

Political Economy of a Disintegrating Stalinism by Hillel Ticktin



A Marxist analysis of Putin's Russia.

The transition from a Stalinist economy to capitalism has been partial and has effectively failed, therefore, with global historic consequences. The reason lay partly in the hubris of the Western ruling class who subjected the Russian elite to a humiliating regime rather than assisting it, and partly in the nature of the epoch itself. Finance capital was dominant and in its nature predatory. Disintegration was a necessary consequence. The Putin regime pulled the country together, subjected finance capital to control and gave the bureaucratic section of the elite a greater share of control. The rise in prices of raw materials coincidentally gave the Putin Russian regime the possibility of raising the standard of living of the majority, but the overall social relations remain a mixture of Stalinism and the market. Given the probability of a fall in prices of oil and other commodities and the limited push towards greater investment in industry, it is likely that the regime after Putin's presidency will find it hard to hold the disintegrative forces and the forces for change.

Introduction: How Capitalism Lost Russia

Until Putin came to power, Russia was in a state of continuous disintegration, masked by claims that such was the cost of a transition to the market and democracy. Putin came to power as president by claiming to be a representative of those who wanted more of the same. He had the support of the highly political oligarch—Berezovsky. He then quickly double-crossed him, exiled him and other similar oligarchs, and embarked on a policy to ensure the integrity of Russia, at the cost of a genocidal war in Chechnya and a clearly authoritarian political-economic structure. As much as Putin was against the war in Iraq, he benefited from its side effects, which led to a world boom, with escalating raw material prices. Under the Yeltsin regime, the ruling group feared that it could be overthrown either by the resurgent 'communists', by popular insurrection or simply by the forces of disintegration.

Putin has been successful in removing those fears, at least for a time. The regime remains highly unstable, but the disintegrative forces are contained, though not eliminated, and the edge has been removed from the high level of discontent by a rising standard of living contingent on economic growth, most particularly in the last two years. This view is underlined by the report of the views both of the majority of Russians and many investors in Russia: 'They believe he has overseen a remarkable transformation from the late 1990s when Russia was nearly bankrupt, under the sway of an oligarchy of rapacious tycoons and in danger of breaking up.'¹

In the December 2007 electioneering period, Putin appealed for support precisely on the ground that the opposition wanted to bring back 'the times of humiliation, dependence and disintegration' rather than go forward with his 'development plans'.² One can easily

misunderstand the appeal to nationalism as just the attempt of one man or a group of people to use the emotional overtones of patriotism to keep themselves in power. While there is no question that Putin is using such propaganda to keep himself in power, it would be wrong to look at the phenomenon as yet one more example of the use of nationalism, going back centuries. The core appeal is in fact to stability, to hope instead of the despair of the 1990s, to an end to the change involved in the shift to the market and against the very real possibility that the economy and the country as a whole could still fall to pieces.³

On the other hand, Western governments have pronounced the Yeltsin regime to have been on the right path and Putin to be returning to Stalinism. Since it was Yeltsin who mounted the first Chechen war and demolished his own parliament, while devastating industry, employment levels and the overall standard of living, this is a curious judgment, however much Putin is authoritarian. One critical establishment observer had this to say:

Underlying the United States' mishandling of Russia is the conventional wisdom in Washington, which holds that the Reagan administration won the Cold War largely on its own. However, this is not what happened, and it is certainly not the way most Russians view the demise of the Soviet state. Washington's self-congratulatory historical narrative lies at the core of its subsequent failures in dealing with Moscow in the post-Cold War era. ... Washington's crucial error lay in its propensity to treat post-Soviet Russia as a defeated enemy. ... The United States and the West did win the Cold War, but victory for one side does not necessarily mean defeat for the other. Soviet leader Mikhail Gorbachev, Russian President Boris Yeltsin, and their advisers believed that they had all joined the United States' side as victors in the Cold War. They gradually concluded that communism was bad for the Soviet Union, and especially Russia. In their view, they did not need outside pressure in order to act in their country's best interest.⁴

This criticism is undoubtedly correct as far as it goes. The implication is that the indigenous elite, regarded as defeated enemies, were shoved aside to permit rule from Washington or by those controlled or brainwashed by Washington.

Indeed, two things occurred. One was direct interference into the affairs of Russia and the second was the imposition of the 'free market' against the desires and the interests of the majority of the population, by US economists and Russian pro-market enthusiasts, backed by the US ruling class. Had the change of policy been successful in substantially raising the standard of living, the United States would have been hailed as a saviour. The reverse occurred and with a vengeance. Inevitably, the United States was seen as an oppressor and the market as a failure. Interestingly, socialism was not seen as the alternative, even if the market lost its attraction.

There is one dimension, however, which is missed in the above analysis. The United States government and Western economists were only able to act as they did because the Russian government and a section of the elite and intelligentsia wanted them to do so. The reaction, therefore, has been against both the West—and the section of the elite that was in power at the time.

The conclusion reached by the authorities in the West was summed up in an editorial in *The Financial Times*: 'Mr Putin has suppressed hopes that post-Soviet Russia might soon develop into a democracy. In its place is a country dominated by spies and bureaucrats and their acolytes in business. The dominant ideology is nationalism, sometimes moderate, sometimes very intolerant, particularly of ethnic central Asians and Caucasians. But the elite's overriding motive is the ruthless, and often corrupt, pursuit of personal wealth.'⁵ In other words, Russia can only be called capitalist with qualifications. It should be noted, and it is discussed below,

that the pursuit of personal wealth does make a country capitalist in an epoch of global finance capitalism.

Opposition but Limited Resistance

Given the disaster that befell them, one would have expected the Russian working class to have acted before now. After all, in the Yeltsin period, the standard of living dropped to a fraction of what it had been in the mid-eighties, and unemployment and underemployment were also high under Yeltsin in contrast to Soviet times. Much of industry was decimated. Those sentences in themselves give reasons for discontent but they also explain why the working class could not act. The industrial plants of the USSR were gigantic, with workforces several times that of similar factories in West Germany. This was not backwardness but a political economic strategy to ensure control over the workers. Given the need to atomise the workforce, the simplest and easiest form of control was to have large agglomerations of workers with a suitably sized section of the secret police, party secretariat and factory bureaucracy. Once, however, the party and secret police were removed, such plants would have provided a classical base for the formation of a working-class consciousness. The only way, therefore, to ensure any kind of successful transition to the market was to break up such plants.

That was done by a sudden removal of the 'central planning' apparatus producing a disorderly economic relationship among the economic units, given the removal of the previous system of priorities. Even without the opening to the world market, the resulting emphasis on the making of profits led to unemployment and spiralling downwards of incomes, with the feedback effects. The massive inflation wiped out savings and the intermediate layer of the intelligentsia as a social force. Women, in particular, were laid off on a large scale, partly because many were employed in the consumer-goods industries that suffered from the double whammy of lower demand from impoverished workers and world competition.

Writing today, one author speaks of one-fifth to one-quarter of the Russian population participating in the socio-economic life of the country. She argues that the vast majority lost out on the so-called 'reforms'. She adds the point, which is at the core of her article, that 'in the 1990s 80 per cent of the finance of Russia was concentrated in Moscow'. Moscow, according to her, became a special country of its own inside Russia. Unsurprisingly, the Urals region declared itself a republic within Russia in 1993. Yeltsin dissolved the Urals council and voided its declaration.⁶

The ruling elite and their Western financial advisors did not intend for the situation to go this way. This was not a deliberate ploy to 'shock' and so prevent political action by the working class, la Naomi Klein.⁷ She also argues that 'the point of shock therapy is to open up a window for enormous profits to be made very quickly—not despite the lawlessness but because of it'. Neither of her statements applied to the Soviet Union, in spite of her arguments.⁸ The destruction of industry, with its concomitant mass unemployment, was not expected, nor was the rise in mass poverty and super wealthy 'oligarchs'. The result was general discontent from the elite down to the unskilled worker and levels of instability that threatened the shift to capitalism itself, such that the economy and society threatened to disintegrate.

Whatever the worker opposition to the systemic change as it evolved, it lost its ability to resist precisely because the very means of resistance: strikes, go-slows, passive forms of struggle within the enterprise, etc., were progressively removed through closure or downgrading of the plants, even though this happened as a by-product of the 'reforms'. Workers' opposition within the USSR was based on a form of passive worker resistance

whereby they controlled the labour process and it would have been very easy to shift to traditional forms of economic opposition as outlined above, but the 'reforms' required that they abandon their economic struggle and turn to direct political action. There were, however, no viable alternative parties and given the social atomisation of society that such forms of opposition themselves engendered, there was no class collectivity. There was no alternative programme either. There appeared to be no hope:

The majority of our informants see daily life as a constant struggle, an unremitting fight for survival. Their sense of well-being had been seriously eroded and their health undermined. The old certainties and regularities in their daily lives have been replaced by uncertainty. Many of the templates that provided the framework for action are no longer available or appropriate in the changing social, political and economic circumstances. Many of the services previously taken for granted have been withdrawn or drastically reduced: guaranteed employment, free health care, subsidized holidays, free education, and adequate retirement pensions. Even when people are in employment, wages are paid late or not at all. Inflation has eroded the value of savings, and the wages of many of those who are paid have not kept pace with the increase in prices of goods and services and the withdrawal of subsidies. Many are unable to buy the basic essentials of daily living—food, heating and clothing—and few think that they have an adequate or good standard of living. They feel that they do not have control over major areas of their lives and that they cannot act to improve their circumstances and increase their sense of well-being. Most feel stressed, and the ways in which they describe their daily lives suggests an anomic society in the classical Durkheimian sense they are suffering from cultural trauma.

While daily life was said to be a fight for survival, a constant struggle, beyond this there was little hope for the future. People did not see things as likely to improve; there was no hope, and this increased people's despondency and sense of normlessness and helplessness.⁹

This project was conducted in 2002-2003, and the situation has improved in the last two to three years, but the socio-economic context remains broadly the same.

The intended aim of the reform was to shift the USSR away from a Stalinist political economy to capitalism on an irreversible basis. Hence, it was supposed to serve two functions. Firstly, it would change the elite to a property-owning class, something that they needed and had wanted for decades. Secondly, it would provide a lesson to the peoples of the world that capitalism was superior to any concept of socialism, and that nationalisation itself was irretrievably damaged as a future policy.

The USSR had not an iota of socialism in its political economy, and nationalisation cannot be considered socialist in itself. Hence, the stated intention was unlikely to be fulfilled. Either western ideologists did not see that or, if they did, they thought that the destruction of the Stalinist economy would nonetheless provide an important historical lesson, putting a definitive end to the period of the October Revolution of 1917. In other words, the intention was much more than a simple re-introduction of the market and the re-absorption of the USSR economy into the world market. It was an epoch-breaking exercise, which was conducted in a such a crass manner that its second aim could only fail in its a long-term goal.

The actual course of the 'transition' was also disastrous for the first aim in that the transfer of property to the elite remained unstable. The very shock therapy that Naomi Klein sees as the facilitator of economic change drove the population to mistrust or even hate the market, and it disfranchised a section of the elite. It, therefore, led directly to the rise of Putin authoritarianism and re-nationalisations. In short, shock therapy and its results accomplished the reverse of the original intentions. The population has still not accepted the legitimacy of

the switch to capitalism, while the state section of the elite moved to reclaim their 'rightful' inheritance as against the 'oligarchs'.

Nonetheless, the initial transition in 1992-1996, which led to mass unemployment, large-scale emigration and a huge decline in the standard of living for most of the population, did cause mass demoralisation. That was the bedrock on which privatisation built. People could clutch at the straws of the issuance of shares, talk of genuine democracy and the rule of law, because of the absence of the alternative. So often told, in the Soviet Union, that they were at the head of the world in moving to the new socialist society for which they had to sacrifice, they were again asked to sacrifice in the name of the new capitalist society, which would offer them true justice, unlike the Stalinist claims. Whatever they actually believed, socialism seemed to have failed, even if they knew the Soviet Union itself was not socialist. There seemed at last to be a possible alternative, even if it required a few years of adjustment. Demoralisation, the absence of an alternative, despair, the possibility of emigration and the continued atomisation of the workforce were additional reasons for the absence of the expected insurrection.

The Intelligentsia

The post-Soviet intelligentsia continued to play the miserable sub-elite role that it had done in the Soviet Union and therefore acted as cheerleaders for the policy of the ruling group.¹⁰ The absence of a section of the intelligentsia who could analyse, understand and theorise the changes in order to move forward to socialism was crucial. The contrast with the Tsarist Empire, in this respect, could not have been more striking. A small minority of the intelligentsia made themselves rich in the process; others emigrated or accepted the result as a necessary evil. As they had allied themselves to the market under the Soviet Union, they had to accept that those who live by the market can also be destroyed by the market.

In short, the old Soviet intelligentsia provided the necessary justification, even though the majority suffered more than most from the shift to capitalism. Journalists were effectively bought by the new owners of the media. The courage displayed by some journalists was limited to dealing with individual instances of corruption and with the Chechen war. Instead of a campaign against the patent failure of privatisation, there were demands for further so-called 'reforms'. This was capitalist realism, following socialist realism. In other words, just as in the Soviet Union no one could describe the reality of the society, so too, few could produce the real picture of mass poverty and elite opulence induced by the shift to the market. The market had to be defended and the disaster visited on the mass of the population screened out or at best turned into a case history of individual problems.

Nationalism, Religion and Despair

The various forms of spontaneous resistance that arose in this period were politically doomed, as they had no coherent alternative. The result, as elsewhere in Eastern Europe, was the emergence of nationalism both Russian and local, as in the case of the Caucasus. In despair, people turned to local solutions. This was a defensive nationalism, as described above, which differed from the nationalism of the West representing the emergence of the modern market, and state. In desperation, people turned to whatever seemed an immediate alternative. The historical role of nationalism and of religion seemed to offer real alternatives, particularly as the post-Soviet states had turned to nationalism and religion themselves. Popular religion in this context could turn to fundamentalism as oppositional as well as fantastical. It provided an outlet for criticism and solace. It also led to a disintegrative process, with wars being fought to maintain the integrity of the different states.

To understand how decent people could turn to violence, one has to perceive the void in which they found themselves and their families. There seemed to be no historical guidance, no obvious future, and a possible disappearance into this void. Outside the former USSR

(FSU), in former Yugoslavia it led to massacres, and in the FSU, in Tajikistan, a war with a quarter-million deaths. This appalling denouement itself has acted as form of stabilisation.

The problems, dilemmas and the mind-bogglingly difficult situations faced by people is described by Anna Politkovskaya in her book *Putin's Russia*.¹¹ Whereas Soviet writers often showed the paradoxical nature of Soviet existence, a recent novel (discussed below), *Dukhless*, paints a picture of a people half in and out of the Soviet Union, a people who have lost the old certainties, ideals and culture, which have been replaced by something that they do not respect or accept.¹² The anti-hero rejects the life of money, in which he has been a success. This is the culture of the modern intelligentsia in transition from their support for capitalism in the Soviet Union. As described above, there appears to be no hope, because the alternative to capitalism—socialism—is ruled out as having failed. On the other hand, any intellectual, who is an intellectual and not a hack, and so necessarily critical of the established order, can see the failure in the present even if he cannot see hope in the future.

To sum up: the population lacks hope that there can, or will be, a move to a better society. They remain mired in an entity which is neither the old Stalinism nor yet a developed capitalism, but seems to be a mixture of both.

The Nature of the Ruling Class/Groups in Power in the Former USSR and Russia in Particular

The ruling social groups at work in *Putin's Russia* are, firstly, the state section of the elite and secondly, finance capital. Both have emerged from the former ruling elite in the USSR. The bulk of the latter had consisted of the managers of medium to large plants and the various branches of the party-state apparatus. To a large extent, they both lost out during the Yeltsin period. Plants that ceased to exist did not need either owners or managers. There was an obvious shift in generations, which allowed young, relatively privileged men to take control of state assets before they had consolidated their careers.

The former state elite have used the secret police as a means of cohering the parts of the political economy that have threatened to move apart. The NKVD was crucial under Stalin in maintaining the economy and the KGB was important in keeping the system of atomisation working under Khrushchev and later. Today, the secret police are not only atomising the population, they are also manning the crucial positions required to run the political economy of Russia. Over the two terms of *Putin's* presidency, that 'group of FSB operatives' has consolidated its political power and built a new sort of corporate state in the process. Men from the FSB and its sister organisations control the Kremlin, the government, the media and large parts of the economy—as well as the military and security forces. According to research by Olga Kryshantovskaya, a sociologist at the Russian Academy of Sciences, a quarter of the country's senior bureaucrats are *siloviki*—a Russian word meaning, roughly, 'power guys', which includes members of the armed forces and other security services, not just the FSB. The proportion rises to three-quarters if people simply affiliated to the security services are included. These people represent a psychologically homogeneous group, loyal to roots that go back to the Bolsheviks' first political police, the Cheka. As *Putin* says repeatedly, 'There is no such thing as a former Chekist.'¹³

The unsigned article in *The Economist*, from which the above quote comes, argues its point in some detail, but it does not explain why this is the case or what such a takeover represents. The thought behind the article has been expressed in various media outlets but this article does the argument most justice. We can dismiss the usual argument, that Russia has always had a secret police, so this is a natural development, as invalid. To argue that the revolutionary Cheka was the same as the Tsarist Okhrana is simply untrue. Even though some staff transferred from one to the other, the aim of the Cheka was very different and it

had operatives who were genuine Marxist revolutionaries as opposed to the cynical employees of the highly reactionary absolutist state. The fact that it can be shown that the Cheka operated outside the rule of law and may have victimised the innocent, etc., does not make it the same as its predecessor.

Stalin's NKVD is closer to what now exists in that Stalin himself ruled through the secret police. That was less the case under Khrushchev, even though they were crucial to the regime. Nonetheless, the secret police in Russia have much less direct control than they did in Soviet Russia. Without nationalised property they do not have the same control over people's lives because it has become more difficult to arrange for the dismissal of people from their jobs, their flats and the towns in which they live. Censorship is more limited. People are not imprisoned for everyday criticism of the regime, even though journalists have been killed for their investigative reporting: 'Since 1992, 47 Russian journalists have been murdered, 33 during Boris Yeltsin's presidency, and the vast majority of cases remain unsolved.'¹⁴ In the Soviet Union, such journalists could not exist. Any who moved in that direction would very quickly lose their jobs. These killings, paradoxically, reflect the frustration and relative decline in power of the secret police.

In other words, there have to be reasons within the political economy of Russia itself. It is no accident that considerably fewer journalists have been killed under Putin. That, no doubt, partly reflects the greater difficulty determined and honest journalists face in being employed or retaining employment under Putin, but it is also because the society is less chaotic than in the Yeltsin years. When the army takes control of capitalist societies, it is not because the commanding officer has decided that he can do things better or because he enjoys the sensation of power. It is because the ruling class in those societies has decided to remove the previous government in order to maintain control.

The advantage of a military-style organisation is that it is hierarchically organised and used to top-down discipline. For that reason, it is usually not corrupt and it is used to taking and enforcing orders. It can, therefore, quickly remove elements or organisations regarded as inimical to the established order. The Russian secret police, however, has additional advantages. It has an intimate knowledge of public opinion, the nature of the major criminals and criminality in the society, the social sources of instability within the system, and of the strengths and weaknesses of different sections of the ruling groups. In the Soviet Union, it had a clear understanding of the failures of the old system and helped to change it. Similarly, the Russian FSB has some understanding of the political economy of Russia, but it is more limited. That is partly because its recruitment is less wide, but more importantly, because the failure of the transition has not led to any kind of analysis of what now exists. That means that the secret police themselves will be divided and even confused.

In other words, the elite group that wanted to change the chaotic running of society under Yeltsin saw that the siloviki, or 'men of power', were the best instrument for running the country. As indicated, it has its limitations, even from their point of view, but there was no choice. Why then did that group need them?

I have argued that they did not need them to run the country in order to suppress internal dissent in a more extensive and vicious way because there was no serious organized internal opposition against the market and the ruling groups. The FSB could handle such opposition as did exist, without being granted more power. However, the country was falling apart in nearly every other respect. It was disintegrating geographically, as shown by the situation in the Caucasus, and there was a threat that other regions could either break away or simply arrogate to themselves more power, as in the case of the Urals, cited above. The different sectors of the economy were pulling away from each other and the manufacturing industry

continued to decline. Finance capital and industry stood directly opposed to each other. Extractive capital coalesced with finance capital and foreign capital against indigenous and industrial 'capital'. The oligarchs had nominally appropriated much of the economy but it was not developing outside of finance. The old statist elite and ordinary managers had lost out. They were the majority of the elite. Had the 'transition' to the market been successful, nothing much would have come of the dissatisfaction of the non-financial section of the elite. In fact, only die-hard supporters of the original conception of a move to the market, who are still in denial, can regard it as a success.

The failure of the transition meant that the projected development of the economy had not taken place. On the contrary, Russia has had the most extensive de-industrialization of any country until now. Since the vast bulk of the old elite were managers in those industries, they lost out. Members of the state apparatus who thought that they would get commensurable jobs could not find them, except in a downgraded bureaucracy. Paradoxically, the civil service expanded at a rapid rate, making the Russian bureaucracy greater than the one for the whole of the Soviet Union.

While this was predictable, it was not expected. The old system functioned without money as the universal equivalent or one could say that it did not have money in the orthodox sense. The introduction of money, and consequently a balanced budget, required an extensive system of direct and indirect taxation and the inspectorate that goes with it. The industrial ministries were dissolved but regulation of a large number of successor enterprises was then required, as in the West. Without such inspection, infected meat could be sold, radio-active uranium could be smuggled abroad, and so forth. As there was no higher morality than making money, there was no reason why large and small non-legal or criminal syndicates could not be established. There is, in fact, an extensive bureaucracy in the West, which deals with such problems, so one might have projected some-such a change. Most people were generally hostile to the whole concept of the market and the rule of law, and consequently would not play by the rules. The market then required bureaucratic enforcement and supplementation to a higher degree than the West.

Put another way, although the Stalinist political form was abolished in favour of a kind of parliamentary democracy, social relations remained heavily influenced by the Stalinist system in a series of crucial ways and forms. Logically, either those forms were replaced or the old authoritarian political system would return.

To move to capitalism, the new regime needed to introduce capital and commodify labour power. This required the introduction of money as the universal equivalent, as indicated above, and not as a token to acquire a limited number of consumer goods, through the prism of a queue, or as an item additional to a 'planned' allocation of resources. As there were no precedents, and as those in charge did not understand the Stalinist economy any more than they understood capitalism, the result was an unmitigated disaster. It could not have been successful under any circumstances, but the real catastrophe that occurred in the initial period of the 'transition' was a direct result of the ignorance and the desire for self-enrichment of those in power.

An Historical Excursus

Historically, capitalism came into being with the emergence of a bourgeoisie able and desirous to accumulate capital and employ labour, which was free to sell its labour power. In its initial period, capital robbed the third world in order to accumulate the initial capital with which to establish itself, and brutally dispossessed the peasantry of the home country of land. This was the period of the primitive accumulation of capital, according to Marx, and part of the elite saw the transition in those terms.

In the period after the end of the Soviet Union, however, the old elite were not interested in establishing themselves as a new industrial bourgeoisie. They wanted to acquire capital as rapidly as possible with a view to using the wealth acquired for ostentation and luxury as well as for the power that came with such wealth. Hence they valued rapid acquisition through the quick sale of assets, security of ownership through export of their capital to the West, the hiring and establishment of forms of armed protection which merged with criminal gangs, and the use of extractive industries to enable them to acquire dollars, which could be banked in Western banks. Investment, reinvestment of profits and borrowing in order to renovate, extend and deepen capital were limited to what was immediately necessary.

The reason for this approach is partly due to the fact that the elite doubted—and still doubt—that the post-1992 political settlement is sufficiently robust to safeguard their acquisition of state assets, but also because of the very low productivity of Soviet-type enterprises. Russian enterprises are not competitive on the world market and it is clear that even if a Russian enterprise had all necessary investment it would still fall far short of Western standards of productivity. When Western enterprises have invested in Russia, they have generally followed the indigenous pattern of going for finance capital and extractive industry. Where they have invested in industry itself, it is generally consumer goods industry or assembly industries. Examples such as chain restaurants, MacDonalds, beer firms and Western car companies come to mind. Investment in new technology, heavy industry, etc., has been avoided. The government has now decided that it will retain control of key industries and go for investment in those industries. Whether it actually will do so is another question. The fact is that, until today, even investment in the crucial arms and extractive industries has been very limited.

As we have indicated, labour has to be free and not attached to its plant, or to the kolkhoz. In fact, the real problem was the high level of control over the labour process, which meant that workers were both atomised and attached to their plants. If capitalism is to flourish, that has to be broken. While there is some move in that direction, it remains limited. In the late USSR, workers paid very little for their flats, utilities and transport. The rest had to be acquired, but the queue, or forms of complex rationing, were integral to the consumer economy. In short, between provisions made at the place of work and for the home, the ordinary worker was guaranteed his subsistence, as long as he or she worked, and there was full employment. While unemployment became a fact of life, the removal of the other provisions has been a drawn-out process, not yet complete. This is discussed below.

The overall result is that the transition to capitalism has been halted in its tracks. Never socialist but not yet capitalist, the FSU has moved down a rung so that it is now classified as an emerging economy, which testifies to the enormous level of de-industrialization that has taken place. Until two years ago, Russia was a net exporter of capital to the West and de-industrialization was its physical counterpart.

There is no name for this process of political economic disintegration other than the process of the disintegration of Stalinism. The question is whether the last two years or so of capital inflow and the decision of the government to invest in industry marks a real way forward towards capitalism. There is, of course, no reason why capitalism cannot be led by the government, at a certain stage, as it has in the history of most countries. It does seem clear, however, that modern finance capitalism is necessarily short-termist and as such, incapable of providing the necessary leadership to assist the FSU.

The freeing of prices, the removal of subsidies and the freeing of foreign trade, leaving industry to sink or swim, were measures also motivated by fear. The so-called reformers were afraid that if they did not move quickly, they would lose their chance and the Communist

Party would come back, or that there would be some kind of left-wing insurrection. For the same reason, they allowed a few well-placed individuals to acquire the profitable parts of the economy, which were largely in the extractive industries and in finance. Their fears may have been exaggerated but they were real. Very few supported the shift to the market in the way it took place. In all probability, a truly objective public opinion poll showing the real nature of capitalism in the world would have shown a majority against the move to the market, while accepting perhaps limited aspects of the market itself. In effect, the regime change of 1992 was a coup d'état by the elite against the will of the majority. Under those circumstances, the elite had to compromise in their transformation of the social relations of production.

In other words, the elite doubted—and still doubt—that the post-1992 political settlement is sufficiently robust to safeguard their acquisition of state assets. In addition, the very low productivity of Soviet-type enterprises meant that Russian enterprises are not competitive on the world market and it is clear that even if a Russian enterprise had all the necessary investment it would still fall far short of Western standards of productivity. These two points are connected in that the elite prefers to liquidate what it can in order to spread its risk by exporting its capital abroad. That, therefore, leads to a policy of limited internal investment, acceptance of low levels of productivity to ensure relative industrial peace, bribery of the bureaucracy and poor management.

The Commodification of Labour Power

In fact, the real problem had been the high level of control over the labour process, which also meant that workers were both atomised and attached to their plants. If capitalism were to flourish that had to be broken. While there has been some move in that direction, it remains limited. In the late USSR, workers paid very little for their flats, utilities, and transport. The rest had to be acquired but the queue, or forms of complex rationing were integral to the consumer economy. In short, between provisions made at the place of work and for the home the ordinary worker was guaranteed his subsistence, as long as he or she worked and there was full employment.

There was no way that the elite could change the majority viewpoint that private property and profits were illegitimate. They could privatise industries profitable in the world market but they could not easily turn labour power into a commodity, as opposed to a form alienated in a particular manner within Stalinism.

There were two aspects to the alienation of labour power. In the first instance, workers within the Stalinist system effectively received many of their needs at low or zero cost. In the second place, workers were able to work at their own rate within production, because they had a considerable degree of control over the labour process. To organise the sale of labour power, as argued above, the regime had to end the system of low rent, low utility bills, low public transport fares, free health and free education, in the first instance. While steps have been taken in that direction, there is still some way to go even today. The pensioners' demonstration of January-February 2006 over those issues shook the government, which then retreated. The political weakness of the government in this respect was further shown by its introduction of export tariffs for wheat and barley and reduction of import tariffs on a series of food items, and a freeze on selected food items from 24 October 2007 until 31 January 2008.¹⁵ When we look at the question of control over the labour process, the matter is more complex, but Soviet-type industry remains locked in a variant of the old system of social relations. Foreign-controlled industry, as in certain consumer goods or services, has been able to change that relation up to a point.

However, we can judge the real relations by the already mentioned low level of productivity in Russia, below that of South Africa.¹⁶ The poor labour productivity in Russia is not due to

lack of education, AIDS and near-starvation wages, which are part of the reason for the problem in South Africa. Wages are indeed low, but not as low as in South Africa, and they have more or less doubled in the last six years. Apart from the above factors, low productivity, over the long term, can be the result of lack of incentive, bad management relations or a culture of resistance taking the form of low levels of productivity. Clearly, low productivity in the FSU is a compound of lack of investment in the necessary machinery and infrastructure combined with low output per work hour, whatever the level of equipment, given the plant. Poor health is one aspect, but it is the lack of incentive, the egalitarian ethos and the continuation of the Soviet forms of control over the labour process that is crucial, in my view. A review of Russian productivity by the World Bank points out that productivity has increased over the last seven years but only slowly, compared to the East European countries. It attributes part of the increase to the decommissioning of unprofitable plants and the entry of more productive enterprises, as well as the fuller utilisation of equipment, given the upturn.¹⁷

Capitalism and Russia

Never socialist but not yet capitalist, the FSU has moved down a rung so that it is now classified as an emerging economy, which only testifies to the enormous level of de-industrialization that has taken place.

Those who see capitalism everywhere from Ancient Rome onwards will see the Soviet Union and Russia as capitalist. Those who looked at the USSR as state-capitalist see a movement from one form of capitalism to another. Serious scholars, however, note on the one hand, the introduction of money as money, as opposed to rubles that were not only not the universal equivalent but also performed few of the functions of money. They also note, on the other hand, the continued importance of contacts and connections and the use of intimidation and personal violence to acquire assets and income, not to speak of the role of the state itself. Capital accumulation proceeds by value creating more value through the operations of the market, not through direct appropriation whether through robbery, state operations, intimidation or exchange of favours. On the one hand, we have finance capital and extractive capital, but on the other every transaction is shot through with the ambiguity of its political economic forms and origins. This is not a question of simple definitions or of scholarly description alone. It gets to the heart of the nature and dynamic of the process under way in the former Soviet Union and in Russia in particular.

As long as the law of value is limited in its operation, Russia is compelled to employ force as the means of integrating its political economy. Hence the importance of the siloviki—the forces of power. However, bureaucracies are famously prone to internal feuds, as shown recently within the secret police—the FSB itself. Since we have the old system disintegrating and capitalism only grafting itself onto what existed, there are only limited forms of integration possible. Corruption exists in all countries, where there is an interface between the public and private sectors. In the West, it is usually more complex and hidden, showing itself only at particular crisis points. However, where there is a substantial bureaucratic apparatus, as in Russia, which genuinely rules, as opposed to carrying out open or tacit instructions, the introduction of money and capital can act as a force of disintegration.

Above I referred to the report on the novel *Dukhless*, recently published in Russia as bringing out the combination of the old Soviet Union with the new Russia. It illustrates the effect on human relations of the underlying history and political economy.¹⁸ The current population has lost its old Soviet ideals, interpretations and hero figures, but it has not found anything with which to replace it. In effect, it has retained aspects of the old that negate the present. In the Soviet Union, literature could and did sell in millions. After 1992, few books sold in

multiples of thousands, but this author's books have sold in millions, clearly because they reflect reality, while being an implicit critique of what exists. The demand for literature in the Soviet Union was precisely for a critical literature, and this is one of the few novels that provide a critique, albeit implicit, and even though the author apparently is uncritical of Putin. Indeed, support for Putin can be regarded as a species of critique, since he has negated the Yeltsin period and unregulated capitalism.

The New Economic Alternative

Boris Kagarlitsky has taken a more optimistic viewpoint than might follow from the above analysis. He takes the view that the high levels of foreign investment pouring into Russia over the past two years will lead to a rise in working-class militancy and he has reported the Ford motor car factory strike of December 2007, in that mould.¹⁹ He is reflecting the view that once the working class is established as a classical class, selling its labour power to capital in the form of foreign multinationals, it will be in a position to provide leadership to workers throughout the former USSR.

There are two reasons to support this viewpoint. The first is that tens of billions of foreign investment have poured into Russia in the past two years, part of which has gone to the establishment of consumer assembly industries such as those of Ford, General Motors and Toyota. Current (2007) reports²⁰ also speak of high levels of investment in core manufacturing industry, particularly by the state. However, the high growth of manufacturing output appears to have been driven by temporary factors—particularly low output in the previous year and a considerable increase in demand for infrastructure equipment. Also, the Putin government has made it clear that it intends to make investment in non-extractive industry a priority, and that it will prevent foreign companies and individuals taking more than a quarter of the shareholding of strategic Russian companies. The latter seems to encompass all industry outside of telecommunications and consumer goods.

Kagarlitsky is right that if both 'Western' private companies and the Russian government invest in the manufacturing industry and take care of the considerable investment needs of the extractive and arms industries, as is mooted, the political-economic situation will be transformed. Given the very real misery of the past 20 years, and an underlying egalitarianism, which was very much part of the resistance culture of the old Soviet Union, the result could indeed be explosive.

The problem with this scenario is threefold. Firstly, it is clear that the ruling elite in Russia can see this as well as anyone. Secondly, it is unlikely that the boom of the past few years will continue. We can anticipate that raw material prices will decline and that the inflow of money into Russia will dry up. As indicated above, the industrial boom appears to have peaked. Furthermore, the net capital account inflow of capital into Russia, which reached 59.5 billion in the first three-quarters of 2007, has also tailed off, as a result of the global credit crunch.²¹ To make matters more problematic, a considerable proportion of the inflow of capital was borrowing on the international financial markets, so that Russia has run up a considerable foreign debt running at US\$385 billion.²² Thirdly, one has to consider the real task involved. In 2003-2004, one commentator pointed out that manufacturing industry was a rust belt and it could cost trillions of dollars to bring it up to an internationally competitive level,²³ so that the task is clearly awesome. The average age of Russian machinery was around 21 years in 2002-2003. It is made worse by the locality of the existing industry and the failure of small- and medium-size industry.²⁴

While this is a beginning of a reversal of the previous situation, it will take at least a generation to reach world levels of industrial competitiveness, assuming that the present level of industrial investment were to continue. The rise in productivity in the Putin period has

been limited and is only likely to become significant if there is a radical change in the socio-economic relations in the workplace. Even if the predicted decline in raw material prices does not occur and the world does not go into a downturn, it does not seem likely that the current momentum could continue, given the alternative uses of the resources, foreign debt and the risks involved in investing in Russia itself for the Russian elite and the 'global investors'.

It is, of course, refreshing to find optimism where there is so much gloom, but one has also to note that the absence of working-class militancy and a socialist left is a global phenomenon. Whatever the actual development of the Russian economy, there has to be a source of hope that a new system is possible, and until now that is absent, most particularly in the former USSR.

In the meantime, it is clear that the unstable statist regime that has replaced the former Soviet Union has undermined any triumphalism flowing from the ending of the Stalinist system.

Above, we have rejected the simplistic view that the FSU is capitalist, on the grounds that both the forms of capital and labour lack crucial aspects which would make them equivalent to their nominal descriptions. In other words, an analysis based on the simple operation of the law of value and thus of capitalist accumulation will not allow an understanding of the laws underlying the movement of the surplus product.

Instead, we have to understand the former Soviet countries in the context of a declining capitalism, which is also in a global process of transition away from capitalism. The short-termist nature of finance capital and especially its most predatory form, private equity, is against long-term industrial development and necessarily leads to an increasing gap between those who control the surplus product and those who work. While the Russian regime is now in favour of state investment in industry and a measure of control over finance capital, a forthcoming decline in the prices of raw materials will make the continuation of that policy more difficult. The continuing process of the commodification of labour power will become increasingly problematic politically. As a result, a changing of the terms of the work relation towards the American form is unlikely.

The conflict between the use of the government to develop the economy and the demands of finance capital is likely to continue. The possibility of disintegration remains real. The only alternative is that sufficient numbers in the population awaken to their real situation and begin to demand socialism.

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Other articles by Hillel Ticktin are available at scribd.com

Notes

1Neil Buckley and Catherine Belton, 'Clan with a Plan: Polls Are Likely To Strengthen Putin's Hold on Russia', *The Financial Times* (London), 29 November 2007, p. 13.

2Catherine Belton, 'Putin Makes Last-Minute Appeal for Voter Support', *Financial Times*, 30 December 2007, p. 6.

3'Some outside the Russian opposition suggest, however, that the authorities' behavior points not to a determination to create a new totalitarianism but to get through a period seen as fraught with risk, while safeguarding the gains of recent years. It also reflects doubts and insecurities about the strength and stability of the Putin political edifice that belie the appearance of last week's heavily choreographed rally of supporters.' Buckley and Belton, *op. cit.*

4Dmitri K. Simes, 'Losing Russia', *Foreign Affairs*, November-December 2007, pp. 36-37.

5The *Financial Times*, London, 27 December 2007, p. 10.

6Marianna Fadeicheva, 'Ural v sisteme vnutrennovo kolonializma' (The Urals in the System of Internal Colonialism), Svobodnaya Mysl' (Moscow), no. 6 (2007). The writer does not relate the present to the previous Stalinist system, but it was also true that Moscow was a privileged region of the USSR and it is not possible to regard the declaration of limited independence of the Urals region in 1993 as a simple reaction to the market, but rather, a result of long-held dissatisfaction with the centre of the Soviet Union, which could express itself under relatively easier political conditions and harsher economic times.

7Naomi Klein, *The Shock Doctrine: Disaster Capitalism* (Toronto: Knopf, 2007), pp. 262-294 for her description of the Russian transition. The definition of her thesis is on the dust cover: 'using the public's disorientation following massive collective shocks ... to push through unpopular economic measures often called "shock therapy"'.

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9Pamela Abbott and Claire Wallace, 'Talking About Health and Well-Being in Post-Soviet Ukraine and Russia', *Journal of Communist Studies and Transition Politics*, 23:2 (June 2007), pp. 200-201.

10See articles in the early Critiques on the Soviet intelligentsia, e.g, Michael Cox, 'The Politics of the Dissenting Intellectual', *Critique* 5, pp. 5-34; Hillel Ticktin, 'Political Economy of the Soviet Intellectual', *Critique* 2 (1973), pp. 5-21.

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19This was a bitter three-week strike at the Ford motor factory near St Petersburg, which ended in a draw according to Kagarlitsky. He pointed out that this was the first extended strike that had not been crushed since the introduction of the new, highly restrictive labour laws. Boris Kagarlitsky, 'A Draw for Ford but a Victory for All', *The Moscow Times*, 20 December 2007, <http://www.themoscowtimes.com/stories/2007/12/20/007.html>, accessed 24 December 2007.

20World Bank *Economic Report*, no. 15, November 2007, pp. 3-4.

21World Bank *Economic Report*, no. 15, November 2007, pp. 8-9.

22World Bank *Economic Report*, no. 15, November 2007, pp. 8-9.

23'The core manufacturing sector constitutes a gigantic industrial rust belt. Much of it is located in inhospitable and economically nonviable regions. The infrastructure is obsolete.

The investment ratio is just over half of what is necessary for sustained high growth. Deterred by a hostile environment, foreign direct investment (FDI) and portfolio investment have been tiny. The TNK/BP merger boosted investor sentiment, but the YUKOS affair has inflicted damage on Russia's image. WTO accession seems likely only in 2006 or 2007. The banking sector provides little intermediation. The share of small- and medium-sized enterprises in total output is inadequate. Demographic trends indicate that the workforce will shrink from 2005, while the appalling and deteriorating health situation augurs lower productivity. The bloated bureaucracy resists change. Corruption is rife at all levels of society. The rule of law has yet to be widely introduced.' Keith Bush, Russian Economic Survey, August 2004, <http://www.usrbc.org/PDFs/Economic%20Survey/SurveyAugust2004.pdf>.

24'The core manufacturing sector constitutes a gigantic industrial rust belt. Much of it is located in inhospitable and economically nonviable regions. The infrastructure is obsolete. The investment ratio is just over half of what is necessary for sustained high growth. Deterred by a hostile environment, foreign direct investment (FDI) and portfolio investment have been tiny. The TNK/BP merger boosted investor sentiment, but the YUKOS affair has inflicted damage on Russia's image. WTO accession seems likely only in 2006 or 2007. The banking sector provides little intermediation. The share of small- and medium-sized enterprises in total output is inadequate. Demographic trends indicate that the workforce will shrink from 2005, while the appalling and deteriorating health situation augurs lower productivity. The bloated bureaucracy resists change. Corruption is rife at all levels of society. The rule of law has yet to be widely introduced.' Keith Bush, Russian Economic Survey, August 2004, <http://www.usrbc.org/PDFs/Economic%20Survey/SurveyAugust2004.pdf>.