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On "Primitive" and Other Forms of Socialist Accumulation

A Review of Preobrazhensky, Bukharin and Trotsky

Richard B. Day

E.A. Preobrazhensky, *The Crisis of Soviet Industrialization* (White Plains, N.Y.: M.E. Sharpe 1979), ed. by Donald A. Filtzer.

N.I. Bukharin, *Selected Writings on the State and the Transition to Socialism* (White Plains, N.Y.: M.E. Sharpe 1982), ed. by R.B. Day.

WITH PUBLICATION OF *The Crisis of Soviet Industrialization*, an anthology of articles by the Soviet economist, E.A. Preobrazhensky, English-language readers have gained access to important new material for studying divisions within the Bolshevik party during the mid-1920s. Donald A. Filtzer, editor of the volume, is to be commended for his careful selection of articles which complement the other two major works by Preobrazhensky already available in English translation — *The New Economics* and *From the New Economic Policy to Socialism*.¹ Filtzer has organized the material into three sections. In the first Preobrazhensky defines the prospects for the New Economic Policy; in the second he studies the strains developing in the Soviet economy by 1925-26; and in the third, the major portion of the volume, he applies Marx's models of reproduction to ascertain the conditions of equilibrium (or proportionality) in "concrete" capitalism and in the Soviet Union. An alternative way of classifying the essays would be to say that the first section elaborates issues explored in *From the New Economic Policy to Socialism*; the second provides useful material for a more thorough appreciation of *The New Economics*; and the third group of articles outlines the technical reasoning which contributed to the theory of "primitive socialist accumulation."

Filtzer's title, *The Crisis of Soviet Industrialization*, is aptly chosen. It reflects Preobrazhensky's conviction that the problems of building socialism in an isolated, backward country could not be resolved without drawing upon "the material resources of other socialist countries." (130) The emphasis must be placed upon *socialist* countries, for Preobrazhensky believed the Soviet Union would receive few credits for industrialization from capitalist Europe. In 1922 he described the European economies as being over-industrialized relative to their agricultural base, causing the capitalists to be implacably opposed to the emergence of a new indus-

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trial economy in Russia. Faced with this hostility, the Soviet government would have to accumulate its own investment capital, mainly from the domestic private sector. Levying diverse taxes on merchant and agrarian capital, planners would be guided by the "law of primitive socialist accumulation."

In the short run Preobrazhensky believed this programme of domestic accumulation would be adequate for purposes of post-war restoration. As distinct from the capitalist economies, where private property in land had caused neglect of agriculture and dependence upon imported food and materials, the Soviet Union possessed "all that was needed to develop into a self-sufficient economic organism."² Lest this remark be associated prematurely with Stalin's vision of "Socialism in One Country," it should be mentioned that for Preobrazhensky the condition of self-sufficiency would only be temporary; over the long run the contradictions of backwardness take their toll. Eventually Soviet industrialization would be interrupted by the low level of productivity in small-scale private agriculture, an obstacle to be overcome through mechanization and a massive capital infusion. In 1922 Preobrazhensky believed the crisis of the Soviet economy would become acute at the same time as an economic and political crisis in the West, which would spark the second round of the proletarian revolution. In order to acquire food and materials, within a decade the industrial workers of Socialist Europe would come to Russia's assistance with their organization and technology.

Preobrazhensky's belief that economic assistance must await the revolu-

¹ E. Preobrazhensky, *The New Economics*, trans. Brian Pearce (London 1965); *From the New Economic Policy to Socialism*, trans. Brian Pearce (London 1973).

² For a discussion of Preobrazhensky's view of Soviet Russia's relation to Europe see Richard B. Daly, "Preobrazhensky and the Theory of the Transition Period", *Soviet Studies*, 28 (1975).

tion in Europe set him apart from Lenin and many other Bolshevik leaders, who originally hoped to accelerate the capital transfer by inviting foreign investors to participate in a programme of "concessions." If Europe truly depended upon imported food and materials, argued Lenin, then the capitalists might be convinced to lease Russia's land and resources and share their profit with the workers' state. By converting these revenues into imported equipment and consumer goods, Lenin proposed to regulate the Soviet market and suppress petit-bourgeois "spontaneity." A growing availability of manufactured commodities would encourage a general economic recovery, thus minimizing the power of the kulak, or wealthy peasant. Foreign capitalists, in this manner, would become objective allies of the proletariat. Irritated by Preobrazhensky's criticism of this programme of "state capitalism," at one point Lenin freely expressed his frustration. Preobrazhensky's ideas, he protested, were "ultra- and super-academic... they smack of the intelligentsia, the study circle and the littérateur, not of practical state and economic activity."³

In his article, "The Outlook for the New Economic Policy," Preobrazhensky provided insight into the sort of ideas Lenin had in mind. The article treated foreign capital as a Trojan Horse: "the unnatural alliance between the socialist state and large-scale foreign capital will be broken and replaced by the natural alliance between foreign capital and all the bourgeois forces of Russia." (8-9) Either the Soviet economy would "vomit up" concessions in its movement to socialism, (14) or within two to three years foreign investors would assume leadership of a "bourgeois-kulak counter-revolution." (11)

³ Lenin, *Collected Works* (London 1966), XXXIII, 238. For early Bolshevik debates over "concessions" see R.B. Day, *Leon Trotsky and the Politics of Economic Isolation* (London 1973), particularly ch. 3.

With the passage of time this forecast proved to be excessively dramatic but not altogether unfounded. By 1925 the capitalists were still disinclined to make significant investments in Soviet Russia. The kulaks, on the other hand, had gathered sufficient strength to wrest major concessions from the Soviet state in the form of tax reductions and enhanced opportunities to lease land and exploit poor peasants as farm labourers. These new concessions to domestic capitalism, introduced by Bukharin in the ironic hope of finding an evolutionary road to socialism, threatened to upset the policy of "primitive socialist accumulation," retard the growth of Soviet industry, and thereby intensify the chronic shortage of manufactured goods — commonly referred to as the "goods famine."

In his "Economic Notes" on the "goods famine" Preobrazhensky developed one of the central theses of the Left Opposition. Both industry and agriculture, he observed, had virtually restored pre-war levels of production. The *proportional* recovery of production, however, resulted in *disproportionality* in the sphere of commodity circulation. Prior to the revolution the "marketed surplus" of peasant agriculture had been squeezed into circulation by obligations imposed by the Tsarist regime. In order to make his cash payments the peasant was compelled to bring his produce to market. Once these forms of "compulsory sale" were curtailed or eliminated, the peasantry enjoyed significantly greater freedom in determining whether or when to dispose of the surplus.

Exercising this new-found discretion, the kulak might demand an even greater volume of manufactured goods than he could possibly hope to acquire under the old regime. For Preobrazhensky this possibility pointed to one inevitable conclusion: the "formal arithmetical proportionality" between state industry and private agriculture was becoming in reality "an unhealthy, protracted, and by no means seasonal disproportionality in the distribu-

tion of productive forces." (37) The "goods famine" arose from a systematic neglect of the need to replace outworn factory equipment and launch a programme of new capital investments. By ignoring the "law of primitive socialist accumulation" Bukharin and Stalin were allowing the capitalist "law of value" to regulate the economy by default: spontaneous market forces were threatening to structure domestic prices to the disadvantage of socialism; the kulak was hoarding his produce and preparing to hold the state to ransom by way of a grain strike.

Preobrazhensky's most comprehensive examination of the dialectical relation between the "law of value" and the "law of primitive socialist accumulation" was given in *The New Economics*. Filtzer's volume adds new insight by incorporating articles which Preobazhensky intended to include in a second volume of the same work. Analyzing the requirements of proportional growth in a capitalist economy, he demonstrated a long-run tendency towards underproduction in Department I (producing means of production) and overproduction in Department II (responsible for consumer goods). Avoidance of disproportionality, in the absence of foreign trade, required constant priority for the investment needs of Department I. In a market economy the "law of value" enforced this priority by effecting price changes whereby capital was transferred into heavy industry. Employing "reserves" in the form of inventories, unused production capacity and the postponement of fixed-capital replacement, capitalism availed itself of further sources of "flexibility." Finally, "concrete" capitalism normally included as well a petit-bourgeois sector, which had lower fixed-capital commitments and was consequently able to shift resources quickly and act as a shock-absorber for the entire system — just as foreign trade would do in an open economy.

These arguments are intrinsically important for their contribution to resolving the contradictions of capitalist

accumulation. By explaining in detail the role of the petit-bourgeois sector, Preobrazhensky claimed to illustrate "the incorrectness of Rosa Luxemburg's theory," which held that expanded capitalist reproduction, in an economy without foreign trade, was logically impossible.⁴ (117) But Preobrazhensky had a more immediate and practical purpose in mind. His study of "concrete" capitalism affirmed by implication his contention that the Soviet "goods famine" must be overcome by assigning top priority to the production of means of production. Because Soviet industry had already exhausted its "reserves" by excessively prolonging the use of antiquated equipment, the burden of ensuring "flexibility" would fall all the more directly upon the peasantry. Just as the "law of value" acted in an old-fashioned market economy to effect inter-Departmental capital transfers, so in the Soviet economy the "law of primitive socialist accumulation" must transfer resources from capitalist agriculture into socialist industry.

The New Economics had shown that capitalism itself, in its most advanced forms, was already going beyond dependence upon the "law of value" as an economic regulator. Market mechanisms were being superseded by state-capitalist planning. Nowhere had this trend been more apparent than in the European war economies:

The regulation of the whole of capitalist production by the bourgeois state reached a degree unprecedented in the history of capitalism. Production . . . was transformed *de facto* into planned production in the most important branches. Free competition was abolished, and the working of the law of value in many respects was almost completely

⁴ For a critical analysis of Rosa Luxemburg's theory, drawing in part upon Preobrazhensky's approach, see R.B. Day, "Rosa Luxemburg and the Accumulation of Capital", *Critique*, 12. To situate the Luxemburg debate historically, with particular reference to Lenin's views, see R.B. Day, *The 'Crisis' and the 'Crash': Soviet Studies of the West, 1917-1939* (London 1981), ch. 1.

replaced by the planning principle of state capitalism.⁵

Although the centralized planning apparatus of the war economies had been dismantled, the private organizations of modern capitalism continued to function. "When there is trustification or syndication," wrote Preobrazhensky, ". . . prices systematically deviate from value. . . . The equalizing of the rate of profit between the trustified branches of production is rendered almost impossible; they are transformed into closed worlds, into the feudal kingdoms of particular capitalist organizations."⁶ What was true of national economies applied with equal force to the world economy: the "law of value" was dying out "in the world market as a whole. This is the specific feature of postwar economics."⁷

In both domestic and international trade organized capitalists had outgrown "equivalent exchange" and developed the ability to extract surplus profit. Preobrazhensky thought socialist planning would entail a logical continuation of this same phenomenon. Relying upon the state monopoly of foreign trade to exclude the competition of cheap foreign commodities — in other words, by creating a socialist variant of a "closed world" or a "feudal kingdom" — planners would emulate the monopolists by maintaining a level of industrial prices adequate to pry the surplus out of agriculture. Monopolistic pricing would substitute for the fiscal levies of the Tsarist state. In Preobrazhensky's words,

the state economy of the proletariat has arisen historically on the basis of monopoly

⁵ Preobrazhensky, *The New Economics*, 153. For Preobrazhensky's application of this theory to the business cycle of monopoly capitalism see Day, *The 'Crisis' and the 'Crash'*, ch. 7. This chapter analyzes the book *Zakat Kapitalizma* (The Decline of Capitalism), published in 1931. This is the most significant publication by Preobrazhensky still awaiting translation into English.

⁶ Preobrazhensky, *The New Economics*, 152.

⁷ *Ibid.*, 156.

capitalism. The latter, as a result of the ending of free competition, leads to the creation of monopoly prices . . . and thereby prepares the basis for the pricing policy of the period of primitive socialist accumulation . . . a pricing policy which will be only another form of taxation of the private economy.⁸

Socialist construction would require industry to be organized into something resembling a single "trust," able to withstand the spontaneous action of the "law of value" and to enforce a conscious policy of "non-equivalent" exchange. The term "primitive socialist accumulation" may have been borrowed from Marx's study of primitive capitalism's emergence from feudalism; the technical apparatus, however, was to be modelled after the most sophisticated forms of monopolistic exploitation.

In these circumstances it was natural for Bukharin, as spokesman of the party's right wing, to condemn Preobrazhensky as a "super-industrializer" and would-be exploiter of peasant "colonies."⁹ Bukharin was perfectly convinced of the modern state's ability both to regulate its domestic affairs and to plan the pattern of economic traffic across its frontiers. On precisely these grounds he experienced little hesitation in endorsing Stalin's doctrine of "Socialism in One Country."¹⁰ Nevertheless, Bukharin was certain that within a self-contained economy, whether

"state-capitalist" or socialist, the guarantee of stability was peaceful economic integration. Whereas Preobrazhensky's understanding of organized capitalism focused on the technique of monopolistic pricing, Bukharin preferred to emphasize the integrative apparatus of finance capital.

By a different route he hoped to reach more or less the same objectives as Preobrazhensky: capital was to be transferred from agriculture into industry; and petit-bourgeois "spontaneity" was to be subordinated to agricultural co-operation. In Bukharin's judgement the capitalists tapped the agricultural sector not so much through direct exploitation as through the banking system. When a co-operative saved its revenues and made deposits in a capitalist bank the result was "coalescence". The co-operative became "subordinated to the economic [and consequently also the political] leadership of the bourgeoisie." Co-operative organizations tended to "grow into the overall capitalist mechanism and become one of its constituent elements; they merge with it and are themselves transformed into a type of capitalist enterprise." Once the banking system was securely in proletarian hands, an analogous development would occur. "Peasant co-operation," Bukharin affirmed, "will grow into the system of proletarian economic organs in exactly the same way as it grows into the organs of capitalist economy under a bourgeois regime."¹¹

Voluntary peasant savings, rather than monopolistic profit, were to serve as a mainstay of socialist industrial expansion. "The more quickly accumulation takes place in agriculture," Bukharin predicted, "the more quickly will it take place in our

⁸ *Ibid.*, 111.

⁹ For Bukharin's attack on Preobrazhensky and the Left Opposition see "Towards a Critique of the Economic Platform of the Opposition (The Lessons of October 1923)" and "A New Revelation concerning the Soviet Economy, or How to Destroy the Worker-Peasant Bloc (On the Question of the Economic Basis of Trotskyism)", in N.I. Bukharin, *Selected Writings on the State and the Transition to Socialism*, ed. & trans. R.B. Day (White Plains, N. Y. 1982). This volume incorporates Bukharin's main works on political economy and permits a point-by-point comparison with Preobrazhensky.

¹⁰ For Bukharin's theory of the state and its implications in political practice see my introduction to Bukharin, *Selected Writings*.

¹¹ Bukharin, *Pu' k Sotsializmu i Raboche-Krest'yanskii Soyuz* (Moscow 1927), 35-7. This text is also included in Bukharin, *Selected Writings*, as "The Road to Socialism and the Worker-Peasant Alliance". This was Bukharin's most comprehensive statement of the theory of an evolutionary road to socialism through the NEP.

industry."¹² Yet this argument was seriously flawed. In particular Bukharin failed to address the immediacy of the "goods famine." Until such time as the peasant could *first* be guaranteed manufactured commodities, he would have no incentive to market his surplus. Still less would he be inclined to accumulate monetary savings at a time when agricultural prices showed prospects of rising. Preobrazhensky saw the difficulty at once:

The peasant knows quite well that when prices are rising, it is more profitable to keep your surpluses in commodities rather than in money. . . . It is quite obvious that the conditions that have now developed — that is, a halt in paper-money accumulation in the countryside — are also going to upset . . . all plans based on using that accumulation in the interests of industry. (44).

Having outgrown their monetary illusions during the inflation of previous years, the peasants would now prefer to "sacrifice a few percent of their grain to the mice and rats" rather than be "seduced by the 4 percent interest of the money they deposit in a savings bank." (44)

Notwithstanding the differences that made them such determined opponents, Bukharin and Preobrazhensky both founded their policies upon the assumption that modern forms of organization had fundamentally altered traditional patterns of economic activity. Bukharin thought of the state and its financial apparatus as the collective consciousness of an integrated social whole; Preobrazhensky believed the "law of value" was being replaced by conscious, monopolistic planning. Profoundly influenced by the wartime experience of state capitalism, wherein isolated belligerents struggled with inadvertent economic autarky, both men ended up being conceptually committed to the notion of a self-contained economic system. Paradoxical though it may seem, in this crucial respect Preobrazhensky was theoretically closer to Bukharin than to his colleague in the

leadership of the Left Opposition, Leon Trotsky.

For Trotsky the nation-state itself had become an historical relic.¹³ Driven by a rising organic composition of capital and high fixed production costs, modern industries had surged beyond the confines of local markets to service the world economy in its entirety. This impulsive need to export commodities and lower per-unit costs meant the Soviet foreign trade monopoly was a fragile bulwark against external economic forces. Conversely, Trotsky saw another possibility: the "reserves" of the world market — the low-priced commodities which the capitalists were so anxious to export — could and must be drawn upon to alleviate the Soviet "goods famine." A more or less permanent programme of "commodity intervention," meaning the import of both producer and consumer goods, appeared to be "inevitable."¹⁴ In Trotsky's view the only alternative to an enlightened foreign trade plan was contraband. In one manner or another the laws of the world economy would make themselves felt. "Contraband is inevitable," he warned the XII party congress in 1923, "if the differences between internal and external prices goes beyond a certain limit. . . [and] contraband, comrades. . . undermines and washes away the [foreign trade] monopoly."¹⁵

¹² See Day, *Leon Trotsky*, ch. 1. For a detailed study of the relation between Trotsky and Preobrazhensky see R. B. Day, "Trotsky and Preobrazhensky: The Troubled Unity of the Left Opposition", *Studies in Comparative Communism*, 102 (1977).

¹³ For Trotsky's view of "commodity intervention" and Soviet Russia's relation to the world economy during the mid-1920's see Day, *Leon Trotsky*, chs. 6-8. For Trotsky's view of the peasant problem and industrialization strategy see R. B. Day, "Leon Trotsky on the Problems of the Smychka and Forced Collectivization", *Critique*, 13.

¹⁴ *Dvenadsyati S'ed Rossiiskoi Kommunisticheskoi Partii (Bol'shevikov): Stenograficheski Otechet* (Moscow 1923), 372.

¹⁵ Bukharin, *Put' k Sotsializmu*, 41.

The threat of spontaneous imports underlined the peasant's ability to appeal to the world market against the excesses of "primitive socialist accumulation." With this threat in mind, Trotsky worried that some members of the Opposition would ignore external competition and assume that domestic prices could be manipulated quite arbitrarily. A realistic appraisal would have to situate the struggle between the "law of value" and the "law of primitive socialist accumulation" in its proper international context:

The interaction of the [domestic] law of value and the law of socialist accumulation must be put in contact with the world economy. Then it will become clear that the law of value, within the confines of the NEP, is supplemented by a growing pressure from the external law of value, which emerges on the world market.¹⁶

We are part of the world economy and find ourselves in the capitalist encirclement. This means that the duel of "our" law of socialist accumulation with "our" law of value is embraced by the world law of value, which . . . seriously alters the relationship of forces between the two laws.¹⁷

Repeatedly Trotsky urged that the passion for heavy industry had to be tempered by awareness of "the consumer point of view." The objective of heavy industrial self-sufficiency, or the striving for internal proportionality implicit in Preobrazhensky's use of the reproduction schemes, appeared to be neither practical nor even desirable. Soviet enterprises might concentrate their efforts upon a narrow range of equipment, but the major share of new fixed capital must be imported. Otherwise savings would be distributed too thinly over too many investment projects, causing breakdowns and costly delays. The problem was not one of achieving internal proportionality in a state of self-imposed autarky; rather it was "one of preserving the proportion of progress between the main branches of the economy as a whole by means of an opportune inclusion in the proportion of

such elements of world economics as will help to speed up development all round."¹⁸

Trotsky's willingness to countenance a "pro-peasant" variant of industrialization could not help but be a source of tension within the ranks of the Opposition. The degree of contrast between the leaders of the party's left wing can be gauged by comparing two rather striking quotations. In 1925 Trotsky summarized the broad outlines of his strategy in the book, *Towards Socialism or Capitalism?*

Our economic system has become part of the world system. This has made new links in the chain of exchange. Peasant grain is exchanged for foreign gold. Gold is exchanged for machinery, implements and other requisite articles of consumption for town and village. Textile machinery acquired for gold and paid for by the export of grain provides new equipment for the textile industry and thus lowers the price of fabrics sent to the rural districts. The circle becomes very complicated, but the basis remains the same — a certain economic relation between town and village.¹⁹

In the same year as Trotsky emphasized the need to realize the surplus through the new "link" of the world market, Preobrazhensky warned against the direct import of consumer goods:

I strongly fear that . . . there will be those among us who will propose that we extricate ourselves from [the "goods famine"] by the *path of least resistance*: they will not propose that we intensify accumulation in our industry at the expense of the entire national economy; they will not suggest that we satisfy our domestic demand with the products of our own industry; rather, they will propose that we sharply increase our imports of consumer goods as a perpetual system of relations between our economy and world capitalism. Every worker understands that this will be a system destined to undermine socialist industry. (41)

Like Lenin, Trotsky believed that a workers' state must "become subject to the laws governing the world market." In 1922 Lenin had seen the Bolsheviks facing one final test, "the test set by the Rus-

¹⁶ Trotsky, *Towards Socialism or Capitalism?* (London 1926), 94.

¹⁷ *Ibid.*, 44-5.

¹⁶ *Trotsky Archives*, No. T-2984.

¹⁷ *Ibid.*, No. T-921.

sian and international market, to which we are subordinated, with which we are connected, and from which we cannot isolate ourselves."²⁰ That point of view should be compared to Preobrazhensky's belief that Soviet Russia's "unstable equilibrium" resulted from "a struggle between two systems; it is not attained through the working of the world-wide law of value but on the basis of a constant violation of this law, on the basis of a constant violation of the world market, on the basis of the withdrawal — if not complete, then partial — of an enormous economic arena from under the regulatory influence of the world market." (196)

These comparisons are important for the hints they provide as to why the Left Opposition eventually disintegrated — and more particularly, why Preobrazhensky rejoined the Stalinist party whereas Trotsky chose the fate of an exile. No less important to the historian, however, is the question of which policy was more suited to the times. The balance of the evidence weighs in Trotsky's favour. Had a far-sighted foreign trade strategy been implemented as early as 1925, there are good grounds for supposing that Trotsky's new and re-equipped textile factories would have been in operation by 1928-29, when Stalinists finally came to grips with the "goods famine" by use of the "Siberian method," terrorism and forced collectivization.²¹ As the Left Opposition fell apart, Stalin even announced that for all practical purposes he was adopting Preobrazhensky's perspective. In the summer of 1928 he defended the use of terror against the kulak by reference to the imperative necessity of "internal accumulation." Monopolistic pricing was to be one of the weapons which would levy "a supplementary tax on the peasantry in the interests of industrialization."²² Despite his lingering misgivings regarding the need for assist-

ance from socialist countries, by rejoining the Stalinist party at this critical juncture Preobrazhensky declared a truce with "Socialism in One Country."

It is this irony that Donald Filtzer, in company with many other sympathizers with the ideals of the Left Opposition, remains unwilling to accept. One way to explain that reluctance is to say that it was not "socialism" that emerged from the Five-Year Plan, but something else. That argument is perfectly defensible, although it is problematic whether Preobrazhensky would have agreed. But Filtzer goes further. In his introduction to *The Crisis of Soviet Industrialization*, he declares that a redefinition of foreign trade policy, along the lines which we have associated with Trotsky, was only a palliative, not a solution to the economic contradictions of backwardness. Filtzer reasons this way:

Preobrazhensky noted that... disequilibrium could be partially ameliorated by recourse to the foreign market, where ready-made means of production could be purchased and where the prior investment in the plant and equipment essential for their [domestic] production could be avoided. But this would not solve the problem. Politically the capitalist West was not prepared to deal with the Soviet Union on an adequate scale. Economically, it merely begged the question: to purchase on the world market, the Soviet Union had to sell; and peasant production, which was tied to its preindustrial technique, could not keep pace with the demands of industrial accumulation, which would proceed much more quickly. Preobrazhensky could demonstrate... that so long as the world division of labour was capitalist, the Soviet economy could not escape from its impasse. What was needed was assistance, and that would only come from other countries where the dictatorship of the proletariat had triumphed. (xi-xlii)

Filtzer is quite consistent with Preobrazhensky's thinking when he claims that for political reasons the capitalists were unwilling to grant the Soviet Union "assistance" in the form of significant long-term credits. But the question of commodity trade in the short run is an entirely different matter. Here the chief

²⁰ Lenin, *Collected Works*, XXXIII, 276-7.

²¹ For more detail see Day, "Leon Trotsky on the Problems of the Smychka..."

²² *Trotsky Archives*, No. T-1900.

obstacle to Soviet Russia's reintegration into the world market was not a refusal of the capitalists to buy, but the inability of the Soviet government to sell; that is, to lay hands upon the surplus needed for export. Filtzer reasons that there was very little available for export because the entire surplus, modest as it was, had to be devoted to domestic accumulation and investment. Here it is Donald Filtzer who begs the question: to say that the entire surplus was needed domestically is simply to assume in advance that Preobrazhensky's strategy for industrialization was the only one conceivable. The fact is that a programme oriented more directly upon foreign trade would have *reduced* the demands of domestic accumulation — as Filtzer himself concedes by referring to prior investments in plant and equipment — and thus would have released what might be thought of as "hidden reserves" for export. The real issue, therefore, was the extent to which such "hidden reserves" could be made available.

In this connection it is none other than Preobrazhensky who provides conclusive arguments in Trotsky's favour. For Trotsky the whole purpose of "commodity intervention" was to overcome the "goods famine" and ensure the peasant would have a material incentive to part with his surplus. Preobrazhensky too was aware that the acute shortage of consumer goods "inhibits the development of the marketable share of peasant production . . . , increases the nonproductive consumption of the peasant masses themselves, and inhibits the growth of the export fund." (226, 195) From this awareness one very clear implication should have followed: any further refusal to satisfy peasant demand through imports, and any further concentration of investment in heavy industry, could prove catastrophic. Nevertheless, Preobrazhensky dogmatically insisted that a consistent programme of using at least part of the import budget to purchase consumer goods was "impossible". (211) This alleged "impossibility" was really

nothing more than a purely subjective deduction: it was only "impossible" to acknowledge "the consumer point of view" given the prior assumption that the goal of socialism must be internal economic proportionality, or the pursuit of self-sufficiency. In place of "impossible" Preobrazhensky should have written "undesirable" — that is to say, undesirable in terms of his own subjective preferences.

At one point in his writing Preobrazhensky even weighed the advantages that might accrue from the type of policy advocated by Trotsky. Observing that the "goods famine" caused agriculture to produce "relatively less for the market than would be objectively possible," he explained how the differential between domestic and world prices could be exploited to the benefit of *both the peasant and the planner*. Suppose, he argued, 200 million rubles' worth of additional export resources could be drawn into circulation by purchasing consumer goods abroad. With the additional export revenues of 200 million rubles, 100 million could go to purchasing still more consumer goods. If Soviet domestic prices were twice as high as world prices, these additional goods could then be sold in the domestic market for up to 200 million rubles. At the same time, the remaining 100 million of export earnings could be used to purchase machinery. If machinery prices within the Soviet Union were also twice as high as foreign prices, then the planners would in fact acquire the exact same volume of equipment for 100 million rubles as would have cost 200 million rubles domestically — assuming the internal production capacity existed to begin with. (211-2)

In other words, by dipping into the foreign trade budget to purchase the initial consumer goods required to free up "hidden reserves" valued at 200 million, the following chain of events would be set in motion: 1) the peasants would be provided with 200 million rubles' worth of imported consumer goods (at domestic

prices); 2) the planners likewise would acquire 200 million worth of equipment (again at domestic prices); and 3), the export reserve of 200 million would be automatically reconstituted. From the original 200 million expansion of exports, 400 million in domestic values would result. And given the fact that domestic prices were twice as high as world prices, the 400 million would actually be acquired at a cost of no more than 100 million — the sum originally needed to free up the “hidden reserves”. It was precisely this pattern of interaction with the world economy that Trotsky proposed.

The question necessarily arises as to why Preobrazhensky first considered and then rejected such a programme. His own explanation is given below:

... although such a solution to the problem is fully possible in principle, it is quite obvious that under present circumstances it will, in practical terms, do no more than alleviate the difficulty... not eliminate it. The point is, even in this case, that it is necessary to advance 100 million rubles out of the import fund for the (original) purchase of means of consumption. (212)

If one enquires just why it was “impossible” to make such an advance, the answer again, quite simply, is that it was not “impossible” at all — only “undesirable” in terms of Preobrazhensky’s prior intellectual commitment to internal propor-

tionality. Once this commitment was loosened, once it was assumed with Trotsky that a more appropriate economic strategy required “an opportune inclusion in the proportion of such elements of world economics as will help to speed up development all round” — then the “impossibility” simply vanished. Preobrazhensky’s blindness on this score indicated the degree to which he had fallen victim to his own use of Marx’s schemes of self-contained reproduction. Once Stalin accepted the policies that derived from the arithmetic of reproduction, there was no further obstacle to reconciliation. In 1928 Preobrazhensky concluded that Stalin’s conversion made possible “a reduction of our disagreements with the Central Committee on a number of real questions of international and internal policy.” The time appeared to be right for the Opposition “to make peace with the party majority on the basis of the new course.”²³ In the final analysis, therefore, the programme of “primitive socialist accumulation” proved to be perfectly compatible with the doctrine of “Socialism in One Country.” This is the main conclusion to emerge from Donald Filtzer’s *The Crisis of Soviet Industrialization*.

²³ Trotsky Archives, No. T-1594. For Trotsky’s assessment of Stalin’s “new course” see Day, *Leon Trotsky*, ch.8.