2, 1933, smashed the trade unions.

As is known, the fascists state that they have liquidated unemployment in the course of their so-called first four-year plan. That is a lie, as is shown clearly by the figures taken from official fascist statistics.

	AUGUST 1929	JANUARY 1937
	(*In millions*)	
Number of employed, according to health insurance statistics	18.77	16.60
Unemployed	1.27	1.85
	20.04	18.45

As we see, the number of employed and unemployed together in January, 1937, is 1.6 million less than in August, 1929 (although the population has increased since 1929 by about three millions, and so also the number of those seeking work). If we estimate the unemployed workers not included in the statistics at about two million, then in August, 1937, there were actually not 1.85 but 3.85 million unemployed in Germany. Unemployment was not liquidated by the fascists, but only extensively "concealed." The unemployed are in the prisons and concentration camps, the Communist and Social-Democratic unemployed are robbed of unemployment insurance, and thereby disappear from the number of registered unemployed. Tens of thousands have fled abroad. The young people driven to forced labour in labour service camps are included in the number of employed. At least a million serve in addition in the army. Thus the false impression is created

that fascism had been able to bring unemployment back to its "normal" figure.

Long continuing unemployment has also led in Germany to a loss in the skill of many workers similar to that of the United States. This has sometimes been admitted even by the fascist newspapers. The *Frankfurter Zeitung,*[13] for example, writes:

> Cases are known of newly recruited skilled workers asking to be used as unskilled workers... In some branches of manufacture, as in some branches of the machine industry, a great change in working machinery has taken place in the course of technical development during the time of crisis. Re-employed workers who were used to older types will possibly never again reach their old labour productivity on the new machines. This means the costly training of a fully qualified new generation. In the production of tool making machines in recent times, such an extraordinary accuracy of work is demanded that the older worker can no longer accustom himself to the necessary "feel in the finger tips."

In *Sozialen Praxis,* K. Gaebel investigates the question of the unskilled worker in present-day fascist Germany:

> People of the most varied social and professional origin merge in this reservoir. There are first of all the old constituents: the unskilled in the true sense of the word, corresponding to the general conception. Next to them skilled artisants, bakers and butchers above all, who could not keep themselves in their trade because their rise to independence was prevented. With them to-day are associated groups of "pseudo-unskilled": skilled industrial workers who have lost the habit of their trade through long involuntary cessation of work, or are not fitted for the new methods of manufacture... The situation is difficult not least on account of the attitude of the public towards the unskilled. The over-exaggeration of the business principle and the over-emphasis on demands which are made on knowledge of branches, etc., for less important work as well, hermetically lock out of the economic process men who, given the opportunity, could become completely for it after a short period to fit themselves in.[14]

"The over-exaggeration of the business principle," i.e., the hunt for profit in capitalism, leads to skilled workers becoming degraded, sinking down to unskilled, and even as such finding no employment. This is what the much praised alleged "Volksgemeinschaft" (people's community) in fascist Germany looks like.

It seems needless to speak of the extent of unemployment in other countries; we find everywhere essentially the same picture, with the difference that in the less industrially developed countries the "relative, latent over-population," as Marx says, plays up till now the greater part. As this "latent" unemployment is nowhere covered statistically, it *appears* as if unemployment were less in countries like Japan, Italy or Poland. But this does not correspond with reality. Chronic mass unemployment is a general phenomenon in all capitalist countries at the present time.

We now turn to the second qualitative change, the tendency to the absolute reduction in the number of productive workers, i.e., those who directly create value and surplus value. The statistics of capitalist countries naturally give only an approxmiate picture of this development. This is most clearly shown in the case of the United States.

U. S. A.: WORKERS (*In thousands*) [15]

	1919	*1929*	*1933*
Agricultural workers [16]	2,336	2,733	....
Railwaymen	1,960	1,694	991
Miners	888	788	....
Industrial workers	9,041	8,822	6,056
	14,225	14,037	....

We see that the number of workers employed in industry, in mining and in rail transport fell from 1919 to 1929—the year of the highest production in the post-war period, with a volume of industrial production 40 per cent higher than in 1919. This tendency to diminution continues further after 1929, and is particularly strengthened by the economic crisis.

After 1933 there are no further census data available. As a substitute we may use the official *Monthly Labour Review* figures of workers employed in big industry (with its interpolation of the biennial census data), together with the Federal Reserve Board Index of the degree of employment and production in big industry.[17]

We see that the number employed in big manufacturing industry never again reached the height of the year 1920, although the volume of industrial production in the course of those 18 years was lower than

1920 only in the five crisis years, and in most years was considerably higher. The dynamic of the development of the degree of employment and of the volume of production shows clearly that the tendency to an absolute diminution of the number of productive employed workers is continuing further.

	NO. OF WORKERS EMPLOYED IN MANUFACTURING INDUSTRY [18] (*in thousands*)	INDEX OF EMPLOYMENT [19]	INDEX OF INDUSTRIAL PRODUCTION (*1923-25 = 100*)
1919	8,984	107	84
1920	9,066	108	87
1921	6,900	82	67
1922	7,593	90	86
1923	8,725	104	101
1924	8,084	90	94
1925	8,328	100	105
1926	8,484	101	108
1927	8,288	99	106
1928	8,286	99	112
1929	8,786	105	119
1930	7,668	91	95
1931	6,484	77	80
1932	5,374	66	63
1933	5,778	72	75
1934	6,606	83	78
1935	6,891	86	90
1936	7,304 [20]	92	105

The development in Germany is wholly similar. (The immediate post-war years, on account of the inflation, must be left out of account.)

We see that seven million workers produced in the year 1934 a greater mass of industrial goods than 9.5 million a decade earlier, in the year 1925. (See table on page 81.) Here is seen very clearly the stupendous rise of labour output as a result of rationalisation. The extension of the capitalist market does not keep in step with this rise in output, hence the tendency to an absolute diminution in the number of productively employed workers.

Development in England presents a similar picture. Up to 1936

the number of workers employed in industry, mining, building and transport [21] never again reached the height of the year 1924 when these data were first gathered; it was only in the prosperity year 1936 that the number of productively employed workers was for the first time 1.9 per cent higher, together with a rise in the volume of industrial production of about 15.9 per cent.

GERMANY: NUMBER OF EMPLOYED WORKERS AND EMPLOYEES IN INDUSTRY AND CRAFTS [22]

	IN FACTORIES WITH MORE THAN FIVE WORKERS (*in millions*)	INDEX OF THE VOLUME OF INDUSTRIAL PRODUCTION (*1928 = 100*) [23]
1925	9.5	82.4
1926	7.6	78.7
1927	8.9	101.2
1928	9.1	100.0
1929	8.8	100.9
1930	7.5	88.9
1932	5.2	58.7
1934	7.0	83.3

The third qualitative change, based on the decay of capitalism, is the *tendency of the labour forces to pass over from the sphere of production into the sphere of circulation and into the personal service of the ruling class*. This is seen most clearly in England. The number of those employed in agriculture, as is well known, has been sinking for many decades. In the 20th century there is added the rapid diminution of the number employed in industry.

ENGLAND AND WALES [24]

	ALL WORKERS (*in millions*)	EMPLOYED IN INDUSTRY (*in millions*)	PER CENT OF ALL WORKERS
1901	14.3	8.5	59.4
1911	16.3	9.6	58.9
1921	17.1	8.2	48.0
1931	18.9	8.6	45.5

The same tendency is shown by the number of employed workers in the last decade.

DISPLACEMENT OF THE NUMBER OF EMPLOYED PRODUCTIVE AND NON-PRODUCTIVE WORKERS IN ENGLAND [25]

	INDUSTRY, MINING, BUILDING, TRANSPORT (*in thousands*)	IN PER CENT	TRADE, BANKS, HOTELS, ETC. (*in thousands*)	IN PER CENT
1924	7,939	77.2	2,344	22.8
1925	....	...	....	...
1926	7,862	74.8	2,651	25.2
1927	7,858	74.4	2,704	25.6
1928	7,793	73.7	2,781	26.3
1929	7,926	73.4	2,875	26.6
1930	7,507	71.9	2,933	28.1
1931	7,024	69.9	3,021	30.1
1932	6,890	69.1	3,077	30.9
1933	7,111	69.2	3,165	30.8
1934	7,514	69.9	3,243	30.1
1935	7,703	70.0	3,298	30.0
1936	8,167	70.5	3,414	29.5

A similar displacement is to be seen in Germany.

WORKING POPULATION IN GERMANY [26]
(*In per cent*)

	1907	*1925*	*1933*
Agriculture and Industry.....	73.7	72.6	69.3
Trade and transport, domestic service.....	26.3	27.4	30.7

To sum up. Chronic mass unemployment; amongst the employed a tendency to the absolute diminution of the number of workers directly creating value and surplus value as a result of the rise in labour productivity together with an inadequate extension of the market; the workers becoming unskilled as a result of long unemployment, premature removal of the older workers from the process of production because they can no longer stand up against the murderous speed of the conveyor belt—these are the most important features of the labour market in the period of the general crisis of capitalism.[27]

This development corresponds fully to the law of population preculiar to the capitalist mode of production, presented by Marx seventy years ago:

With the growth of the total capital, its variable constituent or the labour incorporated in it, also does increase, but in a constantly diminishing proportion. . . . The labouring population therefore produces, along with the accumulation of capital produced by it, the means by which itself is made relatively superfluous, is turned into a relative surplus population; and it does this to an always increasing extent. This is a law of population peculiar to the capitalist mode of production.[28]

Marx speaks only of the working population becoming relatively superfluous, as with the growth of the total capital the labour power incorporated in it also grows. This has been changed in the period of the general crisis; the absolute superfluity of the workers is ever more clearly taking the place of the relative. Marx also foresaw this possibility, hypothetically.

A development of the productive forces which would diminish the absolute number of labourers . . . would cause a revolution, because it would put the majority of the population upon the shelf.[29]

In the period of the general crisis, capitalism is obviously approaching this position; the incapacity of the bourgeoisie to use the productive forces they have created is becoming more and more clear, mass unemployment is becoming a chronic phenomenon, the antagonism between the bourgeoisie and the proletariat is becoming sharper and sharper. The period of the general crisis of capitalism is therefore the period of the social revolution, as the victory of socialism on one-sixth of the globe clearly shows.

In the first decade of the dictatorship of the proletariat there was still unemployment in the Soviet Union, a legacy of capitalism, particularly in a latent form in agriculture. To the extent to which socialist construction advanced and industry developed at high speed, the need for labour forces rapidly rose, and there supervened a shortage of workers. The following figures (on page 84) show the process of the sudden increase in the number of workers and employees in the Soviet Union.

Unemployment had already been eliminated by the end of 1930; the 240,000 unemployed who were still on the register were simply in process of transference from one place of work to another.

We see that the jump in the number of workers took place from 1928-1932, when the First Five-Year Plan was carried through. Since then one of the most important tasks of the leaders of industry in the Soviet

Union has been the creation of the necessary labour forces, as there are no more unemployed.

INCREASE IN THE NUMBER OF WORKERS AND EMPLOYEES IN THE U.S.S.R.

	NO. OF WORKERS AND EMPLOYEES (*in millions*)		INCREASE IN THE YEARS 1913-1936	
	1913	*1936*	*In millions*	*In per cent*
Total	11.4	25.8	14.4	230
In big industry...	2.8	7.7	4.9	280
In railways	0.7	1.8	1.1	260

ELIMINATION OF UNEMPLOYMENT IN THE U.S.S.R.

Yearly average	*1928*	*1931*	*1936*
Workers and employees (in millions)	11.6	19	25.8
No. of unemployed registered at the Labour Exchanges on 1st April (in thousands)	1,576	Unemployment abolished	

Joseph Stalin, in his famous "Speech to Leaders of Industry" on June 23, 1931, described the change in the situation with regard to the creation of labour forces for socialist economy as follows:

Formerly, the rule was that the workers themselves came to the factories to seek work. There was a certain automatic influx. And this automatic influx arose from the existence of unemployment, from the differentiation of classes in the village, from the existence of poverty and from the fear of starvation, which drove people from the village into the town. You remember the formula: the flight of the muzhik from the village into the town. What compelled the peasant to flee from the village and come into the town? The fear of starvation, unemployment, the fact that the village was his step-mother, as it were, from whom he was ready to flee to the devil himself, if only he could find some sort of work.

Such was the state of affairs in the not very remote past.

Can it be said that the same conditions exist now? No. On the contrary, conditions have now fundamentally changed. And because conditions have changed we no longer have the automatic influx of labour power. What has really changed? First of all, we have put an end to unemployment—in other words, we have abolished the force that weighed so heavily on the "labour market." Secondly, we have thoroughly uprooted the differentiation of classes in the village—in other words, we have removed that mass poverty that drove the peasant from the village into the town. And, finally,

we have given the village tens of thousands of tractors and agricultural machines, we have smashed the kulak, we have created collective farms and have given the peasants the opportunity to live and work like human beings. The village can no longer be called the step-mother of the peasant. And for that very reason the peasant is beginning to settle down in the village and there is no longer that flight of the muzhik from the village into the town and the automatic influx of labour power.

You see therefore, that we now have an entirely new situation and new conditions for guaranteeing labour power for our enterprises.[30]

From this Stalin drew the practical conclusion that they must proceed to *organised recruiting* of labour power for industry, instead of waiting for the anarchic influx which belonged to a period already past; and further that "we must proceed immediately to *mechanise* to the widest possible extent the heavier processes of labour (lumbering, construction, coal industry, loading and unloading, transport, iron and steel production, etc.)." [31]

Even during the time of the severest crises in the capitalist countries, when the number of unemployed rapidly rose; when for every vacant job hundreds of unemployed lined up at the factory gates; when skilled tradesmen were forced to construct rough earthworks; when in many countries the use of labour saving machines for earthworks and building, street cleaning, harvesting, etc., was forbidden, so as to give work to more workers—in the Soviet Union the *organised recruiting* of labour power, and the *mechanisation* of heavy labour processes demanding a large amount of labour power, was put by Stalin as the most important task for overcoming the shortage of labour.

The rapid rate of industrialisation demanded not only *more* workers, but especially more trained, skilled workers, technicians and engineers.[32]

This concerns not only industry, but from 1930 on, agriculture as well, where the demand for tractor and motor drivers, mechanics, agronomists, veterinarians, etc., grew up with the transition to mechanised large scale agriculture. A complete re-training of the majority of the workers in the Soviet Union therefore had to be undertaken. This re-training was carried through not only in the schools, technical schools and universities, but above all in the numerous courses in which the skill of the worker was constantly raised. There is scarcely a worker

in the Soviet Union who has not worked in one way or another to raise his qualifications.

By the end of 1936 two-thirds of the workers in big industry were either attending technical courses or had finished them. The number of technical engineers in big industry rose from 62,000 in 1925 to 578,000 in 1937.

At the same time the difference between workers, technicians and engineers was gradually disappearing: young people, after finishing secondary school, often work for years in a factory as workers, and then go to the university, get an engineer's diploma and go back again to the factory and take on new manual work again there; from workers they become inventors and directors. The central figure of the Soviet intellectuals is no longer the old bourgeois specialist, of bourgeois or petty-bourgeois stock, usually sympathising with the destroyed capitalist system of society, but the new worker, fitted equally for manual and mental work who has sprung from the working class or from the working peasantry, and is flesh and blood of the proletarian revolution. The old caste differences between manual and mental workers—which was consciously encouraged by the bourgeoisie in order to split the working people—is unknown in the Soviet Union.

The danger of unemployment has been finally overcome in the Soviet Union. The younger generation of workers in the Soviet Union cannot even imagine that there can possibly be anything like enduring unemployment. The advance of technique, the rise in the productivity of labour can never lead to the formation of a "surplus population" as under capitalism. The higher the productivity of labour, the more hours can be shortened on the one hand, and on the other, the standard of life of the whole nation raised. Finally, the development of the productive forces will reach that stage which will make possible the transition to the second stage of communism, where each will work according to his abilities and consume according to his needs.

Chapter VII: THE INTENSIFICATION OF THE MARKET PROBLEM UNDER CAPITALISM AND ITS DISAPPEARANCE IN THE SOVIET UNION

"The expansion of the market cannot keep pace with the expansion of production. The collision becomes inevitable, and as it can yield no solution so long as it does not burst the capitalist mode of production itself, it becomes periodic." [1]

FOR MORE THAN a hundred years the development of production in capitalism has periodically come up against the limitations of the market. For more than a hundred years the contradiction between the drive of capital towards the unlimited expansion of production and the narrow limitations of the capitalist market has periodically broken out in ever recurring crises in which at one blow all commodities become unsaleable. With the sloughing off of the capitalism of free competition by imperialism and especially in the period of the general crisis of capitalism, the market problem, the question of the sale of commodities becomes still more acute.

This contradiction between the growing industrial possibilities and the relative stability of markets lies at the bottom of the fact that the market problem now constitutes the main problem of capitalism. Acute problems of market sales in general, especially acute problems of foreign markets and the acute problems of markets for export capital in particular, constitute the present state of capitalism. This essentially explains the fact that the phenomenon of factories and workshops not working at full capacity is becoming general. The raising of customs barriers only adds fuel to the fire. The extent of the existing markets and spheres of influence becomes too limited for capitalism. The peaceful attempts at a settlement of the market problem neither gave, nor could they give, any results. The famous declaration of bankers in 1926 concerning free trade ended, as you know, in failure. The economic conference of the League of Nations in 1927, which set itself the task to unify the economic interests of capitalist countries, also ended in failure. The peaceful path of solution of the market problem remains closed to capitalism. There is only one "way out" for capitalism, namely, a new partition of the colonies and spheres of influence by force, by military encounters, by new imperialist wars.[2]

All the problems which we have been considering—the difficulties of accumulation, the chronic non-utilisation of fixed capital, the slowing down of the rate of production, chronic mass unemployment—are closely bound up with the problem of the market. From one standpoint all these problems appear as problems of the market. If the capacity of the capitalist market to absorb developed parallel with the expansion of production, none of these problems would arise at all, there would be no periodically recurring industrial crises.

It is therefore no wonder that bourgeois political economy has been tormented for a century with the problem of the market. It is always putting the question: how is general over-production, how is general unsaleability of all goods possible? With the production of each commodity, there is also produced a purchasing power equal in value to the commodity: the sum of the prices of the goods produced and the purchasing power of society are equal, and therefore the unsaleability of all goods is theoretically impossible. But since general crises of over-production nevertheless periodically ensue, these are explained by disproportion between the different branches of production, by a shortage of loan capital, by the fall in the rate of profit, etc.

A general discussion [3] of the cyclical movement of capitalist reproduction and the inevitable periodical recurrence of industrial crises falls outside the scope of this book. We want here only to show the decisive role played by the "power of society to consume," because it is the relatively progressive shrinkage of this power which is the main cause of the lack of a market, tending to become chronic in the period of the general crisis of capitalism.

By the power of society to consume, Marx understood that part of the product of value which serves to purchase the goods of Division II, the purchase of articles of consumption. Assuming a pure capitalist society, this is equal to v, the amount of wages, plus $(s - a)$, the amount left for the private consumption of the bourgeoisie and their hangers-on after the deduction of the amount required for accumulation. The power of society to consume has the tendency to fall relative to the purchasing power of society, i.e., to the whole value of the product (c plus v plus s): [4] v, variable capital, i.e., the amount of wages accruing to the working class, as a result of the increase in the productivity of labour relative to the value of the products becomes smaller; s, the amount of appropriated surplus value, is correspondingly larger; but since a part of the additional s is always accumulated, the power of society to consume has a tendency to fall relative to the purchasing power.

The accumulation of capital at times leads to the expansion of the capitalist market, as the capitalists mutually purchase the goods of Division I, the means of production, serving the expansion of the apparatus of production. But since all means of production in the final instance can only serve for the production of the means of consumption, its sale is determined by the sale of the means of consumption produced with its aid. The relatively declining power of consumption of capitalist society therefore also puts limits to the sale of the means of production; this is the reason for the untenability of the theory of Tugan-Baranovsky, according to which the expansion of the sale of the means of production is unlimited in capitalism. The limitedness of the power of society to consume, the proletarian situation of the masses, is the cause of all true crises of over-production.

Why is it that the problem of the market has become particularly acute in the period of the general crisis?

In order to answer this question we must investigate two groups of factors: those which counteracted the narrowness of the market in the earlier stages of development of capitalism, and those which make the problem of the market more acute in the period of the general crisis.

a) *The spread of the capitalist market by drawing in independent producers.* A *"pure"* capitalism, i.e., a society which consists only of two classes—bourgeoisie and proletariat—has never existed; but this hypothesis was unavoidable in the discovery of the immanent laws of movement of capitalist society. The majority of the inhabitants of the world are "independent producers"—peasants and artisans. Drawing these independent producers into the capitalist market, turning them successively into elements of capitalist society, provided a peculiar expansion of the capitalist market, counteracted the tendency, resulting from the internal development of capitalism, to relative shrinkage of the market, and mitigated the problem of the market.

The significance of this factor was particularly brought out by Marx as well as by Lenin.

In fact, the events that transformed the small peasants into wage-labourers, and their means of subsistence and of labour into material ele-

ments of capital, created, at the same time, a home-market for the latter. Formerly, the peasant family produced the means of subsistence and the raw materials, which they themselves, for the most part, consumed. These raw materials and means of subsistence have now become commodities; the large farmer sells them, he finds his market in manufactures. Yarn, linen, coarse woollen stuffs—things whose raw materials had been within the reach of every peasant family, had been spun and woven by it for its own use—were now transformed into articles of manufacture, to which the country districts at once served for markets. The many scattered customers, whom stray artisans until now had found in the numerous small producers working on their own account, concentrate themselves now into one great market provided for by industrial capital. Thus, hand in hand with the expropriation of the self-supporting peasants, with their separation from their means of production, goes the destruction of rural domestic industry, the process of separation between manufacture and agriculture. And only the destruction of rural domestic industry can give the internal market of a country that extension and consistence which the capitalist mode of production requires.[5]

The same thesis is further expounded by Lenin in his book, *The Development of Capitalism in Russia:*

The fundamental process of the formation of a home market (*i.e.,* the development of commodity production and capitalism) is social division of labour. This means that, one after another, various forms of working up raw materials (and various operations in this process) become separated from agriculture and become independent branches of industry which exchange their products (now become *commodities*) for the products of agriculture. Thus, agriculture itself becomes an industry (*i.e.,* production of commodities) and the same process of specialisation takes place in it.[6]

Together with the spread of commodity production there goes a differentiation, the disruption of the peasantry, the formation of an agricultural bourgeoisie on the one hand, and of an agricultural proletariat on the other, whereby—regardless of the impoverishment of a large part of the peasant population—the capitalist market is further expanded.

Consequently, the transformation of the peasantry into the rural proletariat creates a market mainly for articles of consumption, and its transformation into a rural bourgeoisie creates a market mainly for means of production. In other words, in the lowest groups of the "peasantry" we observe the transformation of labour power into a commodity; in the highest groups we observe the transformation of means of production into capital.[7]

This process of "unpeasantising" the peasant, as Lenin said—considered from the point of view of "pure" capitalism—creates an *added expansion of the capitalist market.* (Like the displacement of the products made by hand by the cheaper goods of factory production.)

This process of turning the peasantry into elements of capitalist society undoubtedly played the most important part in alleviating the problem of the market (and therewith also the crises) in the earlier stages of the development of capitalism.

b) *The conquest of colonies.* Economically, the effect of the expansion of the market resulting from the seizure of colonies consisted in the dissolution of self-contained economy (overwhelmingly peasant) and the transformation of the colonial peasantry into purchasers of capitalistically produced goods and the suppliers of cheap raw materials; but, looked at from the standpoint of the conquering capitalist countries, the "foreign" and not the "home" market is hereby expanded.

c) *Construction of railways.* For decades the construction of the world network of railways had the effect of expanding the market. To grasp the role they played the following must be considered:

The building of railways means an expansion of the market in Division I, but the railways differ from the other varieties of goods in Division I by the fact that they serve merely for the transport of goods and not for their production, i.e., they do not increase the mass of goods produced, like the extension of the means of production in the narrow sense of the word. They serve in addition—without raising production—to extend the capitalist market, by making the sale of capitalistically produced industrial goods possible in areas which could not before be reached owing to the lack of transport or to the cost of transport being too high. The construction of docks, regulation of rivers, etc., also had the same effect as railways.

d) *Export of capital.* Capital export played an important role in the expansion of the capitalist market in the second half of the 19th century and particularly in the period of imperialism up to 1913. Capital export means an *additional export of goods* of the highly de-

veloped capitalist countries which would not have taken place without the export of capital. This means that goods—above all goods of Division I—are sold, exported into foreign countries without receiving at the same time the value in other goods (or money). This means that the absorption capacity of the capitalist market is "artificially" expanded for the time and the tendency for the absorption capacity of the market to decline is alleviated.

Before the general crisis of capitalism, these factors worked in the direction of expanding the capitalist market, they lengthened the period of the cycles, made it easier to overcome the industrial crises, and mitigated the tendency to create a surplus population of workers.

In the period of the general crisis of capitalism the effectiveness of these factors in extending the market either ceases altogether or diminishes very considerably:

a) *The transformation of the peasantry into elements of capitalist society has as good as stopped in the highest developed capitalist countries*—England, the United States, Germany. The American farmer is a small capitalist producer of commodities who produces one or two varieties of goods for the market and covers his daily needs by the purchase of capitalistically produced goods. True, the agrarian crisis hastens the ruin of the peasantry, but the labour power of the one-time peasant no longer becomes a commodity—as Lenin said—as capital has no use for additional, fresh labour forces; the ruined peasants swell the number of the army of chronic unemployed.

b) *The conquest of colonies is at an end.* The last independent native state, Abyssinia, has been subjugated by Italy. The division of the world is finished. Only a violent re-division is still possible. But a re-division would not have the effect of expanding the market for capitalism as a whole, it would only change the share of the separate imperialist robbers in the booty of the colonies.

c) *The time of great railway construction is past.* While during the last decade before the war, 1900-1910, 240,000 kilometres of new railways were built, in the last decade, 1920-1930, only 58,000 kilometres of new railways have been built.[8] During the crisis of 1929 in some countries there was even a diminution of the network of railways.[9] (The building of motor roads is not a sufficient substitute.) Only in the Soviet Union are railways being built on a large scale, and in some less developed countries abroad (China) there is still a considerable amount of railway construction.

d) *The export of capital has very much diminished in the period of the general crisis.* (With the exception of the years 1924-1928, when there was a large "abnormal" [10] capital export from the United States and the Western European countries to Germany.) Particularly since the outbreak of the crisis of 1929, normal capital export has become minimal; insofar as there is capital export it is determined largely from a military point of view.

We will now pass to those factors which limit positively the market possibilities in the period of the general crisis of capitalism.

1. In the first place there is the *increased formation of monopoly.* The formation of monopoly naturally had the effect of restricting the absorption capacity of the capitalist market even before the general crisis; but the centralisation of capital and the formation of monopoly made a further great advance in the post-war period.[11]

Monopolies restrict the power of society to consume in a number of different ways.

a) The formation of monopoly strengthens the position of the capitalists with regard to the workers in the fight for the determination of working conditions, facilitates the reduction of wages below the value of labour power and reduces *v,* the sum of wages.

b) Monopolies reduce the power of society to consume by keeping their selling price *above* the price of production and, on the other hand, in their purchases from non-monopoly commodity producers, peasants, artisans and small capitalists—*by forcing down prices below the price of production*—often under the actual cost of production, which under capitalism accelerates the process of centralisation which is always going on.

Here, naturally the objection could be raised that it is immaterial to the consumption power of society as a whole, how *s,* the sum of surplus value appropriated, is divided among the capitalists. This view is untenable. The concentration of enormous sums of surplus value by the monopolies, in the hands of the finance oligarchy, leads to a diminution of the power of society to consume, because the finance oligarchy—in spite of the wild luxury they go in for—can only use for private consumption a small portion of the enormous profits they acquire.

c) Herewith we come upon a special contradiction of monopoly capitalism. The monopolies own enormous masses of surplus value, accumulate them in the form of money but only with difficulty find opportunities for obtaining surplus value from the capital accumulated in the form of money. They can invest new capital in the branches of production monopolised by them only to a very small extent, as this would lead either to a "harmful" increase of the supply on the market and thereby imperil the high monopoly prices, or increase the mass of fixed capital lying idle. The investment of capital comes up against the resistance of the dominating monopoly and against the common interests of monopoly bank and industrial capital, intertwined into finance capital. The money capital accumulated by the monopolies therefore finds productive use only with difficulty; and from this comes the excess of loan capital, the enormous speculations on the exchange, the penetration of finance capital into agriculture, etc., which in the end leads to a further centralisation of capital and therewith to a diminution in the power of society to consume.

2. *The agrarian crisis of the post-war period.* We shall deal with this in a special chapter. The mass ruin of the peasants which this has called forth is an important factor in the restriction of the capitalist market.

3. A new phenomenon is the persistent crisis in currencies in a more or less acute form since the end of the World War, which seriously affects the division of income, destroys the power of the strata of coupon clippers to consume and disturbs the international credit system, etc. We will deal with this problem is a separate chapter.

In this way, as a result of the immanent laws of movement of capitalism; as a result of the disappearance or weakening of those factors which, at an earlier stage, had an expanding effect on the market; as a result of the effect of new factors which restrict the market, or the strengthening of previous restrictive factors, a position has arisen in which the problem of the market—as Stalin says—has become the basic problem of capitalism. Or, in other words: whereas at an earlier stage of capitalism the problem of the market was only acute in the phases of crisis, *in the period of the general crisis of capitalism it has the tendency to become chronically acute.* Out of the 19 post-war years there are perhaps three in which the sale of goods went smoothly; while during the whole of the rest of the time, particularly

in the long years of crisis and depression, the sale of goods constantly came up against the narrow limits of the capitalist market.

There is no problem of the market in the Soviet Union! It is true that the division of the means of consumption among the final consumers goes on much as it does under capitalism. Goods are offered for sale in shops open to all shoppers without distinction; the shoppers choose, shop, pay at the cash desk just as in a capitalist shop. There is even a certain amount of advertisement; in the newspapers there are advertisements which draw the attention of shoppers to the appearance of new kinds of goods. There is even a certain competition between the separate shops in attentive service to the customers; in the delivery of goods to the homes of the shoppers; and in a fuller assortment of goods offered, etc.

The following figures show the growth of the turnover of retail trade in the years of the Second Five-Year Plan:

TURNOVER OF RETAIL TRADE

	In milliard rubles
1932	47.8
1933	61.3
1934	75.8
1935	95.9
1936	122.5

But the market in the Soviet Union is basically different from the capitalist market. For the structure of society is of a different kind. In the Soviet Union the means of production, with the tiny exception of that of the individual peasant and the artisan, are in practice completely socialist property: either directly state and municipal, or the collective property of the collective farms and co-operatives. The separate undertakings are therefore not independent enterprises in the capitalist sense, whose fate is decided by the unknown forces of the anarchist market, *but links of an ordered and planned whole.* It is not competition which decides—on the basis of the law of value—the selling price of goods, but it is the state within the framework of planned economy which determines the price of goods.[12]

As the means of production are socialist property, it is not the market, i.e., the prospects of profit, which determines which goods are to

be produced and in what quality. This is decided on the setting up of the economic plan, first in rougher outline in the Five-Year Plan and then more concretely in the yearly plan for each separate factory.[13]

Accumulation is also not determined by any considerations based on the anarchy of the market, as it is under capitalism. The economic plan determines both the amount of socialist accumulation as well as the kind, extent and locality of the new enterprises to be built. As the accumulation is socialist and not private capitalist, the consumption power of society loses its effect which under capitalism in the last resort is one of limitation. The further socialist accumulation advances, the higher the output of labour, the greater the quantity of newly produced goods, the better are the needs of the population satisfied.

This leads us to the decisive difference: under capitalism—as we showed above—production is limited by the power of society to consume—hence the almost chronic lack of markets, hence the eternal problem of the relative narrowness of the capitalist market. In the Soviet Union, on the contrary, the rapidly rising consumption is only limited by the possibilities of production; its expansion has thus no social, class-determined limits whatsoever. The more that is produced the more can be consumed. There can never arise any over-production,[14] as both the amount of wages and salaries as well as the prices for goods are planned and determined by the state. In accordance with the expansion of production and the increase in the output of labour, prices are reduced, and wages raised so that over-production is impossible.

It is today absolutely in the power of the Soviet government to bring about a permanent "surplus" in the means of consumption. For this purpose it is only necessary to raise the price of goods correspondingly or to lower wages and salaries and immediately part of the means of consumption would remain unsold, and the outward and visible sign of a surplus would appear, as is always the case under capitalism and was also the case in tsarist Russia—in spite of the bitter poverty of the working people. The Soviet government does not tread this path but the path of systematic lowering of prices: thus on June 1, 1937, retail prices of all goods in light industry were once more reduced by 10 to 15 per cent.

The artificial creation of superfluous means of consumption through the shrinking of the consumption of the working people would go

counter to the line of the Soviet government of increasing the well-being of the population as speedily as possible.

To sum up—although the transfer of products from one undertaking to another, and in the end to the final consumer, takes place in the Soviet Union in the outward form of sale and purchase on the "market," this market is different economically from the capitalist market in every respect.

Chapter VIII: AGRARIAN CRISIS UNDER CAPITALISM; GROWTH OF AGRICULTURE IN THE SOVIET UNION

THERE HAS BEEN a continuous agrarian crisis varying in acuteness since the end of the war. In the upward phase of the industrial cycle (e.g., from 1925 to 1929 and from 1935) it was less acute—only to be experienced in a new and acute form after the outbreak of the crisis.

The following index of prices may serve as an illustration of the varying acuteness of the agrarian crisis:

INDEX OF WHOLESALE PRICES FOR AGRICULTURAL GOODS [1]

	1919	*1920*	*1921*	*1922*	*1925*	*1928*
U.S.A.						
(July, 1909-July, 1914 = 100)	221	211	125	132	156	149
Germany						
(1913 = 100)	—	—	—	—	133.0	134.3
France						
(1914 = 100)	—	450	347	318	479	587
Poland						
(1928 = 100)	—	—	—	—	—	100.0

	1929	*1932*	*1933*	*1934*	*1935*	*1936*
U.S.A.						
(July, 1909-July, 1914 = 100)	146	65	70	90	108	114
Germany						
(1913 = 100)	130.2	91.3	86.8	95.9	102.2	104.9
France						
(1914 = 100)	584	465	415	390	344	427
Poland						
(1928 = 100)	89.5	48.9	42.6	37.0	35.8	38.7

The prices in the United States are the most characteristic: they show (1) that in spite of the depreciation of the dollar, in spite of the enormous sums which the government spent in keeping up prices, that these were about 50 per cent lower in 1936 than in 1919; (2) the big fluctuation of prices together with the movement of the industrial cycle. In Germany (which is, in general, dependent on the import of agricultural products) the effect of the world agrarian crisis on the prices at home could be lightened by state measures.

This connection between the sharpening of the agricultural crisis and the industrial crisis is easily understood. The crisis in industry directly reduces the demand for technical raw materials of all kinds. The severe restriction of the consumption power of the urban population—mass unemployment of the workers and employees, the greatly worsened position of the artisans, small traders—leads to a reduction in the demand (which can be paid for) for foodstuffs, particularly of the better quality—butter, milk, meats, fats.

But this close connection between the industrial crisis and the development of the agrarian crisis does not mean that the phenomenon of crises in agriculture is merely a derivative of industrial crises, as is sometimes maintained by writers who particularly want to appear as orthodox Marxists, and that there is absolutely no *chronic* agrarian crisis. This is wrong. Agrarian crises and industrial crises do not coincide in the history of capitalism. The great agrarian crisis of the 19th century lasted through two industrial cycles, and there were a number of industrial cycles which caused a slight worsening in the position of agriculture but not a crisis. If one denies the chronic character of the post-war agrarian crisis one thereby postulates the anti-Marxian thesis that agriculture is in an exceptional position in the general crisis of capitalism and is not hit by it.

In fact, the chronic agrarian crisis of the post-war period is a component part of the general crisis of capitalism. This is where it differs from the great agrarian crisis of the 19th century, which was a partial crisis within still ascending capitalism, a crisis of the cultivation of wheat in Europe and in the eastern part of the United States. The present agrarian crisis embraces all countries and all branches of agriculture more or less. Its fundamental causes are identical with those of the general crisis of capitalism. The chronic contradiction between the drive towards expansion of production and the narrow limitations of the capitalist market forces the capital which does not find any productive investment in industry into agriculture, while the power of society to consume, becoming relatively more restricted, diminishes the demand for agricultural products.[2]

The chronic agrarian crisis as a partial phenomenon of the general crisis of capitalism was unleashed by the World War. The increased consumption and reduced home production of the European countries at war caused a big extension of the land cultivated in the countries

overseas most conveniently situated for shipment, the United States and Canada.[3]

After the World War, European agriculture recovered slowly from the wounds of war, harvests became larger, partly as a result of the policy of state production and subsidies (Italy, Germany and later France and England). Thus, compared with pre-war crops, there was an increased world agricultural production.

The index of the League of Nations for world production of agricultural products ("produits agricoles") and foodstuffs ("produits alimentaires") gives the following picture:[4]

	1925	*1929*	*1930*	*1931*	*1932*	*1933*	*1934*	*1935*	*1936*
			(*1925-1929 = 100*)						
Agricultural products	97	100	103	103	103	103	101	103	104
Foodstuffs	96	103	105	103	103	105	105	104	106

As we see, the agrarian crisis did not lead to any lessening of agricultural production even immediately after the outbreak of the crisis of 1929. Only in the years 1934-1936 was there a slight decline in production partly as a result of repeated bad harvests in the United States, partly as a result of the organised restriction of production (international cane sugar and rubber agreement; subsidies for cutting down cultivation of cotton, wheat in the United States, etc.).

The result of high production with reduced sales was a tremendous piling up of stocks of unsaleable agricultural goods.

INDEX OF WORLD STOCKS OF FOODSTUFFS AND RAW MATERIALS[5]

(*1923-1925 = 100*)

	TOTAL	WHEAT	COTTON	RUBBER	COFFEE	TEA	SILK	SUGAR
1920	117	78	144	...	110	133	...	...
1923 (minimum)	90	95	88	...	84	90	82	89
1925	108	96	115	73	111	116	116	124
1927	149	119	175	151	156	95	135	166
1929	180	202	149	166	256	129	149	213
1930	228	209	186	236	422	139	243	261
1931	265	226	222	298	452	132	284	312
1932	273	218	237	331	467	129	276	316
1933	262	219	234	338	351	154	276	313
1934	253	210	207	359	390	144	294	299
1935	219	175	157	361	359	143	231	272
1936	198	135	169	283	396	128	202	230

As is well known, it went so far that (mainly with the support of the governments) huge masses of foodstuffs—wheat, pigs, cows, coffee, oranges, etc.—were destroyed at a time when millions of the unemployed and peasantry starved.

The reason why agricultural producers—differing from the industrial producers—did not immediately restrict production, in spite of the low prices which meant a loss, lies in the following:

In agriculture the cost of production differs greatly according to the technique employed, the size of the farm and the quality of the land. The costs of production of modern farms worked on a capitalist basis are so low that even with the low-crisis prices they obtain a profit. In many cases the political influence of the big landlords makes it possible for them to over-compensate their loss (*Osthilfe* in Germany).

As far as the peasant producers are concerned, they are forced to continue production on the old scale until diminution in production begins involuntarily with the degradation of agriculture. The peculiarity of agriculture consists of the fact that the fixed costs, which do not vary with the size of production, are a much higher percentage than in industry. Ground rent in the form of lease payments and interest on mortgage, interest payments and amortisation on the buildings and machines, fodder, and wearing out of the livestock, taxes, wages of permanently employed labour forces—these expenditures, which together make up at least 70 per cent of the individual costs of production, remain almost unchanged if the area cultivated is diminished. Hence a reduction or stoppage of work in agriculture is combined with a far greater loss than in industry. In addition, it is very difficult for the peasant to find work for himself and his family outside his plot without giving up his farm and home for good. He therefore continues production even when he can squeeze out of it only a tiny return for his labour.

In such circumstances, the chronic agrarian crisis, in the final instance, leads to a reduction of agricultural productive forces, to a *degradation of agriculture*. The process of the degradation of agriculture embraces two circumstances differing socially and economically:

A more or less voluntary reduction in the intensification of capitalist agriculture (suiting the methods of production to changed price relations, for example, the use of horse ploughs in place of tractors, as

petrol is dear, oats cheap and unsellable); reduction in the use of artificial manures, as it is not worth while to use them with the low prices; return to manual labour in place of the use of complicated machines,[6] as wages have fallen severely.

The enforced general worsening of present economy as the proceeds left to the peasant, in spite of the greatest personal privations on the part of the peasant's family, are not sufficient to maintain simple reproduction (dead cattle cannot be replaced, used up implements cannot be renewed, etc.); abolition of the division of labour within agriculture; restriction of production for the market, tendency to go back to production for the needs of the peasant household.

Thus the agrarian crisis leads to the impoverishment, to the mass ruin of the working peasantry in the capitalist world. We shall deal with the state of the peasantry in a later chapter.

Agriculture in tsarist Russia, based on the work of the peasants and their draught animals, was more completely shattered by the war than that of the other belligerent European countries. The agrarian revolution, the division of the land and of the stock of the landlords did not take place without the loss of productive forces: many farms were burnt down, valuable breeding cattle killed, etc. These are the unavoidable *faux frais* of the Revolution. The process of ruination continued during the intervention and the civil war: the White generals—Denikin, Kolchak, Wrangel, etc.—made the country a desert, drove off the peasants' cattle, set fire to the villages. The Soviet government, too, was forced, in defence of the revolution, to lay claim to the surplus of the peasantry without being able to give them an immediate return. But the Red Army defended the freedom and the newly-won land of the peasants against the White armies of the routed landlords and capitalists; that is why the great mass of the peasantry were friendly towards the Red Army, as allies, and hostile towards the counter-revolutionary armies.

But after the defeat of the counter-revolutionary armies, the system of war communism could no longer hold good. Economically, because the peasantry—as they could no longer sell their surplus over and above their own needs freely on the market—showed a tendency to limit production to their own needs. Politically, because the class alliance

with the middle peasantry appeared to be threatened by the system of war communism:

> We know that this agreement between the working class and the peasantry is precarious, to put it mildly—please do not put the word "mildly" in the minutes—and speaking straightforwardly, it is much worse. At all events, we must not try to conceal anything, but must say straightforwardly that the peasantry are not satisfied with the form of relationships that has been established with them, that they do not want this form of relationships and will not tolerate it any longer. This is indisputable. They have definitely expressed this will; it is the will of the vast mass of the toiling population. We must reckon with this; and we are sufficiently level-headed politicians to be able to say straightforwardly: let us reconsider our policy towards the peasantry. The position that has existed up to now cannot be maintained any longer.[7]

With the introduction of the New Economic Policy ("seriously and for a long time," as Lenin said), an end was made to the decline in agriculture; and there began a rapid reconstruction up to the pre-war level. The further growth was slower, because—although the revolution handed over 150 million hectares of the land formerly owned by the landlords, the church and the royal family to the peasants[8] and released them from all debts—the new agrarian constitution was not fitted to assist in a rapid advance beyond the pre-war level. The land was divided among 24 million peasant farms. A large portion of these farms did not have sufficient means of production for cultivating the soil. The means of production were, it is true, also divided up with the division of the land of the landlords. But it is clear that a stock of machines and draught cattle suited and adequate for working a large farm of 1,000 hectares, divided amongst 100 peasants, is insufficient and unsuitable for the farming of a hundred peasant farms of ten hectares. The decree on the use in common of all existing means of production came up against the resistance of the rich peasants, who did everything possible in order to cut across the policy of the Soviet Union of increasingly limiting the possibility of the exploitation of the poor peasants by the kulaks.

There began the long fight between the rich peasants and the Soviet Union, and in this fight the Soviet government based itself above

all on the village poor (the peasantry who owned no means of production) and also on the middle peasantry.

The fight was conducted by various methods: the rich peasants sometimes organised counter-revolutionary uprisings, organised the sabotage of supplies for the town markets, sometimes pretended loyalty to the Soviet government.[9]

The strength of the kulaks consisted in the fact that they were in possession of the means of production necessary for peasant farming, with the help of which they were able to exploit in various ways and forcibly to bring under their influence the poor peasants, who completely or almost completely lacked the means of production for farming the land they had got in the revolution. The New Economic Policy gave them the possibility, on the basis of free trade, of playing the part of small capitalists,[10] as Lenin had foreseen in introducing the New Economic Policy:

> What will be the effect of this?
> The effect will be the revival of the petty bourgeoisie and of capitalism on the basis of a certain amount of free trade (if only local). This is beyond doubt. It would be ridiculous to close our eyes to it.[11]

The socialist sector of Soviet economy, however, above all industry, as is well known, made tremendous progress in the period of the New Economic Policy. This led to a growing contradiction between the rapidly advancing socialist large-scale industry and agriculture, individually farmed, split up into 25 million small farms and advancing but slowly.

> Our great centralised socialist industry is developing on the basis of the Marxist theory of expanding reproduction, for its dimensions increase from year to year; it is accumulating and advancing in seven-league strides. But our *national economy* is not confined to large-scale industry alone. On the contrary, the small peasant farm still predominates in our national economy. Can we then maintain that our small peasant farms are developing on the principle of expanded reproduction? No, we cannot maintain this. Our small peasant agriculture, in the main, is not only not developing on the principle of expanded reproduction yearly, but is not even always able to realise simple reproduction. Is it possible for our socialist industry to continue to accelerate its speed of development when it relies for support on an agricultural basis like the system of small peasant farms which are incapable of increasing reproduction, but which, at the same time, represent the preponderant force in our national economy? No, by no means. Can the Soviet government and the work of socialist reconstruction depend for support for a more or less lengthy period on two *different* bases: on the basis of the greatest and most concentrated socialised industry, and on the basis of the most backward and scattered peasant farming with its small marketable output? No, this is impossible.[12]

On the other hand, the rapid progress of Soviet industry created the possibility previously lacking, of producing the new means of production necessary for the fundamental re-organisation of agriculture, the uniting of the 25 million individual peasant farms into large-scale collective farms, and placing at their disposal these means of production. This at the same time gave the possibility of finally breaking the power of the kulaks, based above all on their possession of the means of production, of eliminating the last capitalist class, the kulaks, as a class, on the basis of thorough-going collectivisation.

And so in 1929 there began the movement of a large part of the working peasantry towards the joining up of their farms and cultivating of them collectively. The movement was supported by the Party and the Soviet government by propaganda, agitation, and by every manner of encouragement: abatement of taxes, guarantee of credits, cultivation of the land with the help of tractors and other machines of the newly promoted tractor stations, compulsory settlement of the land of the collective farms (those peasants who did not want to enter the collective farms, but whose land lay within the bounds of the collective farm, were given new land bordering on the land of the collective farm, etc.).[13]

The kulaks obstinately resisted collectivisation; they correctly recognised that this meant their finish as a class. They slaughtered their cattle and conducted agitation for this amongst the middle peasants, not without success, particularly as a result of the incorrect attempts, mentioned above, to collectivise the live stock which formed the peasants' food. They attempted to destroy the collective farms from within by wreckers whom they smuggled in, to ruin the live stock, to distract the population from the work in the collective farms by alarmist news, etc. The kulaks were conclusively defeated in this fight and destroyed as a class, and their means of production incorporated in the collective farms. But this second agrarian revolution did not take

place without great *faux frais*. The live stock of the Soviet Union was severely damaged. It amounted to:

	1928	1932
	(*in millions*)	
Cattle	70.5	40.7
Pigs	26.0	11.6
Sheep and goats	146.7	52.1

The decline in young live stock was particularly severe in 1932. In the state stock-breeding farms one-year-old calves fell 34 per cent in the first year, in the collective farms 29.7 per cent. Young pigs fell 50.6 per cent in the first two months in the state farms, 30.2 per cent in the collective farms.

But after the destruction of the class enemy, the superiority of collective large-scale farming over individual small farming quickly broke through and led to a leap forward in Soviet agriculture in just those years when the agriculture of the capitalist countries was falling more and more definitely into degradation.

The following figures show this growth:

AGRICULTURAL PRODUCTION

	1913	1935	1937
	(*in 1926-1927 prices*)		
Agricultural Production			
In milliard rubles	8.0	11.9	16.6
Per cent of 1913	100.0	148.0	207.0
Agricultural Production and Live Stock			
In million rubles	12.6	15.8	23.0
Per cent of 1913	100.0	125.0	183.0

SOWN AREA AND PRODUCE OF AGRICULTURE

	1913	1924	1928	1932	1935	1937
Sown area						
In million hectares	105.0	98.1	113.0	134.3	132.8	135.2
In per cent of 1913	100.0	93.4	107.6	128.0	126.5	130.2
Produce of grain cultivation						
In million centners	801.0	514.0	733.2	698.7	901.0	1,130.0
In per cent of 1913	100.0	64.2	91.5	87.2	112.5	141.0
Sugar beet						
In million centners	109.0	34.9	101.4	65.6	162.1	168.3[14]
In per cent of 1913	100.0	32.0	93.0	60.2	148.7	154.0

Cotton	1913	1924	1928	1932	1935	1937
In million centners	7.4	3.4	8.2	12.7	17.2	23.9[14]
In per cent of 1913	100.0	45.9	110.8	171.6	232.4	323.0
Flax						
In million centners	3.3	2.4	3.2	5.0	5.5	5.3[14]
In per cent of 1913	100.0	72.7	97.0	151.5	166.7	161.0

The harvest in grain was practically doubled compared with 1924; the sugar beet and cotton harvest are almost five times as large! The harvest is also considerably higher than before the war.

The cultivation of the land is making tremendous progress on all sides. Rational rotation of crops has been generally introduced in the collective farms. Instead of the superficial scratching of the ground with the wooden plough, there is the deep ploughing of the tractor. The weeds which grew in former years are destroyed by the systematic sorting of the seed. There is a constant increase in the amount of land sown with improved seed—40.3 million hectares in 1936. The use of artificial manures has more than doubled from 1932-1935. The learned agronomists of the Soviet Union lead the work of tens of thousands of ordinary agronomists and of collective farmers who have devoted themselves to agronomy in order to raise the produce of the land to a higher level quantitatively and qualitatively.[15]

The years 1936 and 1937 clearly show already the success of the process of change in the agriculture of the Soviet Union. 1936 was climatically unfavourable: there was little rain, and without collectivisation there would have been a bad harvest. Deep ploughing with tractors, improved seed, in certain cases watering of the fields organised by joining forces, made an average harvest possible in spite of the drought.

The year 1937 was climatically favourable: the careful cultivation of the land made record harvests possible, such as are seldom to be found in the world with field cultivation (not garden cultivation as in China).

The task set by Stalin, to raise the grain harvest to eight milliard poods (150 million tons) will be fulfilled in a much shorter time than was thought. The bread problem, one of the greatest concerns of the Soviet power, now finally belongs to the past.[16]

There have been relatively higher record harvests in the technical cultures than in wheat (1,000 double centners sugar beets per hectare, etc.).

In live stock, too, there has been a rapid increase, since the fall in young stock has returned to its normal size.

LIVE STOCK (*On July 1st*)

	1916	*1932*	*1935*	*1936*
Horses				
In millions	35.8	19.6	15.9	16.6
In per cent of 1916	100.0	54.7	44.4	46.4
Horned cattle				
In millions	60.6	40.7	49.2	56.7
In per cent of 1916	100.0	67.2	81.2	93.6
Pigs				
In millions	20.9	11.6	22.5	30.4
In per cent of 1916	100.0	55.5	107.7	145.5
Sheep and goats				
In millions	121.2	52.1	61.1	73.7
In per cent of 1916	100.0	43.0	50.4	60.8

We see that in the last four years the stock of oxen, sheep and goats has increased by about 40 per cent, of pigs by more than 150 per cent. Although the stock (with the exception of the pigs) is still less than in 1916, the rapid rate of increase reached in recent years guarantees that this level will be passed in the shortest possible time. (Horses—as in the United States—are being largely replaced by tractors and automobiles.)

Not only is the live stock numerically increasing with great rapidity, but it is being improved quantitatively and qualitatively. The Soviet government is importing the best breeding stock from abroad for the improvement of the stock: stud books are being used, the country is being divided into breeding districts, inoculations against distemper are being carried out, and the collective farmers are being systematically trained in stock breeding and veterinary science, etc.

We will limit ourselves to a single example as an illustration of the results of these measures. The collective pig breeding farms obtained 6.5 sucklings per sow in 1932; in 1935 14.2; in 1932, 50.6 per cent of the sucklings died in the first two months, in 1935 17.9 per cent; the average weight of the pigs delivered to the state rose from 65 to 86 kilogrammes in the same period.

The whole picture of agriculture in the Soviet Union has fundamentally changed in the past seven years. It has become the most

modern large-scale agriculture in the world. The hundreds of millions of small allotments which formerly covered the land have disappeared; they have been replaced by large (covering 50-100 hectares) areas. The wooden plough has departed and the skinny peasant's nag belongs forever to the past. Five thousand Machine and Tractor Stations equipped with 30,000 combines and 300,000 tractors bear the lion's share of the work of the fields. 91 million hectares, or 63 per cent of the sown area, were cultivated by the machine and tractor stations in 1936. The mixed peasant farms fitted to satisfy the needs of the peasant family has vanished; in their place there are large collective farms with scientific specialisation (grain, cotton, hemp, stockbreeding; vineyards, etc.). Soviet economy alone was capable of this fundamental transformation.

With the change in the material basis, the ideology of the working people of the land is also changing. The old type of Russian peasant who was eternally complaining of his woes, ever parsimonious, toiling from early morning to late at night, fearful of every contact with the world outside his home village, unable to read or write, belongs to the past. A new type of worker on the land has arisen: the driver of tractors, automobiles and combines, a worker free from cares, a reader of the papers, a wireless fan, studying agronomy and seizing with enthusiasm on anything new; a transitional type, from the peasant to the worker of socialist society. We will deal with this again in the chapter on the position of the peasantry.

Chapter IX: DEPRECIATION OF CURRENCY UNDER CAPITALISM; STRENGTHENING OF SOVIET CURRENCY

THE CRISIS of the capitalist system is also shown in the incapacity of capitalism to maintain or re-establish the firm gold currency necessary for assuring the normal course of capitalist production. The value, and therewith also the price of goods, is determined by the socially necessary labour time embodied in the commodity.[1] But the value *cannot directly* be measured by the labour time. This purpose is served by the general equivalent, gold, measured by its weight. But as it would be very inconvenient to weigh the gold specially for every business transaction, gold coins—a quantity of gold of definite weight differing according to the countries—or paper notes, which represent gold coins and before the war were exchangeable for gold, serve as the means of circulation. The price of goods, the valuation of capital, the amount of debt obligations, all transactions under capitalism are expressed not in the weight of gold, but in a given number of units of currency taken as unchangeable in value: dollars, pounds or marks. If, however, the anticipated stability of the currency disappears, i.e., if the unit of currency represents not a constant but a varying amount of gold, then all exchange relations, all credit relations, the entire sphere of circulation and therewith also the sphere of production are disturbed, and speculation takes the place of calculation. This is widely the case in the period of the general crisis of capitalism.

If we examine the position of currency in the post-war period, we can distinguish two great waves of depreciation. The currency of practically all European countries was depreciated in relation to gold at the end of the war, whereas the American dollar maintained its gold parity. Depreciation continued in the first years after the war. But after the crisis of 1920, there began a marked differentiation according to groups of countries. England, Japan and the neutral countries overcame the tendency to depreciation, and successively re-established the old gold parity of their currency. The other countries stabilised their currency on a new basis, i.e., they determined on a gold weight for the unit of currency which was very much smaller than that of pre-war.

The following figures illustrate the *course of the first wave of inflation:*

EXCHANGE RATES OF THE MOST IMPORTANT CURRENCIES
In Percentage of Gold-Dollar Parity During the First Wave of Depreciation

	ENGLAND	FRANCE	ITALY	GERMANY	JAPAN
1919	90.9	70.9	58.9	...	102.7
1920	75.3	36.5	25.8	7.4	101.0
1921	79.1	38.6	22.2	5.1	96.8
1922	91.0	42.5	24.6	1.0	95.9
1925	99.0	24.7	20.6	99.0	84.4
1926	99.9	16.8	20.2	99.0	94.5

Great Britain, in the British Dominions and India, and further, the Scandinavian countries, Holland, Switzerland, Argentina and Japan established once again the old parity; England in 1925 and Japan only in 1930. France, Belgium, Italy, Germany, Austria, Poland, Hungary, etc., accepted the depreciation of their currency as final and tried to stabilise their currency afresh with a very much smaller gold content.[2]

The stability of the currencies thus re-established lasted however for but a few years. The outbreak of the crisis of 1929 let loose the second wave of depreciation which dragged into the whirlpool all currencies including also the dollar and the pound.[3] This second wave of depreciation came to an end only in 1936 when the currencies of the gold bloc, as it was called, were devaluated.

EXCHANGE RATES OF THE MOST IMPORTANT CURRENCIES
In Per Cent of Gold Parity before 1929 During the Second Wave of Depreciation

	U.S.A.	ENGLAND	FRANCE	ITALY	JAPAN
1931	100.0	92.1	100.0	100.0	98.0
1932	100.0	72.0	100.3	97.4	56.4
1933	80.6	68.1	100.0	99.0	40.4
1934	59.7	61.8	100.0	97.0	35.6
1935	59.4	59.8	100.0	93.0	34.2
1936	59.2	60.5	92.4	82.0	34.5
1937[4]	59.0	60.0	67.0	59.0	33.8

The depreciation of the currency occurred "anarchistically" in some countries, as there was a considerable flow of the stocks of gold abroad, with the result that the gold standard had to be abandoned and depreciation set in; in other countries (the United States and the gold bloc countries) it was "organised": depreciation was carried through at one stroke by decision of the government changing the nominal

gold content of the currency simultaneously stabilising the currency at the new lower level. The following compilation comprising all countries (the material for which is taken from the League of Nations) may serve as a supplement to the table given above, which contains the exchange rates of the most important countries only:

DATE ON WHICH DEPRECIATION OF CURRENCY BEGAN. DATE OF DEVALUATION

1929 Brazil, Chile, Argentina, Paraguay.
1930 Australia, New Zealand, Venezuela, Bolivia.
1931 *Great Britain,* Canada, India, Egypt, Ireland, Palestine, Iraq, Norway, Sweden, Denmark, Finland, Portugal, Austria.
1932 *Japan,* Mexico, Chile, Columbia, Peru, Middle American small states, Siam, Yugoslavia, Greece.
1933 *U. S. A.,* Cuba, the Philippines, Honduras, Union of South Africa, Estonia.
1934 *Czechoslovakia,* Italy.
1935 Rumania, Belgium, Luxembourg.
1936 France, Italy, Switzerland, Holland (devaluation), Czechoslovakia (second devaluation), Belgium (second devaluation).

Some countries are not included in this compilation. They are those countries which, by a strong control of currency, have, at any rate formally, maintained their currency; as for example, Germany, where, however, as a result of the existence of numerous depreciated "special currencies" with very limited possibilities for use, the currency chaos is even greater than in other countries.[5]

Some countries, such as Belgium and Czechoslovakia, have thrice depreciated their currency in the course of a decade.

At the present time, in 1937, there is a certain consolidation of the currencies in connection with the upward movement of capitalist economy. But it will not last long; the outbreak of the next cyclical world economic crisis or the beginning of the new world war may release a new wave of inflation.

The cause of the devaluation of currency was the tremendous *fall in prices* after the war, which took place in two large waves and seriously harmed the process of the reproduction of capital.

> ...the process of reproduction is based on definite assumptions as to prices, so that a general fall in prices checks and disturbs the process of reproduction.[6]

The starting point of the fall in prices is to be found in the revolution in prices which took place during the World War, which drove the prices far above their value. For value determines price only when supply and demand cover each other.

> If demand and supply balance—Marx wrote—the market-price of commodities corresponds to their price of production. In other words their price is then seen to be regulated by the internal laws of capitalist production.[7]

What happened during the World War?

The demand for goods was constantly in excess of supply. As a result of the shortage of labour, of raw materials and fixed capital, supply constantly lagged behind demand. (This is only another expression of the fact that the war dissipated the wealth of the belligerent countries.) Thereby the normal mechanism of capitalism was put out of action, which mechanism, if the price rises above value, adjusts it again to value, by raising supply through an increase in production. The prices soared above the value; and a price revolution began.

This price revolution is shown most clearly in the United States. Although there, during the war, gold currency was maintained, prices leapt to double those of 1913, and the increase still continued after the end of the war as the demand for American goods—particularly for foodstuffs and raw materials—by the belligerent European countries, impoverished by the war and devoid of all stocks, far exceeded the supply.

WHOLESALE PRICES IN THE UNITED STATES IN JULY OF EACH YEAR (1915 = 100)

1916	*1917*	*1918*	*1919*	*1920*	*1920 (Maximum February)*
118	142	174	199	200	226

A similar artificially high level of prices was to be seen also in the European countries after the war, not only in the belligerent countries but also in the neutral countries with gold currency.

WHOLESALE PRICES IN JULY, 1919 (1913 = 100)

HOLLAND	SWITZERLAND	SWEDEN	DENMARK
195	222	257	211

This doubling of the level of prices cannot be explained by the mechanism of the formation of prices which is in force in "normal" capitalism. It is true the value of the goods rose somewhat during the war, while labour productivity dropped (used up and antiquated machinery, less skilled workers, lower quality raw materials). But this drop can only explain a fraction of the rise in prices.

We can quite leave out the theoretical possibility that the value of gold during the war dropped by half, and that therewith the rise in prices reflected the drop in the value of gold. During the war there was no technical revolution in the extraction of gold. If the value of gold fell as a result of technical improvements, then production must have risen, as gold production would have become very profitable: in actual fact, gold production fell sharply at the time of high prices at the end of the war.[8]

The increase in commodity prices had to come to an end as soon as its cause, the predominance of demand over supply, disappeared. This was the case in 1920, with the beginning of the first cyclical economic crisis after the World War. Prices fell sharply in the crisis, in the United States from 226 to 148 in the year 1925.

Such sharp price fluctuations brought about deep-reaching changes in the division of income among the classes and strata of capitalist society. During the time of rapidly-rising prices, productive capital—industrial capitalists in Marx's sense—pocketed super-profit, as the commodities in capitalism were sold at their *price of production* and raw materials and auxiliary materials rose further in price during the time of production of those goods; and industrial capital therefore, over and above the surplus value it appropriated, pocketed super-profit from the rise in prices. The share of loan capital, the income of the rentier class, went down in line with the rise in prices. The rate of exploitation rose, as the increase in wages always lagged behind the rise in prices. In the years of the fall in prices this was changed. The burden of debts rapidly became greater. The income of the rentier class rose in correspondence with the fall in prices: industrial capital had to give up a far larger part of the surplus value appropriated to loan capital. The fight between the working class and capital became sharper as capital sought to shake off the burdens of the fall in prices by reducing the wages of the working class.

The situation developed differently according to the groups of countries. In the United States, in England, in the neutral European countries, where the power of the ruling classes was firmer, adjustment to the fallen level of prices was carried through by way of "deflation," maintaining the stability of the currency or returning to the gold standard by a reduction of the nominal income of the rentier class (conversions), and by reduction in wages and salaries. In those countries, however, which had suffered more severely from the war, where the apparatus of force of the ruling class was severely shaken by defeat, where the revolutionary wave rose high in the early post-war years, where the bourgeoisie was forced to appease the revolutionary ferment by all manner of concessions—abolition of the monarchy, general, equal and secret suffrage, eight-hour day, freedom of organizations, workers' factory councils, etc.—with the active cooperation of the reformist leaders who had been called into the government, the bourgeoisie could not take this path. From this resulted the *depreciation of the currency* which reduced the real purchasing power of wages, which made the concessions granted to the working class on political grounds economically worthless, cast the proletariat into the deepest poverty, diminished the burden of debt to the extent of the depreciation, dispossessed the small investor of his property, depressed the income of the rentier class and established once again the profit of industrial capital by this roundabout way. We see that the policy of deflation or of inflation are questions of the class struggle.

All the same, the relative stabilisation of the currency thus achieved only lasted up to the outbreak of the second post-war economic crisis, which—as the compilation given above shows—led to the depreciation of all the currencies throughout the world. The cause of this second wave of depreciation was the second big fall in prices which was released by the crisis.

The first post-war crisis had wiped out by about half the price revolution which arose in the World War. Although the productivity of labour in the post-war period, particularly in the period of relative stabilisation of capitalism, in the period of rationalisation rose sharply, the price level remained at a considerably higher level than in pre-war times. We give the figures of those countries whose currency represented the same quantity of gold as pre-war:

INDEX OF WHOLESALE PRICES (1913 =100)

	GERMANY	GREAT BRITAIN (BOARD OF TRADE)	U.S.A.
1925	142	159	148
1928	140	140	139
1929	137	137	137

These figures show us a completely "abnormal" picture. The level of prices in the rising half of the industrial cycle, in the phase of revival and prosperity show a tendency to fall, a price phenomenon which has never before occurred in the history of capitalism. Normally the prices fall in the phase of crisis, stagnate in the depression and have a tendency to rise in the phase of revival and prosperity.

The tendency of prices to fall in the phase of prosperity, 1928-1929, shows that the process of liquidating the artificially high level of prices which arose during the World War, also continued during the revival and prosperity, if only slowly.

Why did the first post-war crisis wipe out this artificially high level of prices only by half? Why was the adjustment of the level of prices of value carried through so slowly? Why were the wholesale prices in 1929 still 37 per cent above the pre-war level, although the socially-necessary labour time contained in the commodity unit had undoubtedly considerably diminished since 1913?

To answer this question, it must be stressed that the reduction of a once high level of prices—even if this has been raised in relation to value as the result of a price revolution—always comes up against resistance. The highly-priced elements of constant capital enter the production costs of capitalist enterprises. Ground rent and house rent, railway rates and taxes have the tendency to persist at the high level once obtained and thereby to keep up costs. In the period of *monopolist capitalism* the power of the monopolies, cartels and trusts especially slow down the reduction of high prices.[9] The first economic crisis did not last long enough to break this resistance, and therefore could only wipe out by half the artificially high level of prices which arose during the war.

Only the second crisis of the post-war period, which began in the autumn of 1929, made a sudden end of this high level of prices.

Prices fell rapidly below the pre-war level. The law of capitalist

society, the equality of value and price (expressed in gold), forced itself through with a tremendous dislocation.

INDEX OF WHOLESALE PRICES (1913 = 100)

	GERMANY	GREAT BRITAIN	U.S.A.	FRANCE (1913 = 500) [10]
1929	137	137	137	627
1930	125	120	124	554
1931	111	104	105	502
1932	97	Depreciation of currency	93	427
1933	93	...	Depreciation of currency	398
1934	Manipulated currency	...	...	366
1935	...	...	...	338

The collapse in prices was so enormous that the burden of debts even in such rich countries as England or the United States was unbearable for the debtors! The governments were faced with the choice: either *depreciation of the currency or collapse of the credit system by mass bankruptcy.* After a shorter or longer resistance, the currency was everywhere sacrificed in order to save the credit system and to keep off the fall in prices; all the more as this—as we showed above—is the easier way of reducing the real wages of the workers.

This is the basic mechanism of the currency crisis of the post-war period. Considerations of the momentary ability to compete on the world market also play a part; but the cry about the necessity of inflation for raising exports serves above all to palliate the campaign of robbing the workers and the people with savings—which is what inflation means. The depreciation of the currency does not result in any lasting increase in exports, as the following figures show:

VALUE OF EXPORTS
(*In millions of former gold dollars*)

	1929	*1935*	*1935 in per cent of 1929*
U.S.A.	5,517	1,331	26
Great Britain	3,549	1,239	35
Germany	3,212	1,020	32
France	1,965	606	31

We see that the decline in export is no less in the inflation countries, United States and Great Britain, than in France, which actually, and Germany, which formally, maintains the gold currency. In any case, the differences lie within the limits of statistical error.

Still less is depreciation of the currency a medicine for continual use, a magical means of protection against crises, as the enthusiasts of a "managed currency" maintain; with every depreciation of currency there comes a dialectical turn, from which point on depreciation also injures the ruling classes, and the return to a stable currency becomes an inevitable necessity.

In this connection, the fact is of interest that fascist Germany formally maintained the stability of the mark during the second wave of depreciation. Schacht gave as the motive for this that with a shortage of gold the stability of the mark in the case of depreciation can only be further maintained by the present system of foreign trade and the control of currency. But what is decisive is that German capital does not need any roundabout way of reducing real wages: the fascist dictatorship takes care of this directly. The *Deutsche Volkswirt* (October 2, 1936), writes with brutal frankness on this question:

> In Germany the devaluation of the mark to-day has *no* economic price and *wage extråvagances* (!) to adjust; for they do not exist among us, where they do arise *they can be better regulated by our strong state power.*

Every depreciation of the currency in capitalism is first and foremost a means for the indirect reduction of real wages: we must always bear this in mind when we read the writings of the adherents of devaluation—who extend far into the ranks of the Social-Democrats.

The World War in tsarist Russia, as in all European countries, also led to the depreciation of the currency, in spite of the big loans guaranteed by France and England. As a result of the economic weakness of the country and of tsarist bad husbandry, this depreciation was greater than in the other countries: in 1915 it already amounted to 29 per cent.[11]

Depreciation continued under the Kerensky regime—and reached about 40 per cent.

With the victory of the proletarian revolution, the state debts were annulled, thus relieving the budget. But the issue of new state paper money—which circulated side by side with the old bank notes—was

unavoidable, as cover for the costs of the war and the civil war. Thereby depreciation continued: the counter-revolutionary elements hoarded up the old banknotes,[12] thus necessitating an even greater issue of new paper money. On January, 1921, the nominal sum of paper money issued amounted to 1,169 milliard rubles. In this way the ruble suffered a continually severe depreciation: in 1921 a gold ruble was valued at 11,300 paper rubles.[13]

The issue of new paper money continuued in the years, 1921-1922, with even greater rapidity (in December, 1922, notes to the nominal sum of 515,000 milliard rubles were issued).

The social results of the depreciation of the currency in the Soviet Union were quite different from that in capitalism—corresponding to the different class character of the state. The state of the dictatorship of the proletariat, by corresponding rises in wages and distribution of food and other articles of necessity at fixed prices, saw to it that the real wages of the workers were not reduced as a result of inflation. (Real wages in these years of the civil war and economic ruin were low but *not as a result* of the depreciation of the currency.) In this way the burden of inflation fell on the rich peasants, who scraped together huge sums of money from contraband trade in the sale of food, which were rapidly depreciated by inflation, and on the bourgeoisie who were forced to dispose of their wealth in order to live—in a word, predominantly on the non-working classes. While under capitalism inflation serves as a means for increasing the exploitation of the workers and the enriching of the capitalist, this was not the case in the Soviet Union.

Some Soviet economists, during war communism, made the mistake of thinking that the role of money had been finally played out, that there would be an immediate transition from war communism to real communism. This was a great mistake. War communism was replaced in 1921, for the above-mentioned reasons, by the New Economic Policy, through which Soviet money obtained a new significance.

The New Economic Policy, the re-establishment of the traffic of the market, demanded the creation of money of constant "purchasing power." We have not space here to give a picture of the methods and stages of the financial policy of the Soviet government. To the extent to which it was successful in raising production, in balancing the income and expenditure of state housekeeping, the new Soviet ruble

was consolidated. It is the only currency in the world which remained completely untouched by the crisis which embraced all other currency during the world economic crisis of 1929.

Soviet money *outwardly* embraces the same functions as money in capitalist economy: it serves as the means of circulation, as the measure of prices and as the means of payment. Nevertheless there is a great difference in the role of money in capitalism and in the Soviet Union, closely connected with the difference in the "market," discussed in Chapter VII of this book. The condition for capitalist reproduction is that capital is able to achieve the change from the commodity form to the money form: in other words, that the goods produced can be exchanged in money at their price of production, i.e., can be sold. If this leap from the commodity form into the money form miscarries, then a crisis breaks out. If the value of the gold unit is changed by inflation or devaluation, then the sphere of circulation is thrown into disorder and the distribution of income is considerably modified.

The role of money in the Soviet economy of today is a modest one. Production, turnover of goods and prices are not determined by the anarchy of the market, but established by *plan;* money only plays the part of an aide-de-camp! The "control by the ruble" serves to raise the productive capacity of individual state enterprises and factories. The *sale* of articles of necessity *for money* makes it possible for the working people to use their income according to their personal desires in articles of consumption. At the same time it gives the planning organs of the state a direct indication of the changes in the desires of the working people in consumption, which they would otherwise only be able to discover by the means of very prolix bureaucratic questionnaires and statistics, etc. Money therefore in the Soviet economy of today plays an essentially different role than under capitalism in spite of its outward sameness. Under capitalism money is a factor of anarchy, of planlessness; under socialism money is an aid to planned economy. The "purchasing power" of the Soviet ruble does not determine its gold content, but the planned price policy of the government on the basis of the development of the production of goods.

Soviet money also differs from the currency of the capitalist countries as it is exclusively determined for home needs. Soviet bank notes do not circulate abroad. In transactions abroad, the Soviet Union uses world money—gold.

In recent years the gold production of the Soviet Union has leapt ahead through the use of the most modern machinery and the working of new mines, and is second only to the Union of South Africa. The rapidly mounting stocks of gold make it possible for the Soviet Union to settle an eventual debt in the balance of payments to the capitalist world by consignments of gold. Gold extraction, looked at from the point of view of the Soviet Union, is the production of a commodity which can always be sold on the world market without difficulty, which is better fitted therefore for export than any other commodity.

For the economy of the Soviet Union itself the gold cover for the ruble is a matter of indifference. The purchasing power of the Soviet ruble is determined by production: the higher the output of labour, the more prices can be reduced, the greater becomes the "purchasing power" of the ruble (at the beginning of June, 1937, for example, the retail price of all goods in light industry were reduced by the government by 10-15 per cent). Whereas under capitalism in recent years, depreciation embraced all currencies, the purchasing power of the Soviet ruble has constantly risen. According to the traditional criterion of bourgeois financial science—high gold cover, favoring balance of trade and of payment, no foreign indebtedness, no deficit in the state budget, etc.—Soviet money is the best currency in the world. But its rising purchasing power is not concerned with these features, but is the expression of the rising well-being of the working people in the Soviet Union on the basis of the rise in the output of labour.

Although money in the Soviet Union today still plays—as we see—an important role, this role is nevertheless a merely transient one, and money undoubtedly will disappear with the transition from socialism to communism. With the leap forward in the growth of well-being in the Soviet Union a situation will be reached in the not very distant future, when with a number of means of consumption it will no longer be expedient to sell them for money, and to enter the money proceeds of the sale in books, as the necesary labour time of selling and control will be more valuable than the overconsumption and the possible wastefulness, if the products were given free to everyone. By this means gradually sale against money will be abolished, until in completely developed communism each will consume according to his needs and money will vanish altogether.

Chapter X: TENDENCIES OF CAPITALIST ECONOMY TO DECLINE; SYSTEMATIC CONSTRUCTION OF SOCIALIST ECONOMY

THE TENDENCY TO growing decline in the separate national economic units in capitalist world economy, which are more and more shutting themselves off from one another (in part together with their colonies), stand in the closest relation to the chronic restrictedness of the market (discussed in Chapter VII) in the period of the general crisis of capitalism and particularly in the period of the crisis of 1929. *As the market possibilities are insufficient, the bourgeoisie of each country tries to monopolise to the fullest extent possible the home market they dominate politically,* and to shut out all foreign goods to the greatest possible extent (with the exception of raw materials which are deficient at home or cannot be produced artificially).

This tendency is enormously strengthened by *the competition in armaments of all capitalist states*. Each state is driving towards producing, in its own territory as far as possible, the materials indispensable for war—and their number is becoming greater from day to day—food, raw materials, iron and steel, arms and munitions, etc.

The bourgeoisie is seeking to protect the home market by *production driven to the highest point,* using entirely new measures. The "protective tariffs" which in the 19th century had the task of protecting the industrial development of the more backward countries for the time being from the too powerful competition of the more advanced countries, have long since become a weapon of the most powerful monopolies, with which they keep up prices artificially in the home market and throw the goods that are superfluous at home onto the world market at dumping prices. But as monopoly capital of *all* the big industrial capitalist countries conducts a similar policy, protective tariffs have become considerably weakened by mutual dumping. On that account, entirely new and stronger methods of protection are used: the system of quotas for imports according to the kind of goods and according to countries; the system of the "net-balance," i.e., that the amount of sales and purchases of any two countries must be completely equal in the course of the year; the organisation of foreign trade not by individual firms but through the medium of state bureaus in clearing transactions; at the highest stage, a kind of capitalist monopoly

of foreign trade (Germany, Italy)—permission has to be obtained for imports, proceeds from foreign means of payment from exports must be handed over to the state, etc.

International trade has been greatly impeded by this policy. Tens of thousands of decrees, often changing every week, restrict trade. Changes come so quickly one after another that for individual buyers it has become absolutely impossible to follow them.

What one suffers so much from—writes the *Pester Lloyd* [1]—is the multiplicity and the changes which know no bounds. If one has grown accustomed to a measure then it is cancelled next day: if one knows the conditions for business with France, then one is ignorant of what is valid for Switzerland. Once the countries tread the path of competing for the most efficient isolation from abroad, then on the birth of a new weapon in the fight of trading policy with an opponent, a counter weapon must result, and at home the encouragement of one branch of economy must be compensated by a damper on the others.

It is sad to see the old, tried body of economy covered, plagued, stung and weakened by this flood of decrees and promulgations, by premium regulations, quotas, customs burdens and customs changes, by methods of compensation and conditions for clearing. The swarm does not leave him (the buyer) alone for a moment, it buzzes and drones around him so that he loses his sight and direction, and everything goes black before his eyes, but he is never free from the plague whether he hits out or lets his arms fall, discouraged.

And as an example as to how far the regulation of international trade can go, we cite the following announcement:

As the Hungarian foreign trade compensation bureau states, there has been a change in the compensation benefits for bent glass and insect powder (!) in relation to Turkey, about which the industrial section of the Hungarian Bureau for Foreign Trade will give further information.

A rapidly growing state bureaucracy controls every foreign trade transaction. As the punctual fulfilment of big business transactions depends on the agreement of small, poorly paid officials, corruption is widespread.

The currency crisis has also driven the agrarian countries into the system of industrial protection, as they were not in a position to import foreign goods without completely depreciating their currency owing to the lack of foreign means of payment, the destruction of the

international credit system and the great restriction of the possibility of importing capital because of the lack of means of payment.

The ideological reflection of these circumstances is the propaganda of *autarchy,* which is developed above all in the fascist states, Germany and Italy, in connection with their preparations for war. In this connection the drive is always only for the restriction of imports, but never any renunciation of utilising any possibilities of export—with the exception of goods necessary for war preparations. There naturally can be no talk of a complete "autarchy," i.e., of a "closed" economy without import or export. Even such a large and wealthy country as the United States, must import important commodities—rubber, tin, jute, manganese, ore, wood, coffee, tea, etc.; countries like Germany or Italy are all the less able to aspire successfully to autarchy.

The tendency of the decline of the world market is shown in the shriveling of foreign trade, in a quite abnormal distribution of the stocks of gold, in a certain destruction of the world economic division of labour.

In the course of the 19th century the foreign trade of the world rose rapidly with the development of capitalism. The yearly increase amounted to 3.3 per cent in 1900-1913.[2] The construction of networks of railways and the development of steamship travel led to the *rate* in the growth of foreign trade being much higher than the rate of the rise of industrial production. In the post-war period the rate of growth of foreign trade slowed down. The yearly increase, 1913-1929, amounted to only 2.1 per cent.[3]

After the outbreak of the economic crisis, foreign trade sharply declined and began to lag behind industrial production.

	VOLUME OF INDUSTRIAL PRODUCTION OF THE CAPITALIST WORLD [4]	VOLUME OF WORLD FOREIGN TRADE [5]
1913	100	100
1929	147	129.9
1930	127	119.7
1931	111	110.8
1932	92	96.2
1933	104	98.4
1934	113	98.5
1935	123	101.3
1936	135	106.0

Although these figures are by no means accurate, they show clearly the tendency of development: already in 1929 the volume of world trade remained far behind industrial production; in the years of deepest crisis, 1931-1932, world trade caught up with industrial production; in the last four years it lagged behind and scarcely passed the level of 1913.[6] The growing tendency to a reduction in world economic connections, of the decline of world economy, is clearly shown.

This in part explains also the tremendous inequality in the movement of the present industrial crisis. While some countries are in the phase of prosperity at the beginning of 1937 and the outbreak of the new cyclical crisis is to be expected in a measurable space of time, other countries are still in the phase of depression of a peculiar kind with a crisis-like level of industrial production.[7] Whereas foreign trade in earlier periods had an effect in the direction of unifying the cycle as the goods from countries with a worse business position streamed into those with a better business position, this today, as a result of protection driven to the utmost limit, is the case only to a very small degree.

Important as this setback in world trade is as a phenomenon of decline, it would be quite wrong to exaggerate the weight of this factor as many bourgeois economists do. They see in protection *the* cause of the difficult position of capitalism, and see *the* means of salvation for capitalism in the lowering of protection (no one believes any more in the return of free trade). Lowering of protection would *not immediately extend* the consumption power of capitalist society and thereby the absorption capacity of the capitalist marked *as a whole,* and consequently would not essentially change the basic problem, the narrowness of the market. There would be a certain shift between countries and branches of production, in that those countries in which the cost of production—from natural or historical reasons (cheap raw materials, water supplies, etc., existence of skilled labour forces, etc.)—is lowest, would smash their competitors on the world market. But this shift itself would be severely checked by the international agreements of the monopolies. An abolition of protection, which could in reality be maintained on military grounds and as a result of the position of power of finance capital only in narrow limits, would not bring any fundamental change.[8]

Some Social-Democrats also expect an improvement of the situation

of the working class from the abolition of protection. This is wrong. Here different tendencies cross each other. An abolition of protection would lower prices and thereby mean a temporary rise in real wages. On the other hand an abolition of protection would undoubtedly increase chronic mass unemployment. Without protection, every commodity would be produced in the country where the costs are lowest, i.e., where the least labour time is necessary for the production of one unit of each commodity: i.e., the production of the total amount of the goods produced in the capitalist world would require even less workers than now.

The reduction in the volume of foreign trade of the world can also be interpreted as the tendency to a diminution of world economic division of labour. This tendency is expressed in the most differing forms. On the one hand, in those countries where there is a home market for some commodity or other, there is the attempt to produce it there; on the other hand, the production of goods for export is forcibly diminished in many cases. We see this tendency in industry as well as in agriculture. As a typical example the shift in the textile industry of the world will serve:

NUMBER OF COTTON SPINDLES (*In thousands*)[9]

OLD INDUSTRIAL COUNTRIES	MID-1929	BEGINNING, 1936
U.S.A.	34,829	29,040
Great Britain	55,917	42,307
Germany	11,250	10,109
	101,996	81,456

The number of spindles has gone down by about a fifth since the outbreak of the crisis. The reduction in the number of spindles naturally does not mean a similarly large reduction in the capacity of production, since obsolete, worn-out machines are scrapped and in part replaced by new machines with greater output capacity.

Cotton spinning in some South American countries is a practically new industry which has arisen since the outbreak of the crisis: in the Argentine, Bolivia and Peru.

We see a severe reduction in the number of spindles in the old industrial countries: the United States, England and Germany; development of the textile industry in practically all agrarian and colonial countries of the world.

NUMBER OF COTTON SPINDLES IN SOME AGRARIAN AND COLONIAL COUNTRIES (*In thousands*)

	MID-1929	BEGINNING, 1936
Mexico	751	862
China	3,602	4,952
India	8,704	9,686
Spain	1,875	2,070
Finland	262	310
Hungary	153	301

If we read the economic reports on the European agrarian countries, for example, Finland, Denmark, Yugoslavia, or on the South American countries, we are astonished at the establishment of numerous new factories of *light* industry in these countries in the post-war period and particlarly in the years since 1929, partly with the help of foreign capital.[10]

It would be a mistake to ignore this development. Bound up with the rise and development of industry in the agrarian and colonial countries is the development of an industrial proletariat, which is called upon to exercise the hegemony of the movement for emancipation of the oppressed colonial working people. But it would also be a mistake to overestimate this development. The development of industry is practically entirely limited to the means of consumption; the production of the means of production, particularly of machines and the means of transport remains essentially as before the monopoly of the United States and the Western European industrial countries.[11] The reason for this is that the absorption capacity of the home market is not sufficient to absorb the production of even one modern chemical factory or locomotive factory; the large amount of capital resources needed for its establishment is difficult to get in undeveloped countries; there is a lack of engineers and skilled workers, etc. The dependence of the agrarian and colonial countries on the industrial countries with regard to the supply of the means of production, and therewith also with regard to military affairs, still continues.

The tendency to abolish the world economic division of labour exists also in agriculture, urgently required for military considerations.[12] The following figures illustrate this:

AREA OF CULTIVATION [13]
(*In million hectares*)

	1925-1929	*1934*	*1935*
Wheat			
U.S.A.	23.6	17.0	20.2
Argentina	7.7	6.9	4.8
Australia	5.2	5.1	4.8
Europe (without Soviet Union)	31.0	34.2	34.5
Maize			
U.S.A.	40.2	35.5	37.5
Europe (without Soviet Union)	11.6	13.2	13.5

The tendency to limit the cultivated area in the export countries and to expand it in the import countries of Europe is quite clear.

Still more interesting is the tremendous extension in the cultivation of cotton. While the cultivated area in the old centres of cotton cultivation for the world market in the United States and to a lesser extent in Egypt is going back, the cultivation in fresh countries is rapidly extending.

AREA UNDER COTTON CULTIVATION
(*In thousand hectares*)

	AVERAGE FOR 1925-1929	AVERAGE FOR 1935-1936
Total for old cotton countries	33,800	31,600
Of which U.S.A.	17,242	11,061
Egypt	740	701
India	10,599	10,127
Together	28,581	21,889
New Areas		
Uganda	249	553
Sudan	105	158
Argentina	95	368
Brazil	520	2,028
Bulgaria	4	36
Greece	16	45

The cotton cultivated area of the three large old cotton export countries has been reduced by almost seven million hectares, more than 20 per cent, that of the "new" countries has grown by several million hectares.

The tendencies to decline in capitalist world economy are also shown in the *fight for gold,* very closely bound up with the monetary crisis, and the extremely unequal distribution of gold reserves.

During the war, gold production fell sharply and remained at a low level also during the post-war period. The reason was the revolution in prices, dealt with in the previous chapter, which caused the exchange value of the newly extracted gold to drop in relation to all other commodities and therefore made the exploitation of ores with a low gold content unprofitable. Only after the second big fall in prices in the 1929 crisis was there a new upward movement in the production of gold.

GOLD PRODUCTION IN TONS OF FINE GOLD [14]

	(*Pre-war maximum*)			(*Min.*)				
	1912	*1918*	*1920*	*1922*	*1929*	*1934*	*1935*	*1936*
Capitalist world	701	552	507	480	573	736	775	850
Soviet Union (figures estimated abroad [15]	... ...	21	2	0.3	34	133	160	200

The gold production of the capitalist world has risen sharply since 1929: in seven years by almost 50 per cent. It is the only branch of industry which blossomed in the crisis as no market problem can arise in capitalism for gold as the universal equivalent.

In spite of the big upward movement of gold production, there is an acute competition between the individual capitalist countries around gold, whereby the rich imperialist countries corner the lion's share of the gold and strip the other countries of their gold stocks. The following figures illustrate this:

VISIBLE GOLD STOCKS [16]
(*In milliard marks, at end of year*)

	1928	*1930*	*1935*	*1936*
Capitalist world	44.1	46.6	54	...
United States	16.2	18.1	25.1	27.6
England	3.6	3.4	4.1	6.2
Germany	2.8	2.3	0.1	0.07
France	5.3	8.8	11.1	7.5

The whole of the newly extracted gold has for years flowed to the

United States, where round about half the whole of the gold stocks of the world is concentrated, and one-fifth is in the possession of France. The disparity is tremendous: the gold stocks of little Switzerland are as large as those of Japan or Italy. In some countries the stocks of gold change abruptly as a result of international speculation in currency. (For example, Holland's gold stocks in million marks amounted to: end 1930, 774; 1931, 1,552; 1932, 1,798; 1935, 1,086.) The Hitler régime has spent the gold stocks of Germany, which in 1932 still amounted to 877 million marks, down to a very small amount.

The fight for gold is sharpened by the bankruptcy of the system introduced in many countries after the war, of using foreign currency in place of gold as cover for note circulation, by depreciating the "best" currency, the pound and the dollar. The hoarding of gold at the same time means the accumulation of a war treasure for the approaching world war.[17]

We want also to deal shortly with the tendencies of decline in the spheres of emigration and immigration. Before the war, labour forces, particularly from the countries with an agrarian over-population (Russia, Italy, the Balkan countries, China, India), emigrated to the countries with forces of production not fully opened up: mainly North and South America; Chinese to Manchuria and the East Indies, Indians to Africa, etc. Chinese and Japanese were forbidden to emigrate to the United States or Australia, otherwise they had freedom of movement.

In the period of the general crisis, economic emigration into the United States was practically forbidden. Chronic mass unemployment, widespread everywhere, severely restricted emigration also to other countries—with the exception of France. An important safety valve for the bourgeoisie of Europe—the systematic emigration of dissatisfied, energetic workers and peasants—came to an end.

On the other hand *political* emigration took on tremendous proportions: refugees in mass of Whiteguards from the Soviet Union at the time of the civil war; emigration of Communists from Hungary, Italy and Germany, etc., after the victory of fascism; mass emigration of Jews to Palestine, etc.

So we see, in the most widely differing spheres, the effect of the tendencies of capitalist world economy to decline, the mutual shutting off of individual capitalist countries from each other.

In the enormous territory of the Soviet Union, a contrary process is going on in the framework of planned economy. In place of the old localities determined by the anarchy of the capitalist mode of production, there are coming into being new ones determined in a planned way. The production of each product is being removed to the best localities, where production can be carried on with the smallest expenditure of labour power. This means a rise in the labour output of the entire population, and makes a rise in consumption and shortening of the working day possible. The whole picture of settlement in the Soviet Union is being thereby rapidly changed. New towns arise and are developed at "American" speed.[18] By the construction of railways and of the canal system, the separate parts of the country are more closely connected together and the exchange of products between them made more easy.

But planned development does not mean a mechanical concentration of production: in many cases a systematic extension of the location takes place. This is the case particularly in agriculture. Production of corn has risen so high in a number of districts, which during tsarism were "importing districts," that they can now feed themselves. The extension of fruit cultivation in the north, begun by the great scientist, Michurin, with the creation of new varieties capable of resisting frost, are being systematically cultivated, etc.

Meanwhile, the planned transfer of production to the best localities does not take place only according to purely economic considerations without consideration of capitalist encirclement. The consideration of the defensive power of the socialist fatherland of the working people of the world against the threatening attack of the fascist war-mongers cannot be left out of account for a single second. In the choice of a location, its military-strategic position must also be taken into consideration along with the economic advantages (distance from the frontier, possibility of air attacks, etc.). Further the drive must be made towards an *all-embracing* development of the possibilities of production in order not to be dependent on foreign supplies in the case of war, like tsarist Russia, but to be able to produce in home territory all the means necessary for defence to the highest possible degree.[19]

The rapid development of the production of gold in the Soviet Union creates a reserve for the purchase of foreign goods in the case of war. Capitalist encirclement in this way forces the Soviet Union also to a policy of restriction for economic independence, which however, differs in principle from the drive to autarchy due to the lack of market possibilities of the capitalist states.[20]

Chapter XI: THE REGULATION OF ECONOMY UNDER CAPITALISM; PLANNED ECONOMY UNDER SOCIALISM

THE SHARPENING of all contradictions in the period of the general crisis of capitalism, the threat to the rule of the bourgeoisie by the proletarian revolution, led to an enormous extension of the influence exercised by the capitalist state. In the period of rising capitalism, when the bourgeoisie could still appear with the claim that their class interests coincided with the interests of the development of the whole of society, the state power as a rule did not interfere in economic affairs. *"Laissez faire, laissez aller"* was the election cry of the bourgeoisie. The state should limit itself to the defence of private property. In the period of the general crisis of capitalism, when the class interests of the bourgeoisie are in the sharpest contradiction to the interests of the further development of society, the regulating intervention of the state in economic life extends more and more to the smallest details.

This was emphasised by Lenin, in 1917:

> Imperialism—the era of bank capital, the era of gigantic capitalist monopolies, the era of the transformation of monopoly capitalism into state-monopoly capitalism—has particularly witnessed an unprecedented strengthening of the "state machine" and an unprecedented growth of its bureaucratic and military apparatus, in connection with the increase in repressive measures against the proletariat in the monarchical as well as in the freest republican countries.[1]

With this, there is always going on a constant struggle within the ruling classes, among the different strata and groups, about the amount and the content of this intervention; since every intervention of the state means a shift in the division of income. This struggle is more or less open in the democratic countries; in parliament, in the press, etc., but in the fascist states it is carried on behind closed doors. The more the domination of the bourgeoisie is endangered, the more decisively and the more openly the state of the bourgeoisie comes to the fore. This is clearly shown when we examine the development of state intervention in the period of the general crisis of capitalism concretely and historically.

The state regulation of economy reached its highest development

during the World War when the division of raw materials and finished goods, transport possibilities, food and labour power was "planfully" undertaken by the state. The extent of state regulation was highest in Germany, where food and consumption goods were equally divided among the population by the most stringent regulations (landlords and the bourgeoisie naturally could get everything necessary over and above the skimpy measure of the state rations through contraband). And so some social traitors, like Lensch, tried to deceive the workers by demagogically calling the war economy of Germany *"war socialism."* The aim and purpose of this "planned economy" during the war was to mobolise all the resources of the country for the imperialist war (in some circumstances also against the interests of the profits of *individual* capitalists), to enslave the workers, to shift the burden of the war on to the working people. "Heaven for the capitalists, hell for the workers" are the words of Lenin's well-known description of war economy.

After the end of the war and of the first period of the revolutionary crisis after the war, the regulating activity of the state was successively reduced; but it remained considerably stronger than in pre-war times.

After the outbreak of the 1929 crisis, the intervention of the state in economic life to the advantage of the bourgeoisie got a new lease on life. The state became a decisive factor in capitalist society. Its intervention reaches to all spheres: currency, credit and banks, foreign trade, relief, forced trustification, etc. In the fascist countries, above all in Germany, the state organisation of economy is already almost as far advanced as in the World War.

State regulation of capitalist economy has the following aims:

a) *Monopolisation of the home market* for home capitalists by protection. We dealt with this in the previous chapter.

b) *The lightening of the burden of debts* by the depreciation of currency; we dealt with this in the chapter on the monetary crisis. Linked with this is the whole complicated system of the defence of the currency.

c) *Relief by state assistance to the enterprises of monopoly capitalism endangered by the crisis.* In all countries, especially in the United States, Germany, Italy, many billions were paid out of the state treasury for the relief of bankrupt enterprises (by credits, purchase of shares, straight gifts of state money, etc.).

By combining enterprises into compulsory trusts (United States, by

way of NIRA; Germany, Italy, Poland) and by state determination of prices, the profitability of monopoly enterprises is re-established. Many big banks and industrial undertakings in this way have come into the hands of the state either completely or in part.[2] Many reformists once again write that a transition to socialism is taking place through the means of production going over into the property of the community. But when the crisis was past, the great majority of the enterprises bought by the state were given back to the former owners on very favourable conditions.[3]

d) *Measures for temporary alleviation of the dissatisfaction of the masses of the working people.* To these belong: unemployment relief, creation of work by the state, shortening of the working day, reduction of interest on the debts of the peasants, minimum prices for agricultural products fixed by the state, etc. These measures are as a rule taken simultaneously with measures of advantage to monopoly capital and serve in part to disguise the character of the latter from the working people. This was effected in the early years of the New Deal.

The New Deal was launched in the spring of 1933, when the capitalist order of society appeared to be severely threatened by the complete collapse of the banking and credit system, by the 15 million unemployed, by the revolt of the farmers and by the revolutionary ferment among the working class. The aim of the New Deal consisted first and foremost in holding the farmers and workers off from revolutionary mass action. The premiums for limitation of production and the artificial rise in the price of agricultural products were for the purpose of quietening the farmers. The demagogy of a "new social era," the formal recognition of the trade unions as partners in the conclusion of collective agreements, the establishment of the minimum wages and maximum hours per week in the codes, etc., were to quieten the workers. But under the cover of social demagogy, the New Deal gave the big bourgeoisie everything that *they* needed: billions from the state treasury for the relief of bankrupt enterprises, not only getting rid of existing legal obstacles to the formation of trusts, but positive advantages for the formation of monopoly by the forced trustification laid down in the codes, prohibition of the construction of new works, minimum prices laid down by the state, etc.

But here also is shown the correctness of Marx's thesis that social legislation remains ineffective if the working class does not force it to

be carried through by its pressure. The split of the working class in the United States, the weakness of the trade union movement and the corruption of some of the leaders, hindered the exercise of the necessary pressure. The American big bourgeoisie therefore understood how to make most of the benefits to the working class ineffective with the help of the bourgeois state apparatus and bourgeois justice. They turned minimum wages into maximum wages. They countered the shortening of the working day by accelerating the speed of work, they squeezed out of the workers in the shortened working day a greater quantity of work in return for less wages. They forced the workers into company unions, concluded collective agreements with these and thereby made the right of the workers to trade union organisation a mere farce. In place of the *rise* in the purchasing power of the working class announced by the New Deal, there was carried through a *reduction in real wages*. Finally, the big bourgeoisie, when they had consolidated their position to the extent of overcoming the crisis, got the New Deal legislation to be declared unconstitutional by their courts. Only in 1936, when the industrial trade unions, under John L. Lewis' direction, took up the task of organising the unorganised at full speed and, using the phase of prosperity, forced the big monopolies—for the first time in the history of the United States—to the conclusion of collective agreements, was the working class, supported by the friendly attitude of the Roosevelt administration to the trade unions, able to win some of the social advantages provided in NIRA for the working class.

e) *Preparation for war.* One of the most important mainsprings of state intervention in economy—particularly in the last three or four years—is the preparation for war. The measures of war economy already adopted in peace time are too numerous and the mere enumeration of them would break the bounds of this work. We limit ourselves to the main lines, taking the example of Germany.

Preparation of the population for war: labour service; military service; organised recruiting of the majority of Germans living abroad into the "Nachrichtendienst" (intelligence service); the training of the whole population in defence against gas and bomb attacks.

Preparation of agriculture for war: forced regulation of cultivation; forced delivery of products to the state organs at fixed prices; confiscation of farms not satisfactorily utilised.

Preparation of industry for war: the construction of works for production for war needs with state assistance; removal of works to certain parts of the country; state control of all raw materials and their favoured allocation to works of war importance, etc.

Preparation of transport for war: military roads; preference in the purchase of automobiles; construction of strategically important railways; building up of tremendous stores of rolling stock, etc.

Regulation of *foreign trade:* preference to the import of materials of war importance at the cost of supplies for the civil population, etc.

The total result of these state measures in Germany means that German economy is already, at the present time to a far-reaching extent, a "war economy," although the war has not yet begun. The position in Italy, and to a greater or less extent, in a number of other bourgeois countries, is similar.

The sudden increase in expenditures on armaments in recent years coincided in time with the transition from depression to revival and in some countries to prosperity. The question therefore requires to be answered, to what extent could armaments influence the cyclical movement of capitalist reproduction.

The thesis that the larger the armaments the better the position of capitalist economy is certainly incorrect in this general form. For, in the final analysis, this would mean that it is possible in capitalism to eliminate crises by governments simply multiplying armaments at the outbreak of a crisis; it would mean that the means have been found of ensuring constant prosperity.

Concretely, the increase in armaments will have different effects on the question of the separate countries according to the way of financing war expenditure and according to the particular position of the country.

If, in a country, the increase in armaments is financed by an equally large increase in taxes affecting the masses, then it is clear that thereby there will be no extension of the market, no improvement in the economic position of the given country. There will be merely a *shift* in the kind of goods produced, but no increase in production as a whole; and the more the production of the war industries themselves increases (and the industries supplying them), the more must the sale and production of the means of consumption be reduced. This is obvious.

An increase of industrial production, and an improvement of business as a result of increased armaments, *can* only take place if the

increase of armaments does not result from a rise in taxes but by the use of capital previously *lying fallow,* i.e., is financed by loans. In this case there will result a real expansion of the market both for the means of production of the armaments industry as well as for means of consumption as the amount of wages paid rises. Such an expansion of the market [4] and of production *can* indeed take place, but *must not always take place.*

The capital lying fallow in every country which can be mobilised for armament purposes is limited. If the loans taken up for armament purposes go beyond a certain height, then those capitals which are necessary for the renewal and extension of fixed capital are absorbed to finance armaments, and then the effect of armaments in encouraging business stops; if, nevertheless, it is carried further, then it leads—as came to light in the crassest form in the World War—to a rapid impoverishment of the country and to a widespread collapse of capitalist economy. The beginning of such a collapse as a result of unbearable expenditure is being shown in Germany, Italy and Japan. This dialectically can lead to the acceleration of the outbreak of the world war; the fascist war-mongers may strike in order to get rid of the burden of war preparations.

The years of increased intervention in economy on the part of the capitalist state, state capitalist regulation, coincided with the complete expansion of planned economy in the Soviet Union: with the end of the First Five-Year Plan and the carrying through of the Second and the preparations for the Third. Under the influence of the great success of planned economy in the Soviet Union, it became the fashion to describe the intervention of the capitalist state in economy as *planned economy*. An enormous amount of bourgeois literature on planned economy has appeared; thousands of books, pamphlets and articles have been written, "plans" worked out, planning conferences held, etc.

The aim and purpose of this propaganda for bourgeois planned economy was the following.

The crisis of 1929 and the depression of a peculiar kind have deeply disturbed capitalist economy without in the slightest degree hindering the rise of the economy of the Soviet Union. The defenders of the capitalist system therefore wanted to overcome the crisis, to solve the

problem of the market by imitating the planned economy of the Soviet Union. But at least they wanted to make the workers believe that the crisis of capitalism could be overcome by way of planned economy with the maintenance of the rule of the bourgeoisie. The propaganda of capitalist planned economy was to awaken in the workers the belief that it could solve the problem of the market, destroy the contradiction between the drive of capitalism to unlimited expansion of production and the narrow limits of the consumption power of capitalist society as a result of the proletarian situation of the masses. Thus for instance, the English Labour Party member, G. D. H. Cole explains:

> Why do we need a plan? Because, as matters stand, our physical power to produce goods has outrun our ability to provide for their consumption and the result is seen in widespread unemployment, suffering and bodily and mental deterioration of our people.[5]

In the same way the well-known English economist Salter declares:

> We must have a system which translates each increase in productive capacity into equivalent purchasing capacity and so enables us to utilise to the full the resources and the skill which are now at our disposal.[6]

The evil is rightly recognised and the aim rightly set. But the aim, within the framework of capitalism, cannot be achieved with any kind of measures of planned economy. The full use of the sources of capitalism is wrecked on the ever sharpening internal contradictions of capitalism, especially the problem of sale.

In capitalism the condition of production, the utilisation of the forces of production, under all circumstances, remains that of profit. Here no planned economy can change anything in the least as long as the means of production are private property. No plan, no matter how beautifully worked out on paper, can induce a capitalist to continue production when no profit results. The condition for production in every *capitalist* planned economy remains therefore appropriation of profit. But if the means of production remain the private property of the capitalist, and profit remains the driving force of production, then the problem of the market cannot be solved.

The indispensable condition of a successful planned economy is therefore the elimination of profit as the moving force, and simultaneously

the barrier, of production, is therefore the overthrow of the rule of the bourgeoisie! Only if the inner barrier to the expansion of the consumption of the masses, private ownership of the means of production, is removed, is a planned economy possible. And herein lies the decisive difference between *capitalist* economy (anarchist or "planned") and the economy of the Soviet Union.

The agitation for planned economy in capitalism seeks to dampen the revolutionising effect of the crisis-less, successful construction of Soviet economy, with the indication that this is also possible in capitalism. The bourgeois and democratic planning economists declare that the superiority of the Soviet Union is not based on the change of the system of society but on its planned economy. The evil of capitalism does not lie in the capitalist system as such but merely in the anarchy, in the lack of a plan!

But the working class will not allow itself to be satisfied with the perspective of a "planned" capitalist economy. And so the planned economy of the reformist leaders is presented as a new path to the peaceful transition to socialism. The discoverer of this demagogy was de Man, who with his plan actually succeeded in blurring the antagonism between the right- and left-wings of the Belgian Labour Party for a time, and diverting the dissatisfaction of the workers into a reformist channel by the "fight for the Plan" (which he shamefully betrayed when the longed-for opportunity presented itself of becoming a minister in a bourgeois cabinet).[7]

The idea of planned economy as the transition from capitalism to socialism is also generally propagated by reformist trade union leaders. For instance, Schevenels, the General Secretary of the International Federation of Trade Unions, writes:

> Without expressly raising the demand for the removal of capitalism as an economic system, the action of the work plan amounts in practice to depriving capitalist domination of the most important and decisive positions bit by bit.[8]

This is all empty chatter.

The "decisive position" of the bourgeoisie are their private ownership of the means of production and their power of disposal over the state apparatus—courts, administration, army, police, gendarmerie, prisons, etc., in defence of their private property. Both *together* ensure

their economic and political domination, the possibility of exploiting the workers and the working people in general. To make the workers believe that it is possible by way of a "planned economy" to "deprive" the bourgeoisie of "decisive positions" peacefully, and not by conquering the state apparatus, by smashing it and building it up anew on a revolutionary basis, as a soviet system, is either a dangerous illusion or conscious demagogy.

Our remarks have explained in detail the deep-going difference between state intervention in capitalism, so-called capitalist "planned economy" and the real socialist planned economy in the Soviet Union. Once again we sum it up:

Capitalist "planned economy" is counter-revolutionary; it has the aim of strengthening and prolonging the rule of the bourgeoisie.

Socialist planned economy of the Soviet Union is revolutionary; it has the aim of accelerating the construction of socialism.

Capitalist "planned economy" serves the profit interests of capital, at the cost of the working people.

Socialist planned economy serves the interest of the whole of the working people.

Capitalist "planned economy" checks the development of the productive forces (prohibition of the erection of new works by NIRA, in fascist Germany, etc.).

Socialist planned economy assists in the rapid, all-sided planned development of the productive forces.

Capitalist "planned economy" destroys the unsaleable stocks of goods which hinder the profit-making of capital (wheat, corn, pigs in the United States; coffee in Brazil; cows in Denmark, etc.), although the working people are in need.

Socialist planned economy raises production to the highest possible point corresponding to the development of the given productive forces, in order to make better provision for the population.

Capitalist "planned economy" only changes the phenomenal form of anarchy, the planlessness of capitalist society and in some cases even leads to its increase.[9]

Socialist planned economy excludes any anarchy of production, without—as we mentioned above—degenerating into bureaucratic centralism.

In a word: *capitalist "planned economy" is a weapon from the arsenal*

of the bourgeoisie in the service of the maintenance of their rule; socialist planned economy is a weapon of the working people of the Soviet Union in the service of the construction of socialism and "its consolidation and expansion."

This difference is clearly expressed in the method of working out the economic plan. The so-called economic plans in capitalism are worked out behind closed doors by the bureaucracy of the state according to the instructions of the financial oligarchy and the high military authorities and forced on the working people by decrees (Goering's four-year plan, etc.), or launched with a tremendous hullabaloo of demagogy but not carried through (de Man's "Plan of Work," etc.).

In the Soviet Union, the working-out of the plan is the business of the entire people. In 1937—while we write these lines—the working-out of the Third Five-Year Plan is on the order of the day, after the Second was fulfilled in the most decisive sections six months before its time. The whole people takes part in the discussion of the future plan, from the Academy of Science to the collective farms in the most outlying provinces. Thousands of conferences are held, thousands of articles written, tens of thousands of proposals are made for the separate districts, individual branches of production, individual enterprises by the working people. The whole collective experience of the working people in carrying through the First and Second Five-Year Plans in this way is utilised for working out the Third Five-Year Plan.

Chapter XII: THE IMPOVERISHMENT OF THE PROLETARIAT UNDER CAPITALISM; IMPROVEMENT OF WORKERS' CONDITIONS IN THE SOVIET UNION

THE LAWS of capitalist reproduction lead to a relative and absolute impoverishment of the proletariat. *Relative* impoverishment goes on uninterruptedly, absolute impoverishment with interruptions.[1]

The relative impoverishment of the proletariat results from the fact that labour power is a commodity under capitalism, whose value, like that of every commodity, is determined by the labour time incorporated in it. The value of labour power, as is known, is determined by the value of a quantity of the means of subsistence in the broadest sense—food, clothes, houses, etc.,[2] which are necessary for the reproduction of his own labour power [3] and of the class of the proletariat as a whole. That means that the increase in the productivity of labour, the results of technical progress finally, is to the benefit of capital. The value of labour power constantly falls with the rise in the productivity of labour, since in the quantity of means of subsistence, which tends to remain the same (representing the value of labour power), there is contained an ever constantly decreasing amount of labour time. Otherwise expressed, the worker receives an ever decreasing share of the values newly produced by him, and capital an ever growing share; i.e., the proletariat under capitalism suffers from a constant relative impoverishment. This is expressed in the increase in the rate of surplus value; the increase in the rate of surplus value means a relative impoverishment of the proletariat even in the case when the real wages of a fully employed worker rise (which is the case at times).

The absolute impoverishment of the proletariat goes on with interruptions, in continual struggle between capital and proletariat. Capital strives to force wages below the value of labour power.

The minimum limit of the value of labour-power is determined by the value of the commodities, without the daily supply of which the labourer cannot renew his vital energy, consequently by the value of those means of subsistence that are physically indispensable. If the price of labour-power falls to this minimum, it falls below its value, since under such circumstances it can be maintained and developed only in a crippled state. But

the value of every commodity is determined by the labour-time requisite to turn it out so as to be of normal quality.[4]

If capital succeeds in reducing wages below the value of labour power, this means an absolute impoverishment of the working class directly. (But an absolute impoverishment can take place without this, as we shall show later.) The proletariat defends itself against the depression of its wage below the value of labour power through the trade unions and political struggle for the improvement of working conditions. The outcome of the fight depends on numerous factors—on the state of the labour market, which changes parallel with the cyclical movement of reproduction; on the extent and character of the trade unions and political organisation of the proletariat of a country, or of a branch of production; on the attitude of the middle classes, and of the state power, etc.

Now it is clear that the period of the general crisis of capitalism creates particularly favourable *economic* conditions for capital to depress wages below the value of labour power, for the absolute impoverishment of the proletariat. Here the decisive factor is chronic mass unemployment. The supply of labour power is very pressing on the labour market, which gives capital the possibility of a drive against wages. The monopolist organisation of capital, which is becoming more and more complete, makes the reduction of real wages by means of a rise in prices possible without any frontal attack on wages. The *political* factors differ according to countries. In the fascist countries, Germany and Italy, the state power acts unceasingly against the workers and prevents any legal organised defence against the attacks of capital. In the United States the government at the present time promotes the trade union organisation of the proletariat. In France, where the People's Front governs, the political conditions of the fight between capital and labour is essentially more favourable than in other capitalist countries. The existence of the Soviet Union, the fear of the proletarian and colonial revolution in some countries have a restraining effect on the efforts of capital to further absolute impoverishment of the proletariat.

If we want to make the attempt to present *statistically* the relative and absolute impoverishment of the proletariat, we come up against

the difficulty that there is a complete lack of suitable data in bourgeois statistics. For *relative impoverishment* our calculation on the rate of surplus value in the manufacturing industry of the United States gives an approximate indication.[5]

DEVELOPMENT OF RATE OF SURPLUS VALUE IN THE MANUFACTURING INDUSTRY OF THE U.S.A.

1919	*1921*	*1923*	*1925*	*1927*	*1929*	*1931*	*1933*
122	106	118	128	133	152	147	138

The method of calculation—as we have repeatedly emphasised—is only approximate; *the actual rate of surplus value is higher* than that calculated here, as the sum given in the American statistics as the value of finished goods is reckoned according to the selling price from the factory, but this is less than the real value by the amount of commercial profit.[6]

To some readers it might appear wrong that the rate of surplus value calculated by us is lower than usual in the crisis years, when the situation of the proletariat is particularly bad (1921, 1933). This, in part, is the result of the deficiency of the statistical data; during the crisis the relative share of the non-productive personnel (foremen, charge hands, watchmen, etc.), is greater owing to the reduced utilisation of the factory. In part, it is the result of the fact that with the outbreak of the crisis the selling price from the factory begins to fall sooner than the retail price and wages.

In spite of all defects, however, the above picture of the rate of surplus value shows clearly the relative impoverishment of the American proletariat; and what is true of the American proletariat is sure to be true of all other countries.

On the other hand, bourgeois statistics do not give any possibility of following the movement of real wages, and with it the problem of the absolute impoverishment of the working class even approximately. It is not that there are no calculations in bourgeois statistics on real wages. There are numerous calculations of this kind; but they twist and turn the data until a rise in real wages, an improvement in the position of the working class, comes out of it. As an example we give the frequently quoted calculation of the development of "real wages" of the workers of American manufacturing industry.

MANUFACTURING INDUSTRY IN THE U.S.A.[7]
Real Wages per Week (*Index* 1923 = 100)

1920	93.6	1929	107.2
1921	87.3	1930	100.4
1922	93.9	1931	97.5
1923	100.0	1932	82.3
1924	98.0	1933	88.9
1925	98.2	1934	95.2
1926	98.8	1935	101.3
1927	101.5	1936	109.2
1928	103.9		

This table—although it is regularly given in the daily press as a proof of the improvement in the position of the American proletariat—does not show at all the movement of real wages, and even less the position of the American working class. It merely shows the movement of the purchasing power of the weekly wage of the employed workers, and the purchasing power of the weekly wage of an American industrial worker in the course of the whole of the post-war period has remained by and large unchanged. Only in 1936 does it show a rise—obviously as a result of the sudden growth in trade union organisation. The big increase in the output of the American worker in the post-war period, which we dealt with in Chapter V, did not benefit the workers at all; the fruits thereof were pocketed exclusively by capital.

All bourgeois statistics of this kind are completely useless with regard to the development of the *position of the working class,* for resolving the question whether and how far an absolute impoverishment of the proletariat is taking place. This is so for a number of reasons:

a) The wage statistics embrace almost exclusively the *workers of the imperialist countries;* there is practically no data on the development of the wages of the working class of the agrarian, colonial and semi-colonial countries.

b) The wage statistics usually embrace only sections of the *skilled* industrial workers (the labour *aristocracy* included), but not the great mass of the ordinary proletarians of the given country.

c) Wage statistics give the average weekly or monthly wage of the employed workers! That a significant section of the workers in the post-war period is permanently unemployed is left out of the picture by these statistics. But *the picture of the real yearly income is* what is

decisive in examining the impoverishment of the working class, and not the earnings of individual weeks. If the worker only has half a year's work, the weekly wage cannot serve as a measure for the conditions of the working class.

d) The figures of money wages per week or month are supplied by the employers. We assume that they honestly state how much they have paid out. But the amount of wages paid out by the employer and that received by the working class is not identical. Innumerable *deductions for taxes, payments for social services, forced contributions, etc.,* which grow from year to year, lessen the wage received by the worker.

e) The purchasing power of the money wage received by the worker varies with price changes. Before the war, when price variations amounted to only a few per cent, this factor was easy to reckon. In the period of the general crisis, with the big price variations characteristic of it, and with the depreciation of currency, this is extraordinarily difficult. Bourgeois statistics use the official cost of living index for re-calculating the money wage into real wages. But these cost of living indices are obsolete, and do not correspond with the budget of the ordinary worker. In some countries, Germany and Italy, where prices of the means of subsistence are fixed by the state, the cost of living index is calculated solely on the basis of this fixed price. But the workers can only get part of their needs at fixed prices; they have to satisfy part at the much higher contraband prices. Therefore, in these countries any real wage calculated on the official cost of living index is completely misleading.

f) The tremendous increase in the *intensity* of labour, the increased expenditure of muscular and nervous force in the labour process is not taken into consideration at all. It is clear that the murderous speed of work at the conveyor puts increased demands on the organism. Increased intensity of labour with the purchasing power of the wage remaining unchanged means a severe worsening of the conditions of the workers.[8]

g) The position of the real wage of individual categories of workers does not in any way determine the conditions either of the individual worker or of the proletariat of the given country as a whole. If the American worker between 20 and 35 years of age gets a relatively high wage with a murderous speed of work, but after he has passed his

35th year cannot find any work, or works in much worse conditions, it is completely impermissible to judge his position by the earnings of his best working years alone.

It is just as misleading to give the purchasing power of the weekly wage of some categories of highly skilled workers as the picture of the condition of the working class. Without an examination of the question, as to which part of the whole working class the given strata represents, such investigations are completely worthless. Experience shows, on the one hand, loss of skill on the part of the workers due to long unemployment on a mass scale; and on the other hand, the decline in the need for skilled workers as a result of the dividing up of the labour process and the automatisation of the work.

h) An important factor in the worsening of the standards of living of the workers in a number of countries—Germany, Italy, Poland, Austria, etc.—in recent years has been the abolition of social services of all kinds which were introduced after the war to allay the revolutionary movement of the workers.

The result of this is that we must rate the bourgeois statistics on the position of real wages in the following way:

If bourgeois statistics show a rise in "real wages" (i.e., the calculated purchasing power of the money wage over the cost of living index), *this is no proof that an absolute worsening of the condition of the working class has not taken place.*

If bourgeois statistics show no change or a fall in "real wages," that is a certain proof that there has been an absolute worsening of the conditions of the workers! An absolute worsening of the condition of the

WAGES AND RETAIL PRICES IN TOKYO

	INDEX NUMBER FOR WAGES PER DAY IN TOKYO [9] (*General average* 1920 = 100)	INDEX NUMBER OF RETAIL PRICES IN TOKYO [10] (*Based on prices of 100 articles*—July 1914 = 100)
1931	94.7	136
1932	93.5	137
1933	95.2	146
1934	95.6	149
1935	97.0	152
1936	97.9	159

working class for example in Japan, in the last six years, has taken place even according to bourgeois statistics themselves.

We see that according to these official statistics the cost of living in the course of the last six years has steadily risen while the money wage by and large has remained unchanged. If we take into consideration the above-mentioned factors, which are not taken into account in these statistics, then it is undoubtedly the fact *that in the last six years there has been an absolute impoverishment of the Japanese proletariat.*[11]

A severe absolute worsening of the condition of the working class has taken place in Germany under fascist rule. The fascists, by falsifying the statistical data, try to hide the impoverishment of the working class. But they do not succeed.

The fascists maintain that the hourly wage of the German workers has remained unchanged under their rule. (Actually the hourly wages of important categories of workers—building workers, agricultural workers, etc.—have been reduced.) But even if the hourly wage remained the same, the *earnings* of the workers have been fundamentally reduced by the reduction in piece wages and in payment by piece work.

Further *deductions from wages* have greatly increased under fascism. A number of new taxes and contributions have been introduced. Innumerable "voluntary" contributions are deducted from wage earnings. The total amount of deductions amount to 20 per cent of earnings. Whereas formerly, the workers received compensation in the form of unemployment relief and social services in return for the deductions, social services have been so severely reduced under fascism that the hundreds of millions of marks remaining from the income of social insurance are used for armaments.

Then must be added the rise in prices. For the same amount of money the German worker today buys a far smaller quantity of goods than before fascism.

OFFICIAL COST OF LIVING [12]
(1929 = 100)

Yearly average 1933	76.6
July 1937	81.9
Rise	7 per cent

The actual rise in the cost of living is considerably higher. Schacht's organ, for instance, *Der Deutsche Volkswirt,* (May 14, 1937, p. 1593), stated that the cost of living rose *"by about 10 per cent"* from the beginning of 1933 to the spring of 1937.

The prices of the means of subsistence have risen sharply under the Hitler government. An examination by the English *Economist* (June 15, 1937) gives the following *rise in retail prices* from March, 1933, to March, 1937:

(*In per cent*)

Potatoes	22	Butter	35	Pork	11
Beans	31	Margarine	44	Veal	40
Peas	52	Eggs	31	Mutton	41
		Beef	18		

(As the only exception, the price of bread was 2 per cent (!) lower than before the Hitler regime.) It is clear that this sharp rise in prices of all the important means of subsistence gives the lie to the official calculation of a mere 7 per cent rise in the cost of living.

The above figures give the rise in the *official* prices of the means of subsistence. But all requirements are not covered at these official prices. Nearly all the means of subsistence in Germany are already rationed: the worker must also buy fats, etc., at high prices in illicit trade. As far as industrially produced articles of consumption are concerned, there is, in addition to the rise in price, the deterioration of the quality through the use of substitutes of all kinds.[13] For the same money the worker receives a commodity of far lower quality than before the rule of fascism.

To sum up: reduction of piece rates and contract prices, the far higher deductions, the worsening of social insurance, the rapid rise in prices together with a deterioration in quality, have led to an absolute impoverishment of the workers in Germany as a result of the Hitler régime. One can estimate the reduction in the standard of living of the workers at 25-33 per cent!

The fascist dictators openly announce that the working people must draw in their belts in order to make re-armament possible. There is Goering's slogan, "Guns instead of butter"! Flour must be mixed with 7 per cent of corn; bread must only be sold 24 hours after baking, etc.

The ideology of a poor and "spartan" way of living is proclaimed. For example, the *Voelkische Beobachter* (July 3, 1937) wrote:

> ... Before the war we gave our bodies too much nourishment. That led to a squandering of costly foods. It would certainly be a great good fortune for the health of our people if there should be no return to these old habits. A reduction in the too great supply of albumen is certainly to be recommended. No expert will deny the possibility that a too great indulgence in meat must lead in time to trouble. If it must be, man can be healthy and able bodied *in spartan simplicity and the greatest moderation, or indeed in certain circumstances first becomes so.*

Thus it is attempted to present the worsening of the nutrition of the working people as ideal for the health.

The condition of the workers in Italy too has become worse during the fascist regime and particularly in recent years. Money wages, as is known, were repeatedly reduced during the crisis by way of decrees, 10 per cent at a time. At the same time prices rose.

The official cost of living index shows the following picture in recent years:

	(1929 = 100) [14]
Average 1934	75.5
August 1937	92.2
Increase	22 per cent

The actual rise is certainly even higher. The reduction of money wages, together with the rise in the cost of living, has led to a rapid absolute impoverishment of the Italian workers. In this form, the Italian bourgeoisie, with the help of the fascist regime of violence, to a large extent turns off upon the Italian workers the burdens of the war in Abyssinia and Spain and the enormous expenditure on armaments.

The wrong methodology, the defectiveness and the falsifying of bourgeois wage statistics, which at best present the picture of the purchasing power of the money wages of the fully employed worker at a definite period of time[15] but not the position of the working *class,* would make it appear hopeless to attempt to use them as a basis for a scientific investigation of the condition of the working class in the separate countries. We want, as a substitute, to give concrete examples of the life of the workers of different countries and above all of the

unskilled and agricultural labourers, the workers in the agrarian countries and in the colonies. Bourgeois statistics, for quite understandable reasons, give almost exclusively data on the condition of the skilled industrial workers, although they form the minority of the working class of the world.

How does the proletariat of the colonies live? Let us glance at India. In the Report of the Indian Delegation [16] we read:

Agricultural serfdom as such is not permitted in India by law. But where free labour ends and enforced or compulsory labour begins in agriculture, under a system of landlordism and extreme poverty of the masses of people, is hard to tell.

Apart, however, from these forms, which, while being legally "free," are still compulsory, forced labour obtains in India. The question has been raised at International Labour Conferences at Geneva, and the opposition to a convention abolishing it has come from the Indian government.

The government in India employs forced labour and, as we have already pointed out, remunerates at scales lower than the miserable ones that prevail in the area.

But also the "free" workers of India live in growing poverty. On paper there are fine labour laws: in reality barbaric working conditions rule as before.

In a report at the beginning of 1937 [17] we read:

One is constantly reminded of the arbitrary rule prevailing in Indian states. Rajkot has a cloth mill owned by the state. No factory legislation exists there, and the number of hours of work depends on the sweet will of the agent and the demand of yarn and cloth. One would be surprised to know, that hardly a mile away from the residency of the Agency authorities, *the mill was being run from 7 a.m. to 10.30 p.m., i.e., 14 1/2 hours.* Men and women, mostly Harijan, are employed there and boys, not a few under the prescribed age, were being exploited, the mill working at times till midnight.

The inhumanly long hours are paid with a miserable starvation wage in India. The housing conditions are perhaps the worst in the world. In the above-mentioned report we can read the following:

Our first impression was that of the slums of Poona, a town which is a summer resort of H.E. the Governor of Bombay. In the slum area, on

less than one acre of ground, at least 500 humans and a number of cows, calves, goats, etc., were accommodated, and all the mud huts were roofed with old kerosene oil tin sheets, thatch, and all sorts of scrap material, and the walls were about four feet high. There were no windows and no sanitary arrangements. Our friend who accompanied us told us that practically every infant under three years was drugged with opium. (P. 449.)

In Bezwada, Guntur, Cuttack and almost every other place where we went we saw the "houses" in the slums, into which humans could hardly crawl, but for which the inmates paid ground rates. Delhi, the Imperial capital, beat every record. We passed through alleys where we could not breathe on account of the strench; we called on a few railway workers who lived in what were literally boxes without windows or any other opening whatever for ventilation, the "front door" being rows of planks. The man inside sits up all night, as there is no room for him to stretch himself out. We did not measure these places, but we would judge them to be about three feet by four or four and a half feet each. Imperial Delhi staggers the imagination; its slums have made an unforgettable impression on our minds. (P. 450.)

The result of this poverty is the generally known fact that in Bombay (where according to official figures, 97 per cent of the population lives one room to a family) *one-fourth of the children die before they reach one year of age.*

It would be an illusion to believe that in Europe, in the centre of capitalist "civilisation," the condition of the working class was in any way a satisfactory one, particularly in the long years of the last crisis. The big investigation of the League of Nations on conditions of nutrition [18] came to the conclusion that *the working population cannot supply itself with sufficient nourishment in any capitalist country.*

An enormous percentage of the London school children suffer from serious illness as a result of insufficient nourishment:

A recent enquiry (1931) in the schools of London, makes it possible to state that among children of five years, 67-88 per cent showed symptoms of rickets, 67-82 per cent (according to the gravity of the symptoms) of adenoids, hypertrophy and infections of the tonsils and other infections of the pharynx, 88 to 93 per cent had badly formed or carious teeth. It has been shown that defective formation of the bones and numerous cases of dental caries in children could have been avoided, if their nourishment had contained large quantities of protective foods such as milk products and in consequence less bread and other cereals. (Vol. 1, p. 47.)

The defective nutrition of the English people as a result of the insufficient income of the workers has been shown in an English work of a fundamental scientific nature.[19] The author, on the basis of the division of income comes to the following results: Group I: 50 per cent of the English population can spend four shillings per head per week on food; group II: 20 per cent up to six shillings; group III: a further 20 per cent up to eight shillings. After examining the typical food of families of these groups of incomes as to whether it contains all the elements of sufficient nourishment or not, he maintains (p. 49):

An examination of the composition of the diets of the different groups shows that the degree of adequacy for health increases as income rises. The average diet of the poorest group, comprising four and a half million people, is by the standard adopted deficient in every constituent examined. The second group, comprising nine million people, is adequate in protein, fat and carbohydrates, but deficient in all the vitamins and minerals considered. The third group, comprising another nine million, is deficient in several of the important vitamins and minerals. Complete adequacy is almost reached in Group IV, and in the still wealthier groups the diet has a surplus of all constituents considered. A review of the state of health of the people of the different groups suggests that, as income increases, disease and death rate decrease, children grow more quickly, adult stature is greater and general physique improves.

In simple words, *half the population of wealthy England has not enough income to be able to give itself adequate nourishment, to satisfy the demands of health.* And yet the English working class is far and away the best paid section of the working population exploited by the English bourgeoisie in the four quarters of the globe.

Marx, in the preface to the first volume of *Capital,* showed that the social abuses in other countries are less known, because no such detailed investigations are published as in England. This is true today; if there were an investigation into the composition of the foods of the German, Italian or Polish people, after the manner of the English scientist J. B. Orr, the most terrible conditions would be revealed. Hitler or Mussolini would never permit the publication of such a scientific investigation.

The investigation of the League of Nations gives a certain insight into the inadequate nourishment of other peoples.

It states the following about the worsening of the nourishment of the children in the United States during the crisis:[20]

According to the statistics of the city of New York, the percentage of school children in a poor state of nutrition between 1929 and 1932 rose from 16 to 29 in Manhattan and from 13 to 23 in the Bronx. In Philadelphia, among the young children under six years examined by the Community Health Centre, the percentage rose from 11 (1923-1930) to 24 (1932).

Who would believe that thousands of victims are still sacrificed yearly to pellagra, the deficiency disease, in the wealthy United States, where millions of bushels of wheat are burned, and hundreds of thousands of pigs destroyed? But the investigation of the League of Nations states (p. 56):

Another deficiency disease, pellagra, still ravages the temperate countries and causes 3,000 deaths in Rumania and 4,000 in the United States per year.

Bourgeois statistics do not make it possible to investigate the nutrition of the working class as distinct from the rest of the population; but it is clear that where the nutrition of the entire people is inadequate that of the proletariat must be even less adequate in comparison. If the whole proletariat is insufficiently nourished, then the nutrition of the unemployed must be particularly bad. This is also recognised by the League of Nations investigation:

The problem of income is at the very basis of the problem of the nutrition of the worker.

When one examines the nutrition of different groups of income among the workers, it must be stated that according to London standards the *average régime of the lower income groups is insufficient to assure a good state of health.* It can be deduced that these groups, especially, are badly or under-nourished.

The facts set forth above are based on information relating to food consumption amongst employed workers. In consequence, it can be taken *a priori,* that *the unemployed, in the course of the crisis of recent years, have found it impossible to nourish themselves adequately.* In fact, the few studies which exist on this question show that this in general has been the case with few exceptions (p. 80).

The sharp decline in the nutrition of the unemployed is confirmed by a survey in Czechoslovakia.[21] *The yearly consumption of working class families in periods of unemployment in 1932, compared with their consumption in 1931 when the breadwinner was employed, shows the following changes:*

	REDUCTION IN PER CENT		INCREASE IN PER CENT
Veal	100.0	Horseflesh	79.3
Poultry	100.0	Synthetic fats	21.6
Beef	49.4	Lard	30.0
Pork	35.4	Bread	3.8
Bacon	66.7	Potatoes	23.0
Butter	21.6	Grits	14.7
Sugar	59.4		
Eggs	31.8		
Jam	80.9		
Beer	74.4		
Wine	100.0		

It must be emphasized in connection with these figures that it is a question of the consumption of working class families, who *receive unemployment relief;* one can imagine how the unemployed are nourished in those countries without unemployment relief, like Poland.[22]

In spite of the lowering in the food of the workers, the intensity of labour is constantly raised. The workers are speeded up by overseers, and by the introduction of cunning wage systems (Bedaux) by which the worker is whipped up to the most strenuous efforts, and which are so complicated that the worker never knows what he has earned with his heavy day's work. These things are so generally known that it is not necessary to go more closely into them. As an example of the overseer system, the following description of the working conditions in the American motor works can serve. We quote from the memorandum, already mentioned, of the NIRA administration (January, 1935), which was withdrawn:[23]

The Speed-up and Stretch-out. The grievance which was mentioned most frequently and which appeared uppermost in the minds of those who testified is the *"speed-up." Everywhere workers indicated that they were being forced to work harder and harder, to put out more and more products* in the same amount of time, and with less workers doing the job... They are vigorous in denouncing the management as slave drivers and worse. If there is any one cause for a conflagration in the automobile industry, it is this one.

When one thinks of the term "speed-up" one generally visualises a conveyor whose speed of motion is gradually accelerated without increasing the number of men working on the conveyor line. There are many complaints of this type of speed-up. The workers assert that over a period of years the line has been gradually speeded up so that much more is being produced with the same number or less men. It is their feeling that though this tendency was present during the years prior to 1929 it is especially true during the past couple of years. *They feel that they are now being forced to work at a speed beyond human endurance.*

If the testimony can be accepted as correct, there is no set speed for a conveyor line even after production has been pushed up to what is considered the maximum. If, for some reason, the line has to be shut down for a period of time, it is customary for the foremen to increase the speed of the line to make up for the lost time.

The workers contend that at the present speed they cannot go to the toilet and cannot even get a drink of water.... Many workers also charged that even in the case of injuries they had to stay on their jobs for hours before they could get relief....

But speeding up the line is only one means of speeding up the work. The workers claim that the speed-up is present in all jobs even where there is no line on which they work. The simplest form of the speed-up is merely that of the foremen urging the men on to produce more and more. The men contend that there is constantly placed over their heads the threat of being laid off and of some one else taking their places. Since the fastest man is laid off last and taken back first in many cases, each man is stimulated to work at top speed. The fear of the lay off is always in their minds even if not definitely brought there by the foreman. The speed-up is thus inherent in the present situation of lack of steady work and an army of unemployed waiting outside.

According to the workers the speed-up is present on individual machines as well as on lines of work. The number of revolutions at which the machine is operated can sometimes be increased. Closely related to the speed-up is the "stretch-out," the practice of requiring one worker to tend more machines. The record is filled with illustrations of this sort. Generally, it appears, the actual increase in requirements is based on time and motion studies made of the men at work. Sometimes the worker is aware that his speed is being tested; often the complaint is that he is not aware. The work-

ers are convinced that in these timed and motion studies little or no allowance is given for incidental requirements of the job such as getting the material or cleaning off the machine.

Perhaps more terrible than direct need is the burden of the absolute *insecurity of the worker's existence* in capitalism, as a result of the constant threat of unemployment and the *loss of skill* bound up with it; *the complete hopelessness and blind alley character of the whole of life as long as the rule of the bourgeoisie is not overthrown.*

The possibility of any rise in the social scale is out of the question for the workers. The time is long past when the skilled worker had the ambition and the possibility of becoming an independent artisan. The concentration of capital and the power of monopoly mows down the ranks of the artisans, casts them into poverty and throws them into the proletariat. Some workers study in their free time if they are not too tired, and pass examinations and become technicians and engineers, but these professions are not less overcrowded than those of the skilled industrial worker. The crisis has flung innumerable "real" intellectuals into the ranks of the unemployed; many are glad to find work as unskilled labourers. A growing number of the working class are sinking down into the *lumpen*-proletariat, become homeless, wander through the country as tramps without home, without family, always with one foot in prison.

An investigation of the Brookings Institution of the United States on the fate of 800 discharged workers in three industrial centres comes to the following conclusions:

> Almost one-half of the workers who were known to have been discharged by certain firms because of curtailment in employment during the year preceding were still without jobs when interviewed by Institute of Economics investigators. Of those still unemployed, over 8 per cent had been out of work for a year, and about one-half had been idle for more than three months. Among those who had succeeded in finding work, some had had to search for jobs for over a year before finally being placed. More than one-half of those who had found jobs had been in enforced idleness for more than three months before finding employment. Only 10 per cent had been successful in finding new jobs within a month after discharge. . . .
>
> And what kind of jobs did these men finally secure? Trained clothing cutters with years of experience had become gasoline station attendants, watchmen in warehouses, timekeepers in steel plants, and clerks in meat markets. Rotary-press operators were pressing clothes in tailor shops. Machinists were selling hosiery for mail-order houses. Welding-machine operators were making salves for patent medicine manufacturers. A significant number of men admitted frankly that after some months of enforced loafing they had taken to bootlegging.
>
> It is evident that a large number of the workers now being displaced from industry are being forced into unskilled trades at a sacrifice in earnings and a consequent lowering of their standards of living. At the same time they are being made to bear the burden of unemployment for which they are in no way responsible and over which they have no control.

Investigations in other countries arrive at similar conclusions.

Intellectuals do not fare better than the workers. The number of intellectuals seeking work has rapidly grown in the post-war period. Demobilised officers, the sons and daughters of coupon-clippers ruined by inflation, the petty bourgeoisie and middle class, who as a result of concentration and the formation of monopolies can no longer reckon on an independent life, turned to study.

In the last pre-war years there were on an average 280,000 students in the German secondary schools, in 1927 about 450,000 and under the fascist dictatorship, 1934-1936, about 370,000.

The number of students in the universities in Germany before the war amounted to just 70,000, reached its pinnacle in 1931 with 131,000 and was reduced by the fascist dictatorship to about 77,000.

The concentration of capital and the formation of monopolies turned the intellectuals to an increasing extent into the exploited officials of capital, doctors into employees of hospitals, chemists and engineers into factory employees, etc. The number of intellectuals in the "free" professions became relatively less. At the same time, with the rationalisation of the factories and the automatisation of the labour process, the number of necessary intellectual labour forces became lessened and their work—like that of the worker—robbed of its mental content. Ferdinand Fried justly writes:

> For five years the chemist is initiated into the secrets of retorts and phials, in order, later, in the laboratories of a firm to make again and again for years one and the same analysis according to a given prescription, if he

has not to be satisfied at first with just assisting. For four years the engineer delves into the secrets of machines, in order, later to make drawings according to prepared directions in a drawing office, for years maybe of always the same small part. And for four years the economist broods over burning economic problems from Adam Smith to Sombart in order later to do registration work in a union or to work out the tax balance in a firm.[24]

There has arisen a tremendous "over-production" of intellectuals. In an article, "Doctors without Bread," [25] Maetzel, in 1932, wrote:

To-day there are estimated to be 70,000 unemployed academicians in Germany, a number which will probably experience an increase of almost 100 per cent in the next two years, i.e., in 1934 we shall have to reckon about 120,000 to 140,000 unemployed academicians. To the superficial reader the second figure does not make much more of an impression than the first. But he must be amazed when he compares it with the number of trained intellectuals—350,000. The figure of to-day amounts to a fifth, that for 1934 to one-third, of the total number of all trained academicians in Germany.

Under these circumstances it is understandable that a part of the "Aryan" intellectuals became enthusiastic Hiter anti-Semites, in order to drive out their Jewish competitors and put themselves in their posts.[26]

This enormous unemployment among the intellectuals is *not* a peculiar German phenomenon and is no temporary consequence of the economic crisis. Just as among the workers—possibly to a relatively higher degree—chronic mass unemployment of the intellectuals is being created. An examination by the League of Nations into unemployment among mental workers in 1935 came to the following conclusions:[27]

While, in the last two years with the slow revival of world economy, unemployment in general in most countries of the world has gone back, it is not the case with mental workers. On the contrary. As extensive reports to the International Labour Office state, the number of engineers, technicians, doctors, lawyers, teachers who have finished their training, and even of the highest commercial employees, who can find no work, *is rising* in a large number of countries.

This is even true of countries in which business is good and which have even scarcely any unemployment among handworkers. Whereas Finland, for example, shows only about 10,000 unemployed handworkers, the number of unemployed intellectuals alone is estimated at 5,000. Such a small country as Latvia with a total population of 1.9 millions has 6,550 unemployed intellectuals. Poland in the middle of last year recorded 170,000 unemployed intellectuals (including employees) from a total of 570,000 unemployed. In Switzerland there are more than 6,000 technicians, engineers, architects, chemists, etc. All together there are 20,000 in these professions of which therefore more than every third man is unemployed.

In such circumstances it is understandable that capital continually worsens the working conditions of the intellectuals and brings them to the level of those of the skilled worker.

One of the saddest features of capitalism is the unemployment and neglect of the young workers.

Millions of young people after finishing school enter life unemployed. Bourgeois science and the capitalist press in the last ten years are full of complaints about the decline in births, particularly in the industrially developed countries.[28] If there is no change, the population figures of France, England, Germany and the United States will begin to drop within a calculable period. The bourgeoisie fears for the size of its future armies! But all the propaganda, marriage dowries, tax concessions for large families, etc., are ineffective. Married couples struggling with all the worries of existence say, why bring children into the world when society today cannot give them work or bread?

The capitalist system of society has not only become a fetter on the development of the forces of production, but cannot even ensure the existence of mankind itself. This shows how inevitably necessary and urgent the overthrow of the rule of the bourgeoisie has become!

The proletariat of tsarist Russia was subjected to a severer oppression and greater exploitation than the proletariat of the rest of Europe. Capitalist exploitation was assisted by the strong remnants of feudalism in the countryside, whereby fresh labour forces from the country were continually cast into the labour markets of the towns; and by the autocratic regime which gave the workers no rights whatsoever, prevented them from joining legal trade unions, and with brutal violence drove their parties into illegality. And to the exploitation of

native capitalists was added the exploitation of foreign capital, which held important positions in tsarist Russia.

> We were the most exploited country, a country with the most disenfranchised and downtrodden working class in Europe.[29]

The statistical data on the position of the proletariat in tsarist Russia are very defective and unreliable, but nevertheless they give an approximate picture. The average yearly wage of the industrial worker in 1912 amounted to 252 rubles.[30] The workers of the cotton industry earned 220 rubles, the workers in sugar factories 106 rubles per year; the best paid categories, the workers in the electrical industry, earned 447 rubles per year. We can imagine how low were the earnings of the millions of agricultural and unskilled workers, when there was a constant stream of hundreds of thousands of poor peasants, agricultural wage labourers on the roads and railways, seeking work at random.

The hours of labour were inhumanly long, up to 14 hours a day. There was no labour protection. The workers were handed over to the arbitrary will of the capitalists, their foremen and the corrupt tsarist bureaucracy with its police and gendarmes. There was no general insurance for sickness, invalids, old age or unemployment. Only in 1912 were accident and sick insurance introduced through *private* insurance companies. The workers had to bear the greater part of the costs.

During the war the conditions of the workers grew considerably worse; there was certainly no unemployment, but in its place hunger and cold, as there was a shortage of food and coal for the workers in the towns.

With the victory of the October Revolution, a decisive change began in the fate of the working class. The condition of the working class was no longer determined in the fight with the capitalists and their state apparatus around the share of the product of their own work. The working class, as the ruling class itself, decided the hours of work and how much of the product of labour should be consumed, and how much accumulated for the construction of the apparatus of production. Certain concrete, historical circumstances—about which we will speak at the end of this chapter—slowed down the rate of improvement of the condition of the working class of the Soviet Union. Nevertheless the advance is a colossal one.

To begin with, the most important, unemployment, the heaviest scourge of the working class in the capitalist world, is finally and irreparably liquidated in the Soviet Union. As we have already shown in earlier chapters, the immanent laws of Soviet economy exclude absolutely the possibility of any return to unemployment. The right to work is one of the basic rights of all Soviet citizens according to the Soviet Constitution. The number of workers and employees has been more than doubled in the last eight years:

INDEX OF THE NUMBER OF WORKERS AND EMPLOYEES IN THE SOVIET UNION

1928	*1932*	*1936*
100	198	222.2

The demand for labour forces, in spite of this rapid growth, is steadily greater than the supply.

The difference in development under capitalism and in the Soviet Union is shown in the following figures:

INDEX OF THE NUMBER OF EMPLOYED WORKERS AND EMPLOYEES [31]
(1928 = 100)

	1932	*1936*
U.S.S.R.	198	222.2
U.S.A.	66.7	92.9
England	93.5	108.8
Germany	69.5	94.9
France	90.9	74.1
Poland	63.5	76.3

The average working day dropped sharply; on an average for the whole of industry it amounted to:

HOURS WORKED PER DAY

1913	*1928*	*1934*	*1935*	*1936*
9.9	7.8	6.98	6.8 [32]	6.8 [32]

The hours of labour in the mines underground, in enterprises most harmful to health, as well as for all young people, are only six hours per day, and in some particularly dangerous trades, only five hours.

The hours worked in industry, in 1935, amounted to 2,100, as com-

pared with 2,392 in capitalist countries (revolutionary holidays and bank holidays omitted in both). Apart from this, all workers receive holidays with pay, which in 1935 amounted to an average of 14.4 working days.

The right to holidays is laid down as one of the basic rights of the working people in the Soviet Constitution. A large number of the workers spend their holidays in rest homes and sanatoria. Mothers are given two months paid holiday leave before and after childbirth.

In connection with the hours of labour the position of the workers is without question already in advance of those in any capitalist country in the world.

The *money wages* of the workers have risen rapidly in recent years.

AVERAGE YEARLY WAGE OF WORKERS AND EMPLOYEES (*In rubles*)

	1924-25	*1930*
Throughout national economy	450	2,766
In big industry	566	2,862
In railway transport	514	2,882

In 1936 the wages of the industrial worker of the U.S.S.R., compared with 1929 rose by 2.9 times.

The wage fund of the workers and employees of the U.S.S.R. rose from 3.8 milliard rubles in 1924-1925 to 71.6 milliard rubles in 1936.

The total amount of wage naturally rose at a much more rapid rate as a result of the increase in the number of workers.

AMOUNT OF WAGES

1929	*1932*	*1935*	*1936*	*1937 Plan*
100	336	577	733	802

The amound paid out in milliard rubles amounted to:

1924-25	*1928*	*1932*	*1936*	*1937 Plan*
3.8	8.2	32.7	71.6	78.3

The rise in wages goes parallel with the rise in output in the Soviet Union. There is no limit to earnings beyond which piece rates are regularly reduced, as under capitalism.

There are Stakhanovites who earn some thousands of rubles a month, some earn more than the director of the works in which they work.

Apart from the wages which the worker receives in the factory, he also receives "social wages" as they are called, i.e., the great advantages which he enjoys through Soviet insurance, free classes, etc.

The purchasing power of the ruble has steadily risen in recent years, and the supply of all the necessary goods has become considerably easier. The ration cards introduced in 1929 in order to combat the temporary shortage of food supplies in the towns caused by the sabotage of the kulaks, were abolished in 1935 and free trading in all food supplies was permitted both for the collective farms as well as for the individual peasants after fulfilment of their obligations to the state. This led to a sharp drop in the prices of food.

PRICES OF AGRICULTURAL PRODUCTS IN THE COLLECTIVE FARM MARKETS

(*June prices in percentage of the March prices in 1933; in 10 of the largest towns*)

	1933	*1934*	*1935*	*1936*
Bread	103.0	37.9	30.6	13.0
Vegetables	122.8	52.2	34.1	23.5
Meat	86.5	70.5	58.2	43.9
Milk products	70.3	48.8	41.8	34.3
Eggs	57.5	48.0	40.7	29.8
Average	80.9	54.3	44.6	35.8

The prices for industrial goods were also reduced: on the 1st of June, 1937, a large number of articles of consumption were reduced at one blow by 10 to 15 per cent.

The food consumption of working class families is rapidly growing. According to the figures of the budget statistics the increase compared to the previous year [38] amounted to:

1935	14 per cent
1936	14.4 per cent

The rapidly growing consumption in manufactured consumption goods is shown by the following figures:

PRODUCTION OF MANUFACTURED CONSUMPTION GOODS
(*Milliard rubles in 1926-1927 prices*)

1926	*1932*	*1936*	*1937 Plan*
10.1	20.2	35.6	43

In ten years production has increased four times; this shows best at what a rapid rate the standard of life of the working people in the Soviet Union is growing.

These figures show what a tremendous advance has been achieved in the provision for the working people in the last decade.

It is characteristic of the condition of the workers of the Soviet Union that, side by side with the disappearance of unemployment, there is the unlimited possibility of training and advance to skilled work. There is no worker in the Soviet Union who is not drawn in one way or another into educational work.

The right to education, which is proclaimed in the new constitution as one of the basic rights of all working people, has become a reality. The continuation education of the workers covers both education in their trade as well as general education (languages, literature and art, natural sciences), and political education (economics, politics). Of particular importance economically, is the extension of trade education, as this—as we showed in Chapter V—is one of the conditions of the further raising of output. In raising the skill of the workers, the trade unions take a decisive part. The need of skilled workers is very great, and grows with the introduction of new machines to free the workers from heavy physical work (road making, canal building, house building, loading, etc.): and therefore the state, the trade unions, the factories, etc., support the efforts of the workers to increase their skill in every way. Educational courses, factory schools, evening schools, workers' universities serve this purpose. The factories are obliged to put at the disposal of the workers free rooms, heating, lighting, teachers and the means of study.

The enormous and progressively growing amount devoted to education by the Soviet government is shown in the following figures:

STATE EXPENDITURE ON EDUCATION
(*In million rubles*)

1913	*1927-1928*	*1933*	*1936* [34]	*1937* [34]
182	643	4,539	13,900	18,500

The number of elementary and secondary school children has increased threefold compared with tsarist times; the number of university students has increased fourfold, and of those attending technical schools fivefold.

NUMBER OF SCHOLARS IN TSARIST RUSSIA AND IN THE SOVIET UNION

	SCHOOL YEAR			
	1914-1915	*1927-1928*	*1932-1933*	*1935-1936*
Elementary and secondary schools (In millions)	7.8	11.3	21.8	25.6
Universities (In thousands)	124.7	159.8	417.0	524.8
Technical schools (In thousands)	48.0	187.3	601.6	711.1

In tsarist times, study at the universities—as today in capitalist countries—was a privilege of the children of the ruling class. In the Soviet Union the university is open to everyone with ability. The state looks after the material provisions for all students, with the exception of those children whose parents have an income beyond a given amount. Of those studying full-time in a university, 87 per cent received stipends, and 79.6 per cent of students at the technical schools. In 1935, 1,778 million rubles were paid out in stipends to students. More than half the students obtained living quarters from the universities.

The material assistance to the students from the state opens the path of study to all, while under capitalism the talent of the children of poor people cannot be developed, and as a rule is lost to civilisation.

The separation of manual and mental work, which is so characteristic of capitalism, has begun to disappear in the Soviet Union. Young people often go from the secondary school into the factory, and there take up manual labour and then, after a few years, go to the university or finish a higher school without stopping work in the factory, and rise to leading posts in the factory, etc. The way to the highest posts is open to every worker in the Soviet Union.

All this applies to women no less than to men. *The Soviet Union is the one country in the world where the equal rights of women are consistently carried through.* Forty per cent of all the labour forces

in heavy industry were women in 1935, compared with 25 per cent in 1933. The number of women among the leading engineers even in 1934 rose from 4.3 to 25.6 per cent (according to the branch of industry) and among the *young* technical personnel 39.8 per cent, etc.

In agriculture also the number of women in high positions and doing skilled work steadily increased.

	PERCENTAGE OF WOMEN *January, 1936*
Agronomists	10
Members of collective farms	18.0
Heads of cattle breeding farms	16.0
Combine drivers	6.3, etc.

The number of women in managerial posts is steadily on the increase.

	PERCENTAGE OF WOMEN	
	1926	*1934*
Members of Village Soviets	9.9	26.2
Chairmen of Village Soviets	0.6	6.7
Members of Town Soviets	18.2	30.4

Women's work is made easier by the special care with which women are dealt with in social welfare.

The Soviet power looks after the working people in every kind of emergency. In no country of the world is *social insurance* so complete as in the Soviet Union. Article 120 of the Soviet Constitution states:

Citizens of the U.S.S.R. have the right to maintenance in old age and also in case of sickness or loss of capacity to work.

This right is ensured by the wide development of social insurance of workers and other employees at state expense, free medical service for toilers, and the provision of a wide network of health resorts for the accommodation of the toilers.

The workers of the Soviet Union do not pay any contributions for social services, differing in this from all capitalist countries: all contributions are paid by the enterprises in which the workers are employed.[35] The social-political services are an important addition to the

wages of the workers and employees. In 1936 these expenditures amounted on an average to 347 rubles per insured worker!

EXPENDITURE IN SOCIAL INSURANCE IN THE U.S.S.R.
(*In million rubles*)

	IN FOUR YEARS OF THE FIRST FIVE-YEAR PLAN	OF THE SECOND FIVE-YEAR PLAN
Expenditure	*10,083.0*	*26,462.2*
Of which:		
Insurance and pensions	3,713.2	9,683.7
of which: midwifery and maternity homes	218.1	783.7
Rest homes, sanatoria and health resorts	263.9	1,317.5
Medical aid for insured workers	2,015.8	6,101.2
Service for the children of the insured	420.9	1,845.8
Workers' housing	1,339.9	3,056.8

But the services of social insurance are only a part of the assistance received by the working class of the Soviet Union. Apart from this, the trade unions, the state and the enterprises also contribute to social provision for the working class.

Apart from the expenditure on social insurance, the state and the trade unions expend milliards of rubles for the cultural and social care of the workers and employees of the U.S.S.R.: for free education in the schools, technical schools and universities, for stipends for those studying, for free medical treatment and the organising of convalescence, for culture service, etc.

In 1936 alone the expenditure of the state and the trade unions for cultural and social welfare of the workers and employees amounted to 15.5 milliard rubles, which amounts to an average of 601 rubles in the year per worker and employee.

A tremendous advance has been made in the care of the health of the whole people. The total expenditures of the state and the trade unions for health services amount to:

In million rubles

1927-1928	*1932*	*1935*
489	1,458	4,016

The state looks after the welfare of the child before birth: the mother has two months' holiday at full wages before and after

childbirth. In the factories there are *creches* where the working mother can leave her child and where the children are looked after by nurses while the mother works. In the kindergarten and schools there is well organised medical attention: the children are medically examined at regular intervals, and inoculated against infectious diseases at stated times. In the factories, offices and to an ever growing extent also in the villages there is a constant medical control of the health of the working people. Great attention is paid to the prevention of disease: working rooms are systematically aired, and well heated in winter; adequate washing accommodation, clean dining rooms prevent the spread of infectious diseases which had claimed an enormous number of victims in tsarist Russia (cholera, pest, tuberculosis, trachoma, etc.). The unexampled development of all kinds of sport gives the younger generation much greater resistance to all kinds of illness. To this must be added a factor of not less importance, the security of existence, the lack of the continual nervous fear of the workers in capitalism of losing their jobs; the lack of the heavy, material troubles of the peasants and petty bourgeoisie under capitalism, which never leaves them really in peace.

All these factors have raised tremendously the conditions of the health of the population of the Soviet Union in comparison with the tsarist time.[36]

The number of infectious diseases has dropped by more than a fifth compared to tsarist times.

We want to give some special data on the improvement of the health of the Volga Germans, about whose fate the German fascist press periodically howls. Out of every 1,000 Volga Germans liable to be called up for military service, the following have:

	1927	*1935*
Diseases of the chest	22.7	2.5
Rupture	28.7	2.5
Trachoma	87.7	5.0

The housing conditions of the working class were improved immediately after the victory of the Revolution, as the dwellings of the bourgeoisie were partly requisitioned and handed over to the workers. In the last ten years, the area covered by houses in the towns in the Soviet

Union was increased from 159 to 215 million square metres. Completely new, modern working class districts have arisen.

The very appearance of our large towns and industrial centres has changed. The inevitable hall-mark of the big towns in bourgeois countries are the slums, the so-called working class districts on the outskirts of the town, which represent a heap of dark, damp, in the majority of cases, cellar-dwellings, in a semi-dilapidated condition, where usually the poor live in filth and curse their fate. The revolution in the U.S.S.R. has swept away the slums in our country. Their place has been taken by well-built and bright workers' districts and in many cases the working class districts of our towns are better built than the central districts.[37]

The Trotskyists and fascists calumniate the Soviet Union in order to keep the workers of the capitalist countries from the revolutionary path. But in spite of all lies and calumnies of the fascist mercenaries, the truth breaks its way through by a thousand paths. The workers in the Soviet Union are freed from all exploitation, from all oppression, they do not know the fear of the morrow. The victory of socialism has opened wide to all working people the path upwards to a life of well-being. Courageous and full of confidence, the worker in the Soviet Union looks at the future. He knows that all ways forward lie open wide before him. Everyone who wants to work can always find work in the U.S.S.R. and has the possibility of going forward.

Can fascist lies and calumnies hide these indisputable facts?

The fascist press does its utmost to present affairs as if the position of the workers in the Soviet Union was worse than in fascist Germany. The following method is the favourite: they take the money wages and the prices of some foodstuffs in the Soviet Union and show that the German worker can buy more meat or butter with his weekly wage than the Soviet worker. This contrast is a methodological swindle, for the following reasons. In Germany the *gross amount of wages* is made the basis of the calculation. But as is known, from this amount is deducted about 20 per cent in taxes, social contributions, "voluntary donations, etc., while in the Soviet Union all social contributions are borne by the enterprise. The fascists take for the Soviet worker, the *average* amount of wages of all workers (unskilled, youth, etc.) and for Germany the wages of the skilled worker.

Further, the tremendous difference in rent must also be taken into consideration. In Germany about one-fourth of wages goes in house rent; in the Soviet Union on the other hand house rent is very low and varies with the income of the worker.

In the Soviet Union the workers and the grown-up members of their families have work all the year round. In Germany, till today millions of workers are unemployed, and a worker's family whose breadwinners have work the whole year round is a rarity.

In the Soviet Union the workers receive free medical treatment and free treatment in hospitals, convalescent homes and sanatoria, while in Germany all this has to be paid for.

The intensity of labour in Germany with its capitalist system of exploitation is much higher than in the Soviet Union.

Apart from this, the fascist demagogues use the trick of taking old wage rates no longer in use and incorrect high prices, whereas for Germany they use exclusively official fixed prices, etc.

If it were possible to make a comparison which would be methodologically correct, i.e., to establish how much food the *working class family can purchase in a year in the Soviet Union, and in Germany out of the actual wage paid out after deductions for the expenditures on rent, light, heating, etc., this comparison would undoubtedly show the workers in the Soviet Union are better nourished.*

The French fascist, Doriot, spreads a different kind of rabid falsification. He declares that differences in income in the Soviet Union are greater than in France! As proof he alleges that the income of one of the highest paid Soviet functionaries is a hundred times higher than that of the lowest paid worker; in France, however, the highest paid state functionary, the prime minister, only receives twenty times as much as the lowest paid state functionary.

Doriot's swindle is two-faced; first it is simply a lie that the highest state functionaries in the Soviet Union receive a salary one hundred times higher than the worst paid worker; the heads of the largest industrial concerns with tens of thousands of workers receive at the most twenty times the wage of the unskilled worker. Secondly, *in France it is not the salary of the prime minister but the income of the finance oligarchy—the Rothschilds, Wendels, Schneiders, etc.*—which should be compared to the income of the unskilled workers, and then it will be

seen that these finance magnates have incomes a hundred thousand times that of their workers.

The Trotskyists [38] and the fascists try to paint the position of the workers in the Soviet Union in the darkest colours, with all kinds of lies and calumnies, in order to distract the workers in the capitalist countries from the revolutionary path. But lies have short legs. The truth gets through by a thousand paths. The workers in the Soviet Union are free from all exploitation, without any worries about existence, with the certain conviction that things will be better in the coming decade—and things will be very, very much better for their children. How can the lies of the fascists and the Trotskyists alter these basic facts? [39]

The condition of the working class in the Soviet Union in the twenty years of Soviet power has developed in a way diametrically opposed to that in capitalism. It would therefore be a complete mistake in principle to make a comparison on the basis of statistical data; the improvement of the condition of the working class by leaps and bounds, both from a material and cultural point of view, as a result of the overthrow of the bourgeoisie, cannot be even approximately apprehended in statistical rows of figures.

The working class of the Soviet Union, with the victory of the proletarian revolution, has turned from an oppressed and exploited class into the *ruling class.* As such, the historical task of wiping out the exploiting classes, the suppression of their counter-revolutionary attempts fell to it. But in contrast to all previous ruling classes, the *aim of the proletariat is not the perpetuation but the liquidation of its rule by the construction of a classless socialist society.*

Stalin, in his speech on the new Constitution, clearly and plainly developed the difference in principle between the working class in the Soviet Union and in the capitalist world:

> Take, for example, the working class of the U.S.S.R. It is often called "the proletariat" through old habit. But what is the proletariat? The proletariat is a class exploited by the capitalists.
>
> But as is well known, the capitalist class is already liquidated in our country, the implements and means of production have been taken from the capitalists and transferred to the leading power of the state, which is the working class.

Consequently, there no longer exists a capitalist class which could exploit the working class.

Consequently our working class is not only not bereft of the implements and means of production, but, on the contrary, possesses them in conjunction with the whole people. And since it possesses these and the capitalist class is liquidated, all possibility of exploiting the working class is precluded. Is it possible after this to call our working class a "proletariat"?

It is clearly impossible. Marx said:

"In order that the proletariat may emancipate itself, it must smash the capitalist class, take the implements and means of production from the capitalists and abolish the conditions of production which create the proletariat."

Can it be said that the working class of the U.S.S.R. has already achieved these conditions for its emancipation?

Undoubtedly it can and should be said.

What does this mean? It means that the proletariat of the U.S.S.R. has become transformed into an entirely new class, into the working class of the U.S.S.R., which has abolished the capitalist system of economy and has established the socialist ownership of implements and means of production and is directing Soviet society along the path to communism. As you see, the working class of the U.S.S.R. is an entirely new working class, freed form exploitation and having no counterpart in the history of mankind.[40]

Thus not only has the material situation of the working class been raised, but the very nature of the working class in the Soviet Union has fundamentally changed.

The immanent laws of capitalism lead to a growing relative and absolute impoverishment of the proletariat, *while the immanent laws of socialist planned economy lead to an increase in the well-being of all working people at a continuously rapid speed.*

The colossal advance in the material and cultural situation of the working class has been reached in an obstinate struggle to overcome the great difficulties of socialist construction. The first three to four years of Soviet power were occupied with civil wars and intervention; the collapse of economy which began in the World War continued during these years. The Soviet government, in the heroic years of the civil war, solved the difficult task of supplying the army and keeping the proletariat from starvation, the class which was decisive for the revolution.

The next four years were necessary for the reconstruction of economy after seven years of war and civil war. During these years the improvement in the material and cultural level of the working people was already beginning to make itself felt. The transition from the restoration of national economy to its fundamental reconstruction created the basis for definite improvement in the condition of the working people. For a number of years the national economy of the U.S.S.R. had two different foundations: the foundation of socialist large scale industry on the one hand, and backward, scattered small peasant agriculture on the other hand. Up to 1930 agriculture was scattered among 25 million small peasant farms, which were technically backward and relatively inefficient. Only thoroughgoing collectivisation gave agriculture modern technical equipment, increased productivity on a gigantic scale and created the conditions for a continually increasing supply of food in the country.

The tremendous work of reorganisation of the country, socialist industrialisation, the erection of innumerable works and factories, the equipment of agriculture with new means of production, were carried through in historically the shortest time, based exclusively on the resources of the country itself.

And for this it was necessary to make sacrifices and to impose the most rigorous economy in everything: it was necessary to economise on food, on schools and on textiles, in order to accumulate the funds required for the creation of industry. There was no other way of overcoming the famine in technical resources. So Lenin taught us, and in this matter we followed in the footsteps of Lenin.[41]

The victory of socialism which has fundamentally altered the face of our country, raised the standard of life of the working people and opened the road to a life of culture and well-being for the masses. It was won in an obstinate struggle with the remnants of the defeated former ruling exploiting classes, to whom the bourgeoisie of the capitalist countries gave all possible assistance, by sending spies and wreckers to our country, and who took into their service the Trotskyist-Bukharinite gangs, for this purpose. The working class of the U.S.S.R. broke the resistance of the class enemy, defeated its criminal machinations and turned our country into the invincible fortress of socialism.

Before the working people of the land of socialism the way lies open to the unlimited rise in their material well-being and to improvement in all spheres of life for the "distinctive feature of our revolution is that it brought the people not only freedom but also ... the possibility of a prosperous and cultured life." [42]

Chapter XIII: MASS RUIN OF PEASANTS UNDER CAPITALISM; THEIR RISE TO MATERIAL AND CULTURAL WELL-BEING IN THE SOVIET UNION

THE IMMANENT LAWS of capitalism necessarily lead to a differentiation of the peasantry. On the one hand, a very small stratum of rich peasants, small capitalists, is continually seceding from the bulk of the peasantry; on the other hand, part of the peasants are continually being ruined and swell the ranks of the village poor. This differentiation process, which is always going on under capitalism, was, in the period of the general crisis of capitalism, accelerated by the agrarian crisis; and during the latest economic crisis it was intensified and brought about *a mass ruin of the labouring peasants*. This happened, although bourgeois governments, in order to keep the rebellious peasantry from an alliance with the revolutionary proletariat, made many efforts, or at least made a show of doing everything to stop the mass ruin of the peasantry: moratoria, reductions of interest rates, tax concessions, government subsidies, etc. But at the same time the bourgeoisie transferred the burden of the crisis, to a large degree, to the peasantry, by forcing on the peasants *high* monopoly prices for manufactured goods which are bought by them, and by buying their own goods at *low* prices—thereby taking away, in consequence of the considerable fall in the prices of agricultural goods, a much larger share of the peasants' produce for interest and sinking fund, etc. The "scissors" (difference between industrial and farm prices) became an ever heavier burden for the peasantry.

U.S.A.[1] (*August 1909—July 1914 = 100*)

	INDEX NUMBERS OF FARM PRICES	PRICES PAID BY FARMERS FOR COMMODITIES	RATIO OF PRICES RECEIVED TO PRICES PAID
1929	146	153	95
1932	65	107	61
1933	70	109	64
1934	90	123	73
1935	108	125	86
1936	114	124	92
1937 (March)	128	132	97

GERMANY (*1913 = 100*)

	INDEX NUMBERS OF AGRICULTURAL PRICES	INDEX NUMBERS OF PRICES OF MANUFACTURED GOODS (CONSUMPSUMPTION GOODS)	RATIO OF AGRICULTURAL PRICES TO PRICES OF MANUFACTURED GOODS (CONSUMPTION GOODS)
1929	130	172	76
1932	91	118	77
1933	87	112	78
1934	96	117	82
1935	102	124	82
1936	105	127	83
1937 (March)	104	131	79

The share of finance capital thrusting itself between the farmer-producer and the town consumer increased continually.

Of the price paid for food products by town consumers in the United States, the farmers received (in per cent):

1913	*1929*	*1932*	*1933*	*1934*
56.5	50.1	34.9	36.8	38.5

The ruin of the peasantry progressed, of course, unevenly in different countries. In the agrarian export countries, the situation was worse than in countries importing agricultural products, because here the fall in prices could be mitigated by protectionist measures. In the one-crop countries, it was worse than in those where a large share of the product is consumed in the peasants' own household. The development in colonial countries, where millions of peasants were reduced to starvation, was catastrophic.

The different strata of the peasantry in one and the same country are also unevenly affected by the crisis. The *rich* capitalistic peasants have various possibilities of partially transferring the burden of the crisis to the exploited labourers, the village poor. The middle peasants suffer much more severely; masses of them lose their land and sink to the level of tenants, or else, while nominally remaining the owners of their farms, are transformed actually into the wage-labourers of their creditors. Most terrible of all is the situation of the poor peasants, who constantly depend on extra-earnings from wages, and who cannot find any work because of the chronic mass unemployment.

As we are limited by space, it is impossible to show the development of the situation of the peasantry in every country separately; we must content ourselves with a few examples. We begin with the richest capitalist country, the United States.

The differentiation process here—since there is no longer any "free land"—turns the farmers from landowners into tenants. The "central figure" of American agriculture is no longer, as before the war, *the farmer tilling his own land with the labour of his family,* but the tenant, or rather the farmer formally tilling his own land, yet actually sunk into deepest debt slavery. A few figures as an illustration:

NUMBER OF TENANTS PER 100 FARMERS [2]

1880	*1900*	*1920*	*1930*	*1936*
25.6	35.3	38.1	42.4	42.1

In the South over 80 per cent of the Negro farmers are tenants, partial tenants, semi-slaves.

Already, half of the American farmers have had their land expropriated! The land passes at a rapid rate into the hands of capitalists. The conclusion of contracts on the restriction of the production of corn and pigs in 1935 revealed the following facts:

67,302 farms belonged to 111 insurance societies
21,447 farms belonged to 170 banks
18,830 farms belonged to 3,491 owners (so-called "multiple farms")

Besides the insurance societies and the banks, the *state governments* have also become mass owners of farm land.

In Mississippi alone 60,000 farms were expropriated for non-payment of taxes in the first three quarters of 1932. In Michigan the state owns three million acres of land that has been offered for sale for taxes and retained in the absence of private bidders. In Florida nearly two million acres have reverted to the state through tax delinquency. Nearly all the states have experienced a severe shrinkage in rural property taxes and have become burdened with a bewildering volume of land which they cannot sell or even give away.[3]

In the years 1933-1936, owing to the inability of the farmers to pay their tax arrears, 800,000 farms passed into state ownership. In many

states, farmer organisations were formed which prevented the compulsory sale of farmers' property at auctions.

At the same time there has been going on a large concentration of agricultural concerns. Farms with over 1,000 acres of land represented in percentages of the total land:

1910	*1920*	*1930*	*1935*
19	23.1	28	29.4

Hundreds of thousands of farmers are only *apparent* landowners; they are completely in the hands of finance capital which—together with the agricultural "cooperatives"—has transformed the "owners" into its badly paid labourers. The farmers who are in debt have their cultivation plan, their budget, etc., prescribed by the "farm managers" of the banks; the cooperative, which is connected with the bank, buys their goods from them, fixing the price unilaterally; the bank supplies them with machines, fertilisers, etc.

The measures taken by the Roosevelt administration—the raising of prices by means of purchasing and destroying surplus goods and the restriction of production by means of state subsidies—have driven prices upwards (helped by the two bad harvests of 1934 and 1936), removed the "scissors," improved the situation of "agriculture."[4] But this rise in prices chiefly favours the big capitalist concerns; the majority of the toiling farmers have already become "inefficient," superfluous farmers.[5] The rise in prices helps the Negro tenants in the South, who live in permanent debt slavery to the white landowners, just as little. Besides, it is very questionable whether the present better prices of agricultural goods will last long. The area under wheat increased in 1937 by 20 per cent, and is larger than it has ever been in the history of the United States. With a normal harvest yield the prices should immediately experience another reaction.

The development of the situation of the peasantry in Germany under Hitler's rule is of a peculiar nature. While the fascists, before seizing power, had made large promises to the toiling peasantry who were lashed by the crisis, afterwards they did everything to improve the situation of the big landowners and big farmers at the expense of the toiling peasantry. This purpose was served chiefly by the *Erbhofgesetz* (law of farm inheritance) which, as is known, grants special privileges to rich farmers and to a thin upper stratum of middle peasants:

cancellation of debts, security of the estates against compulsory sales, exemption from death duties. On the other hand, their children, with the exception of the *one who succeeds to the whole farm, are deprived of the right of inheritance!*

The political meaning of this legislation is the renunciation of the attempt to improve the situation of the whole of the approximately six million persons employed in agriculture. Fascism abandons the middle and small peasants and tries to create social support for itself among the well-to-do farmers, in those circles which are economically and politically nearest to the landowners. The rich peasants had "land helpers," almost unpaid labour, allotted to them from the ranks of the unemployed, and were given numerous other privileges. All this is in perfect accordance with the general character of the fascist régime.

Yet fascism has not attained even this restricted aim of winning the well-to-do peasants. In order to prepare the country for a future war, in order to be able to import munitions from abroad instead of food products, the fascists have subjected the peasantry to extremely severe state legislation. The peasant has become a serf of the state. He may not bring his products to market himself, but must deliver them to state organisations at prices fixed by the government. Transgressions are severely punished. The state prescribes to the peasant how much he must grow of each kind of plant. He is compelled to cultivate flax although he does not grow enough corn for his own consumption. The milk output of every single cow is controlled: milk, butter, eggs must be delivered, etc. Even the peasant's own consumption is severely controlled.

The system of compulsory delivery at government prices has called forth—as in all countries where it has been tried—a deep discontent, and led to a decrease of agricultural production and to the sabotage of government measures. It is the rich peasants, who produce chiefly for the market and whose support Hitler wanted to win for his régime, who are the principal saboteurs of these measures.

The Manchester Guardian, on December 21, 1936, published a secret order of the German Ministry of Agriculture and Food issued to the Food Control Board. This order is signed, in the name of the Food Minister Darre, by a high official named Moritz, and contains the following.

The figures of the German Board of Statistics on agricultural pro-

duction and the delivery to trade organisations show that the consumption of the rural population is extremely high, both on the big estates and among the small peasants.

Unfortunately, the peasants and farmers continue to sell agricultural products secretly to rich town consumers at profiteering prices. They do this in spite of their duty to deliver their products to the trade organisations, in spite of the fact that they get severe penalties for it or are sent to concentration camps. A certain percentage of the sabotage results from antipathy to the National-Socialist state, which is also taken into consideration. Judging by the penalties decreed, sabotage is more frequently found among landowners and *Erbhof* peasants than among the small peasantry, although the former owe everything to the National-Socialist system. All these factors taken into consideration, the consumption in the country is still too high.

Although the official ideology of German National-Socialism flatters the "peasant" (only the owner of an *Erbhof* may call himself peasant!), calls him "the source of life of the Nordic race," etc., the economic policy, completely at the service of the most reactionary and chauvinistic part of the big bourgeoisie, brings the German peasantry ever closer to ruin. The example of Germany shows with particular plainness the contradiction between the pro-peasant words and the anti-peasant deeds of the fascist rule.

In a number of Eastern countries, during the first years after the war, laws of agrarian reform were passed and in part also carried into effect, in order to appease the revolts of the peasantry, to keep the toiling peasants from an alliance with the proletariat, or to win the peasantry as an ally against the revolutionary proletariat (e.g., Hungary, 1919). These reforms have not, however, in the least improved the situation of the toiling peasantry.

The ruling classes in all countries have much the same method of transforming agrarian reform into a measure profitable to the ruling classes. This method is approximately the following.

When the revolutionary wave rises in a threatening manner, the *distribution of the big estates to the peasants is announced*. Numerous large committees are appointed, which, following a protracted procedure, solemnly make up lists as to the number of peasants laying claim to land and as to the size and location of such land. This calms the

peasants for the moment; they think their claim is at least recognized. Other committees examine the question—which of the big estates shall be confiscated. Some years later, a bill on land reform is brought before parliament. It is discussed in long debates, and its tenor develops according to the changing pressure of the peasant movement. The state's *right* of purchase is regularly substituted for a confiscation of the big estates: instead of confiscating all the big estates, only the worst portions of the landed property are claimed.[6]

Instead of receiving the land free, the peasants "entitled to a claim" have to pay a price which is determined by the law, while the banks do the "financing" under state guarantees and make a lucrative business of it. Lists originally set up of those entitled to a claim are ignored as "provisional." Of the land allotted by the state, the best lots are given to the so-called "state supporting elements": retired officers, gendarmes, government officials, etc. A certain part is acquired by rich peasants against cash payment. Small lots of the worst land were now and then obtained by middle peasants and by the village poor. As the poor peasants possess neither money to pay for the land nor the necessary means of production for its cultivation, from the beginning they fall into debt slavery to the banks and into dependence on the big peasant whose means of production they require to till their land. After some years of fruitless efforts they must, as a result, give up the land obtained with such difficulty.

The following vivid description of the carrying through of agrarian reform in a region of Hungary illustrates our general statement.[7]

In Szentes we find among the first group of those entitled to a land claim 2,879 fathers of families who claimed 27,616 *Joch* of land, so that the average size of a small peasant farm would be nine *Joch*. This was the first wave, when people still dreamed of an effective small holding. The second group included subsequently 1,797 persons entitled to a land claim, who claimed 6,927 *Joch*. Here were therefore small holdings of only 2—4 *Joch*. The National Land Reform Committee has distributed, on paper, 3,027 *Joch* of land among 1,868 persons, i.e., satisfied only 39 per cent of the land claimants originally included in the lists, and distributed only 8.7 per cent of the land originally claimed. Actually, the situation is even worse. Until the persons entitled to a land claim were actually settled on their newly obtained land, their number had dwindled to 1,030, i.e. to 21 per cent of the original figure, and the distributed land to 2,078 *Joch*,

i.e., to 6 per cent of the area claimed. Not even one-tenth of the 1,000 *Joch* of landed property was distributed, and it is characteristic that in the midst of such land hunger a distinguished economic leader enjoying a high pension had 200 *Joch* of reform land allotted to himself. . . .

The new owners had to pay the price of the land in rates, but already in the first year the full rate and the full taxes were settled. Hence the purchase of any means of production could not be thought of, the small plot owner who received reform land was glad if he could pay out of the yield of his 1—3 *Joch* something off the rates. Most of these owners had a small capital which, however, was already exhausted in the first year, in paying the taxes and the rates for the price of land. In the second and third year he could pay only the tax, and later on not even that. They have neither horses nor implements: they must till the land with hired horses and tools. They have no livestock, the land gets no fertilisers, the harvest becomes ever worse, the burdens imposed upon them ever more unbearable. . . .

The reform land was chosen, as a rule, from the worst and remotest lands of the big estates. Most claimants in Szentes received land which was 10—12 km. distant in the air line. At such a distance from the road, from the village, from town, from the market, the small farm is not capable of surviving in spite of all its owner's efforts.

The study of agrarian reforms of the post-war period in a number of countries plainly shows that an agrarian reform which would serve the interests of the toiling masses, and in particular of the poor peasants and the agricultural proletariat, is impossible so long as the rule of the agrarians and the big bourgeoisie exists. Only when an agrarian reform is carried out in countries with strong feudal survivals, in the process of a *people's revolution,* as at present in Spain, can it serve the interests of the toiling masses of the country.

The conditions of the peasant masses in those countries where ordinary bourgeois agrarian reform took place are not better, and sometimes even worse, than in countries where no such reform was carried out, as agrarian reform took place chiefly in the Eastern European agrarian export countries which had been particularly severely hit by the agrarian crisis.

The deterioration of peasant agriculture in these countries was particularly strong. Nothing characterises the situation better than the fact that in 1936—when the agrarian crisis was already less severe—in "civilised" capitalist Europe peasants were dying of starvation:

Famine in Bessarabia.—Bucharest, January 13th. The *famine reigning* in Bessarabia as a result of the *last bad harvest has assumed, in spite of energetic counter-measures, catastrophic dimensions.* Thus we learn from the Tigina region that in two of the bigger villages some dozens of children and eight adult persons have died of starvation.[8]

300 Starve to Death in Village. At least 300 persons, mostly children, have died from starvation in the villages of the eastern provinces of Rumania. In the last week (says *Exchange*) 18 have died in the province of Bessarabia, where children are running away from their homes in search of food. The severe drought last summer has caused the famine, and the government is taking steps to alleviate the distress, but the situation is critical.[9]

The preponderance of big landed property, which continues in spite of the land reform, causes in these countries a permanent agrarian over-population. The labourers and the poor peasants who also depend on wages for their basic income, find only temporary work; for the most part of the year they are unemployed. The present state of the labour market for labourers in Hungary is described by the Hungarian writer quoted above:[10]

The labourer is to-day a commodity, like wheat, eggs, livestock or small cattle. The peasantry has not only a market for cattle, fruit, poultry and vegetables, it also has a market for men. Not only horse and cattle dealers do their business, but also dealers in men. The fate of the labourer also is decided by the laws of supply and demand, only that the supply is always larger than the demand. Hence, man as a commodity never enjoys the advantages of "free competition." The labourer, if he has not a permanent job (which is extremely rare in our region) or gets a small tenure (which is rarer still), spends most of his time in the "human market." They stand in groups of five to ten, ragged, tired, mostly quite apathetic figures. They speak to each other in undertones, but mostly they are silent. They differ little from the animals which stand about in the cattle market, but the latter are for the most part better fed and show more cheerfulness than the "animated" goods of the human market. The soul shows itself in these faces chiefly as care, rage and bitterness. The farmer, when he is engaging labourers, chooses among them just as among animals. He considers their strength, their age, asks them about their family conditions, and then the bargaining starts. The cattle are happier in this respect too, because even if the deal does not come off, their owners throw them some more hay and turnips into the trough. Man, however, being the

glory of creation and a free Magyar with human rights, is bargaining himself, and if the bargain does not come about he can beg or starve.

Unemployment among the labourers in Hungary is so tremendous that the government—just as in Italy—*has forbidden the use of harvesters,* in order not to block the only possibility to labourers of earning at least their bread.

Most terrible of all is the situation of the colonial peasantry. The horrors of the life of Chinese and Indian peasants are indescribable—famine, sale of their own children as slaves, cannibalism, are here, as late as in 1936-37, widespread frequent phenomena.

Chinese peasants feed on grass. Peasants in the Tsen-si district of the Szechwan province eat wild herbs and white clay. The poor people even fight among themselves to get white clay for food. In the provinces of Tsiang-su and Cheyiang, which are the richest provinces of China, the food of the majority of the poor masses consists in a watery gruel, while part of them eat only rice offal and wild, sometimes poisonous, herbs. Hence many people suffer from swollen bodies, which often leads to their death.[11]

These dreadful conditions are *not* the consequence of natural catastrophes, but of the unheard-of spoliation of the Chinese peasants by the landowners, by the usurers, by the state and by the generals. The peasant is not left enough to continue his farming on the basis of simple reproduction, even at the lowest standard of life. In the same province of Szechwan where famine is reigning now, the taxes in 1934 and 1935 were collected twelvefold.

In the Sifang district of the Szechwan province the land tax was collected from the peasants in advance until the year 1992, and the people were compelled, in order to pay the taxes, to sell and to pawn their own children. In the Pisiang district the land tax was collected 12 times, and each time for the whole year, i.e., the tax was collected here in advance until the year 1986.

... There are cases in which the tax inspector, when coming to the village, gathers those who have tax arrears and locks them by several dozens in a small narrow room, without giving them either water or food. In winter this room is not heated.... The cold and hungry peasants cry and weep....[12]

Not much better is the situation of the peasants in India; the ordinary, chronic hunger here alternates with acute famine. Not a year passes without a "recognised" famine in some region of India. So it was in 1936-37. We quote a few press statements as an illustration:

In our last report we have acquainted the public with the gravity of the situation due to famine in the Satkhira subdivision of the Khulna district. Men, women and children are starving by thousands. Over two-thirds of the population can barely manage to get a meal every other day. A small percentage is fortunate enough to have one meal a day. The rest have nothing to eat and have to fill their stomachs with anything they can get. Naturally, cholera and other epidemics have broken out, with none to attend upon the sick. The earning members of most families have deserted their dependents, being unable to stand the sight of misery that knows no redress. Women are in rags, which forces them to keep indoors, although they are starving. There is not an iota of exaggeration in this picture. Rather many ugly features have been omitted.[13]

The famine, which appeared in 1937, as in every year, is no reason for the government to remit the taxes.

Distressing news of acute famine conditions persist from Dohad and Jhalod Talukas. The government, however, have granted only partial and wholly inadequate remission of land revenue while it is generally known that in their pitiable plight it is complete remission of revenue which these poor agriculturists deserve. It is also alleged that coercion is being used in some cases to extort the revenue dues from these folk many of whom have migrated to distant places, leaving their hearths and home in sheer desperation.[14]

The situation of the peasants in imperialist Japan is hardly any better than of those in oppressed colonial countries. The destitution of the peasants is one of the foundations of the Japanese economic system. Want drives the peasants' daughters into the textile mills and other factories of light industry, where they work for extremely low wages and thus bring the wage standard of the whole Japanese proletariat down to its known low level. The low wage costs make it possible to dump Japanese goods on the world market at dirt-cheap prices, and thus to secure foreign currency for the purchase of armaments. The misery of the Japanese peasantry forms one of the eco-

nomic foundations of Japanese imperialism (though at the same time one of its weakest points).

In the *Voelkischen Beobachter,* presumably a pro-Japanese newspaper, on March 8, 1936, we read as follows:

The situation of the Japanese peasants is hopeless. Of five million peasant families, one-third possess less than two *morgen* of land, one-third but two to four *morgen,* while the rest live on tenure land in an almost unfree state. Capitalism coming from the West, as well as the various inflation periods, have made the peasant an object of speculation; and although he is very much attached to his soil, he was frequently forced by hard times to sell his land and is never again in a position to win it back. The new landowners sought to obtain the highest possible rent, and as they always find new tenants, the ranks of the uprooted peasant proletariat increase ever more.... It is a tragic lot that has fallen to the Japanese peasant; if the rice harvest is bad its proceeds do not suffice to cover the cost of production, and if it is good the prices fall so low that the cost of production is not covered either. The peasants are, according to a Japanese saying, "the stepchildren of the nation," and while all trades and professions have experienced a rise under the newly recovered imperial power, the peasant alone has remained in his low social station.

The average income of a Japanese peasant *family* in 1936, i.e., after the increase in the prices of agricultural goods, amounted to not more than 319 *yen*. At the exchange rate of 1936 this is about 100 dollars per family. If we take five members per family *this makes 20 dollars per year per head, far less than a half dollar per week*. As the richer peasants have a larger income the bulk receive a still smaller amount. In these circumstances it is conceivable that the Japanese peasants sell their daughters just as the Chinese do! *Sakai Undo Zucin* published the following letter of a peasant named Kicaragi from Takanemura to the labour exchange in Shimonoseki:[15]

I want to sell my daughter. Help! Life is so hard that it is impossible to continue in this way. I am threatened by death from starvation. Dear as my daughter is to me, what else shall I do? My 16-year old daughter Chanae cried much at first but has since resigned herself to her lot. If it is possible, provide a place for her somewhere near Shimonoseki. She does not need any luxury. In the last resort she might be sent also to Formosa or to Manchuria. Save our home! Kicaragi.

If such is the situation of the peasants in Japan we can easily imagine what is the misery of the peasants in the Japanese colonies, Korea and Formosa!

We can multiply such instances without end. In the whole world, the situation of the toiling peasants has deteriorated catastrophically in the post-war period. The bourgeois world has a peasant population of about a billion people or even more. Only a small fraction live in more or less bearable conditions, earning their bread by hard work, without any prospect of a material or cultural rise. The great majority fight daily against ruin and live permanently on the margin of hunger. Such is the situation not only in India and China, but also in Hungary and in Poland, where the peasants split their matches in order to use every piece twice; in the "Imperium" of Mussolini where, as he cynically said, "The Italian people are *fortunately* not as yet accustomed to eating several times a day"[16]; in rich America where the Negro farmers permanently, and the white farmers in the last bad harvest years, live in conditions of greatest hardship. The reign of peasant misery reaches from the polar circles to the equator, from Japan to South America.

Terrible was the lot of the toiling peasants—the village poor, the small and middle peasants—under tsarism. Hunger was a permanent guest in their huts. Only in exceptional cases did the corn last them the whole year. As a rule, large masses of poor and middle peasants had to starve some months before the new harvest, or to borrow corn from the kulak and then to become finally his debt slaves. Famines occurred periodically, as a result of bad harvests caused by droughts, and exterminated the peasantry of whole provinces. This, however, did not prevent tsarism from exporting many millions of bushels of corn from the starving country, in order to buy armaments with the proceeds and to pay the interest on foreign capital.

Agriculture was carried on in a primitive way; part of the population had not even as yet become settled, but led a nomad life as cattle breeders. Numerous kinds of feudal exploitation existed throughout the country. The settled peasants tilled the land with the most primitive tools, like the notorious "socha", the wooden plough. The *poor* peasants possessed no means of production whatever. They borrowed the means of production from the kulak and had to let him share

in the harvest as compensation, and to work for him for a certain number of days without getting any wages.

POOR PEASANT FARMS
(In percentages of the total number)

Without a horse	30
Without tools	34
Without seed	15

Land hunger and agrarian over-population prevailed in spite of the enormous extent of the country and the relatively sparse population, as the greater part of the land, and the most fertile, belonged to the nobility, to the church, to the tsarist family, and to the state. Four per cent of the peasants possessed no land whatever for sowing.[17]

A landowner possessed on the average as much land as 300 peasants. The poor peasants were compelled to rent land from the landowners at usurious prices! The poorer the peasants were, the smaller was the leased land, and the higher the price per *dessiatine*.[18] Millions of peasants were constantly thronging the roads, in search of land for settlement or for work on building jobs or in factories.

SOCIAL STRUCTURE OF PEASANT FARMS BEFORE THE REVOLUTION
(In per cent)

Poor peasants	65
Middle peasants	20
Kulaks	15

Before the Revolution, two million poor peasants went yearly to the south, to the north Caucasus and the Ukraine, to work as labourers for the kulaks and landowners.

The yield of the land was very low, owing to the poverty of the peasants, their want of means of production and of agricultural knowledge. Poverty went hand in hand with an absence of civilisation, mutually reinforcing each other. The peasants were without the most elementary culture, a knowledge of reading and writing. Of 100 inhabitants over 9 years of age, only 27 could read and write; in Siberia only 16, in Middle Asia only 6.[19] The great majority of peasants were illiterate, ignorant, many of them given to drink.[20] Deceived by the priests, robbed by the landowners, tormented by tsarist officials—such was the lot of the toiling peasants in tsarist Russia. Numerous

peasant revolts were stifled in blood. Particularly bad was the situation of the peasants of the oppressed nations, and the "aliens," as they were contemptuously called by the Great-Russian chauvinists. They were left unprotected, at the mercy of the Russian bureaucracy, of the landowners, merchants and priests.

The World War made the situation of the peasantry still worse. The most efficient part of the peasant population, nearly one-half of the adult men, over ten million people, was mobilised. The state requisitioned a considerable part of the peasants' means of production: horses, cattle, fodder. In the regions which formed the theatre of war, the peasantry suffered worst of all, being stripped to the bone by the alternately victorious German, Austrian and tsarist armies.

Widespread peasant movements started during the war, even under the tsarist régime, but still more so under the Kerensky government. The latter sought in vain to protect the land of the big owners, by luring the peasants with hopes of the "Constituent Assembly," which would solve the agrarian problem in a "legal way." The peasants in many places seized the land, burnt the estates and plundered them. The revolutionary ferment spread in the army, which consisted chiefly of young peasants, and made a violent suppression of the peasants impossible.

At one blow the victorious proletarian revolution cleared away the survivals of feudalism. The land of the big owners, of the church and the tsarist family was confiscated, all privileges of the nobility and of the clergy were abolished. The confiscated land was taken over, with small exceptions (state farms) by the peasants, who divided it among themselves for tilling. In this way the peasants acquired the use of 150 million *dessiatines; the area at their disposal was thus doubled*. The whole of the land was nationalised, its sale and lease were forbidden. All land leased till then passed free of cost into the use of the former tenants. All peasants' debts were cancelled.[21] The distribution of the land led, as a consequence, to a considerable levelling of holdings.[22] There sprang up about 25 million, mostly middle-peasant, farms. The middle peasant became, as Lenin said, the central figure of the Russian village. There remained, however, the upper stratum of the kulaks, as well as a still relatively large stratum of poor peasants—particularly in the densely inhabited regions—who possessed no means of production for the cultivation of their newly acquired

land, and hence continued to remain in a certain dependence upon the kulaks, who possessed the means of production in abundance.[23]

In the period of the civil war and the intervention of capitalist powers, the situation of the peasantry necessarily deteriorated. The Soviet government was obliged, in order to parry the counter-revolutionary attack of 14 capitalist states, to mobilise all the forces of the country for defence, to introduce the system of war communism, and to claim from the peasants all their surplus, beyond their necessary requirements. This could be carried out only in a sharp fight against the kulaks, who did not want to deliver their surplus products, the Soviet power firmly relying upon the village poor.

The defence fight finished, the Soviet government passed from war communism to the New Economic Policy, "in earnest and for a long time," as Lenin said. The duty to deliver all food surplus was replaced by the tax in kind. The peasants could again dispose freely of their surplus; the private economic stimulus to increase production became again effective. The situation of the peasantry improved rapidly. The "alliance" between the middle peasantry and the working class became more solid; the kulaks simulated loyalty towards the Soviet power. The right-wing in the Communist Party of the Soviet Union wanted to make peace with the kulaks, and proclaimed the anti-Marxian, counter-revolutionary theory of the "peaceful growing" of the kulak into socialism. Bukharin advanced the slogan of the kulaks—*"Enrich yourselves."*

Individual enrichment, however, is possible only on the basis of an exploitation of labour. The kulaks began, although often in a veiled form, energetically to organise the exploitation of the poor peasants, assisted by their ownership of the means of production and and by the poor peasants' lack of them. This, however, flatly contradicted the fundamental principle of Soviet society—the abolition of exploitation. In his criticism of the right opposition Stalin said on this question:

> They think that the Soviet government can simultaneously rely upon two diametrically opposed classes—upon the class of the kulaks, the economic principle of which is the exploitation of the working class, and upon the class of the workers, the economic principle of which is the abolition of all exploitation.[24]

The struggle between the kulaks, who wanted to re-establish exploitation, and the working class, which could not tolerate any kind

of exploitation, ended, as is known, in the complete annihilation of the kulaks as a class, by means of the collectivisation of all means of production of the peasantry.

This definitely deprived the kulaks of the material basis of a possible exploitation, namely, their ownership of the means of production and the poor peasants' need of the latter. All-round collectivisation, the fusion of millions of individual, primitively conducted peasant farms in collective, big enterprises, carried on with mechanised means of production, laid the foundation of the rise of agriculture in the Soviet Union (see Chapter VIII), and at the same time of the transformation of the peasantry of the Soviet Union itself.

Whereas in the bourgeois world the main line of development is a mass ruin of the toiling peasants and their sinking to the level of proletarians, the development in the Soviet Union proceeds in the opposite direction.

An essentially new type of peasant is arising. Stalin in his speech on the new constitution stated this process as follows:

> Now, let us pass to the question of the peasantry. It is customary to say that the peasantry is a class of small producers, with atomised members, scattered over the face of the whole country, ploughing their lonely furrows on their small farms with backward technique, slaves of private property, exploited with impunity by landlords, kulaks, merchants, speculators, usurers, etc. Indeed, the peasantry in capitalist countries, bearing in mind the main mass, is such a class.
>
> Can it be said that our present-day peasantry, the Soviet peasantry, in the mass, resembles such a peasantry?
>
> No, this cannot be said. We no longer have such a peasantry in our country. Our Soviet peasantry is an entirely new peasantry. We no longer have landlords and kulaks, merchants and usurers to exploit peasants. Consequently our peasantry is a peasantry freed from exploitation. Further, the overwhelming majority of our peasantry is collective farm peasantry, i.e., it bases its work and its possessions not on individual labour and backward technique but on collective labour and modern technique.
>
> Finally, the economy of our peasantry is not based on private property but on collective property, which grew up on the basis of collective labour. As you see, the Soviet peasantry is an entirely new peasantry, having no counterpart in the history of mankind.[25]

The change which has taken place in the Soviet peasantry during the last eight years is tremendous; instead of 25 million individual peasants, living and working by themselves, we have now 244,000 collective labour co-operatives of peasants!

Before the development of collective economy (1928-1929) the 25 million peasants farms were owned by (in per cent):

Poor peasants	35
Middle peasants	60
Kulaks	4-5

At present (1937), there are 18.5 million farms combined in 243,700 collective farms, and 1.4 million individual farms have remained, while the collectivised acreage under crop amounts to 99.1 per cent of the total.

Owing to the collective farms, poverty in the village was abolished; the category of farms without horses, implements and land was eliminated. Otherwise unemployment in town and country could not have been abolished.

The 20 to 30 million starving village poor have disappeared from the village, because they have taken the road to collectivisation, because they have become well-off, and are successfully taking part in the building of a prosperous life.

The government of the Soviet Union spends huge sums in assisting the peasantry to advance economically and culturally. The hardest agricultural work—harvesting, threshing, etc.—is being done by means of machines, not as formerly—and as is still the case with the small and middle peasants of the bourgeois world—by human labour. 5,612 tractor stations helped the peasantry of the Soviet Union in agriculture in 1937. Whereas in 1928, of the total energy employed in agriculture only 4 per cent was derived from motors, in 1937 this percentage rose to 65 per cent. The tractor represents henceforth the advancing source of energy in agriculture. The total energy of tractors is rising from year to year.

The hardest agricultural work is probably the harvesting of corn with a scythe. The toiling peasants and labourers of bourgeois countries work at harvest time under the burning sun from early morning till late at night. Owing to the combines, the peasants of the Soviet

Union are being released to an ever higher degree from this most burdensome physical work.

MACHINE TRACTOR STATIONS

Serving the Bulk of Collective Farms at the End of the Second Five-Year Plan

(AS ON JUNE 1ST OF EACH YEAR) [26]

	1930	*1933*	*1937*
Number of M.T.S.	158	2,916	5,617
Tractors (in thousands)	7.1	123.2	356.8
Capacity (in 1,000 h.p.)	86.8	1,758.1	6,511.6
Combines (in thousands)	...	10.4	96.3
Lorries (in thousands)	...	12.3	56.0
Acreage under crop served by M.T.S. (in percentage of total acreage of all collective farms)	27.4	58.7	91.5
Work performed by tractors of M.T.S. (calculated in terms normal ploughing) (in million hectares)	...	39.8	227.3 [27]
Area harvested by combines of M.T.S. (in million hectares)	...	0.5	34.1 [27]

About 34 million hectares of corn, over 40 per cent of the total acreage, were harvested by means of 100,000 combines in 1937.

What is the life of the collective farmers in the Soviet Union?

The peasants of a village, in order to till the land granted to them by the state for "eternal use," form one or more working communities. The collective farms—like the big agricultural concerns under capitalism—form an economic unit, with the difference that they are managed not by the owner or the big tenant, but by a board elected from the ranks of the collective peasants and by the chairman of the collective farm; they are helped by qualified government agronomists and other experts. The cultivation of the land—ploughing, harvesting, etc.—is partly effected with their own means of production, partly with the help of the state tractor stations,[28] which receive for their work a not very high share in the harvest, determined by contract.[29]

A part of the produce which is determined by law is delivered to the state as tax; the rest is disposed of by the collective farm. A part of it, 10 to 20 per cent, is assigned, according to the statutes, to accumulation, to the purchase of new machinery or of pedigree cattle, to the construction of new farm buildings, clubs, to improvements, etc. The

remainder is distributed among the members of the collective farm.

The organisation of the work is approximately the following.

The able-bodied members of the collective farm are divided into groups which carry out a piece of work determined by the management. The number of days' work performed is placed to each member's credit, the day's work being valued differently, according to the nature and the difficulty of the work, so that a collective peasant can also perform two days' work in a single day. *Able-bodied* members who are not working in the collective farm receive no share of the produce,[30] whereas members *unfit for work* are maintained by the collective farm.

The amount of the reward falling to a day's work depends on the harvest yield, and, in general, on the economic results. Hence, every member of a collective farm has a direct material interest that all work be performed in due time and in the best way, in order that the harvest should turn out better. This facilitates the application of various new social measures to improve economy. Old peasants having great experience are appointed by the members to control the quality of the work. The various brigades performing the same work in different fields vie with each other as to which does the work better or in shorter time, which achieves a higher yield on an equally large area, etc.

Part of the products of a collective farm—corn, potatoes, etc.—are distributed among the members in kind. Another part is sold and assigned to the members in form of money; in either case according to the sum of days' work performed during the year. The more successfully a collective farm is working and the more days' work a member has performed during the year, the higher is the share falling to him. The distribution of income is also effected according to a similar principle in those collective farms which specialise in the production of cotton or flax or in cattle-breeding; here the share in kind plays a less important part than in mixed agricultural enterprises.

Besides the income which they receive from their collective farm, the collective farmers have a "private income" from their domestic farming, which is their personal property, excluding the exploitation of other people's labour and forming an auxiliary element of socialist collective farm property. They own their dwelling house with a yard,

garden and adjoining field; they can keep—according to the region—one or several cows, pigs, sheep, goats and any number of smaller livestock.[31] This cattle, serving in the first place the peasant family's own consumption, grazes on the collective farm pastures, is supplied with litter from the collective farms, etc. Contrary to the opinion spread abroad by enemies, that the Soviet power puts obstacles in the way of the development of the peasants' domestic farming, the latter is in reality energetically furthered by the Soviet government. A few years ago there was advanced the slogan: "Every collective farmer shall have at least one cow." In order to carry it through, young cows and calves were placed at cheap prices and advantageous terms of payment by cattle-breeding state farms, at the disposal of those collective farmers who as yet had no cow. The cattle-breeding collective farms acted in a similar manner. Young pigs were also given to the peasants for breeding purposes on advantageous conditions.

The first results of this action are already reflected in the statistics.

LIVESTOCK PRIVATELY OWNED BY COLLECTIVE FARMERS
(*In percentages of the total*)[32]

	COWS	PIGS	SHEEP AND GOATS
1932	43.5	28.3	32.8
1934	54.5	40.6	41.5

This development has continued since. Today there is practically no longer any collective farmer who does not own a cow and some other cattle—apart from his share of the socialist property of collective farms.

In capitalist countries, the question is naturally raised, why the Soviet laws nevertheless restrict the private cattle-keeping of collective farmers. Why does not the law allow the industrious peasant to increase his livestock at will?

The purpose of this restriction is to prevent the possibility of a new differentiation of the peasantry. The livestock is not to be larger than the peasant family can provide for out of its *own* labour, without any outside help, in order to prevent any possibility of exploiting other people's labour. On the other hand, the livestock should not be larger —or at least not considerably larger—than is necessary for the supply of the family. Production for family wants shall not degenerate into systematically pursued production of commodities, and the income

from domestic farming shall not become the principal income of the peasants, as in such cases the development of the collective farms would suffer in consequence.

Important as domestic farming is, at the present degree of development, in supplementing the income from collective farming and in making use of the labour of members of the family, it is yet essentially a survival from the period prior to collectivisation. With the further development of socialist agriculture, with the progress of accumulation and of the productivity of labour in the collective sector, with the further raising of general culture among the peasantry, this survival will slowly disappear. As in the town worker's flat, so in the peasant's house, too, no production will be carried on; it will serve solely for housing requirements and will be supplied with decorations. Cattle-breeding will be carried on at a distance from the dwellings, as agriculture in collective farms is already carried on now.

Today, domestic farming is still held in high esteem by the peasantry of the Soviet Union, although it is—as stated by Stalin in the concise words quoted above—already an entirely different class from that in capitalist countries.

The majority of the peasants in bourgeois countries are continually threatened by ruin. Independent factors may ruin them: the results of harvests in foreign countries, the silver policy of the United States, preferential tariffs granted to each other by different countries. They must tremble for their existence. Individual accidents, a bad harvest, the slip of a horse, the disease of a cow, a lost trial, can lead to the loss of the farm, and to falling into the big army of unemployed, unskilled workers.

The peasant of the Soviet Union has a secure existence. His income may vary with the result of the harvest, but his existence is secure. The land is collective property. The house, the yard, the garden, the cattle are his private property. The state insures his house against fire, his cattle against epidemics, his children find work in the collective farm of their native village or in newly founded collective farms,[33] or in towns as industrial or intellectual workers. Every possibility for improvement is open to talent.

Under capitalism, the peasantry is a class in decay, in the process of differentiation and, on the whole, in decline. In the Soviet Union, *it is a class rising on a new economic basis* and undergoing a process

of transformation, which in the course of further development towards socialism will blend with the industrial workers and the intellectuals into a unified labouring people!

This rising and blending process is a multifarious one. Its most important characteristics seem to us to be the following.

The small farm conducted on the peasant's own account is replaced by participation in a big collective farm.

The traditional individual peasants' work in small fields is replaced by collective group work.

Hard physical work with primitive tools is to an ever higher degree replaced by the work of complicated machines which require mental attention rather than physical exertion.

Work performed traditionally, according to old custom, is being continuously replaced by rational, scientifically organised work.

The change in the mode of work brings the collective farmer in his whole mode of life nearer and nearer to the industrial worker. The collective farmer working at combines, tractors, threshing machines, in agricultural laboratories and breeding institutes, etc., etc., is already much nearer to the town worker than to the peasant of tsarist times.

The relation to the state and its organs has undergone a fundamental change. Under tsarism the peasant had a negative, hostile attitude towards the state and its organs, and obeyed them only from fear, as is still the case today in most bourgeois countries. But the peasants of the Soviet Union conduct their village affairs themselves, take an active part in all public affairs, and consider the Soviet state as their own institution. In this respect, too, they are drawing ever nearer to the workers.

In place of the peasant of tsarist times, permanently tormented by the struggle of life, we have the Soviet peasant, freed from these cares, his standard of living rapidly rising to prosperity, his physique splendidly developed! [34]

The increase in the average weight and the chest circumference of the Volga Germans, about whose situation the fascist press is continually spreading the most impudent lies, is the best proof of their health and good nutrition.

The number of those peasant youths called up, who had *not* reached the required physical development, fell between 1927 and 1935, in the

Moscow region from 95.2 to 4.8; in the Saratov region from 40.0 to 1.9; in the German Volga region from 59.7 to 2.5, etc.

Simultaneously with the change in working methods, there took place a considerable reduction in the working time of collective farmers. In tsarist times agricultural labourers worked 18 hours and more during the summer. The peasants worked from sunrise till sunset, 15 to 16 hours daily. In 1936, however, from April to June, the collective farmers worked on the average 10.3 hours, and the women —9.5 hours a day.[35]

The peasants' old lack of culture has been overcome. With the exception of a small number of old people, all peasants of the Soviet Union can read and write. Already in 1934 over 80 per cent of the collective farmers were reading newspapers. Collective farmers spent 252 hours during the year on study and self-education; the women—260 hours.[36]

Since then the yearning for education has become greater still. An ever denser net of elementary and middle schools embraces all peasant children; radios, clubs with cinema, theatres, lectures, libraries, agronomic laboratories serve the cultural development of the Soviet peasant. In the sphere of culture, too, the difference between collective farmers and workers is rapidly disappearing.

In spite of this multifold raising of the material and cultural conditions of life—indeed, even because of it—a considerable migration from the country into town, from agriculture to industry, is taking place, especially among the youth. Numerous industrial enterprises are continually searching for labour in the country and organise the migration into towns. This migration, however, fundamentally differs from the *flight from the land* in tsarist Russia or in the bourgeois countries of the present time. The flight from the land in bourgeois countries is a consequence of the differentiation of the peasantry, accelerated by the agrarian crisis, which renders it impossible for the poorer strata to continue their existence as "independent" peasants. Their migration into towns is the consequence of their material ruin in the country. In town they must accept the worst paid unskilled work, if they find any work at all.

Matters are quite different in the Soviet Union. Here no peasant can become "bankrupt" or ruined! There are no "inefficient," "surplus" farmers here, as in the United States. The land is nationalised

and almost entirely covered by collective farms, forming socialist property. The peasant of the collective farm receives his income, not because he is a "co-owner," or rather co-usufructuary of the land and the means of production of the collective farm, but because he takes part in the collective *work*. The total income of the collective farm is determined by the size of the cultivated area, by its equipment with means of production, by the total performance of all members. The personal share of the *individual* collective farmer, however, is determined by the sum of days' work performed by him. If he wants to look for a new occupation in town he can do it without the least risk; he gets a "vacation" from his collective farm, with the right at any time to return to his work. His right to the socialist property of the collective farm is not affected by his temporary withdrawal (the vacation is given to him, as a rule, since there is seldom a shortage of labour in collective farms, owing to the steady growth of machinery). So he temporarily takes leave from his village and only seldom returns to it. The industry of the Soviet Union develops at a much more rapid rate than agriculture.[37] The demand for labour constantly surpasses the supply (see Chapter VI). The possibilities of rising are unlimited. The young collective farmers are engaged by factories as desirable labour. It is not the peasant who looks for work, as under capitalism, but the factories who endeavour to secure his labour for themselves. The peasant, who was a tractor driver in a collective farm, enters an automobile or aircraft factory, becomes a flyer, continues to study, attends the university, becomes an engineer. Others become agronomists, veterinarians, directors of tractor stations, etc. They have no motive to return to agriculture. The more agriculture prospers, the better are the towns supplied with food products and the more the real wage in the towns rises. Thus we see the peculiar phenomenon, that the 24 million peasant farms which existed at the beginning of collectivisation, have dwindled at present to roughly 20 million. The young moved into the town; the old died. The productivity of labour, rising by leaps and bounds, makes it possible to cultivate the land better and with a smaller quantity of labour.

This migration process signifies that the remaining collective farmers, considered individually, grow ever "richer" in land. The land of collective farms, as is known, is left to the peasants of the community in question in usufruct in perpetuity. A solemn state docu-

ment certifies the size of the area left in usufruct in perpetuity. With the decrease in the number of peasants in the community more and more land falls to each member's share. As, however, land may be neither sold nor tilled by hired labourers, the increase in the land falling to the single collective farmer's share does not mean enrichment in the capitalist sense. This process only shows that the immanent laws of evolution of the Soviet economy do not, as those of capitalism, lead to land hunger and to agrarian over-population, but, on the contrary, to a wealth in land created by rapidly growing yields and by migration into industry. The increase of the land falling on the average to a collective farmer's share only reflects the rapid increase in the productivity of labour in the Soviet Union, which makes it possible *to supply the whole country with food products and raw materials* by means of the work of a *much smaller part of the population,* with the help of the means of production supplied to agriculture by the towns.

Thus the Soviet peasantry is an entirely new peasantry, such as has not previously existed in the history of humanity: a happy peasantry, living in peace and joy, shedding its private economic peasant skin and merging with the working class.

Chapter XIV: NATIONAL AND COLONIAL OPPRESSION UNDER CAPITALISM; FREEDOM AND EQUALITY OF ALL NATIONS IN THE SOVIET UNION

THE EMANCIPATION of the oppressed nation was proclaimed as one of the aims of the imperialist robbers during the World War. The Entente professed to want to free the Czechs, Rumanians, Croats, etc.; Germany professed to want to free the Poles, the Ukrainians, etc., from the yoke of tsarism. The World War ended with the breaking up of the monarchies with mixed nationalities—Austro-Hungary and Turkey. Finns, Esthonians, Lithuanians, Poles formed independent capitalist countries after their bourgeoisie, with the help of the Entente and the Germans, had been victorious in the civil war. National oppression continued; only the roles had been changed. Poles oppressed Lithuanians, Ukrainians and Germans; Rumanians, the Magyars and Bulgarians; Serbs oppressed the Croats, Magyars, Slovenes and Macedonians; Italy oppressed the Slovenes and the Germans in South Tyrol, etc., etc. National oppression was by no means limited to the sphere of culture. The bourgeoisie of the dominating nation ruled the state. As the influence of the state on economic life (see Chapter XI) grew after the war, the domination of the state meant the direction of economic policy, state credits, etc., and made it possible for the bourgeoisie of the ruling nation to increase its income at the expense of the oppressed nations.

National oppression weighed particularly heavily on the intellectuals. They had either to deny their nationality or renounce any state post. The greater the unemployment among the intellectuals, the more membership in the ruling nationality is used as a weapon in the fight to live. In many cases the fight goes over into the sphere of religion. The Germans of Jewish faith were subjected to the bitterest persecution as a foreign "race" in order to get rid of them as competitors.

The history of the last twenty years shows clearly that national freedom and equal rights are impossible in bourgeois society. National oppression hinders the cultural development of the peasantry and of the proletariat; national and religious fights make the growth of class consciousness of the workers and peasants more difficult. The national struggle often gives the bourgeoisie the opportunity of mask-

ing their own imperialist aims (Pan-Slavism, Pan-Asiatic movement). Therefore, as the *Theses* of the Second Congress of the Communist International, written by Lenin, state:

> The re-uniting of the nationalities artificially torn asunder corresponds also to the interests of the proletariat, but real national freedom and unity can be achieved by the proletariat only through revolutionary struggle and by the overthrow of the bourgeoisie.

The imperialist victors in the World War divided the colonies of the conquered countries among themselves, a process which was not accomplished without friction. England appropriated the lion's share. She realised her old plan of closed over-land communications between the Cape and Cairo, and thus created air and land communication from the Mediterranean to the Indian Ocean over Palestine, Transjordania and Irak. France rounded off her African colonial empire. Japan got a number of islands in the Pacific Ocean; but the attempt of the Japanese bourgeoisie to seize China ("The 21 Demands") was frustrated by the energetic protest of the United States. Her attempt to establish herself in Siberia was frustrated—side by side with the resistance of the United States—by vigorous power of the Soviet Union, which drove out the Japanese interventionists. Italy, who had shown herself weak militarily in the World War, came away almost empty-handed. For, as Lenin said, there is no basis of distribution other than power among the bourgeoisie.

The weakening of the victors by the enormous loss of men in the war, by the reluctance of the workers and peasants to continue fighting (which was expressed in numerous mutinies) made a war among the victors over the division of booty impossible. "Small" wars—the Greco-Turkish war in Asia Minor, the German-Polish war in Upper Silesia, the Polish attack on Lithuania, etc.—went on for some years. As a result, the colonies were "finally" divided. There remained as "independent" countries, Abyssinia and some other countries, above all China, to whose territory more than one imperialist power laid claim; but the fight for these was put off for the time being.

The re-division of the colonies which followed the World War was to be made permanent through the League of Nations and later through the Washington Treaty. These treaties were the political expression of the temporary stabilisation of capitalism, as Stalin explained:

> Secondly, the stabilisation of capitalism has found expression in the fact that British, American and Japanese capital has temporarily managed to come to an understanding as to the allotment of spheres of influence in China, the vast market for international capital, as to the ways of plundering it. . . .
>
> Thirdly, the stabilisation of capitalism has found expression in the fact that the imperialist groups of the advanced countries have managed for the time being to come to an understanding mutually to refrain from interfering in the plunder and oppression of "their" respective colonies.[1]

But the uneven development which is peculiarly acute in the period of imperialism only allows a limited time for international agreements between the imperialists. The post-war agreement, as is known, lasted only to 1931, when the attack of Japan on Manchuria put an end to the agreement and opened the war for the re-division of the world.

But ruling the colonies proved a much more difficult problem in the post-war period than before the war. The belligerent imperialist powers used colonial troops against each other in large numbers. In this way the oppressed colonial peoples not only learned the use of the most modern weapons; the former conviction that the person of the white man was holy and untouchable, which had been drummed into them by punitive expeditions, executions and floggings, was shaken. After they had killed white men in the World War, by command of white officers, it was much easier for them to decide to raise their weapons against their own oppressors.

An important factor was the reserve force which the Soviet Union represented to the bordering states in their fight against the attempts of the imperialists to subject them. This protection from the rear made it possible for countries like Persia, Afghanistan and Turkey to protect their political independence.[2]

The support which the Communist Parties of the imperialist countries gave to the revolutionary movement of emancipation in the colonies was of great significance. The difference in principle between the Second and the Communist Internationals was particularly sharp on this question. On the colonial question, the reformist leaders of the Social-Democratic parties of the imperialist countries are with their bourgeoisie and not with the oppressed colonial population. They recognise the "civilising role" of colonial policy; they come out in

reality for the perpetuation of colonial oppression. The attitude of the Communist International is fundamentally different. The *Theses* of the Second Congress of the Communist International make it the duty of the Communist parties of all countries to support the revolutionary movement for emancipation in the colonies. (In the original Draft of Lenin the phrase "bourgeois-democratic" movement of emancipation was used, which was replaced by "revolutionary" on the proposal of Lenin.) This obligation falls first and foremost on the Communist parties of those imperialist countries which directly oppress the colonies concerned.

In the short speech with which Lenin justified this alteration, the most important problems of the colonial revolution are brought forward and solved:

> There is not the slightest doubt that every nationalist movement can only be a bourgeois-democratic movement, for the bulk of the population in backward countries are peasants who represent bourgeois-capitalist relations. It would be utopian to think that proletarian parties, if indeed they can arise in such countries, could pursue Communist tactics and a Communist policy in these backward countries without having definite relations with the peasant movement and without effectively supporting it. But it was argued that if we speak about the bourgeois-democratic movement all distinction between reformist and revolutionary movements will be obliterated; whereas in recent times this distinction has been fully and clearly revealed in the backward and colonial countries, for the imperialist bourgeoisie is trying with all its might to implant the reformist movement also among the oppressed nations. A certain rapprochement has been brought about between the bourgeoisie of the exploiting countries and those of the colonial countries, so that very often, even in the majority of cases, perhaps, where the bourgeoisie of the oppressed countries does support the national movement, it simultaneously works in harmony with the imperialist bourgeoisie, i.e., it joins the latter in fighting against all revolutionary movements and revolutionary classes. In the commission this was proved irrefutably, and we came to the conclusion that the only correct thing to do was to take this distinction into consideration and nearly everywhere to substitute the term "nationalist-revolutionary" for the term "bourgeois-democratic." The meaning of this change is that we Communists should, and will, support bourgeois liberation movements in the colonial countries only when these movements are really revolutionary, when the representatives of these movements do not hinder us in training and organising the peasants and the broad masses of the exploited in a revolutionary spirit. If these conditions do not exist, the Communists in these countries must fight against the reformist bourgeoisie, among which we include the heroes of the Second International.[3]

In the development of the national movement for emancipation in the post-war period, this difference acquired enormous significance. It was concentrated around the decisive question whether the national bourgeoisie or the proletariat would exercise hegemony in the fight for emancipation. This question was closely bound up with the question whether the backward colonial peoples living in "pre-capitalist," feudal, patriarchal or patriarchal-peasant relations must necessarily first go through complete capitalist development in order to be able to achieve the Soviet system and socialism through capitalism, or whether they could avoid and leap over capitalist development with the help of the proletariat of the most advanced countries. Lenin, as is known, replied to this question in the affirmative:

> The question was presented in the following way: can we recognise as correct the assertion that the capitalist stage of development of national economy is inevitable for those backward nations which are now liberating themselves and among which a movement along the road of progress is now, after the war, observed? We reply to this question in the negative. If the revolutionary, victorious proletariat carries on systematic propaganda among them, and if the Soviet governments render them all the assistance they possibly can, it will be wrong to assume that the capitalist stage of development is inevitable for the backward nationalities. We must not only form independent cadres of fighters, of Party organisations, in all colonies and backward countries, we must not only carry on propaganda in favour of organising Peasants' Soviets and strive to adapt them to pre-capitalist conditions; the Communist International must lay down, and give the theoretical grounds for, the proposition that, with the aid of the proletariat of the most advanced countries, the backward countries may pass to the Soviet system and, after passing through a definite stage of development, to Communism, without passing through the capitalist stage of development.[4]

The decisive importance of this question is shown clearly in the development of the Chinese revolution. The Kuomintang wanted a *bourgeois* anti-imperialist movement, and therefore it broke with the

Communist Party of China and proceeded to take up a sharp struggle with it at a moment when their hegemony over the peasantry was endangered by the agitation of the Communist Party for the agrarian revolution.

The chiefs of the Kuomintang, whose income directly or indirectly came from the feudal exploitation of the Chinese peasantry, were fierce opponents of the agrarian revolution, although only this could rally the tremendous mass of the peasantry for the fight against imperialism. The resistance to the agrarian revolution forced the Kuomintang to compromises with the imperialists.

The further development of the Chinese and particularly the Indian national movement for emancipation clearly show the danger that a national movement led by the *bourgeoisie* loses its striking force and makes compromises with the imperialist bourgeoisie at the expense of the masses of working people. Thus for years the Chiang Kai-shek government gave way before Japanese aggression and carried on war against the Chinese Red Army, until the general indignation of the Chinese people and the danger of the subjection of the whole of China by Japanese imperialism, in 1937, forced it to make a radical change in its policy.

The general crisis of capitalism has brought about a further worsening of the economic development of the colonies and the conditions of the colonial population. The narrowing of the market increases the efforts of monopoly capital of the imperialist countries to *monopolise the market of "their" colonies,* to accommodate the economy of the colonies to the needs of the "mother country." [5]

The colonies have to get their manufactured goods to an even greater extent from the mother country.[6] The peasantry of the colonies are forced to produce those raw materials which are necessary for the industry of the mother country. The big monopolies of the imperialists force down the prices of raw materials in the colonies often with the help of officials they have corrupted.

The power of monopoly became still greater in the years, 1929-1934, when the demand for colonial raw materials and foodstuffs declined as a result of the economic crisis. The non-equivalent exchange which is characteristic of the commodity transactions between the capitalists countries with a higher organic composition of capital and the backward countries is thereby made more acute and bears strongly on the colonies.[7]

This is shown by the following figures:

PRICE INDEX (*1913 = 100*)

	U.S.A.	GERMANY	ENGLAND		COLONIAL GOODS			
	Manufactured Goods		*Pig Iron*	*Coal*	*Indian Cotton*	*Jute London*	*Tea*	*Cane Sugar New York*
1929	136	157	132	122	111	102	138	71
1930	127	150	126	120	75	69	112	53
1931	111	136	110	113	59	56	74	48
1932	101	118	109	113	65	55	65	33

These figures, however, are far from giving a correct picture of the rise in the non-equivalent exchange between the colonies and the imperialist countries in the crisis, for they give the prices on the stock exchanges, prices which the European capitalist buyers receive for colonial goods. The prices which the peasants in the colonies receive have fallen even more. Capitalism in the imperialist countries was thus able to put the burden of the crisis in part onto the colonial population:

> Capitalism has succeeded in somewhat easing the position of industry *...at the expense of the peasants in the colonies and in the economically weak countries*—by still further forcing down the prices of the products of their labour, principally of raw materials, and also of foodstuffs.[8]

Under these circumstances the position of the colonial population, of whom the overwhelming majority are *peasants,* became worse and worse. The catastrophically low prices of their products made the burden of feudal payments (which, under the influence of the penetration of capitalism, were largely turned into money payments), of taxes and usurious interest unbearable. The competition of foreign manufactured goods, and the capitalist industry which slowly developed in the country itself, increasingly ruined peasant home industry, which formerly was an extension of peasant economy. The peasants were ruined en masse; their land—insofar as it was their own property —passed into the hands of the usurers, capitalists and landlords. Agrarian over-population became intolerable in countries like China and India. The competition of imported manufactured goods and de-

veloping industry ruined the old hand labour on a mass scale without absorbing the labour forces thus set free. They are forced to seek a miserable existence in the already over-populated country districts. And so we see in India (the only colonial country with a periodic census) that the agricultural population—in contrast to capitalist countries—constantly rises.

PERCENTAGE OF ABLE-BODIED IN AGRICULTURE IN INDIA

1881	*1901*	*1921*	*1931*
58	66.05	72.3	74

The agrarian revolution is the only way out of the miserable condition of many hundreds of millions of colonial peasants. The example of the Soviet Union sets the colonial peasantry of the whole world along this path. Even if the 1,000 millions of peasants of China, India and South America learn ever so little about events in the world, there is *one* thing that is known in the most far-flung village; there is in the world somewhere far away, a great country, the Soviet Union, where the peasantry have chased away the landlords and usurers, and freed themselves from exploitation! In hundreds of millions of peasant minds the thought is ripening: what was possible in the Soviet Union must also be possible for us!

Hence the character of the colonial movement of emancipation is also changed. It is directed more and more not only against the imperialists but also against native exploiters—the feudal barons, the usurers and the bourgeoisie of the country. This once again forces the ruling classes of the colonies to seek for aid from the imperialists against the agrarian revolution, in spite of the contradictions of interests which exists between them and the imperialists. This is accomplished relatively simply between the imperialist conquerors and the feudal lords of the colonies. The big bourgeoisie, which in the period of imperialism has become altogether reactionary, supports the conservative elements in the colonies,[9] the princes, the feudal lords, the church, if necessary with armed force against the rebellious peasants. They, on their part, endeavour to reconcile the people to foreign dominations.

Where in the colonies the ruling imperialism is in need of a social support, it first of all allies itself with the ruling strata of the previous social

structure, with the feudal lords and with the trading and money-lending bourgeoisie, against the majority of the people. Everywhere imperialism attempts to preserve and to perpetuate all those pre-capitalist forms of exploitation (especially in the village) which serve as the basis for the existence of its reactionary allies.[10]

The position of the slowly developing native bourgeoisie in the colonies is more complicated. The restriction of the development of the productive forces by the imperialist conquerors in the colonies naturally does not mean that no development of industry has taken place in the colonies. The conquerors are themselves forced to develop the productive forces of the colonies up to a certain point. The production of raw materials demands the construction of railways and docks, the erection of shops for the repair of transport. Many raw materials must be processed to a certain extent on the spot, in order to save transportation costs. Certain branches of the consumption industry, the raw materials of which are obtained on the spot and which themselves find a home market, can successfully compete with imported goods. The individual capitalists of the imperialist countries, therefore, find it an advantage to erect factories in the colonies, as for example, English textile mills in China and India, Japanese in China, etc., although this cuts across the general economic policy of the imperialist countries, of restricting the development of industry in the colonies. This gradually brings with it the development of native capital, of a native bourgeoisie.

The development of industry in the colonies was particularly rapid during the war and for two to three years after it ended, when, because of a shortage of goods and shipping, supplying the colonies with the manufactured goods of the imperialist countries was practically stopped. It slowed down in the period of temporary stabilisation, but in the crisis of 1929 when there was a lack of foreign currency in the colonies for import, it went ahead more rapidly. Cheap raw materials and cheap labour power, in many cases cheap equipment, as obsolete machines were often bought in the industrial countries, made it possible for them in many cases to compete with the old industrial countries.

... during the war and after it, a young, native capitalism appeared and grew up in the colonial and dependent countries, which competes success-

fully in the markets with the old capitalist countries—said Stalin, at the Sixteenth Party Congress of the Communist Party of the Soviet Union.

But the further development of native industry in the colonies comes up against the obstacle of the narrow capacity of absorption of the home market, as a result of the poverty of the enormous majority of the colonial peasantry.

In the struggle for the internal market, national capital again and again encounters the competition of imported foreign capital in the colonial country itself and the retarding influence of pre-capitalist relations in the villages.[11]

For this reason the native bourgeoisie has a direct interest in changing the feudal agrarian constitution which restricts the development of the home market. But their own participation in ground rent (practically all the urban capitalists in the colonies are also landlords), and particularly the fear of a people's revolution *under the leadership of the proletariat,* throws them at decisive moments—with continual vacillations—back again to the side of the feudalists and imperialists. This is closely bound up with the development of an industrial proletariat in the colonies.

With the development of capitalism in the colonies, an industrial proletariat also develops. It is not the proletariat of heavy industry of the imperialist countries, but transport workers, warehousemen, textile workers. It is a far cry from the young proletariat of the colonies to the labour aristocracy of the imperialist countries. It is not (or only to a small degree) corrupted by reformism. It suffers the double exploitation of the native and foreign ruling classes. Just for this reason, it is *relatively* strong, as the bourgeoisie, who exploit it, mostly do not live in the country itself. The workers on the whole come directly from the peasantry. They are closely bound up with the working population of the land. Therefore they obtain a vigorous response from the peasantry in their fight against the bourgeoisie, just as the revolutionary fights of the peasantry directly touch the workers. Therefore the young proletariat of the colonies, in spite of its numerical weakness, has the possibility—as is shown by the example of the Red Army and the Soviet territories in China—of winning the

hegemony in the struggle of the peasantry against feudal and imperialist oppression.

All this has meant that in the last two decades the fight of the colonial population has gone on unceasingly, although not always with the same intensity. Wars and uprisings in Palestine, Transjordania, Syria, North-West India, Morocco, the great "March to the North" in China, the partisan warfare in Manchuria against the Japanese, etc., etc.—there is not space even to give a list of the various uprisings. The colonial revolutionary movement for emancipation has nowhere succeeded—with the exception of the Soviet territories in China—in breaking the rule of the imperialists. Instead, new territories—Abyssinia, Manchuria, North China—have been brought under the imperialists' yoke. (We speak of this in Chapter XVI.) But the imperialists, in view of the impending hegemony of the proletariat in the national movement for emancipation, were forced to make various concessions to the national bourgeoisie of the colonies, so that the latter would be able to maintain its influence within the national movement. These concessions were largely of a formal nature (the "independence" of Irak and Egypt, a constitution for India, "independence" for the Philippines, etc.). They show the weakness of the position of the imperialists. The position of the working people in the colonies was not in the least improved by such legalistic reforms. Serfdom continues. The dissatisfaction and revolts of the masses are on the increase. The colonial revolution is becoming a decisively important factor in the world-wide fight for the overthrow of the rule of the bourgeoisie.

Formally, tsarist Russia had no colonies. As the subject peoples lived on the same stretch of territory as the conquerors, all newly conquered districts were regarded as partners with equal rights in the tsarist Empire. There is no map of tsarist Russia which shows even one colony. In reality, however, the population of tsarist Russia was divided into two sharply separated camps: the ruling Great-Russian nation and all the other oppressed colonial peoples.

Lenin called tsarist Russia "a prison of nations," and this phrase aptly describes the plight of the numerous national minorities in Imperial Russia.

Under the tsarist autocracy the whole toiling population suffered lives of hardship, but the lot of the working people of non-Russian nationalities,

the *inorodtsi,* or "aliens" as they were contemptuously called, was particularly intolerable. Economic exploitation in their case was aggravated by brutal national oppression. Even the few wretched rights enjoyed by the Russian working population were curtailed to a minimum in the case of the oppressed nationalities. Political inequality, arbitrary rule and cultural oppression were the blessings conferred by the autocracy on the enslaved peoples.[12]

As in all colonies, after the military defeat of the foreigners, part of the land was appropriated by the Great-Russian conquerors. The coal and iron ore of the Ukraine, the oil of the Caucasus, the cotton of Central Asia served the development of Russian capitalism. The Russian merchant, the Russian moneylender, Russian bank capital—in many cases merely an agent of foreign bank capital—exploited the people. Tsarist officials sucked them dry. Together with the economic exploitation of the subject people, their own culture was suppressed by force, they were compelled to use the Russian language and in many cases to belong to the Greek-Orthodox religion.[13] Even the name was taken from some of the peoples and they were given Russian nicknames (Sarts instead of Uzbeks, Sameyeds instead of Nentzi).

The official tsarist statistics simply deny the existence of quite large nations. We look in vain in the statistics of pre-war times for the Ukrainians, White Russians, Esthonians, Latvians, Uzbeks, Kirghizians, Bashkirs, etc. They had no official existence in the eyes of tsarist Russia. The official statistics of the nations of tsarist Russia were as follows:

PER CENT OF ALL INHABITANTS[14]

Russians	65.5	Germans	1.6
Turko-Tatars	10.6	Karelians	1.1
Poles	6.2	Mountain people	0.9
Finns	4.5	Armenians	0.9
Jews	3.9	Mongols	0.4
Lithuanians	2.4	"Others"	2.0

The statistics about the nations of the Soviet Union which correspond to the truth have shown that, in spite of the separation of the great majority of Poles, Finns, Lithuanians, Esthonians and Latvians, the number of "Russians" in the territory of the Soviet Union amounts to merely 47 per cent.

The Bolshevik Party was the only one of all the Russian political parties which, under Lenin's leadership, with decision and without vacillation came out in favour of the equal rights of the nations oppressed by Great-Russian tsarism, and of the *right of self-determination, up to separation!* And the Bolsheviks did not handle the question in the manner of the leaders of Social-Democracy, who usually had one programme when in opposition and another when they became the government. After the victory of the October Revolution, the *equality of rights* of all nations inhabiting the territory of the Soviet Union was *carried through without reservations.* This general fact is generally known. We want here to bring to the reader's mind only the most important points.

The old tsarist administrative divisions divided the territory of the separate subjected peoples in order to make it easier to rule them.[15] The Soviet power *united the nations* in a nationally united territory to the greatest extent possible,[16] and gave to each the form of organisation which corresponded best to its numbers. The number of national territorial units was increased repeatedly in correspondence to the development of national consciousness and the progress in culture of the small nations. The following table shows this development:

NATIONAL TERRITORIES

	AT THE TIME OF THE FORMATION OF THE U.S.S.R.	ACCORDING TO THE NEW CONSTITUTION OF U.S.S.R.
Union Republics	4	11
Original Republics of the R.S.F.S.R.	3	..
Autonomous Republics	10	22
Autonomous Territories	16	9
National Areas	..	9
	33	51

The privileged position of the Russian language as the "official language" was abolished. In every district, the administration and judicial affairs are conducted in the language used by the population; in mixed districts, in many languages. Every worker in the Soviet Union has the right wherever he may have to appear before the authorities and courts of law to speak in his mother tongue, even in territories not inhabited by his people: it is the business of the authorities and courts to provide translators.

Full right of separation exists for the Union Republics and the Autonomous Republics including the right to separate from the Union of the States of the Soviet Union. Stalin, in his concluding remarks at the Special Eighth Congress of Soviets,[17] which adopted the new Constitution, gave the reasons why certain peoples of the Soviet Union cannot be constituted as Autonomous Republics. In order not to make the right of separation illusory, it is necessary:

a) that the Autonomous Republic is not surrounded by the territories of the Soviet Union but must lie on a frontier, as otherwise separation in practice would be impossible;
b) that one nationality should form a more or less compact majority among its population;
c) that the population should exceed a certain minimum, as otherwise after separation from the Soviet Union it would not be able to defend itself militarily from imperialist robbers.

The October Revolution brought political freedom and equality of rights to the oppressed nations of tsarist Russia. But the results of centuries of national oppression could not be set aside at one blow. As Stalin said, in spite of equality of rights, there remained:

...a certain historical heritage of inequality owing to their economic, political and cultural backwardness. The substance of this inequality of nationalities consists in the fact that, as a result of historical development, we have received a heritage from the past by virtue of which one nationality, the Great-Russian nationality, is more developed politically and industrially than the other nationalities.[18]

The setting aside of this "inequality in substance" was one of the main tasks of the national policy of the Soviet Union in the past 20 years.

The *economic development* of the formerly oppressed nations was furthered by every possible means. In the choice of localities for new works, in the construction of electric stations, railways, streets, in the provision of machines for collective farms, etc., special care was taken that the formerly oppressed nations, backward in their economic development, should catch up with the Great-Russians as quickly as possible. Territories once inhabited by oppressed nations,

formerly purely agricultural with a partly nomad population, were rapidly criss-crossed with roads and railways and industrialised.

The development of two Republics, the Ukranian and the Georgian S.S.R. may serve here as illustrations. On the territory of the former, before the Revolution there was a relatively powerful industry which was dominated by Great-Russian and Western European capital. Georgia, apart from the big manganese works in Chiatury, was an area devoid of big industry.

We see that the industrial production of the Ukraine, which suffered particularly severely during the war and the civil war, was already, in 1936, 18 times as large as in 1923-1924 and six times as large as 1913. A powerful network of electric supply was constructed (stations with almost two million kilowatts). 72,000 tractors and 11,000 combines were supplied for the improvement of agriculture, etc.

ECONOMIC DEVELOPMENT OF THE REPUBLIC OF GEORGIA

	1913	*1923-24*	*1936*
Gross production of big industry (in million rubles at 1926-1927 prices)	43	26.0	797.6
Main production fund of big industry (in million rubles)	..	...	696.8
Output capacity of all power stations (in 1,000 kw)	..	...	111
Production of electric energy (in million kw hours)	..	...	437
Production of the Most Important Branches of Industry			
Coal (in thousand tons)	70	63	435
Manganese ore (in thousand tons)	966	320	1,525
Benzine (in thousand tons)	...	...	383.9
Gross production of engineering industry (in million rubles in 1926-27 prices)	4.3	2.7	82.4
Silk and semi-silk materials (in million metres)	...	0.01 [19]	3.8
Gross production of the tobacco industry (in million rubles in 1926-27 prices)	...	...	42.0
Tractor Depots (in 1935)			
Number of tractors	1,841		
Number of combines	156		

The remnants of the Mensheviks abroad are still moaning about the fate of Georgia, allegedly raped by the Bolsheviks. The above figures show that the industrial production of Georgia *in 1935 was already 18½ times as great as in 1913;* that a whole number of industries have arisen; that the entire economy of the country is rising

rapidly; that the country has blossomed in a way never dreamt of formerly.

The other national territories show the same development: everywhere new factories, railways, canals, roads are springing up; everywhere agriculture is being mechanised; people who ten years ago were still nomads, today drive automobiles and tractors.

The change is shown outwardly in the rapid growth of the town population of the former colonial territories. Entire new cities have sprung up in these districts during Soviet rule, and the population has risen by leaps and bounds.

The following are some examples:

		Population in thousands	
		1917	*1936*
Ukraine:	Kharkov	313	625
	Zaporozhie	59	232
	Stalino	48	276
	Mariupol	51	193
	Makeyevka	16	158
Azerbaidjan:	Baku	248	702
Georgia:	Tiflis	246	445
Armenia:	Erivan	34	144
Uzbekistan:	Tashkent	151	515
Kazakstan:	Alma Ata	35	197
	Karaganda	...	119

This economic and cultural growth was furthered by the rapidly increasing budgets of the separate National Republics. Whereas in tsarist times the taxes paid in the oppressed countries went mainly to enrich the ruling class of the Great-Russian nation, now they are used, in the first instance, for the development of the economy and culture of the separate nations.

The economic growth of the formerly oppressed nations goes parallel with a cultural growth unexampled in history. Schools of all grades, where teaching is in the mother tongue, form the starting point. In many cases the *written language* of the small peoples had first to be created before classes could be organised. In other cases, old difficult *symbols* were replaced by new ones. It took stubborn work but, even for peoples of only a few tens of thousands, classes in their own mother tongue were successfully organised. Not only in the elementary and secondary schools, but also increasingly in the technical schools and

universities, the classes were transferred to the mother tongue of the separate nations. The transfer was slow, because the training of teachers for higher education from hitherto oppressed peoples required time. But the advance even in higher education is very great.

Even such peoples as the Kalmucks, completely without culture under tsarism, had a technical school of 205 students in 1935, the Yakuts a university with 484 students and technical schools with 687 students, the Mordvins a university with 176 students and technical schools with 837 students.

In tsarist times there were only Russian universities.[20] Attendance at the university was a privilege of the young people of the ruling Great-Russians. Only as a rare exception could the sons of an oppressed nation (exclusively from families which had become rich) attend the university. Now all students of the formerly oppressed nationalities receive a stipend from the state and, to an ever-increasing extent, instruction at the university in their own language.

Together with the spread of secondary and university education in the mother tongue went the creation of a national literature. All the larger nationalities on the territory of the Soviet Union (more than 40) publish books, journals and newspapers in their own language. In 1936, for example, 3,234 books, 461 newspapers and 135 magazines appeared in the Ukrainian tongue. In German there were published 413 books, 8 magazines and 52 newspapers;[21] in the Kalmuck tongue, 40 books and 15 newspapers; in Jewish 21 newspapers, 7 magazines, 405 books, etc.

In addition to schools and literature, all the other elements of people's culture are stimulated and furthered; folksongs are collected, theatres, folk song choirs and dances are encouraged. While tsarism suppressed the national culture of non-Russian peoples with a firm hand, the Soviet power encourages it with every means at its disposal and with startling success.

On the other hand, it is part of the general cultural development that the working people speaking foreign tongues, now that their national life is assured, *voluntarily* and in growing numbers are learning the Russian language, while many Russians are learning the language of those nationalities in whose districts they are living.[22]

With the development of culture among the formerly oppressed peoples, there come to the head of all political, administrative and

cultural institutions of the national territories men who have sprung from the peoples. Tsarism governed the oppressed peoples with the help of bureaucrats of Great-Russian nationality sent from the centre; under the Soviet régime each nation governs itself with the help of the best and the most capable from among its own people.

One of the most important factors of national and cultural progress is the *emancipation of the women,* their complete equality of rights with men. In tsarist times, the oppression of the women, particularly among Mohammedans, was terrible. Girls were given in marriage by their fathers without ever having been allowed to see their future husbands before marriage. All their life they were slaves to their husbands, whom they might not address without having been first asked. Divorce was out of the question. They could not speak to a strange man and could not permit a strange man even to see their faces. As an outward and visible sign of their slavery, women could only go abroad veiled.

It was only after a bitter struggle that the Soviet government could break this slavery of women which had become a weapon of elements hostile to the Soviets. Today, the women of all nations are free, completely equal in rights with men, and are forming a growing part of the leading figures of the Soviet Union.

The crown of the equal rights of nations is the new Constitution of the Soviet Union. The Soviet Union consists of eleven national, *equal* Socialist Soviet Republics, in a voluntary association, in which each has the right freely to secede from the Union. Legislative authority is exercised by the Supreme Soviet, which consists of two Chambers with *equal rights:* the "Soviet of the Union" and the "Soviet of Nationalities." The latter is elected on a national basis: the population of each of the 11 Union Republics elects 25 deputies, each Autonomous Republic 11 deputies; each Autonomous National District five deputies and each national district one deputy. The Constitution in this way ensures the most complete equality of nations.[23]

The elimination of the highly developed Great-Russian chauvinism and anti-Semitism was naturally not accomplished over night. The remnants of the exploiting classes were forever attempting to use these dark instincts for their own purposes. The Lenin-Stalin national policy achieved its brilliant historic victory in severe struggle against the enemies of the working class, against the enemies of the people.

Stalin clearly exposed the whole danger which the national deviation conceals within itself.

> The deviation towards nationalism is the adaptation of the internationalist policy of the working class to the nationalist policy of the bourgeoisie. The deviation towards nationalism reflects the attempts of "one's own," "national" bourgeoisie to undermine the Soviet system and to restore capitalism.[24]

Stalin has repeatedly emphasised that in the sphere of the national question the remnants of capitalism are more vigorous than in any other sphere. The enemies of the people—including the nationalist reactionaries—become the more degraded and shameless as the great victories of the socialist order become the more brilliant, the more significant, the more penetrating. We see, from the example of the treacherous activity now exposed of the bourgeois nationalists in some of the Republics of the Union, how these dirty scoundrels made an alliance with the blackguard Trotskyist-Bukharinist gang of spies, wreckers and agents of Japanese-German fascism. But the Soviet power and the C.P.S.U. are ever on guard in order to prevent the slightest attempt of a revival of national chauvinism, which coincides in many points, such as anti-Semitism, with the ideology of fascism.

The young people now growing up are completely free from these burdens. In friendly, voluntary association, as equals, all the nations of the Soviet Union have constructed socialist society. The Soviet Union, in this sphere too, is the historic pattern of the future world republic of Soviets uniting *all* the peoples of the world.

Chapter XV: FROM BOURGEOIS DEMOCRACY TO FASCISM; FROM TSARIST ABSOLUTISM TO TRUE DEMOCRACY

THE BOURGEOISIE CARRIED on the struggle against the political rule of the feudal landlords, in the name of democracy, under the slogan "Liberty, Equality, Fraternity." It was at that time a progressive class, which by its fight against feudalism represented social progress. The bourgeoisie was supported in its struggle for bourgeois democracy by the proletariat, as this struggle was a progressive one. The classics of Marxism describe and support this as such. The *Communist Manifesto* proclaimed the winning of universal suffrage, of democracy as one of the first and most important tasks of the German proletariat.

But as soon as the bourgeoisie, with the help of the proletariat, had defeated the feudal barons, they turned against the extension of democratic rights to the proletariat.

Up to the World War, the electoral rights of the proletariat, the right to trade union organisation, freedom of the press and assembly were very limited. In many countries there was a limited suffrage. In Prussia, there was three-class suffrage. Proletarian women were everywhere excluded from the suffrage. With the exception of England, monopoly capital practically everywhere refused to recognise the trade unions as representative of the interests of the workers. Legal meetings of the workers were held under the permission and control of the police, etc. The proletariat therefore led, and leads to this day, a tenacious fight for its rights within bourgeois democracy. But although the revolutionary Marxists take a leading part in the fight for the extension of democratic rights to the working people, although they—in contrast to the syndicalists, anarchists and other *apparently* very radical elements—were always for the utilisation of parliament and other democratic institutions in the interests of the working people, nevertheless they always uttered a warning against "parliamentary cretinism," in contrast to the opportunists. They never forgot that bourgeois democracy is a method of the rule of the bourgeoisie and that with the existence of private property in the means of production, true democracy, true equality of rights of the exploited workers and exploiting capitalists is impossible.

"In reality, however, the state is nothing but a machine for the oppression of one class by another, and indeed in the democratic republic no less than in the monarchy," Engels wrote[1] in 1891. In his classic work *The Proletarian Revolution and Renegade Kautsky,* Lenin said the following:

> Bourgeois democracy, although a great historical advance in comparison with medievalism, nevertheless remains and under capitalism cannot but remain restricted, truncated, false and hypocritical, a paradise for the rich and a snare and a deception for the exploited, for the poor.[2]

Therefore the fight for the consistent realisation of democracy necessarily leads beyond the limits of bourgeois democracy!

Lenin wrote:

> It would be a fundamental mistake to suppose that the struggle for democracy can divert the proletariat from the socialist revolution, or obscure, or overshadow it, etc. *On the contrary, just as socialism cannot be victorious unless it introduces complete democracy, so the proletariat will be unable to prepare for victory over the bourgeoisie unless it wages a many-sided, consistent and revolutionary struggle for democracy.*[3]

It is clear that the attitude of the Communists to bourgeois democracy cannot always be the same. Bourgeois democracy, in comparison with all reactionary forms of domination of the exploiting classes, is an achievement; it is an evil in comparison with the dictatorship of the working class, which—as Lenin emphasised—is many times more democratic than the most progressive forms of bourgeois democracy.

The fight of the proletariat for the extension of its democratic rights was crowned with success in the years immediately after the war, particularly in the defeated countries. There was a revolutionary situation. The authority of the ruling classes was greatly weakened by defeat in war, the apparatus of force was in disorder; the proletariat, embittered by the sufferings of the war, fought for its democratic rights and, emboldened by the example of the victorious revolution in Russia, proceeded to attack the rule of the bourgeoisie (proletarian dictatorships in Hungary, Bavaria, the Red Army in the Ruhr district, etc.). In order to fight this revolutionary wave, in order to quiet down

the proletariat, the bourgeoisie, particularly in the defeated countries, were forced to make far-reaching concessions to the proletariat within the framework of bourgeois democracy. The traditional demands of the Social-Democratic parties—universal, equal, secret suffrage, freedom of the press, full freedom of organisation and assemblage, recognition of the trade unions, etc.—were fulfilled. The reformist leaders, who at that time in a number of countries carried on the business of government in the service of the bourgeoisie, used these democratic concessions of the bourgeoisie in order to divert the workers from the revolutionary path. They gulled the workers into believing that, with the winning of bourgeois democracy, the way to the peaceful transition to socialism was open; that the entry of Social-Democratic leaders into the state apparatus of the bourgeoisie already meant the beginning of socialism, etc. With the utterly incorrect antithesis—democracy *or* dictatorship of the proletariat—they split the working class, and led, in alliance with the bourgeoisie, the campaign against the Soviet Union. In the *Theses* of the first Congress of the Communist International, written by Lenin, the current attitude of the reformist leaders was characterised in the following words:

> The present defence of bourgeois democracy cloaked in speeches about "democracy in general" and the present howling and shouting against the dictatorship of the proletariat cloaked by cries about "dictatorship in general" are a downright betrayal of socialism, the practical desertion to the side of the bourgeoisie, the denial of the right of the proletariat to make its own, proletarian revolution, and defence of bourgeois reformism *at the very historical moment when bourgeois reformism is bankrupt all over the world, and when the war has created a revolutionary situation.*[4]

Later historical development shows with complete clarity that the bourgeoisie used the extension of democracy only as a means against the revolutionary movement. The "democratic-pacifist era" proclaimed by Social-Democracy proved to be but short-lived. After the reformist leaders had helped to calm down the proletariat for the time being; after they had helped the bourgeoisie to re-establish the apparatus of force shattered by the World War; after they had split the working class and had handed over the best fighters of the revolutionary advance guard to the executioners, they themselves were gradually driven out of the government. As soon as the bourgeoisie felt itself strong enough,

it removed the Social-Democratic ministers from the government. After the danger of the proletarian revolution seemed to have been passed for the time being,[5] the big bourgeoisie threw off its democratic mask in most countries, and showed its reactionary features more openly, until it found the historically final form of its rule in the regime of fascist terror.[6]

The efforts of the finance oligarchy, after the abolition of bourgeois democracy, to erect an openly violent form of its dictatorship corresponds to the development of the capitalism of free competition to monopoly capitalism. With the development of monopoly capitalism, capitalism becomes more and more a restriction on the development of the productive forces. With the emergence of the finance oligarchy, which is enriched at the expense of *all* those who work, the circle of classes, strata and persons who are interested in the further existence of capitalist society becomes smaller. Therefore the *finance oligarchy*—as Lenin showed in his work on *Imperialism*—is, *in essence, anti-democratic, reactionary, violent.* In the period of the general crisis of capitalism, this reactionary side—after the first wave of revolutions was defeated, apart from the Soviet Union—with the help of the reformist leaders, comes more sharply to the fore.

> The epoch of imperialism, the sharpening of the class struggle and the growth of elements of civil war—particularly after the imperialist war—led to the bankruptcy of parliamentarism. Hence, the adoption of "new" methods and forms of administration (for example the system of inner cabinets, the formation of oligarchical groups acting behind the scenes, the deterioration and falsification of the function of "popular representation," the restriction and annulment of "democratic liberties," etc.). Under certain special historical conditions, the progress of this bourgeois, imperialist, reactionary offensive assumes the form of fascism.[7]

The development in the different countries goes on very unequally. There are countries—Italy—where fascism gained the victory in the first post-war period. There are countries—Germany, Austria—where this was the case only during the second post-war crisis. There are countries, where at the present time the fight between fascism and democracy is in full swing (France), and where this fight is being fought out with arms in the form of a civil war (Spain), which is more and more taking on the character of a world battle between the forces

of fascist reaction and of progress. There are countries—for example, the United States and England—where there are only the first beginnings of a fascist movement, where the bourgeoisie come out in words, more or less firmly, for bourgeois democracy and against fascism, but where the undermining of bourgeois democracy is already in play in these countries as well.

These different movements of historical development are determined by two main factors: by the degree of the danger to the rule of the bourgeoisie on the one hand, and by the strength of the resistance which the working people in the different countries put up against the advance of fascism, on the other.

The degree of the danger to the rule of the bourgeoisie depends on a number of factors, above all from the outcome of the World War. In the victorious countries, the authority of the ruling classes was maintained before the masses; the apparatus of force remained more or less intact. In the defeated countries, the authority of the ruling classes was shattered. The bourgeoisie of the countries defeated in the World War—or of the countries belonging to the victorious group, but neglected in the division of the booty, like Italy and Japan—had no, or but slight, possibility of corrupting an important section of the labour aristocracy out of their super-profits. Therefore, the revolutionary ferment in these countries was much deeper and more lasting. The masses of the petty-bourgeoisie were confused by the defeat, disappointed in their hopes, deeply embittered by the expropriation of their savings by inflation. Therefore, it was above all the finance oligarchy of the defeated countries, or of those which came out of the World War without "corresponding" booty, which pressed towards fascism for the purpose of maintaining their power.

Although the finance oligarchy, in the period of imperialism, is in general anti-democratic and reactionary, the bourgeoisie turn to fascism with hesitation and only where and when bourgeois democracy can no longer guarantee their rule, for bourgeois democracy is a more certain and cheaper method of domination. For this reason, as well as because of the different interests of separate strata, the ruling classes of a country never unitedly and at one stroke go over from democracy to fascism, but only with great vacillations and difficult internal struggles.

The accession to power of fascism must not be conceived of in so simplified and smooth a form, as though some committee or other of finance capital decided on a certain date to set up a fascist dictatorship. In reality, fascism usually comes to power in the course of a mutual, and at times severe, struggle between the old bourgeois parties, or a definite section of these parties, in the course of a struggle even within the fascist camp itself —a struggle which at times leads to armed clashes, as we have witnessed in the case of Germany, Austria and other countries.[8]

The victory of fascism under these circumstances is by no means inevitable! It would undoubtedly have been possible to prevent the victory of fascism if the working class had not been split by the reformist leaders and its resistance thereby weakened. *The responsibility for the victory of fascism rests first and foremost on Social-Democratic policy,* which wanted to avoid the struggle with the fascist movement by peaceful co-operation with the bourgeoisie. *The responsibility lies with the opportunist leaders of Social-Democracy and of the trade unions who split the working class,* who preferred co-operation with the big bourgeoisie to the united front with the Communists, and who, together with the big bourgeoisie defamed and persecuted the revolutionary advance guard of the proletariat, the Communist Party, and allowed its leaders to be murdered.

This unhealthy split of the working class which wasted its forces in inner struggle, instead of throwing them to the full against the fascist danger, alone made possible the victory of fascism, made it possible for wide sections of the petty bourgeoisie and even certain sections of the working class to be at the mercy of fascist demagogy.

For it is by no means the case that it is enough for finance capital to ensure its domination by simply establishing a military dictatorship, breaking up parliament, dissolving the proletarian parties and smashing the working class movement. This would be a brazen provocation of the masses which could become extremely dangerous for the rule of the bourgeoisie in view of the general dissatisfaction of the working people and the contradictions within the ruling classes.

The transition to terrorist dictatorship of the big bourgeoisie requires preparation among the masses; and therefore a fascist movement is indispensable. For if this movement is to win the masses, it cannot come out with a programme of simple agreement with capitalism. With the general dissatisfaction of the masses, it is *only possible* to

keep the vacillating petty bourgeoisie in town and country away from the revolutionary movement and bring them again under the power of the big bourgeoisie along a side-road, by anti-capitalist slogans. Therefore the fascist movement outwardly comes out in all countries as an "anti-capitalist" movement. But this "anti-capitalist" demagogy, which condemns the "class struggle" in every form, merely serves to divert the working people from the real anti-capitalist movement. And so fascism appeals to all the moods and instincts of the masses which are a hindrance to the development of revolutionary class consciousness: chauvinism, nationalism, anti-Semitism. The class struggle is apparently excommunicated with bell, book and candle; but in fact fascism organises, in the interests of the big bourgeoisie even before it seizes power, direct terror against the revolutionary advance guard, against the party of the proletariat. As the fascists have considerable wealth at their disposal, thanks to the support of the big bourgeoisie, they can—even if they are but few in numbers—by rapid concentration of their forces at a given point, deal serious blows to the workers, if the latter are not firmly joined together in a united front. All the more so, as the fascist terror has to a greater or less extent the open support of the apparatus of force—judges, officers, police, gendarmes.

Fascism was victorious in a number of countries by a combination of "anti-capitalist," nationalist, chauvinist, anti-Semitic demagogy, plus open terror against the working class weakened by being divided.

The establishment of fascist dictatorship means a shift in the relations of power in the camp of the ruling classes themselves. The whole bourgeoisie no longer rules, not even the whole of the big bourgeoisie, but it is an open terrorist dictatorship of the most *reactionary, chauvinist and imperialist elements of finance capital* over the whole people, over all sections of the working people without exception.

This is the most clearly shown in German fascism:

> The most reactionary variety of fascism is the *German type* of fascism. It has the effrontery to call itself National-Socialism, though it has nothing in common with socialism. Hitler fascism is not only bourgeois nationalism, it is bestial chauvinism. It is a government system of political gangsterism, a system of provocation and torture practised upon the working class and the revolutionary elements of the peasantry, the petty bourgeoisie and the intelligentsia.[9]

The result of the last decade is, therefore, that following the division of the working class, bourgeois democracy, which was eulogized by the reformist leaders to keep the workers from storming the rule of the bourgeoisie in the revolutionary crisis after the war, has been abolished in a number of countries, Italy, Germany, Bulgaria, etc. In the fascist countries *the whole of the working people are without rights.* The masses of the working people have no right of assembly, no free trade union organisation, no legal party, no press, no freedom of opinion. The political serfdom of the masses is used by the finance oligarchy to increase the exploitation of the workers, to rob the middle classes, to prepare unhindered a new world war, a crusade against the Soviet Union.

The events of the past few years have proved that it is only the split in the working class which made possible the victory of fascism. The oppression, the terrible suffering of the workers in Germany, the country which formerly had the most powerful working class movement, has strengthened the drive towards the unity of the working-class movement as a safeguard against fascism. After the seventh Congress of the Communist International put forward the task of creating the united front in a new way, and beyond it of forming the People's Front, the drive of the masses of the workers to unity broke through. Trade union unity was achieved almost everywhere. The walls which divided the Social-Democratic and Communist workers from each other were broken down. The middle classes in town and country are drawing nearer to the working class. In some countries the anti-fascist People's Front has already been formed.

The longer the fascists are in power, the more clearly the contradiction between their promises and their deeds comes to light, the greater is the disappointment of the masses of the petty bourgeoisie fooled by demagogic promises; the smaller the social basis of their régime. The tremendous success of socialist construction in the Soviet Union, the achievements of the French workers with the help of the People's Front, the heroic fight of the Spanish people against fascism; the criminal intervention of Italian and German fascism in Spain; the danger of a new world war provoked by the fascists—all this weakens the fascist régimes, and prepares the ground for a wide anti-fascist united front.

German, Italian, Bulgarian, Japanese fascism still enslaves, oppresses and murders the working class; the danger of a further extension of fascism is by no means barred. Under certain conditions, the fascist danger in individual countries can even grow, for new elements of the big bourgeoisie are reacting to the success of the anti-fascist People's Front by going over onto the side of fascism. But the correct path to fighting it has been found: the United Front and the People's Front. As Dimitroff pointed out, at the Seventh Congress:

... only in this way will the working class ... be able to fulfil its historical mission with certainty—to sweep fascism off the face of the earth and, together with it, capitalism! [10]

While in a number of capitalist countries, victorious fascism has robbed the working people of the limited rights which bourgeois democracy had given them, in the Soviet Union the opposite process has taken place. The working people of tsarist Russia lived in a state of the worst oppression, and possessed no democratic rights whatever. What they fought for and gained in the 1905 revolution was withdrawn by tsarist absolutism in the years of reaction following 1905. In the bourgeois revolution of February, 1917, the working people of Russia gained all those democratic rights which are consistent with the rule of the bourgeoisie. With the overthrow of the rule of the bourgeoisie in the October Revolution, with the establishment of the dictatorship of the proletariat, the development of *true* democracy for the working people began, and has been consolidated in the creation of the new Stalin Constitution.

The counter-revolutionary leaders of Social-Democracy, the Kautsky brand, together with the bourgeoisie, fought the dictatorship of the proletariat with the assertion that dictatorship excludes democracy. In this connection, Lenin showed that the dictatorship of the proletariat means true democracy for the working people.

In the *Theses* of the First Congress of the Communist International, written by Lenin, this is developed with complete clarity:

The dictatorship of the proletariat is similar to the dictatorship of other classes in that, like all dictatorships, it was called forth by the necessity of suppressing the violent resistance of the class that was being deprived of political rule. The fundamental difference between the dictatorship of the proletariat and the dictatorship of other classes—the dictatorship of the landlords in the Middle Ages, the dictatorship of the bourgeoisie in all civilised capitalist countries—is that the dictatorship of the landlords and of the bourgeoisie meant the violent suppression of the resistance of the overwhelming majority of the population, *viz.*, the toilers. The dictatorship of the proletariat, on the contrary, means the violent suppression of the resistance of the exploiters, i.e., the insignificant minority of the population, the landlords and capitalists.

Hence it follows from this that the dictatorship of the proletariat must inevitably lead, not only to a change in the forms and institutions of democracy, speaking generally, but to such a change as will lead to the extension of the actual enjoyment of democracy to those who are oppressed by capitalism, to the toiling classes, to a degree hitherto unprecedented in world history.[11]

In opposing Kautsky's howls about the lack of democracy, about the "oppression" of the free expression of opinion of the former landlords and capitalists in the Soviet Union, Lenin explained *that the dictatorship of one class over the other did not exclude democracy within oppressing class.* The democracy of antiquity was a dictatorship of the slaveowners over the slaves. Bourgeois democracy is a dictatorship of the bourgeoisie over the proletariat in spite of all formal equality of rights, as between exploiters and exploited equality can only be formal, never real. In the period of the dictatorship of the proletariat, *the working people, the tremendous majority of the people,* without respect to nationality or sex, *enjoy the greatest degree of democracy.* Therefore the dictatorship of the proletariat is "a million times more democratic"—as Lenin said—than any bourgeois dictatorship.

Proletarian democracy is a million times more democratic than any bourgeois democracy; Soviet government is a million times more democratic than the most democratic bourgeois republic.

Only one who deliberately serves the bourgeoisie, or one who politically is quite dead, who does not see real life from behind the dusty pages of bourgeois books, who is thoroughly imbued with bourgeois-democratic prejudices, and thereby objectively becomes the lackey of the bourgeoisie, could have failed to see this.

Only one who is incapable of *presenting the question* from the point of view of the *oppressed* classes could have failed to see this.

Is there a single country in the world, even among the most democratic countries, in which the *average rank-and-file* worker, the average rank-and-file *village labourer,* or village semi-proletarian generally (i.e., the representative of the oppressed masses, the overwhelming majority of the population), enjoys anything approaching such *liberty* of holding meetings in the best buildings, such *liberty* to use the best printing works and largest stocks of paper, to express his ideas and to protect his interests, such liberty to promote men and women of his own class to administer and to "run" the state as in Soviet Russia? [12]

Eighteen years have passed since Lenin wrote this. During this time the socialist re-organization of society in the Soviet Union is completed insofar as every kind of exploitation has disappeared. The exploiting classes which were still in existence in the first years of Soviet power—the rich peasants, foreign concessionaries, small capitalists in the towns, speculators, etc.—have been done away with; the remnants of the exploiters of the towns chiefly by the improved organisation of Soviet economy, the class of rich peasants in a bitter fight with thorough-going collectivisation. These changes were summed up by Stalin as follows:

Unlike the bourgeois constitutions, the draft of the new Constitution of the U.S.S.R. proceeds from the fact that antagonistic classes no longer exist in our society, that our society consists of two friendly classes: the workers and peasants, that precisely these toiling classes are in power, that the state guidance of society (dictatorship) belongs to the working class as the advanced class of society, that the Constitution is needed to consolidate the social order desired by and of advantage to the toilers.[13]

On this basis the new Constitution of the Soviet Union is built. It means a further development of Soviet democracy. *Suffrage is universal,*[14] there is no one who is excluded from suffrage, as there are no longer any exploiters.[15]

Suffrage is equal. With equal suffrage the leading role of the working class is ensured after the kulaks have been destroyed as a class, and the peasantry of the Soviet Union have undergone such far-reaching changes as are described in Chapter XIII. Voting is no longer open, but *secret,* so that the electors are free to give their vote without consideration of the position of the candidate.

The new Constitution ensures for the working people the free

exercise of their democratic rights: freedom of speech, freedom of press, freedom of assembly, freedom of demonstration; it codifies the right to work, the right to holidays, the right to education. It is the full development of democracy for the working people. As Stalin says:

They talk about democracy. But what is democracy? Democracy in capitalist countries where there are antagonistic classes is in the last analysis the democracy for the strong, democracy for the propertied minority. Democracy in the U.S.S.R., on the contrary, is democracy for all.[16]

The exercise of religion—but also of anti-religious propaganda—is free. Article 124 of the new Constitution says:[17]

In order to ensure to citizens freedom of conscience, the church in the U.S.S.R. is separated from the state, and the school from the church. Freedom of religious worship and freedom of anti-religious propaganda are recognised for all citizens.

The establishment of true democracy in the new Constitution, however, does not bring with it any return to the system of several parties. As there are no longer any antagonistic classes in the Soviet Union, there is no ground for the formation of different parties:

The party is part of the class, its vanguard section. Several parties and consequently freedom of parties can only exist in a society where antagonistic classes exist whose interests are hostile and irreconcilable, where there are capitalists and workers, landlords and peasants, kulaks and poor peasants.

But in the U.S.S.R. there are no longer such classes as capitalists, landlords, kulaks, etc. In the U.S.S.R. there are only two classes, workers and peasants, whose interests not only are not antagonistic but, on the contrary, amicable. Consequently there are no grounds for the existence of several parties, and therefore for the existence of freedom of such parties in the U.S.S.R. There are grounds for only one party, the Communist Party, in the U.S.S.R. Only one party can exist, the Communist Party, which boldly defends the interests of the workers and peasants to the very end.[18]

Further, it is clear from the above, that the development of democracy laid down in the new Constitution *does not mean the end of the dictatorship of the working class.* The maintenance of the dictatorship of the working class for the defence of socialism is still necessary.

For although the exploiting classes in the Soviet Union itself are liquidated, capitalist encirclement continues unchanged. The hate of the ruling classes of the bourgeois countries for the Soviet Union is the more furious, the greater the success of the Soviet Union, the deeper the revolutionary effect of the building of socialism on the working people of the bourgeois world. They send their agents into the Soviet Union, and recruit spies, wreckers particularly from amongst the Trotskyists, who have turned from a political current within the working class into an auxiliary of the bourgeoisie against the Soviet Union and the revolutionary movement of the whole world. The fascist war-mongers are feverishly preparing a counter-revolutionary war on the Soviet Union with the intention of re-establishing the domination of the exploiters. Under these circumstances the dictatorship of the working class in the Soviet Union must still be maintained and consolidated.

As in all other spheres, so in the sphere of democracy, development in the capitalist world and in the Soviet Union is in opposite directions. While in a number of bourgeois countries, democracy has been utterly abolished and the dictatorship of the finance oligarchy is exercised in an unconcealed fascist form and the working people are robbed of the most elementary human rights; while in other countries, bourgeois democracy has to be defended by a bitter struggle against the reactionaries and fascists—the new Constitution of the Soviet Union means a new, tremendous step in the development of true democracy!

CONCLUSION

THE INHERITANCE which the victorious proletarian revolution received was not a rich one. A large part of the country was occupied by hostile armies, the factories were destroyed, transport disorganised, the stocks of raw materials used up, agriculture sucked dry, millions of the best workers killed in the war, and the people tormented by hunger and cold.

A new social order can only be born in struggle and privation. The working people of the Soviet Union did not spare their strength. Their enthusiasm, their selfless sacrifice made it possible, with the miserable resources which were at the disposal of the Soviet Union, to drive off the furious attacks of the world-wide counter-revolution. The fight of two systems since then has remained in the centre of world events, and runs like a red thread through the home and foreign policy of all the countries of the world.

The counter-revolution attacked the Soviet power in three columns: the armies of 14 countries from without; the defeated ruling classes and their followers at home; the masked adherents of the old order within the cadres of the Soviet power.

The intervention of the 14 countries, thanks to the help of the world proletariat and the antagonisms between the imperialist powers, was beaten back by the heroic, fighting working people of the Soviet Union under the leadership of the Communist Party. For almost two decades no hostile army has passed the frontiers of the Soviet Union. The resistance of the defeated ruling classes, in spite of the constant assistance they received from the ruling classes abroad, was broken in a long struggle and they themselves, as a class, destroyed. Although their miserable remnants always maintained a resistance, veiled but all the more bitter to the Soviet power, the fight within the Soviet state has been decided in favour of socialism finally and irrevocably.

The masked opponents of socialism within the cadres of the Soviet state were defeated on all theoretical and political questions, exposed as

enemies of the revolution, lost all influence over the masses and ended their career as the lackeys and spies of the fascist war-mongers.

The proletariat of the Soviet Union in unceasing struggle with the class enemy at home and abroad, supported by its alliance with the working peasantry, rebuilt the economy left in ruins by tsarism—not the old economy, but a new, socialist economy. From a backward, agrarian country it has become a modern industrial country. In the place of 25 million individual, primitive peasant farms there are now a few hundred thousand big collective agricultural enterprises, which work with the most modern machinery. Entirely new branches of industry have been created, and hundreds of factories erected for the production of the means of production, thus finally overcoming the economic dependence on foreign countries which existed under tsarism.

This far-reaching reorganisation of the whole economy, made possible by the overthrow of the rule of the bourgeoisie, went hand in hand with the reorganisation of the system of society. Every kind of exploitation was abolished. Under the leadership of the Communist Party of the Soviet Union and the great leader of the peoples, Joseph Stalin, a socialist society has arisen in the Soviet Union. For this reason there are no economic crises, no unemployment here. The more that is produced the greater is the general well-being. A powerful Red Army, highly equipped, endowed with the love of all the working people, defends the country of socialism against any foreign enemy.

With growing well-being, the general culture of the population has risen by leaps and bounds. The abolition of national oppression opens the path to education for all the peoples of the Soviet Union. The introduction of compulsory schooling, the liquidation of illiteracy, the creation of a system of secondary schools, technical schools and universities, have made the right of every Soviet citizen to education a reality. In all spheres of material and cultural life enormous progress has been achieved.

In the capitalist world during the same period: two deep and severe economic crises, lasting depressions, such a small advance in the volume of production that the supplies for the population per capita are smaller than before the war. In agriculture: a chronic agrarian crisis, degradation of peasant economy, mass ruin of the peasants. In industry: chronic non-utilisation of fixed capital, chronic mass unemployment, relative and absolute impoverishment of the proletariat. Socially: the deep dis-

satisfaction of vast masses of the working people with the capitalist system, the rising of the revolutionary wave, which the big bourgeoisie is trying to suppress more and more by fascist methods. In the fascist countries: suppression of the most elementary rights of the working people, a return to barbarism, medieval persecution of the Jews; in Germany, persecution even of the Christian churches, a state-supported resurrection of old German heathenism, and the burning of the books. In the sphere of foreign policy: after the shortlived democratic-pacifist period, the sharpening anew of the imperialist antagonisms, emergence of a bloc of fascist aggressors, feverish arming, organisation of capitalist economy in peace time for the coming war.

POSTSCRIPT

TO THE ENGLISH TRANSLATION

TWO YEARS HAVE elapsed since this book was written. Though the thesis of the book has proved correct in the main and needs no changes, it was thought advisable to mention some of the recent economic developments.

Armaments have become a decisive factor in the economic life of the capitalist world, exclusive of the American continent. Even the small European "neutral" states, such as Belgium, Holland and the Scandinavian countries, are drawn deeper and deeper into the armaments race, partly in the form of their own military preparations, and partly as suppliers to the great powers. Thus, for example, Sweden supplies machine guns to England and huge quantities of iron ore (one million tons a month) to Germany, etc. In the United States, too, armaments and war supplies have reached a greater but not yet decisive significance.

The course of the industrial cycle was deeply influenced by the feverish increase of military expenditures. The crisis which broke out in the middle of 1937 in the United States reached its *full* development only in that country and in several European countries; in the majority of European countries the development of the crisis was obstructed and even retarded by the feverish growth of war spending.

The huge outlay for armaments led to a liquidation of unemployment in Germany. When however Hitler ascribes this to the "National-Socialist economic system," he resorts to pure demagogy. This is a phenomenon wholly independent of the form of bourgeois domination. At a certain point in the armament race this will hold true of other capitalist countries too. Armaments offer a tremendous and almost unlimited market for capitalism. As long as the available capital, means of production and raw materials suffice, so long can all labor power find occupation. Yet armaments represent no magic potion that would secure permanent employment to all, and that would eliminate crises of over-production, as the so-called "scientists" in pay of the munitions

trust are prone to assert. Armaments promote business only so long as there is available in the country idle capital, unused means of production and superfluous raw materials. As soon however as all production possibilities are utilised to the full, the favourable influence of armaments upon the business cycle ceases to exist. If armaments now continue at the same rate, this will lead to a continuous impoverishment of the country. The vast values taken out of a country's economy in the form of armaments are not put back into production either as elements of renewal of constant capital, or as means of consumption for the renewal of the labour power of the toiling population. Though they may still yield vast monetary gains to individual capitalists, yet as elements for the reproduction of social capital they are altogether lost. Therefore, these excessive armaments which surpass the economic power of a country lead to its unavoidable impoverishment, and to a crisis of its entire economic and social system, as we can clearly see from the examples of Germany, Italy and Japan.

The war preparations and storing of foodstuffs as war reserves in a number of countries have not alleviated the chronic agrarian crisis. On the contrary a new sharpening set in toward the middle of 1939. As previously, there is still too much wheat in the world, though millions go hungry. As previously, there is too much cotton in the world, though millions are in tatters. As previously, the American government subsidises the farmer to grow less wheat, less cotton, less tobacco, etc. As previously, there are ten million bags of coffee destroyed yearly in Brazil, while in Germany and Italy the population is denied its customary cup of coffee. The incurable crisis of the capitalist system appears thus in its crassest form.

The last two years witnessed a further all-round upswing in the Soviet Union. The following figures illustrate the further advance of industrial production in comparison with the capitalist world:

INDUSTRIAL PRODUCTION (1929 = 100)

	1936	*1937*	*1938*
Soviet Union	382.3	424	477
Capitalist World	97.3	104.2	92.9
Of which North America	88.6	92.3	71.7

(*Statistical Bulletin* of the League of Nations, June, July, 1939, pp. 266, 324)

While industrial production of the capitalist world in 1938 fell below the level of 1936, that of the Soviet Union increased by 24.5 per cent. The Third Five-Year Plan envisages an industrial production in 1942 exceeding by 88 per cent that of 1937.

Agriculture continues on the upgrade. The year 1938 was climatically unfavourable and the harvest was below that of 1937. However the supply of agricultural machinery and other agricultural means of production continued to rise. Particularly great progress was made during the course of these two years in animal husbandry.

HEADS OF CATTLE IN THE U.S.S.R.
(*In million units*)

	FOR THE MONTH OF JULY		
	1936	*1937*	*1938*
Horses	16.6	16.7	17.5
Large-horned cattle	56.7	57.0	63.2
Sheep and goats	73.7	81.3	102.5
Swine	30.5	22.8	30.6

The Third Five-Year Plan provides for a general agricultural production in 1942 exceeding by 50 per cent the level of that of 1937.

The improved supply of means of production to agriculture made it possible to perform agricultural work with less labour power than is available in the collective farms. This resulted in Stalin's appeal at the Eighteenth Congress of the C.P.S.U. for the collective farmers to provide industry yearly with one and a half million young workers to obviate the shortage of workers with which industry is confronted in its rapid upsurge.

Thus all data of the last two years point to the superiority of the Soviet system over the capitalist system.

The economic growth of the Soviet Union would naturally be much more rapid, had the capitalist encirclement in general and the constant provocations of fascist aggressors in particular, not compelled the U.S.S.R. to set aside tremendous means yearly—40 milliard rubles during the current fiscal year—for the defense of its borders.

The rise of production is accompanied by a continued upswing—

material and cultural—of the Soviet population. The material basis for the transition from socialism to communism has been laid; and the communist education of the masses becomes of decisive importance for the preparation of this transition.

JULY, 1939

REFERENCE NOTES

INTRODUCTION

1. Engels in 1882 could still put the question, in the preface to the third edition of the *Manifesto of the Communist Party:* "... can the Russian *obshchina* (peasant community), though greatly undermined, yet a form of the primeval common ownership of land, pass directly to the higher form of communist common ownership? Or on the contrary, must it first pass through the same process of dissolution such as constitutes the historical evolution of the West?" (Karl Marx, *Selected Works,* Volume I, New York and London, p. 192.)

2. In the *Manifesto of the Communist Party* Marx and Engels speak of the *"rule of scarce one hundred years"* of the bourgeoisie. In *Capital,* Marx said: "Although we come across the first beginnings of capitalist production as early as the 14th or 15th century, sporadically, in certain towns of the Mediterranean, the capitalistic era dates from the 16th century." (Karl Marx, *Capital, Volume One,* New York, 1939, p. 739.)

3. Karl Marx and F. Engels, "Manifesto of the Communist Party," *Selected Works,* Volume I, pp. 208-210.

4. "Capitalism, which has included the colonial village into its system of taxation and trade apparatus and which has overturned capitalist relations (for instance the destruction of the village commune) does not thereby liberate the peasants from the yoke of pre-capitalist forms of bondage and exploitation, but only gives the latter a monetary expression (feudal services and rent in kind are partially replaced by money taxes and so on), which still more increases the suffering of the peasantry." (Communist International, "Sixth Congress Report," *International Press Correspondence,* 1928, p. 1663).

5. B. W. Sombart, *Der moderne Kapitalismus.*

6. Joseph Stalin, *The October Revolution,* New York and London, 1934, p. 156.

7. *Ibid.,* pp. 156-157.

8. The reformists, in opposition to Marxism-Leninism, obstinately maintain not only the possibility of the peaceful transition to socialism, but also that this transition is already far advanced. Renner describes the railways of the capitalist state as a model example of socialist common property. Julius Hirsch "reckons" that the percentage of "common property" was higher in the Weimar Republic than in the Soviet Union! The slogan of German Social-Democracy, "Socialism is on the march," de Man's "Plan for Work" with the slogan of an attack on the structure of capitalist society through socialising "credits," the numerous varieties of these and all similar projects only serve the purpose of diverting the proletariat from the revolutionary path.

9. The reformists of every kind hold the view that the participation of the leaders of the Social-Democratic parties, and of the trade unions in bourgeois coalition governments means a peaceful transition from capitalism to socialism (Kautsky's theory of the coalition government, instead of the dictatorship of the proletariat, as a bridge from capitalism to socialism). The difference *in principle* presented above between capitalism and socialism makes it clear why this is wrong, why the coalition governments which at times get the helm in capitalist countries—or pure Social-Democratic governments—cannot accomplish a single effective step toward socialism; quite apart from the fact that most of the reformist politicians subjectively have no will to achieve socialism. Utterly distinct from these is a People's Front government, dealt with in Chapter XV.

10. *Programme of the Communist International,* New York, 1928, p. 33.

11. Incidentally, the analogy from history too speaks against the notion that the overthrow of the capitalist system is bound to be a prolonged process. The rhythm of change of modes of production in history is progressively more rapid. The Asiatic mode of production and ancient slavery existed for untold centuries side by side; slavery and feudalism about 1,500 years; feudalism and capitalism 300-400 years; by analogy, capitalism and socialism ought to exist side by side for a still shorter period.

12. In the fascist countries the Divine Grace of the leaders—Mussolini, Pilsudski, Hitler—is announced more and more openly by their supporters. Hitler himself announced his divine mission. In his speech to the Storm Troops at the Nuremburg Party Congress in 1936, he declared: "Today Germany once again is standing upright on the right road. When I survey this marvel, I bow down before the grace of the Lord who blessed this fight and thank you my comrades who have made my fight possible... It is the miracle of our time that you have found me (*fervent 'Heils'*), that you have found me among so many millions."

CHAPTER I

1. Karl Marx, *Capital, Volume One, op. cit.,* p. 737.

2. See, for example, "the last word" of American economic science: Harold G. Moulton, *The Formation of Capital,* Washington, 1935, p. 11.

3. The methods of primitive accumulation are still in use in the colonies. The Negroes in Mozambique, for example, for whom the utilisation of the land which formerly belonged to them is made increasingly impossible, are forced to look for work outside the country. Between Portugal and South Africa there still exists at the present time a treaty, by which the latter has the right to import yearly 90,000 Negroes from Mozambique for work in the gold mines, and they have to pay to the Portuguese government *a certain sum per worker as export duty.* The slave trade, which was for hundreds of years a source of great profit for Portugal, lives on in a modernised form even today; the black workers become actual slaves of the capitalists in the South African gold mines for the period of their many years of indenture.

4. The Aluminium Trust of the United States may serve as an example of how, beginning with a minimum capital investment, from the hoarding of appropriated surplus value and monopolist super-profit secured with the help of the state economic policy, enormous fortunes were accumulated in the 20th century. (The figures are taken from the article by R. H. Anderson, "The Aluminium Industry," in the symposium, *Representative Industries in the United States,* New York, 1928, a completely bourgeois book.) The company was formed in 1888 with a capital of 20,000 dollars. The capital by 1898 had been raised to 1,600,000 dollars. The further increases in capital were mostly made from profits by the distribution of bonus shares. There was distributed:

1904..... 100 per cent
1909..... 500 per cent

The capital was watered in connection with a fusion, but no new capital was paid in by the shareholders. On the other hand, the company, in the decade ending in 1926 alone, made 120 million dollars net profit, of which 75 per cent was not paid out but used for the extension of business. The stock exchange value of the shares was estimated in 1927 as not less than 250 million dollars. What is the secret of this enormous profit? The holders of the majority of the shares were Andrew W. Mellon, for a decade Secretary of the Treasury of the United States, and his brother, R. B. Mellon. Under Mellon's influence a very high duty was put on aluminium of all kinds: waste, raw aluminum and finished goods: 7-11 cents per pound in the Payne-Aldrich Tariff; 5-9 cents in the Fordney McCumber Tariff. As the Mellon trust had practically a 100 per cent monopoly, it could maintain the price above the world market price, to the full extent of the tariff. "Prices of aluminium in the United States rose to about the same extent as the import duty on foreign metal," declares Anderson (p. 54). The production of aluminium in the United States in 1930 amounted to 104,000 tons. (*Statistical Year Book* of the League of Nations, 1935-36, p. 153.) If we take the rise in price as a result of the duty as averaging 7 cents a pound—140 dollars a ton—the Mellon family received in one year alone a super-profit of 14 million dollars. The criminal methods by which the other great American fortunes have arisen can be read in the books of Gustav Myers, *History of Great American Fortunes,* or Anna Rochester, *Rulers of America,* New York and London, 1936.

5. Data from *Die wirtschaftlichen Kraefte der Welt* (The Economic Forces of the World), published by the Dresdner Bank, 1930. No corresponding figures are known for tsarist Russia; the proportion should be similar to that of Poland or Japan.

6. In Moulton, *op. cit.,* p. 187.

7. In the given "national income" there are customarily included amounts calculated twice over; on the other hand parts of the national income, as far as they are based on tax declarations, are estimated far too low!

8. R. R. Doane, *Annalist,* July 26, 1935, p. 115; W. R. Ingalls, *Wealth and Income of the American People,* 1922, and second edition, 1936.

9. Census Bureau.

10. Ingalls' calculations.

11. Doane's calculations.

12. The figure of cotton spindles for example amounted to:

July 31, 1929..... 34.8 million spindles
July 31, 1932..... 31.7 " "

The decrease amounted to almost 10 per cent.

13. Colin Clark, *National Income and Outlay,* London, 1937, p. 185.

14. We here leave out of account the reduction in the nominal value of capital as a result of the fall of prices in the crisis.

15. The figures for the U.S.S.R. here, as later, when the sources are not given, are taken from the materials of the Central Administration for Economic Statistics of the State Planning Commission of the U.S.S.R.

16. *Statistisches Jahrbuch des Deutschen Reiches* (German Statistical Year Book), 1936, p. 501.

17. Frontiers as in 1937.

18. In large areas of the Soviet Union the population was not even settled on the soil. Peasant small commodity production still prevailed in the first years after the seizure of power. In his polemic, " 'Left-Wing' Childishness and Petty-Bourgeois Mentality," against the paper of the "left" Communists (of whom some have since developed into counter-revolutionaries), Lenin emphasised that state capitalism would be a big step forwards in a country in which small peasantry predominated—"the precise nature of the elements that constitute the various social-economic forms which exist in Russia at the present time. And this is the crux of the question. Let us enumerate these elements: 1) patriarchal, *i.e.,* to a considerable extent natural, self-sufficing peasant economy; 2) small-commodity production (this includes the majority of those peasants who sell their grain); 3) private capitalism; 4) state capitalism and 5) socialism. Russia is so vast and so varied that all these different types of social-economic forms are intermingled. This is what constitutes the peculiar feature of the situation. The question arises: what elements preponderate? Clearly, in a small-peasant country, the preponderating element must be the petty-bourgeois element, nor can it be otherwise; for the majority and the great majority of the tillers of the soil are small-commodity producers." (V. I. Lenin, *Selected Works,* Vol. VII, New York and London, p. 361.)

19. *The History of the Civil War in the U.S.S.R.,* edited by Stalin and others, New York and London, p. 3.

20. Lenin wrote: *"Famine is approaching"* (*The Threatening Catastrophe And How To Fight It,* New York and London, 1932, p. 5).

21. V. I. Lenin, "Five Years of the Russian Revolution and the Prospects of the World Revolution," *Selected Works,* Vol. X, New York and London, p. 327.

22. Data of the Central Statistical Bureau of the Soviet Union. In contrast to the data of the capitalist countries these figures contain no fictitious elements, but only the actual newly produced and unconsumed values. That is to say, in agriculture for example, the value of new buildings, improvements and irrigation but no capitalist ground rent whatever.

23. "Socialist Construction," Central Administration for Statistics of National Economy, 1936, p. 33.

24. Fishing, hunting, lumbering, etc. included.

25. The following table shows how the Soviet Union has become independent of the import of foreign machines:

THE ROLE OF SOVIET MACHINE-CONSTRUCTION IN THE RECONSTRUCTION OF NATIONAL ECONOMY

	PERCENTAGE PRODUCED IN THE SOVIET UNION OF ALL NEWLY INSTALLED MACHINERY				
	Up to 1917	*1918-1928*	*1929-1932*	*Sept. 15, 1933-1934*	*Sept. 15, 1934-1935*
Boilers (excluding domestic boilers; according to heating surface)	39.9	57.1	57.2	76.9	82.5
Steam turbines (capacity)	0.5	10.8	16.7	51.8	85.2
Diesel motors (capacity)	37.3	73.8	72.8	74.7	77.3
Electro-generators (capacity)	12.3	23.5	33.7	90.3	91.6
Compressors	28.9	40.7	46.1	56.8	75.2
Pneumatic drills	—	22.9	34.9	81.6	86.7
Dredgers	28.6	58.3	88.2	100.0	No figures
Crushers	39.4	58.0	65.3	80.5	"
Cutting lathes	28.9	41.6	52.4	68.1	78.9
Electric welding apparatus	—	65.8	91.0	96.4	97.3
Saw frames	24.0	31.1	40.6	65.6	68.6
"Furko" machines for glass factories	—	—	87.5	100.0	100.0
Machines for paper and carton making	3.1	5.3	14.3	100.0	——
Linotypes	—	0.6	0.5	44.4	68.6
Ring-spinning machines (no. of spindles)	0.2	1.5	38.7	64.6	No figures
Looms (electrical drive)	65.1	74.1	87.7	83.4	"
Of which, automatic	1.0	90.0	99.8	95.3	"
Knitting machines for clothing and underwear	0.7	27.6	51.9	65.3	"
Sewing machines	9.0	20.4	44.2	78.2	"
Sewing machines for shoe making	—	2.4	16.4	72.3	"

26. *Stalin Reports: The World Situation, The Internal and International Position of the Soviet Union,* New York, 1934, pp. 29-30.

27. In the first years of the New Economic Policy, when the Soviet Union, as a result of the war, the civil war and intervention, was very impoverished, attempts were made, as is known, to give concessions to foreign capitalists to establish some works on the territory of the Soviet Union. The attempts had very poor results; after endless negotiations a dozen concessions came into being which, however, showed themselves very soon as not "capable of living," i.e., from the point of view of capital, in view of the severe laws of the Soviet Union for the protection of the workers, they did not yield the hoped-for high profits (as in the unlimited exploitation in tsarist Russia). Rapid socialist accumulation soon made concessions superfluous from the standpoint of the Soviet Union too; the concessions were not renewed when they expired, some were liquidated even before expiration. Their significance in the building up of the economy of the Soviet Union was nil.

28. J. Stalin, *On the New Soviet Constitution,* New York, 1936, p. 11.

CHAPTER II

1. The accumulation of capital is mainly completed in two phases. Individual firms reserve a part of their profit—present in money or bank securities—for later investment; individuals of the well-to-do classes do not spend their entire yearly income, but put a part on one side as "saved capital," as bank deposit. This is the first preparatory phase of accumulation. This is completed when the money capital is invested as productive capital. But since—as we will show in the following chapter—there is a surplus of productive capital, the transformation of the accumulated money capital into productive capital comes up against increasing obstacles. From this comes the characteristic surplus of loan capital in the period of the general crisis of capitalism. (The extensive creation of monopolies forms a further obstacle to the new investment of capital; we deal with this later.)

2. V. I. Lenin, "Imperialism, the Highest Stage of Capitalism," *Selected Works,* Vol. V, New York and London, p. 116.

3. "Report of the Sixth Congress of the Communist International," *International Press Correspondence,* Vol. 8, 1928, p. 1568.

4. We are accustomed to regard such products as inferior "substitutes" for the natural product. But history teaches us that many products which at first are regarded as temporary "substitutes," with improved methods of production lose their character as substitutes, and even drive out the natural product. As for instance beet sugar, which was introduced during the Napoleonic wars as a substitute, has taken on full citizenship; and chemical dyes have almost entirely ousted natural dyes, etc.

5. In the American motor industry, for example, during the crisis, a whole number of labour saving devices were introduced. We give here some examples taken from a private report to the planning department of the NIRA administration (Director Leon Henderson, Appendix B., Exhibit 16):

"A marked saving in the 1935 product of one company has been accomplished by making a one-piece stamping of the so-called underbody that incorporates all the features necessary, but eliminates the building and assembling of 30 parts as of the underbody of 1929. The estimated labor saving is 50 hours for the manufacturing and assembling of the above parts, which are entirely eliminated by the one-piece stamping of the underbody.

"A very marked improvement has been accomplished by one body company in the one-piece top made from a stamping. This has so simplified the top of the body that there has been a complete elimination of the 47 pieces which were built separately and assembled as the top of 1929. With the elimination of these above parts there has been a labour saving of 43 hours for making parts and 5 hours assembly of parts. Besides there is a further reduction of roof covering, sheet wadding, chicken wire or slats which saves 5 hours assembly cost, making a total saving of 53 hours by using a one-piece stamping for the top of the body.

"In one plant the modern, or 1935, door is made of one outside panel and one inside panel, hardware and glass. Both panels are one-piece stampings. The old,

or 1929, door was made from 26 parts listed below, and with the exceptions of hardware and glass, have been eliminated from the present model. The 1929 labour cost per door is estimated at $4.00. The new 1935 door labour cost is only 15 cents per door, accomplished by machine-welding the two parts together.

"At one body plant the following operations have been eliminated in the making of the body. The list shows these labour costs as of 1929 and present or similar labour corresponding to the eliminated operation:

	1929 Cost	*1935 Cost*
Body framing	$3.00	$0.30
Hand finishing body frames of wood before panelling	3.00	0.20
Roof assembly complete in wood	0.70	0.25
Hanging on door	0.60	—
Hanging fourdoors	—	0.09
Trimming the body	12.00	4.00
	$19.30	$4.84

"Less than five years ago a well-known auto manufacturer finished 100 eight cylinder motor blocks on a given line-up with 250 men. Today the same line-up finishes 250 motor blocks with 20 per cent more operations, using only 19 men. The men were paid on an average of $13.20 per 100 blocks per operation five years ago. Today, by doubling and tripling the number of machines, and using Tungsten Carbide tool tips, also by increasing the number of operations allotted to each operator, the operator has received a cut to $5.20 for the same operation he performed five years ago, and performs two or more operations in addition, all of which have been incorporated into his original operation."

6. The attempt to get at the development of fixed capital according to value came to grief, owing to lack of the requisite statistical data.

7. *Bulletin* of the League of Nations, July 1937. There is no index, divided in this way, for the capitalist world as a whole or for important countries.

8. Joseph Stalin, *The Results of the First Five-Year Plan,* London, 1933, pp. 26-27.

9. *Statistische Jahrbuecher des Deutschen Reiches. Internationale Uebersichten.* For the U. S. A.: *Statistical Abstract of the U. S. A.,* 1935. For the Soviet Union: Central Administration of the Statistics of People's Economy.

10. Tsarist Russia.

11. 1912.

12. *Year Book, World Economy,* 1936, p. 35, Russian.

13. Sources: *Statistical Year-Book of the League of Nations,* 1928, 1935-1936. *Commerce Year-Book,* 1932. *Statistical Abstract of the U. S. A.,* 1924. *Annalist,* 1936-1937. *Survey of Current Business,* 1936-1937. For 1936 partly current estimates.

14. 1914.

15. 1934.

16. *Statistische Uebersicht ueber die Kohlenwirtschaft im Jahre 1932,* pp. 42, 52, 112; *Steinkohle: Wandlungen in der internationalen Kohlenwirtschaft,* by Dr. Ernst Georg Lange, 1936.

17. Compared with 1913, machine building industry has increased 28 times. The growth of machine building made the radical reconstruction of all branches of national economy in the U.S.S.R. possible.

18. Jan. 1, 1932.

19. Jan. 1, 1936.

CHAPTER III

1. The division of industry made by Marx in *Capital:* Division I, the means of production; Division II, the means of consumption.

2. We will deal with the development of agricultural production in a special chapter. It is less characteristic for the struggle between the two systems than industrial development: first, because the *socialist* development of agriculture in the Soviet Union got going only in 1930 with the general collectivisation of agriculture; secondly, because the demand for agricultural products is relatively less capable of expansion than that for industrial products.

3. For 1913: *Sonderheft No. 31, 1933, Der Vierteljahrshefte zur Konjunkturforschung;* for 1936: *Annalist Index.*

4. We are well aware of the fact that the accuracy of the index figures of the industrial production of the world is not too exact; but the difference between the tempo of the development of production in the Soviet Union and in the capitalist world is so tremendous, that the statistical margin of error, be it ever so large, nevertheless loses significance.

5. WORLD POPULATION (*In millions*):

		RUSSIA—	WORLD,
	Total	*Present Territory*	*Excluding Russia*
1913	1,808	148	1,660
End, December 1934	2,077	171	1,906
			Increase 15.5 per cent

(According to the *Statistical Year-Book* of the League of Nations. 1928 and 1936.)

6. Taken from *New Data for Lenin's "Imperialism,"* edited by E. Varga and L. Mendelsohn, New York and London, 1939, p. 245, supplemented by data from the *Bulletin* of the League of Nations.

7. 1897-1913 including Russia, 1913-1936 excluding Russia or Soviet Union.

8. Post-war boundaries.

9. This thought runs like a red thread through Otto Bauer's book, *Zwischen zwei Weltkriegen?* (Between Two World Wars), Prague, 1936. Not the *general crisis* arising of necessity from the immanent laws of movement of capitalism, but the World War is made the root of all the evil.

10. Up to 1928, Wagenfuehr's Index in *Vierteljahrshefte zur Konjunkturforschung.* Special Number No. 31. From 1929 on, *Annalist Index.* The following comparison of all existing indices of world industrial production shows that the continuation of the Wagenfuehr Index by the Annalist Index is justified. (That of the League of Nations for 1928 and 1929 is re-calculated):

	WAGENFUEHR		ANNALIST	LEAGUE OF	GERMAN STATISTICAL OFFICE
	I VARIANT	II VARIANT		NATIONS	
1929	107.3	107	105.4	105.7	106
1930	94.5	93	92.3	91.2	—
1931	82.3	81	79.2	79.1	—
1932	69.5	—	66.4	66.6	65
1933	78.7	—	75.3	75.4	75

The variations fall within the limits of statistical error.

11. Average of first five months.

12. Up to 1935: *World Economic Crises, 1848-1935,* Vol. I, 1937, Russian. For 1936: U. S. A.: *Federal Reserve Bulletin;* England: *London and Cambridge Economic Service;* Germany: for all years the *old* Index des Instituts fuer Konjunkturforschung (for 1936

calculated by us); Japan: *Vierteljahrshefte zur Konjunkturforschung,* Special Number, No. 31, and *Bulletin* of the League of Nations.

13. In the present frontiers.

14. *Sources for both tables: Annuaire Statistique,* Stat. Generale de la France, 1931, 1932; *Annuaire Statistique de la Societe des Nations,* 1934-1936; *National Federation of Iron and Steel Manufacturers,* 1932; pp. 137-139. *British and Foreign Trade and Industry,* Board of Trade, 1903; *Lloyd's Register of Shipping,* 1923-1925, 1930-1931; *Statistisches Jahrbuch fuer das Deutsche Reich,* 1932; *Wirtschaft des Auslandes,* 1900-1927, Berlin 1928; *Monthly Return of Foreign Trade of Japan,* 1929-1932; *Die Kunstseide,* April 1933; *Motor Industry of Great Britain,* p. 79; *Statistisches Jahrbuch fuer das Deutsche Reich,* 1915, 1928, 1931; *Pester Lloyd,* Feb. 25, 1937; *National Automobile Chamber of Commerce,* 1931; *Frankfurter Zeitung,* Mar. 3, 1937. *Gesamtbericht,* World Conference, Berlin, 1930. Vol. II, p. 147; *British Sulphate of Ammonia Federation,* 1926-1929, 1930-1932; *Monthly Bulletin of Statistics,* League of Nations, No. 3, 3a, 1927; *Cotton,* Mar. 20, 1937.

15. Production of United States and Canada.

16. Agricultural year from August 1st to July 31st.

CHAPTER IV

1. E. G. Nourse and Associates, *America's Capacity to Produce,* Washington, 1934.

2. *Ibid.,* p. 175.

3. *Ibid.,* p. 141.

4. *Ibid.,* p. 47.

5. *Ibid.,* p. 155.

6. *Ibid.,* p. 55.

7. The absurdity of the concept of "practical capacity" is shown clearly by the fact that the cement industry in the years 1923-1925 was employed *above* "practical capacity" (p. 126).

8. *Ibid.,* pp. 415, et seq.

9. *Ibid.,* p. 422.

10. This naturally is not quite exact. In the years 1930-1931 the productive capacity of the industry of the United States was considerably raised by the completion of the new plants begun during the boom (in the steel industry, for example, by seven million tons yearly capacity). In the years 1932-1933 capacity was reduced through the breaking up of plants. The two opposite movements should have more or less compensated each other. The calculations of the Brookings Institution themselves are only approximate so that this inexactitude is not significant.

11. *Statistical Abstract of the U. S. A.,* 1935, p. 748.

12. As the book says: "Reviewing all available data, we conclude that the capacity of all inactive plants in manufacturing and mining in 1929 can hardly have amounted to five per cent of the capacity of active plants and was probably less" (p. 420).

13. *Wochenbericht der Institut fuer Konjunkturforschung,* Sept. 11, 1935.

14. 1929-1933: from *Statistisches Handbuch der Wirtschaft,* Berlin, 1936, p. 12. 1934-1936: *Vierteljahrshefte zur Konjunkturforschung,* 1937, No. 4, Section B., p. 94.

15. The position of the utilisation of energy in English industry gives a certain indirect indication of the amount of non-utilisation of productive capacity:

MOTIVE POWER INSTALLED IN ENGLISH INDUSTRY

(*In million horse power*)

1912	*1924*	*1930*
10.22	14.36	16.25

(*Fourth Census of Industrial Production of United Kingdom* 1930, Part V., p. 3.) In 1930 the supply of energy was 60 per cent greater but production was 10 per cent less than in 1912. From this it can be gathered how great an excess of productive capacity there must have been in the post-war period!

16. A direct proof of this is the difference in the monthly production in the course of the year and the highest production.

17. *Statistical Abstract for the United Kingdom, 1919-1935.*

18. *Indices Generaux du mouvement economique en France,* Paris, 1932; *Annuaire Statistique de la France,* 1935; *Bulletin de la Statistique de la France,* 1936.

19. On the tendency towards the abandonment of world economic division of labour, see Chapter X.

20. In the book by Nourse, *America's Capacity to Produce,* criticised above, it is argued that a full utilisation of productive plants would also be impossible owing to the lack of the necessary labour forces. This argument rings somewhat unconvincingly in view of the chronic mass unemployment, but in so far as it is tenable would prove that too great a part of the total social capital has been given the natural form of fixed capital, i.e., there is a surplus of fixed capital.

21. Our blast furnace workers have achieved the following coefficient of utilisation of heating surface of blast furnaces operating on coke: 1935—1.20; 1936—1.08; 1937—1.03 (according to plan). The best works of the U.S.S.R. in 1936 have achieved even better results: viz., Makeyevka works, 0.91; Dzerjinsky Works, 0.93; Zaporozhstal, 1.00; Kuznets Stalin Works, 1.00. In the United States of America the average coefficient of utilisation of blast furnaces in 1923 was 1.34; in 1925, 1.28; in 1927, 1.24. For Germany there are figures only for individual factories: the average coefficient of utilisation in the works, Gute Hoffnungs, Thyssen (Hamborn), Dortmund-Union, Ruhrort-Meidrich, Mannesmann, Krupp etc. (25 blast furnaces with an average of 745 cubic metres) is 1.01.

The Stakhanov movement has shown obvious results. The old projected capacity of the rolling mill, "Five-Hundred," in Magnitogorsk, was estimated at 320,000 tons of rolled steel per year. In 1936 this rolling mill yielded about 480,000 tons. Its new capacity has been set at 750,000 tons.

The one-time capacity of the Magnitogorsk Blooming Mill amounted to 1,000,000 tons per year. In 1933 it was producing 1,200,000 tons. The new Stakhanov capacity amounts to 1,600,000 tons.

The blooming mill in the Aliquippa Works in the United States, in its record year, worked up 1,171,000 tons, and in its most productive month 110,000 tons. The same kind of blooming mill which is established in Magnitogorsk, worked up 118,000 tons in November 1936. (From the magazine, *Bolshevik,* No. 2, 1937.)

22. It is probable that in future times socialist society will be so rich, the productivity of labour so high, that there will be no more night work; a few hours a day will suffice to supply everyone according to his needs.

CHAPTER V

1. The inhuman speed-up in the American automobile factories is described by the NIRA administration in a private mimeographed report (Director, Leon Henderson. Research and Planning Department—Current Report on the Regulation of Employment and Improvement of Working Conditions in the Automobile Industry, January 23, 1935). The report was withdrawn from circulation as it was too honest in its exposure of the conditions in the automobile industry. It says:

"There scarcely can be two views on the desirability of the 'speed-up' as practical in many plants of the industry to-day... The only reason that it can exist as at present is because of the huge available supply of labour through which, as one man falls by the wayside, another is there to take his place. The automobile industry throughout its history has always been efficient and became more efficient through the decade of the 1920's. At the end of this decade it had reached a peak of practical efficiency, that is, efficiency which takes into account human capabilities from an effective industrial

engineering standpoint. The industry led the country in effective time study of its operations and the time study men gradually brought its operations to this efficient peak. The competitive conditions of the past few years have reached down to these time study men. They have been forced to show how to make inequitable reductions in working time to hold their own jobs, and, from setting jobs on an efficient basis, they have come to set them on a speed-up basis that puts production demands beyond human capacity to produce day after day" (p. 48).

2. Even when the worker is paid by piece-work, the capitalist has an interest in increasing output, as his fixed capital is better utilised, and therefore more rapidly paid off, and the turnover of his capital accelerated.

3. *Op. cit.*, p. 7.

4. Data of the Federal Reserve Board (*Federal Reserve Bulletin,* February, 1937). The "output" has been calculated by us, by dividing the index of production by the index of the degree of employment. It must be emphasised here that the index of employment is calculated monthly on the basis of the *number* of workers on the wages list —without taking into consideration whether they have worked 25 days or only one day.

5. These figures are naturally of limited accuracy, as the index of degree of employment is calculated on the basis of reports from factories which employ only about 40 per cent of all workers. But they are amply sufficient as an illustration of the great line of development.

6. The index of the number of labour hours worked was calculated on the basis of the absolute figures published by the National Industrial Conference Board; the index of hours per worker by multiplying the number employed by the number of labour hours worked; the labour output per hour finally by dividing the index of production by the index of labour hours per worker.

7. Hopkins, former head of the Works Public Administration in the United States, writing about the increase in the labour output of the American worker (*New York Times,* May 23, 1937), points out that as a result of the increase and improvement of machinery, the American worker in 1935 produced on an average 39 per cent more than in 1920 and 10 per cent more than in 1929. These figures more or less coincide with our calculations.

8. INDEX OF MACHINE PRODUCTION OF THE UNITED STATES

(*1929 = 100*)

1931	*1932*	*1933*
26.3	12.6	27.7

(*Bulletin* of the League of Nations.)

9. *Vierteljahrshefte zur Konjunkturforschung,* Vol. II, 1936, No. 2, Part A, p. 1133.

10. "In this and the following column limits are given, as the number of industrial workers concerned can only be estimated within certain limits of error," the work mentioned states.

11. *London and Cambridge Economic Service.*

12. From the total figures of those employed given by the *Ministry of Labour Gazette,* the labour forces not working in value-creating branches of industry have been excluded (trade, banks, etc.). The number of those employed in 1924 has been taken by us as 100. The index of the output per worker is calculated by us by dividing the index of production by the index of the number employed.

13. Production and degree of employment according to *Statistical Bulletin* of the League of Nations; labour output calculated by us.

14. V. I. Lenin, "The Great Beginning," *Selected Works,* Vol. IX, New York and London, p. 438-439.

15. The data applies to 80 per cent of all workers in big industry in 1934.

16. This is an international phenomenon, about which there is a considerable amount of literature. See, for example, the series of the *Verein fur Sozialpolitik; Auslese und Anpassung der Arbeiterschaft;* Leipzig, 1910-1912.

17. Joseph Stalin, *"Speech to the First All-Union Conference of Stakhanovites," Labour in the Land of Socialism,* 1936, pp. 17-18.

18. For instance the well-known sweater, the Czech shoe manufacturer, Bata, drove on his workers with the slogan, "Work like Stakhanovites."

19. *Ibid.,* p. 33.

20. In the heroic fight of the Spanish workers against native and foreign fascists, groups of active workers in the war industry were formed who doubled the normal output and went to the neighbouring fronts in their free time in order to repair the arms and tools of the soldiers on the spot. They proudly called themselves "Stakhanov workers."

21. V. M. Molotov, *Articles and Speeches,* 1935-1936, p. 102, Russian.

CHAPTER VI

1. *Capital, Vol. One,* op. cit., pp. 643-644.

2. *Ibid.,* p. 645.

3. *Sources: International Labour Review; Monthly Bulletin of Statistics.* The following countries are included: Germany, Australia, Austria, Belgium, Bulgaria, Canada, Chile, Denmark, Danzig, Spain, Esthonia, United States, Finland, France, England, Hungary, Dutch East Indies, Ireland, Italy, Japan, Latvia, Mexico, Norway, New Zealand, Portugal, the Netherlands, Poland, Rumania, Sweden, Switzerland, Czechoslovakia, Yugoslavia.

4. Partly estimated.

5. In England, as is known, there is state unemployment insurance, which is compulsory for the whole English working class, with the exception of a few branches (domestic servants, formerly agricultural workers).

6. Of course it is not the same workers who are continuously without work; a small part of the workers has continuous employment; a part (in the "depressed areas") is unemployed without a break from one year's end to another; the great mass is alternatively in and out of work.

7. *The Economist,* Feb. 27, 1937, p. 457.

8. *Statistical Bulletin* of the League of Nations, March, 1937.

9. National Industrial Conference Board Service Letter, January, 1937.

10. *Economic Notes,* February, 1937.

11. Supplement to National Industrial Conference Board Service Letters, March, 18, 1937.

12. The enormous lowering of the skill of the unemployed in the United States during the last crisis was officially described as follows: "Nearly one-fifth of all employed workers on city relief rolls have shifted occupations during the depression. Most of these workers have moved down the occupational scale, according to a recent study made by the Federal Emergency Relief Administration of employed workers who were on relief because their earnings were not sufficient to support their families. The downward occupational trend was particularly noticeable among the skilled workers. *Out of every 100 skilled workers who changed jobs, 78 went into the semi-skilled and unskilled trades.* Owners of retail stores, business managers and officials were affected almost as severely. Most of this group who had come on relief found jobs in semi-skilled occupations. A few had become clerical workers or unskilled labourers in factories and on construction jobs. One-fifth of the professional persons, such as teachers, lawyers and doctors who requested relief, had been forced down to a lower occupational level. Many of these found jobs in hotels, restaurants and private homes. There was very little occupational shifting among the unskilled workers for the simple reason that they could not retreat to a lower occupational level. The occupational shifts downward among skilled workers, professionals and proprietary occupations have further increased the competition among unskilled workers for the limited work opportunities available." (*Labor Information Bulletin,* Department of Labor, Washington, May, 1935, p. 21.)

13. Nov. 14, 1935.
14. *Berliner Tageblatt,* June 5, 1936.
15. *Statistical Abstract of the United States,* Census of the U. S. Population, General Report, Vol. 1.
16. Data for 1920 and 1930.
17. *Monthly Labour Review,* Department of Labor, Washington.
18. *Monthly Labour Review.*
19. *Federal Reserve Bulletin,* March, 1937.
20. Current figures.
21. Part of the transport workers, e.g., chauffeurs of private motor cars, do not belong to the category of productive workers.
22. *Statistisches Jahrbuch fuer das Deutsche Reich,* 1930-36.
23. *Konjunkturstatistiches Handbuch,* 1936, p. 52.
24. *Census of England and Wales* for the respective years.
25. *Ministry of Labour Gazette,* various issues (grouped by us).
26. *Statistik des Deutschen Reiches,* Vol. 453, pp. 2-8.
27. We deal with wages, labour time and other factors which further determine the position of the working class in Chapter XII.
28. *Capital, Vol. One, op. cit.,* p. 643, 645.
29. *Capital, Vol. III,* p. 309, Kerr edition
30. Joseph Stalin, *Leninism,* Vol. II, New York, pp. 371-372.
31. *Ibid.,* p. 373.
32. All the more as many of the old cadres of skilled workers died in the World War and in the civil war; a very large number of the best workers went from manual work into *leading* and organisational work in the factories, into the party and state apparatus and into the Red Army; many skilled workers during the civil war went back to agriculture in their native villages so as to avoid the famine in the towns, etc. There was a considerable number of foreigners among the pre-war engineers and technicians, who during the World War mostly left the country or were interned. Some of them fought on the side of the counter-revolution during the civil war and fled abroad with the Whites, etc.

CHAPTER VII

1. Frederick Engels, *Herr Eugen Dühring's Revolution in Science (Anti-Dühring),* New York, 1939, p. 301.
2. Joseph Stalin, *Report to the 15th Party Congress,* London, p. 25.
3. See E. Varga, *The Great Crisis and Its Political Consequences,* Chapter I, New York and London, 1935.
4. Here—like Marx—we leave out of account that part of *c* which is not renewed in the course of the period under investigation.
5. *Capital, Vol. One, op. cit.,* p. 772.
6. V. I. Lenin, *Selected Works,* Vol. I, New York and London, p. 223.
7. V. I. Lenin, *Collected Works,* Vol. III, p. 120, Russian edition.
8. *The World Economic Crisis,* Vol. I, p. 488, Russian.
9. In the United States the mileage operated by the so-called first class railways fell from 408,000 miles in 1930 to 405,000 miles in 1933. (*Statistical Abstract of the U. S. A.,* 1936, p. 363.)
10. This capital export to highly industrialised Germany we term "abnormal" because it was due to the impoverishment of Germany by the war and the burdens of reparations.
11. See *New Data for Lenin's "Imperialism," op. cit.*
12. Only a small portion of the goods—chiefly the foodstuffs and handmade products which are brought by the peasant collective farms to the local market—are sold at

"free" prices; as however, the state too trades in the same foodstuffs at fixed prices, these "free" prices must also adapt themselves very considerably to the state prices.
13. Economic planning for a people of 170 millions is naturally a very complicated business; a picture of this would go far beyond the limits of this work. We would only like to stress here that economic planning is carried on by no means in the mechanical-bureaucratic fashion as our enemies often maintain in their malicious misrepresentation. Economic planning in the Soviet Union is very elastic. Production and consumption is planned centrally for the whole territory and for all branches of production in general. Certain branches of industry are managed centrally for the whole territory; in other branches of industry only large enterprises of a "character appertaining to the state as a whole" are centrally managed, while smaller enterprises are managed by the separate states. Certain enterprises (trams, gas and water works. power stations, etc.) are—within the framework of the plan—run by the town authorities; while the big construction works are run centrally, construction from materials obtained on the spot are left to the local authorities. There could be no greater mistake than to regard the planned economy of the Soviet Union as a bureaucratic system.
14. An over-production of particular goods can arise through defects in planning, but this does not in any way arise of necessity, for social reasons as under capitalism; it is an "accident" which is easy to overcome. Those shifts in the carrying out of the plan due to unequal success of the harvests are likewise accidental.

CHAPTER VIII

1. U.S.A.: *Agricultural Situation,* No. 12; 1935 and No. 3; 1937; Prices received by the farmers. Germany: *Statistisches Jahrbuch fuer das Deutsche Reich,* 1935-1936; *Revue Internationale d'Agriculture,* No. 2; Wholesale prices. France: *Annuaire Statistique Generale de la France,* 1935; *Bulletin de la Statistique Generale de la France, Supplement Mensuel,* March, 1937. Poland: *Annuaire Internationale de Statistique Agricole,* 1934-1935, 1933-1934; *Revue Internationale Agricole,* No. 2, 1937; Prices received by the peasants.
2. Some special factors also play a certain role—the squeezing out of horses by motors frees for other purposes many million hectares of land which formerly served for the production of fodder.
3. EXTENSION OF CULTIVATED LAND

	U.S.A.		CANADA	
	1913	*1919*	*1913*	*1919*
	(in million hectares)		(in million hectares)	
Cultivated area	101.3	108.8	10.3	16.1
Of which, wheat	20.3	30.6	4.5	7.7

4. *Annuaire Statistique* of the League of Nations, 1936-1937, p. 160. (The data given earlier are *not* comparable with these figures as the index has been recomputed.)
5. *Survey of Current Business, Supplement,* 1936, and March, 1937, Department of Commerce, Washington.
6. REDUCTION IN THE USE OF AGRICULTURAL MACHINES

	1928	*1929*	*1930*	*1931*	*1932*	*1933*	*1934*	*1935*
United States: Sales of agricultural machines for home market (in million dollars) (*Farm Implement News,* various issues)	——	458	381	192	116	119	180	302

Germany: Home consumption of agricultural machines (in million marks), (*Wochenbericht,* April 22, 1936, *Koelnische Zeitung,* Feb. 3, 1937)	245	215	155	100	80	120	140	200
Poland: Domestic production and import of agricultural machines (1928=100) (*Konjunktura Gospodarsza* No. 4, 1937)	100	76	44	22	9	10	11	15

A large part of the reduction is naturally due to the fall in prices. But the decline per unit is also tremendous.

SALE OF AGRICULTURAL MACHINES IN THE U.S.A.

	Tractors	*Threshers (in units)*	*Combines*
Highest figure per year in the period 1921-1929	160,637	19,666	14,662
Highest figures 1931	93,632	8,172	5,280

(Source: *Farm Implement News,* June 22, 1933.)

The decline in the sale of machines is even sharper in the western agricultural districts of Canada. There were sold:

	Tractors	*Threshers (in units)*	*Combines*
1928	17,143	6,247	3,657
1933	777	182	77

(Source: *Canadian Farm Implements,* December, 1933.)

In 1935-1936 the sale of tractors in the United States rose considerably; in Canada it still remained considerably below that of 1928.

7. V. I. Lenin, *Selected Works,* Vol. IX, New York and London, pp. 108-109.

8. The Soviet power liquidated the landlord class and transferred to the peasants more than 370,000,000 acres of land formerly owned by the landlords, the government and the monasteries, in addition to lands which were already in the possession of the peasants. This is a fact and not a promise. (J. Stalin, *On the New Soviet Constitution,* New York, p. 19.)

9. The right-wing traitors, Bukharin, Rykov, Tomsky, on this basis proclaimed the wrong, anti-Leninist, counter-revolutionary theory of the rich peasants "peacefully growing" into socialism.

10. See the interesting book by Larin, *Private Capital in the U.S.S.R.* Moscow, 1925, Russian.

11. V. I. Lenin, *Selected Works,* Vol. IX, p. 179.

12. J. Stalin, *Leninism,* Vol. II, New York, pp. 183-184.

13. In the enthusiasm for collectivisation much was overdone: in some places not only the land and the means of production were included in the collective farm, but also the cows, sheep, poultry which served to feed the peasant family, which aroused great dissatisfaction among the peasant women. In many places the Party and Soviet organs used pressure in order to accelerate the process of collectivisation—instead of moving the peasants towards collectivisation by propaganda and agitation. Stalin's famous article "Dizzy with Success" put an end to these excesses.

14. 1936.

15. Two of the achievements of Soviet agronomy are of particular importance: the *Yarovisation* (vernalisation) *of winter wheat,* carried out by Academician Lyssenko,

i.e., the use of a process which makes it possible to sow the rich yielding winter wheat in the spring. (In the spring of 1936, 5 million hectares were already sown with vernalised winter wheat.) The second is the crossing of wheat with wild dog-grass, which results in a new kind of perennial wheat, with the finest grain.

16. While the bread problem has been conclusively solved in the Soviet Union, it has become acute in fascist Germany: it is forbidden to sell fresh bread, 70 per cent of maize flour must be mixed with the flour and a large proportion of bran must be milled in with the flour, etc. The re-introduction of bread cards is not far off.

CHAPTER IX

1. This basic law of the formation of prices in every commodity economy has numerous modifications under capitalism: there is an equalisation of prices within the individual branches of production; a discrepancy between price and value in an attempt to ensure the uniformity of the rate of profit; monopolies modify the formation of prices, etc.; but this falls outside the scope of the present analysis.

2. Most countries, France, Italy, Belgium, etc., took the existing exchange value of their currency as the basis for determining the gold content of the new currency. In Germany the new mark was equated in gold content with the pre-war mark, but a billion (a million-million) of the circulating paper marks were equated to one new mark.

3. Some countries—Germany, Poland, Hungary—nominally maintained the gold parity of their currency, but turned their currency into a *home currency,* the import and export of which is forbidden and which has a high *disagio* in free transactions.

4. First months; data from the *Bulletin* of the League of Nations.

5. In Germany there are a dozen kinds of marks with different ways in which they can be used: *Altguthaben, Effektensperrmark, Notensperrmark, Kreditsperrmark, Reisemark, "Askimark,"* etc. They can only be used at home; and in part they serve to finance dumping. The exchange rate of the "blocked" mark is continually falling on the London Stock Exchange.

DEPRECIATION OF THE "EFFEKTENSPERRMARK" IN PER CENT IN DECEMBER

(According to the *Financial News*)

1933	*1934*	*1935*	*1936*
39	61	77	79

If a foreigner takes a railway ticket for Germany in foreign currency then he gets a 60 per cent discount compared with the price at the official rate of exchange of the German mark.

6. *Capital,* Vol. III, p. 298, Kerr edition.

7. *Capital,* Vol. III, p. 419, Kerr edition.

8. WORLD GOLD PRODUCTION IN MILLION GOLD FRANCS

1911-1915	*1916-1920*
2,382	2,031

(*Annuaire Statistique de la France,* 1934, p. 405)

9. How successfully monopolies were able to resist the reduction of prices in the 1929 crisis is shown by the following figures:

INDEX OF FREE PRICES AND MONOPOLY PRICES

	AUSTRIA (1923-1931 = 100)		GERMANY (1926 = 100)		POLAND (1928 = 100)	
	Monopoly	*Free*	*Monopoly*	*Free*	*Monopoly*	*Free*
1929	99	100	105	99	107.7	93.6
1930	96	87	103	80	108.9	81.0
1931	91	76	94	61	107.8	63.7
1932	93	73	84	48	93.0	49.1

Sources: Austria and Germany; according to *World Production and Prices 1925-1933*, Geneva, 1934. Poland: *Konjunktura Gospodarcza* (the last line gives the prices for 1933, not for 1932).

10. We take 500 instead of 100 as a basis for France in 1913, to correspond to the gold content of the franc of 1926 which had been reduced by a fifth.

11. *The History of the Civil War in the U.S.S.R., op. cit.*, p. 37.

12. For the duration of the civil war, Soviet power plays a very big rôle in the estimation of the currency by the population; in those areas where Soviet power is strong Soviet money has a better rate of exchange than in those areas threatened by the enemy; even in little Hungary this could be observed during Soviet power in 1919.

13. *Our Money Circulation*, edited by L. N. Yurev, Moscow, 1926, Russian.

CHAPTER X

1. December 11, 1935. Any number of similar examples can be given.

2. Wagenfuehr, *Die Bedeutung des Aussenmarktes fuer die deutsche Industriewirtschaft*, Berlin, 1936.

3. *Ibid.*

4. For 1928-1931: *Wochenbericht des Instituts fuer Konjunkturforschung*, January 11, 1933; for 1932-1936: *Annalist*. For 1936: current figures.

5. *Statistisches Jahrbuch des Deutschen Reiches*, 1936, p. 126.

6. If we take into consideration the fact that the World War turned part of the previous home trade into foreign trade through the dissolution of the Austria-Hungarian monarchy, the expulsion of Turkey from Europe, and the change of some of the previous western provinces of the Russian tsarist empire into independent states, the lagging behind of foreign trade appears much greater.

7. For figures, see Chapter III.

8. The significance of foreign trade in the entire economy of a country is as a rule underestimated. The United States exports about 6.7 per cent of her production, Germany 10-12 per cent, and only small industrial countries like Belgium, or agrarian monoculture countries like Egypt or Brazil, export a large part of their production. Still, for *individual* branches of production, for the question of the *balance* of trade and payments and for the *stability of the currency*, foreign trade is of great importance to all countries.

9. *Statistical Year Book* of the League of Nations, 1935-1936.

10. As an example of this, the following report on Yugoslavia may serve. (In *Der deutsche Volkswirt*, August 30, 1936): "The food industry of Yugoslavia completely covers its own needs. In 1924 products of the food industry to the value of 379 million *dinar* were still imported. The textile industry had developed a great upward movement, relatively and absolutely, which, under the influence of the Jewish emigrants from other countries—with machinery partly brought with them—made a new drive upwards. Only recently three new spinning mills were opened. In the wool industry development has gone so far that to-day men's and women's materials in sufficient quantities and of good quality are being produced; and production has even started in clothing. In the silk industry, artificial silk thread is imported on a big scale for weaving. Finished dresses, underclothes, stockings, ties, stitched, embroidered, knitted, fashionable goods, hats are being produced in the country itself to an ever increasing extent in all qualities. The leather industry also for ten years has been approaching self-sufficiency with big strides. The import of soles has practically ceased. The import of finished shoes has completely stopped. The well-known Czech firm Bata—against the vigorous opposition of the home shoe factories—built in Vulkovar on the Danube, an enormous factory with 2,500 workers, and owns its own shops throughout the country. Apart from shoes, the production of other fine leather goods

like hand bags, suit cases, purses, belts, etc. is continually increasing. Mass articles of glassware are to-day produced at home. The chemical industry works partly for export. Also copper, lead and zinc extraction, as there are no smelting works in the country. The machine building industry and construction of apparatus is steadily extending. Instruments, tools, apparatus, small machines and small iron articles, even the production of bulbs, switches, etc. are steadily being developed. The competitive capacity of industry is favoured by extremely low wages. On August 9, 1935, a large Belgrade newspaper printed a report on the conditions of a macaroni factory in Serajevo, where the women workers received a weekly wage of 48 *dinar* for a working day of 14 hours, equal to 2.75 marks, i.e., a little over three pfennigs an hour." Similar reports come from other agrarian countries.

11. According to Wagenfuehr's estimates in 1928 the United States and Europe, i.e. Western Europe, produced 90 per cent of the world means of production. (*Die Bedeutung des Aussenmarktes usw.*, p. 52.)

12. Particularly characteristic is the cultivation of sugar beet in England, encouraged by the state (although there is an enormous surplus of sugar on the world market), and the cultivation of hemp, flax and oil seed in Germany.

13. *Statistical Year Book* of the League of Nations, 1935-1936.

14. Up to 1934: *Annuaire Statistique*. 1934, 1935 and 1936: according to the *Bulletin* of the League of Nations, April 1937, p. 148. The figures of the second source are slightly lower for the corresponding years than the first.

15. The Soviet Union publishes no data on gold production.

16. *Statistisches Jahrbuch des Deutschen Reiches*, 1935, p. 170, and 1936, p. 210. 1936 approximately calculated by us.

17. The continual stream of gold to the United States aroused fears there of a new inflation. Therefore the newly introduced gold becomes "sterilised," i.e. it may not serve as the basis of a further expansion of the issue of bank notes. This at a time when in a number of capitalist countries (for example, Germany) bank note circulation is without any gold cover whatsoever.

18. NUMBER OF INHABITANTS OF SOME NEW TOWNS

(*In thousands*)

	End 1926	*End 1931*	*Beginning 1936*
Magnitogorsk	No figures	64	211
Karaganda	"	—	119
Alma Ata	44	108	197
Murmansk	7	29	104
Kemerovo	21	48	124
Stalinsk	4	52	220

19. With the all-embracing development of production of the Soviet Union, foreign trade has become smaller absolutely in the last ten years:

	1930	*1935*
	(*in million rubles*)	
Import	1,036	367
Export	1,059	241

Compared with the tremendous development of production, the decline is far greater. At the same time the character of export is changing: in the place of raw materials, the export of industrial goods is moving parallel with the industrialisation of the country.

20. The following figures show the technical-economic independence from the capitalist world achieved by the U.S.S.R. as a result of the socialist reconstruction of national economy.

	Import in Per Cent of Home Consumption		*Home Consumption (1913 = 100)*
	1928	*1935*	
Machines for industry and transport	20.9	1.0	1,595
Agricultural machinery	41.3	0.0	587
Tractors	100.0	0.0	3,024
Automobiles	100.0	0.3	4,493
Aluminium	100.0	2.0	1,417
Rubber	100.0	59.9	500
Cotton	46.9	7.4	142
Paper	24.0	0.0	197

CHAPTER XI

1. V. I. Lenin, "State and Revolution," *Selected Works,* Vol. VII, p. 32.

2. The most widespread was the purchase of shares of monopoly concerns threatened with bankruptcy in Germany (Hapag, United Steel Works, Dresdner Bank, etc.); Italy (purchase of shares in needy industrial companies by a state bank); United States (purchase of bank shares by the Reconstruction Finance Corporation, etc.).

3. In the course of 1936, in Germany the following shares taken by the state during the crisis were re-sold to the corresponding undertakings:

	Million Marks
German shipbuilding and machine construction	nominally 3.6
Steel company	100.0
Hamburg-South shipping company	8.2
Commerce and private bank	22.0

Schacht's organ, the *Deutsche Wolkswirt,* in the issue of Oct. 13, 1936, p. 319, remarks in this connection:

"Considerations of a fundamental nature, particularly the line, self-understood from the point of view of National Socialist teachings about the state, of our present-day economic policy to direct economy to a united goal, and in consonance with this to lead it, but not to undertake the management ourselves, may have played a more vigorous rôle in these cases compared with immediate, practical points of view. Also the fact that in all four cases it was originally a question of pure state assistance, has without doubt been of considerable importance."

4. The *Deutsche Institut fuer Konjunkturforschung* (second quarterly, No. 1935, Part A., p. 202), gives the following calculation for the quantitative significance of the armament industry:

	Milliard Marks
War expenditure of world, 1935	30
Of which for industrial goods	10-15
Price sum of world industrial production, 1935	275
Share of armaments production in total industrial production	3.6-5.5 per cent

For the countries with a *large* armaments industry the percentage is naturally higher. The Institut estimates the percentage of the armaments expenditure of the national income 1934-1935:

France	*Japan*	*Italy*
12	10	10

Even if these figures are underestimations, even if the indirect effect of armaments on the supplying branches of industry are taken into account, it is nevertheless clear that the increase of industrial production in 1934-1936 cannot be explained solely as war business.

5. G. D. H. Cole, *Principles of Economic Planning,* London, 1935, p. 1.

6. Sir Arthur Salter, *The Framework of an Ordered Society,* London, 1933, p. 23.

7. The Belgian Neo-Socialist characterised the "uniting" effect of the "Plan of Work" as follows: "The plan is of such a kind that it satisfies and coalesces the right and the left in the party. The left—because it ties the coalition with other parties to definite conditions, because it intervenes in the structure of the régime itself and thereby springs over the old and artificial antagonism between reform and revolution. The right—because it allows any kind of coalition, because it calls for democratic methods and for winning general support. All elements of the Party will once again join together around this plan." (*Bulletin Quotidien,* Jan. 20, 1934.)

8. *Die Internationale Gewerkschaftsbewegung,* leading article in No. 1/4, 1935, p. 1.

9. The codes of heavy industry set up within NIRA so shaped prices in favour of the big monopolists that the independent iron works of the south sold their products as *scrap,* instead of delivering them at the prices determined in the code.

CHAPTER XII

1. The *Programme of the Communist Party of the Soviet Union,* written by Lenin, says: "... leads to the relative and sometimes to the absolute impoverishment of the proletariat."

2. "His natural wants, such as food, clothing, fuel and housing, vary according to the climatic and other physical conditions of his country. On the other hand, the number and extent of his so-called necessary wants, as also the modes of satisfying them, are themselves the product of historical development, and depend therefore to a great extent on the degree of civilisation of a country, more particularly on the conditions under which, and consequently on the habits and degree of comfort in which, the class of free labourers has been formed. In contradistinction therefore to the case of other commodities, there enters into the determination of the value of labour power a historical and moral element. Nevertheless, in a given country, at a given period, the average quantity of the means of subsistence necessary for the labourer is practically known." *Capital, Vol. One, op. cit.,* p. 150.

3. It is clear that labour of higher intensity requires a larger compensation in the means of subsistence than labour of less intensity.

4. *Ibid.,* pp. 151-152.

5. For the method of calculation see the appendix to my book *The Great Crisis and its Political Consequences,* New York and London, p. 220.

6. According to the Marxist theory of value, no new value is created in trade; the profit of commercial capital is merely a part of the surplus value appropriated in production, which is allowed to commercial capital by productive capital by letting commercial capital have the goods under the price of production in order thereby to shorten the period of the turnover of productive capital.

7. National Industrial Conference Board, *Wages, Hours of Work, and Employment in the United States, 1914-1936,* New York, 1936, p. 44. For 1936, *Supplement to Conference Board Service Letter,* April 29, 1937.

8. The intensity of labour, i.e., its exhausting effect on the worker, naturally does not coincide with so-called "heavy" work, i.e., with the demand for muscular force. "Light" work, for example the operation of a single, simple movement, can call forth the highest intensity, due to its eternal rapid repetition at the conveyor, which one-sidedly brings into play always the same nerves and muscles.

9. Including spinning and weaving, metal industry, chemicals, food industry and others.

10. *Economic Statistics of Japan,* 1934, p. 103, Monthly Circular, Mitsubishi, No. 162, April 1937.

11. Particularly crass is the absolute impoverishment of that part of the Japanese proletariat which has least resistance, the textile working women. (The following table —somewhat simplified, is taken from the book of G. E. Hubbard, *Eastern Industrialisation,* London, 1935, p. 119):

	1920	*1933*
No. of working women per 10,000 spindles	344	173
No. of spindles per working woman	29.1	61.2
Daily output per working woman (pound)	18.94	28.15
Average daily wage per working woman (yen)	1.10	0.75

A very sharp rise in labour output goes parallel with the fall in real wages shown above.

12. *Statistical Bulletin* of the League of Nations, Sept. 1937, p. 412.

13. In some cases the "substitute" has already been replaced by a new and even worse substitute. The *Manchester Guardian,* (June 26, 1937), points out that as a result of the shortage of grain, coffee substitute is no longer produced from malt. A new coffee substitute which is a substitute for malt is recommended for the army canteens by Herr Himmler, the head of the Police and the S.S.

14. *Statistical Bulletin* of the League of Nations, October, 1937.

15. We should like to stress here that the form of the money wages of the fully employed worker, although it does not give any measure for the position of the working *class, must be studied by us with close attention,* as it forms an important element in trade union tactics and wage struggles.

16. *Condition of India,* being the Report of the Delegation sent to India by the India League in 1932, London, 1932.

17. *Bombay Chronicle,* March 1, 1937.

18. League of Nations, *Le probleme de l'alimentation* (Problem of Nourishment), 4 vols, Geneva, 1936.

19. J. B. Orr: *Food, Health and Income,* London, 1936, p. 43. The author is a well-known scientist, the director of the Research Institute on Animal Nutrition.

20. *Le probleme de l'alimentation,* Vol. 1, p. 55.

21. *Ibid.,* Vol. III, p. 63.

22. In the same source, we find about Poland (Vol. III, p. 272): "This extremely inadequate régime (of the employed worker) is a régime of luxury compared to that of the unemployed."

23. Appendix B, Exhibit 19, p. 9.

24. *Das Ende des Kapitalismus,* p. 102.

25. *Die Tat,* No. 12, March 1932.

26. As is well-known the percentage of Jewish doctors, lawyers, journalists, etc., in Germany was many times higher than that of Jews as a whole.

27. *Bergwerkszeitung,* January 8, 1936.

28. BIRTHS PER 100 INHABITANTS

	1913	*1920*	*1934*
United States	—	2.97	—
Germany	2.75	2.54	1.80
England	2.42	2.54	1.52
France	1.88	2.14	1.61

Since 1920 when, after the war, the figures of births and marriages shot up, the numbers are steadily dropping. There is practically no increase in population at the moment.

29. D. Z. Manuilsky, *The Results of Socialist Construction in the U.S.S.R.,* Seventh Congress Report.

30. *Statistical Year-book of the Council of the Congress of Industry and Trade Representatives,* Petrograd, 1914, p. 762, Russian.

31. *Year-Book, World Economy,* 1936, p. 40, Russian.

32. Estimated.

33. See *Leaders of the Soviet Trade Unions,* edited by A. Losovsky, Moscow, 1937, p. 42, Russian.

34. *Pravda,* January 13, 1937.

35. The factories pay a sum equivalent to from 3.7 per cent to 10 per cent of their total wage and salary expenditure to the social insurance funds, which since 1935 have been administered by the trade unions.

36. It is worthwhile mentioning, as a matter of curiosity, that the official statistical yearbook of tsarist times for 1913, *Yeshegodnik statistitchesky Rossiye,* had 30 pages about the diseases of cattle but only 15 pages on the health of the population.

37. *Stalin Reports, The World Situation, The Internal and International Position of the Soviet Union,* New York, 1934, p. 53.

38. One of the most unscrupulous calumniators is Trotsky himself. In his latest production, *The Tragic Revolution,* he rises to the stupid statement that half of the national income of the Soviet Union goes to the bureaucracy! This statement is so ridiculous that it is not worthwhile to polemise against it! Even if we were to include the whole of the teaching and medical personnel, etc. in the "bureaucracy," the income of all of them together amounts at the most to 25 per cent of the total amount of wages. (Estimated according to *Labour in the U.S.S.R.,* Moscow, 1936, pp. 26-30, Russian.) The total amount of wages is only a part of the national income, as the accumulated part of the yearly production of industry and the income of the whole of the peasantry is not included in it.

39. Even the well-known organ of the English bourgeoisie, the *Times,* can no longer conceal the improvement in the conditions of the working class of the Soviet Union from its readers. In the remarks of a correspondent (May 26, 1937): "Material conditions continue to improve. The man in the street in Moscow ... no longer looks, in the social sense of the word, distressed. Although a comparison of the Nazi and the Soviet régimes can be only of academic interest, it is perhaps worth noting two or three suggestive contrasts. A fundamental one, of course, is the standard of living, which is rising in Russia and falling, or at best stationary in Germany.... An Englishman probably sees, at the first glance little difference between a Comsomol reading the *Pravda* and a Nazi young man who both have to do without a free press (?). But the difference is here. It lies in the fact, that, whereas the Comsomol, but for the Russian Revolution would probably not have been able to read at all, the German student, but for the Nazi revolution would have been able to read any newspaper he pleased.... In a Moscow bookshop you may find a dearth of new books, for every first edition is sold out on sight; but you will not find, as you would in Berlin, that most of the new books are translations from foreign languages and no young authors of consequence are represented on the shelves."

40. J. Stalin, *On the New Soviet Constitution,* New York, 1936, pp. 6-7.

41. J. Stalin, *Address to the Graduates from the Red Army Academy,* London, p. 5.

42. J. Stalin, *Labour in the Land of Socialism, op. cit.,* p. 21.

CHAPTER XIII

1. For the United States: *Agricultural Situation,* No. 3, 1937. For Germany: *Statistisches Jahrbuch fur das Deutsche Reich; Wirtschaft und Statistik.*

2. Figures, 1880-1930, from the *Census of 1935,* VIII, General Report, p. 135.

3. Wayne Gard, "America's Desolate Acres," *Current History,* June, 1935.

4.

	1932	*1935*	*1936*
Farmers' gross income (*billions of dollars*)	5.3	8.5	9.5
Proceeds from sales (*billions of dollars*)	4.4	7.2	7.9

5. The most consistent representatives of capitalist ideology in America declares that there are two million surplus farmers in the United States and that the "inefficient"

farmers should be removed and converted into industrial workers, in order to make it possible for the rest to continue farming at a profit. The fear of the social consequences of such a policy for the class rule of the bourgeoisie, however, drives the Roosevelt government towards a policy of supporting the "surplus" farmers.

6. The distribution of landed property took on larger proportions in those countries where it had belonged to the *formerly* dominating nationality. In Rumania and in Czechoslovakia, the estates of the Magyar and German landowners were divided up, in the Baltic border states—those of the Baltic barons, etc.

7. G. Feja, *Viharsarok* (Gathering Storm), Budapest, 1937, p. 85. The author was a Hungarian fascist and considers himself as such to this day, but his fascist friends will exclude him from their ranks because of his honest description of the misery reigning in the country.

8. *Neue Freie Presse,* Jan. 13, 1936.

9. *The Daily Herald,* Jan. 13, 1936.

10. Feja, *op. cit.,* p. 68.

11. From an article, "The Life of Peasants During the Crisis," by Tsiang Chen-shui, in the review, *Dunfanzsatchi,* v. 32, No. 1, 1935.

12. *Ibid.*

13. *Advance,* June 17, 1936.

14. *Bombay Chronicle,* Feb. 4, 1937.

15. Cited according to *Sotzialisticheskoie Zemledelie,* April 4, 1937.

16. Senate speech on March 18, 1930.

17. *The History of the Civil War in the U.S.S.R., op. cit.,* p. 404.

18. V. I. Lenin, *Collected Works,* Vol. I, p. 11, Russian.

19. Yearbook, *Yezhegodnik,* Vol. I, p. 84. "According to the census of 1897."

20. OFFICIAL DATA ON VODKA CONSUMPTION UNDER TSARISM

	1905	*1913*
In millions of pails	75	103
Wholesale price (in million roubles)	612	893
Net revenue to the treasury (in million roubles)	443	675

(*National Economy in 1913,* Petrograd, 1914, p. 102-106, Russian.)

21. *Cf. The History of the Civil War in the U.S.S.R.,* Chapter V.

22. As the distribution of land proceeded in a revolutionary manner in small sections, *the levelling was* naturally *not complete.* In regions with a relatively dense population and few big estates, the land allotted to a peasant farm remained smaller than in the more thinly populated parts of the country.

23. See Chapter VIII.

24. J. Stalin, "On the Grain Front," *Leninism,* Vol. II, p. 15.

25. J. Stalin, *On the New Soviet Constitution,* pp. 7-8.

26. Figures for 1937, excepting the number of M.T.S., as on August 1st.

27. Plan figures.

28. See Chapter VIII.

29. When all field work (ploughing, harrowing, harvesting, etc.), is being done by the tractor station, the latter's share amounts to about 20 per cent of the harvest. The reward of the tractor station being dependent on the size of the harvest, the tractor station is itself interested in tilling the land in the best possible way.

30. Collective farms having surplus labour (tractors and combines reduce the necessary amount of labour just at the height of the working season) send groups of workers to building jobs, road making, forest work, etc., or allow individual members to work temporarily in factories, with the right to return at their will to work in the collective farm.

31. The number of cattle forming the private property of collective farm peasants is determined as follows ("Model Statute of the Agricultural Artel"):

	COWS	DRAUGHT CATTLE	SOWS WITH YOUNG PIGS	HORSES	SHEEP AND GOATS	POULTRY
In purely arable regions	1	2	2	—	10	Unlimited
In arable regions with sporadic cattle-breeding	2-3	4-6	2-3	—	20-25	"
In chiefly cattle-breeding regions	4-5	8-10	2-3	1[a]	30-40	"
In cattle-breeding regions with inconsiderable agriculture	8-10	8-10	—	10[b]	100-150	"

[a] or two donkeys, mules, or camels.

[b] or 5-8 camels.

32. *Agriculture in the U.S.S.R.,* 1935, p. 533, Russian.

33. There is still land in abundance in the Soviet Union. In 1936 the government took a few millions of hectares of land from state farms and gave them to collective farms. The agricultural zone is being ever more extended to the north, by means of seed selection, cross-breeding, etc. Millions of hectares of most fertile land are won by means of huge irrigation works. There is no land problem.

34. PHYSICAL DEVELOPMENT OF PEASANT YOUTHS

Called Up for the Army in Tsarist Russia and in the U.S.S.R.

		BODY WEIGHT	CHEST CIRCUMFERENCE
Province Tver	1912	59.0	86.9
Kalinin region	1935	62.2	89.4
Increase	—	3.2	2.5
Province Nijni-Novgorod	1910	58.9	85.3
Gorky region	1935	60.7	89.0
Increase	—	1.8	3.7
Province Samara	1911	61.1	87.2
Kuibyshev region	1935	63.0	89.7
Increase	—	1.9	2.5
Province Stavropol	1909	62.0	87.6
Ordjonikidze region	1935	64.4	89.9
Increase	—	2.4	2.3

(Data of Chief Administration of National Economy Statistics of the State Planning Commission of the U.S.S.R.)

35. *Ibid.,* p. 73.

36. *Ibid.,* p. 65.

37. RATIO OF PRODUCTION OF BIG INDUSTRY AND AGRICULTURE

(*In per cent*)

	1913	*1924*	*1929*	*1932*	*1936*
Big industry	40.6	27.2	54.5	70.7	75.6
Agriculture	59.4	72.8	45.5	29.3	24.4

CHAPTER XIV

1. J. Stalin, "Results of the 14th Conference of the R.C.P.(B)," *Leninism,* Vol. I, p. 155.
2. It is well-known that imperialist tsarist Russia had concluded secret treaties with the imperialist powers on the division of Turkey, on spheres of influence in Persia, etc., which were annulled by the Soviet government.
3. V. I. Lenin, *Selected Works,* Vol. X, pp. 240-241.
4. *Ibid.,* p. 243.
5. This takes place in all kinds of ways. The French colonies were joined with the mother country in a customs area, by which foreign competition was largely cut out. England gave herself preference customs in India. State orders were only given to firms of the mother country, etc. The result of these measures is shown in the following figures:

	Import		*Export*	
	1929	*1935*	*1929*	*1935*
England	29.4	37.6	41.4	44.7
France	12.0	25.7	18.8	31.6

(*World Economic Survey,* 1935-1936, p. 169; *Review of World Trade,* 1935.)

6. A masterpiece of the monopolisation of the colonial market by the mother country is Korea:

FOREIGN TRADE OF KOREA IN 1934
(*in million yen*)

	Import	*Export*
	519	465
Of which to Japan:	440	408

(Japan has driven practically all competitors out of Korea's foreign trade. Data from *Statesman's Year Book,* 1936, p. 1100.)

7. The fall in prices of colonial goods was particularly sharp during the World War as a result of the shortage of shipping for their export. In 1917-1918 the index of imported goods compared with pre-war rose by 211, of export goods only by 125. (*Review of the Trade of India,* 1918-1919.)
8. J. Stalin, *Stalin Reports, op. cit.,* p. 14.
9. Most typical is the friendship between the Indian Princes and England which is continually making itself felt as a factor hampering the national revolutionary movement.
10. Thesis on the Revolutionary Movement in the Colonies and Semi-Colonies of the Sixth Congress of the Communist International, 1928.
11. *Ibid.*
12. *The History of the Civil War in the U.S.S.R., op. cit.,* pp. 51-52.
13 The Jews were particularly oppressed; they were able to live only in certain south-western provinces—with the exception of the rich. Pogroms were periodically staged in order to divert the working people from the revolutionary path. A certain privileged position was held among the oppressed people by the Finns and by the Baltic barons, who had merged with the Russian class of officials.
14. *Yezhegodnik statistiki Rossiye,* Petrograd, 1914.
15. For example, the population of the present Autonomous Tatar Republic was divided as follows between *gouvernements:*

Kazan 55.6 *Ufa* 19 *Samara* 13.5 *Vyatka* 7.8 *Simbirsk* 4.1

The Ukrainian population was divided into 13 *gouvernements,* White Russians in four, etc.

16. This, naturally, was not completely achieved, as the members of different nations were scattered over the areas of other nations.
17. J. Stalin, *On the Soviet Constitution, op. cit.*

18. J. Stalin: *Marxism and the National and Colonial Question,* New York and London, p. 101.
19. 1924.
20. The only exception was the University in Dorpat where the teaching was in German.
21. The number of Germans in the Soviet Union is about half a million; the number of newly published books is therefore much higher than in Germany in relation to the population.
22. The officers of the German army would find it incredible that the commandant of the garrison of the New Jewish Republic in the Far East, Birobaidjan, a Major of pure Russian nationality, spoke at the last Soviet Congress of the Republic in Yiddish! In the Soviet Union that is nothing remarkable. The Soviet power leaves the Jews living in her territory completely free to constitute themselves a people with a special language (by the way, the Jewish language is nothing else than the German language of the Middle Ages mixed with Slav and Hebrew words), gives them a territory for colonisation and helps those who want to settle there in every possible way. But she puts no obstacles in the way if Jews regard themselves as Russians.
23. The Russian Socialist Federative Soviet Republic with about 113 million inhabitants (in 1933) sends the same number of 25 deputies to the "Soviet of Nationalities," as the Turkmenian Soviet Republic with 1.3 million inhabitants.
24. J. Stalin, *Marxism and the National and Colonial Question,* p. 267.

CHAPTER XV

1. F. Engels, Introduction to the *Civil War in France,* by Karl Marx, *Selected Works,* Vol. II, p. 460.
2. V. I. Lenin, "The Proletarian Revolution and the Renegade Kautsky," *Selected Works,* Vol. VII, p. 130.
3. V. I. Lenin, "The Socialist Revolution and the Right of Nations to Self-Determination," *Selected Works,* Vol. V, p. 268.
4. V. I. Lenin, "Theses and Report on Bourgeois Democracy and the Dictatorship of the Proletariat," *Selected Works,* Vol. VII, p. 224, (Italics mine).
5. In 1921, the *Theses* of the Third Congress of the Communist International had already declared: "The fear of Communism haunting the bourgeoisie, without having disappeared, has nevertheless somewhat relaxed. The leading spirits of the bourgeoisie are now even boasting of the might of their governmental apparatus, and have assumed the offensive against the labouring masses everywhere, on both the economic and political fields." (*Theses on the International Situation,* Decisions of the Third Congress of the Communist International, 1921.)
6. This does not at all mean that fascism must be victorious everywhere. Fascism is only historically the last form of the rule of the bourgeoisie insofar as a different, new form cannot arise either from fascism or from bourgeois democracy. It also does not mean that everywhere the dictatorship of the proletariat must follow fascism. The return to more democratic forms of the rule of the bourgeoisie after the overthrow of fascism is very possible.
7. *Programme of the Communist International,* New York, 1928, pp. 21-22.
8. G. Dimitroff, *The United Front,* New York and London, 1938, pp. 12-13.
9. *Ibid.,* p. 10-11.
10. *Ibid.,* p. 93.
11. V. I. Lenin, "Bourgeois Democracy and the Proletarian Dictatorship," *Selected Works,* Vol. VII, pp. 239-231.
12. *Ibid.,* p. 135.
13. J. Stalin, *On the New Soviet Constitution,* p. 13.
14. Article 135 of the New Constitution reads: "Elections of deputies are universal: all citizens of the U.S.S.R. who have reached the age of 18, irrespective of race or nationality, religion, standard of education, domicile, social origin, property status or

past activities, have the right to vote in the election of deputies and to be elected, with the exception of the insane and persons convicted by court of law to sentences including deprivation of rights." (*Constitution of the U.S.S.R.,* New York, 1937, p. 45.

15. "The Soviet power did not deprive the non-working and exploiting elements of suffrage for all time, but only temporarily, up to a certain time. There was a time when these elements waged open war against the people and resisted Soviet laws. The Soviet law depriving them of suffrage represented the reply of the Soviet power to this resistance.

"Not a little time has passed since then. During the past period we have brought about a state of affairs in which the exploiting classes have been annihilated and the Soviet power has become an invincible force. Hasn't the time arrived to revise this law? I think the time has arrived.

"It is said that this is dangerous because elements hostile to the Soviet power, former White Guards, kulaks, priests, etc., may succeed in creeping into the supreme organs of the country. But properly speaking, what is there to be afraid of? If you are afraid of wolves, don't go into the woods.

"In the first place, not all the former kulaks, Whiteguards or priests are hostile to the Soviet power. Secondly, if people here and there do elect hostile persons, it will show that our propaganda work was organized very badly indeed and that we fully deserve such a disgrace.

"If, however, our propaganda work proceeds in a Bolshevik manner, the people won't allow hostile persons to enter their supreme organs. That means that we must work and not snivel." (*On the Soviet Constitution, op. cit.,* pp. 28-29.)

16. Stalin, *op. cit.,* p. 23.

17. *Constitution of the U.S.S.R.,* p. 43.

18. Stalin, *op. cit.,* pp. 22-23.