

A Few Economic Problems

Stalin's economic formulations in his celebrated 'Economic Problems of Socialism in the USSR' became the target of attack by several Soviet economists following usurpation of the leadership of the Soviet Party and the state by the revisionist Khrushchev clique. These formulations, in their opinion, were 'absolutely incorrect'. In 'A Few Economic Problems' the scientific basis of Stalin's formulations has been explained, providing a clear insight into the issues involved against the revisionist distortions.

A number of writers have, of late, undertaken a veritable campaign against the economic formulations made by Stalin. In less than half a year, more than a dozen of articles devoted mainly and exclusively to attacking the various economic theories propounded by Stalin have appeared in different organs. These include a treatise entitled *The Basic Economic Law* jointly produced by M. Atlas, L. Kadyshchev, M. Makarov, G. Sorokin and P. Figurnov and published in 1962, Issue No. 1 of the *Voprosy Ekonomiki*. The writers of the article have, *inter alia*, said : "... in the field of economic theory Stalin committed serious errors on questions pertaining to the way of raising collective-farm property to the level of property of all the people; to the curtailing of commodity circulation and replacing it by barter; he erred in affirming that under the socialist system

the purchasing power of the population should always outstrip actual production ... equally wrong was his proposition that the overall volume of production in the leading capitalist countries was bound to drop in the post-war period, etc.” They have also discussed in the article the basic economic laws of capitalism and socialism and held Stalin guilty of propagating “absolutely incorrect” ideas about the basic economic law of capitalism in his *Economic Problems of Socialism in the USSR*.

These are matters of utmost importance for understanding the essential features of not only capitalist production but also socialist production and, more so, for understanding the real purpose behind the criticisms levelled against Stalin by these writers, to undermine the authority of Stalin who so long stood as an authority in the international communist movement, and, hence, need careful and critical study.

Basic economic law

Every particular social formation has its basic economic law, which determines not some particular feature or particular processes of the development of production of that social formation but all the principal aspects and all the principal processes of its development. The basic economic law of a given social formation, therefore, determines the entire course of its development, the essence of its production, its essential feature. Marxian materialist dialectics teaches us that “the basic contradiction in the process of development of things, and the quality of the process determined by this basic contradiction, will not disappear until the process is completed; but the conditions of each stage in the long process of development of things often differ from those of another stage. This is because, although the nature of the basic contradiction in the development of things or in the quality of the process has

not changed, yet at the various stages in the long process of development the basic contradiction assumes an increasingly intensified form. Besides, among the numerous big and small contradictions determined or influenced by the basic contradiction, some become intensified, some temporarily or partially solved or mitigated, and some emerge anew; consequently the process reveals itself as consisting of different stages.” (Mao Zedong, *On Contradiction*, p. 29) This dialectical materialist approach should guide all communists also while dealing with economic laws, including the basic economic law. Thus, though the basic economic law of a particular social formation remains fundamentally unchanged during the entire period of that social formation, yet concrete conditions of economic development undergo changes during the long period, which call for different (not fundamentally different), i.e. developed and precise understanding of the basic economic law at different stages of the same social formation.

Let us take, for example, the capitalist society. What is the basic economic law of capitalism? It cannot, obviously, be the law of value.

For, the law of value is primarily a law of commodity production, which existed before capitalism, exists under capitalism and will continue to exist even when capitalism will be overthrown and socialism established, i.e. so long as the commodity production with its money economy will operate. The law of uneven development of capitalism in different countries or the law of capitalist competition and anarchic production also cannot be the basic economic law of capitalism. Because, though each one of these laws expresses some particular aspect of capitalist production, none of them expresses the principal features of capitalist production, its essential nature. Stalin in *Economic Problems of Socialism in the USSR* enunciated the basic economic law of capitalism as follows: “Most appropriate to the concept of

a basic economic law of capitalism is the law of surplus value, the law of the origin and growth of capitalist profit. It really does determine the basic features of capitalist production. But the law of surplus value is too general a law; it does not cover the highest rate of profit, the securing of which is a condition for the development of monopoly capitalism. In order to fill this hiatus, the law of surplus value must be made more concrete and developed further in adaptation to the conditions of monopoly capitalism, at the same time bearing in mind that monopoly capitalism demands not any sort of profit, but precisely the maximum profit. That will be the basic economic law of modern capitalism.”

We think that this is not rejection of the law of surplus value as the basic law of capitalism in so far as the direct aim of capitalist production is to produce surplus value or profit in its developed form. Marx himself said: “The direct aim of capitalist production is not the production of goods, but the production of surplus value, or of *profit in its developed form* (emphasis added); not the product, but the surplus product. ... It is the constant aim of capitalist production to produce the maximum surplus value (or of the maximum profit in its developed form) or surplus product with *the minimum of capital advanced ...*” (Karl Marx, *Theories of Surplus Value, Capital*, Vol. 4, Part II, p. 552) The expression “maximum surplus value” used by Marx clearly suggests that the maximum surplus value covers also the highest profit. But, “...with a given surplus value various factors may raise or lower and in general influence the rate of profit”. (*Ibid.* p. 376) And “... The rate of profit is not directly governed by the same laws as the rate of surplus value”. (*Ibid.* p. 426) Hence, “... the laws of surplus-value or rather of the rate of surplus value (assuming the working-day as given) do not so directly and simply coincide with, nor are they applicable to, the laws of

profit ...” (*Ibid.* p. 426) So the point cannot be missed that the rate of maximum profit in adaptation to the condition of monopoly capitalism is not one and the same with the highest rate of profit the capitalists could secure under the conditions prevailing in pre-monopoly capitalism. To have a precise understanding of the difference between the highest rate of profit the capitalists were securing under the conditions of pre-monopoly capitalism and the highest rate of profit the capitalists are securing under the present-day conditions of monopoly capitalism, Stalin’s above proposition is only an elaboration and development towards that end.

How then is the law of the average rate of profit which, in the main, operated at the stage of pre-monopoly capitalism, especially during or after the Industrial Revolution, to be explained? It is not to be understood to connote that the pre-monopoly capitalism voluntarily sacrificed the maximum rate of profit and contented itself with the average rate of profit. It is not to be understood to connote that the aim of pre-monopoly capitalism was not to produce the maximum surplus value and secure the maximum rate of profit. On the contrary, it is to be understood to connote that in the specific conditions obtaining at the time, the average rate of profit was the maximum rate of profit that pre-monopoly capitalism could secure. This is how the law of surplus value and the law of maximum profit are to be concretely understood in relation to the concrete situation obtaining at the two stages, pre-monopoly and monopoly, in the process of development of the capitalist society.

But since some of the Soviet economists erroneously clung to the view that the law of surplus value meant the law of surplus profit operating in the shape of the law of the average rate of profit even under modern or monopoly capitalism and since they obdurately held that the law of the

average rate of profit was the basic law of capitalism, Stalin suggested the above-mentioned elaboration to make the understanding of the law of surplus value and the law of profit more precise and concrete. If anyone understands thereby that the law of the average rate of profit was the basic economic law of pre-monopoly capitalism, whereas the law of the maximum rate of profit is the basic economic law of monopoly capitalism, thus advancing the idea of the existence of two basic economic laws under a given social formation, it is his muddle-headedness that is to be blamed. But strangely enough, the writers of the *The Basic Economic Law* have denounced Stalin for this muddle-headedness of some of the Soviet economists of his time. They say : “Because of the influence exerted by J. V. Stalin’s work *Economic Problems of Socialism in the USSR* on our economic literature, the latter gave currency during a certain period of time to the fallacy that the law of surplus profit is the basic economic law of pre-monopoly capitalism only, while in the era of imperialism another basic law allegedly becomes operative, namely the law of securing the maximum profit. This way of posing the question is absolutely incorrect. There are not and there cannot be two basic economic laws : one for the earlier stages of capitalism and the other for its higher stage — imperialism. Each social formation has only one basic economic law, in whatever stage of development it may be”. This is echoing what Stalin said in reply to L. D. Yaroshenko’s assertion that there could be several basic economic laws of socialism but, at the same time, putting the blame on Stalin for the fallacious idea that a particular social formation can have more than one basic economic law. Stalin, in denouncing Yaroshenko’s erroneous view, said : “When speaking of the basic economic law of some particular social formation, the presumption usually is that the latter cannot have several basic economic laws, that it can have only some one basic economic law, which

precisely for that reason is the *basic* law. Otherwise we should have several basic economic laws for each social formation, which would be contrary to the very concept of a basic law. But Comrade Yaroshenko does not agree with this. He thinks that it is possible to have not one, but several basic economic laws of socialism. It is incredible ...” (*Economic Problems of Socialism in the USSR*, p. 82) Is it creating the confusion that a particular social formation can have more than one basic economic law or a clear rebuttal of that erroneous concept? These ‘theorists’, the writers of the article in question, would do well to improve and perfect their study of Stalin before coming out in the open to denounce him.

Now, let us take up the basic economic law of socialism. According to the formulation of the latest Programme of the Communist Party of the Soviet Union, the basic economic law of socialism is “the aim of socialism”. We cannot appreciate this formulation of the basic economic law of socialism, not because it is theoretically unsound but because it is too vague. If the basic economic law of socialism is formulated as “the aim of socialism”, the basic economic law of capitalism can, likewise, be formulated as “the aim of capitalism”. But none should welcome such a formulation because of its vagueness. It should not be forgotten that there are lots of young communists and ordinary people, who do not as yet possess the adequate level of ideological consciousness so as to understand fully the implication of the expression “the aim of socialism”. The latest Programme of the CPSU must serve as a handbook of guide to them also. So it is desirable to express the basic economic law of socialism in a clear way even at the cost of brevity. Moreover the “aim of socialism” is the establishment of classless society which does not exclusively deal with the question of socialist economy alone. It also deals with the questions of how to

hasten the process of elimination of commodity circulation, transform individual property and collective-farm property into public property, eliminate money economy for hastening the process of elimination of theory of value from the field of economic activity and finally how to bring about a fundamental cultural and ethical change in society in order to implement the principle of “from each according to his ability, to each according to his need”, thereby eliminating contradiction between man and man in relation to production and distribution.

It is true that the latest Party Programme has laid down the aim of socialism. “The aim of socialism is the ever fuller satisfaction of the growing material and cultural requirements of the people through the continuous expansion and perfection of social production” — declares the Programme. The writers of the article *The Basic Economic Law* have hailed this formulation as “a step forward in the creative elaboration of the problem of the objective aim of socialist production and the means of attaining it” and given all credit for it to Comrade Khrushchev¹ and the Twentysecond Congress of the CPSU led by him. There is no doubt that it is a step forward in the creative elaboration of the economic problems of socialism but a little more of plain speaking and less of vainglory would make these writers confer the credit for this creative elaboration not on Khrushchev but on Stalin, whose language even has been reproduced but without any reference to him. “...maximum satisfaction of the constantly rising material and cultural requirements of the whole of society is the *aim* of socialist production; continuous expansion and perfection of socialist production on the basis of higher techniques is the *means* for the achievement of the aim” — so said Stalin in his *Economic Problems of Socialism in the USSR* (p. 86). Please compare this formulation of Stalin’s about the aim of socialist production

and the means of achieving that aim with that made in the latest Programme of the CPSU and honestly say to whom the credit should go, to Stalin or to Khrushchev. These writers have chaffed L. A. Leontiev for not ascribing the concept of the basic economic law to Lenin but to Stalin. Should they not chaff themselves for ascribing the creative elaboration of the problem of the objective aim of socialist production and the means of attaining it to Khrushchev and not to Stalin? What is sauce for the gander should be sauce for the goose also. But we find lack of that communist sense of criticism and self-criticism in these comrades. Not only that. The authors of *The Basic Economic Law* in their overzealousness to stealthily copy Stalin, but without any reference to him, committed a grave error in substituting “the aim of socialism” for “the aim of socialist production” as mentioned by Stalin, since these two things can never be equated. The aim of socialism covers a far wider and broader region of socio-political and economic questions than the aim of socialist production. Perhaps this is the common fate of all copyists.

Elevating collective-farm property to public property

The next point that should be dealt with concerns collective-farm, commodity production, collective-farm property and the question of elevating collective-farm property to the level of public property. There is no denying the fact that in the USSR there are, at present, two basic forms of socialist production — state or public production and collective-farm production, which cannot be called public owned. In the state sector, the means of production and the product of production are both public property, whereas in the collective-farm sector, the basic means of production like machines (not minor implements) and land belong to the state and the product of production is the

property of different collective farms. It goes without saying that in a communist society there cannot be two forms of property — public property and collective-farm property; there will then be only one kind of property, namely, the property of the people. Hence in a communist society, i.e., classless society at least in the economic sense of the term, for communist construction the question of raising collective-farm property to the level of public property does not arise at all because at that stage no such property as collective-farm property can exist. It is needless to mention that property forms cannot be changed at will; they grow and develop as per economic laws.

The question as to how to raise collective-farm property to the level of public property was discussed at the time of Stalin, when the question of gradually transforming socialist economy into communist economy was being faced by the CPSU and the decision to publish a textbook on political economy was taken. Some comrades then proposed that the best way to do it was to nationalize collective-farm property and proclaim it public property. Stalin and the Central Committee of the CPSU could not agree with this proposal for two reasons. Stalin said: “Collective-farm property is socialist property, and we simply cannot treat it in the same way as capitalist property. From the fact that collective-farm property is not public property, it by no means follows that it is not socialist property” — this is the first reason. The other reason is that since the aim is to reach world communist society when the state will have withered away and since the collective-farm in the system of socialist economy is in keeping with that end, nationalization of collective-farm property is not the best way of elevating it to public property; “...so long as the state exists, conversion into state property is the most natural initial form of nationalization. But the state will not exist for ever. With the extension of the sphere of operation of socialism in the

majority of countries of the world, the state will die away, and, of course, the conversion of the property of individuals or groups of individuals into state property will lose its meaning. The state will have died away, but society will remain. Hence the heir of the public property will then be not the state, which will have died away, but society itself, in the shape of a central directing economic body.” (*Economic Problems of Socialism in the USSR*, p. 96) Had Stalin thought that “collective-farm property had outlived itself” and that it was “to a certain extent a brake holding back the advance to communism”, as the writers of *The Basic Economic Law* have made out, he would have acted upon the proposal of nationalizing collective-farm property and proclaiming it public property.

Now, in this connection, we would like to record our difference of opinion with regard to a particular proposition of Stalin that “with the extension of sphere of operation of socialism *in the majority of countries of the world* (emphasis added) the state will die away ...”. In our opinion this is erroneous since we are convinced that the state cannot wither away unless the operation of socialism extends to the *entire world* and not just the majority of the countries of the world.

These writers should have tried to understand Stalin’s point of view rather than quoting a few words of his from here and a few words from there out of context and jumping to abrupt and incorrect conclusions. Let us examine what Stalin had said about the *brake* on productive forces. And the honest way of doing it is to present his view on it. “When Marxists speak of the retarding role of the relations of production, it is not all relations of production they have in mind, but only the old relations of production, which no longer conform to the growth of the productive forces and, consequently, retard their development. But, as we know, besides the old, there are also new relations of production

which supersede the old. Can it be said that the role of the new relations of production is that of a *brake* on the productive forces? No, it cannot. On the contrary, the new relations of production are the *chief* and decisive force, the one which in fact determines the further and, moreover, powerful development of the productive forces, and without which the latter would be doomed to stagnation, as is the case today in the capitalist countries ... Of course, new relations of production cannot, and do not, remain new for ever, they begin to grow old and to run counter to the further development of the productive forces; they begin to lose their role of principal mainspring of the productive forces, and become a *brake* on them. At this point, in place of these production relations which have become antiquated, new production relations appear whose role it is to be the *principal mainspring* spurring the further development of the productive forces. This peculiar development of the relations of production from the role of a *brake* on the productive forces to that of the principal mainspring impelling them forward, and from the role of *principal mainspring* to that of a *brake* on the productive forces constitutes one of the chief elements of the Marxist materialist dialectics". (*Ibid.* pp. 68-70) No communist can oppose this dialectical materialist analysis of Stalin. On the basis of it he concluded: "Of course, our present relations of production are in a period when they fully conform to the growth of the productive forces and help to advance them at seven-league strides. But it would be wrong to rest easy at that and to think that there are no contradictions between our productive forces and the relations of production. There certainly are, and will be, contradictions, seeing that the development of the relations of production lags, and will lag, behind the development of the productive forces. Given a correct policy on the part of the directing bodies, these contradictions cannot grow into antagonisms, and there is no

chance of matters coming to a conflict between the relations of production and the productive forces of society...

“The task of the directing bodies is therefore promptly to discern incipient contradictions, and to take timely measures to resolve them by adapting the relations of production to the growth of the productive forces. This, above all, concerns *such economic factors as group, or collective-farm property and commodity circulation. At present, of course, these factors are being successfully utilized by us for the promotion of the socialist economy, and they are of undeniable benefit to our society. It is undeniable, too, that they will be of benefit also in the near future.* (emphasis added) But it would be unpardonable blindness not to see at the same time that these factors are already beginning to hamper the powerful development of our productive forces, since they create obstacles to the full extension of government planning to the whole of the national economy, especially agriculture”. (*Ibid.* pp. 75-76) Does it follow from it that Stalin considered that collective-farm property had already outlived itself, or does it prove that Stalin fully recognized the benefit of collective-farm property to the Soviet society not only for the present but also for some time to come? Can the writers of the article mentioned above disprove the observation of Stalin that collective-farm property and commodity circulation create obstacles to the *full* extension of government planning to the whole of the national economy, especially agriculture? And does not contradiction exist, to that extent, between the relations of production and the productive forces of society?

The same type of confusion has been created by these writers in dealing with commodity circulation. They assert that “Stalin advanced a totally faulty proposition hampering practical work, that in the course of communist construction commodity and money-relations outlive themselves and

retard our progress toward communism, and that therefore the sphere of action of commodity circulation should be curtailed, and conversely, the sphere of barter should be extended ... Our party has pointed out in its Programme that in the work of building a communist society the fullest use should be made of commodity and money relations". In all fairness, it should be admitted that the latest Party Programme has not moved an inch farther from Stalin's proposition. It was Stalin who categorically stated that commodity production and commodity circulation must remain as a necessary and very useful element in the system of socialist economy and that it was imperative to take advantage of every potentiality inherent in the system of commodity circulation for the development and consolidation of socialist production. The following analysis of Stalin will conclusively establish it. "At present the collective farms will not recognize any other economic relation with the town except the commodity relation — exchange through purchase and sale. Because of this, commodity production and trade are as much a necessity with us today as they were, say, thirty years ago when Lenin spoke of the necessity of developing trade to the utmost. Of course, when instead of the two basic production sectors, the state sector and the collective-farm sector, there will be only one all-embracing production sector, with the right to dispose of all the consumer goods produced in the country, commodity circulation, with its 'money economy', will disappear, as being an unnecessary element in the national economy. But so long as this is not the case, *so long as the two basic production sectors remain, commodity production and commodity circulation must remain in force, as a necessary and very useful element in our system of national economy.* ... Consequently, our *commodity production is not of the ordinary type, but is a special kind of commodity production ... which, together with its "money economy" is*

designed to serve the development and consolidation of socialist production". (*Economic Problems of Socialism in the USSR*, pp. 20-21; emphasis added)

'Development and consolidation of socialist production', no doubt, means advance towards communism. Thus, according to Stalin, in the course of advance towards communism, commodity production and commodity circulation must remain in force as a *necessary and very useful element* for a certain period. While he took cognizance, in full, of the utility of commodity and money-relations, he, at the same time, pointed out their limitations. The trouble with the writers of *The Basic Economic Law* is that they do not see these limitations. Besides, while Stalin meant by the expression transition to communism a real transition, these writers mean only declaratory transition.

Long before the Twentysecond Congress of the CPSU, Stalin felt that the Soviet economy had reached that state of development when it was quite possible to adopt a programme for transition from socialism to communism in the strictest sense of the economic term. But to make the transition real and not declaratory, he felt that the time had come to adopt concrete measures so that collective-farm property gradually transformed itself into public property, and commodity circulation and money economy in the course of their maximum utilization for the benefit of the society gradually lost their utility and ultimately disappeared, as being unnecessary elements in the life of the society.

In his Report to the Twentyfirst Extraordinary Congress of the CPSU, Khrushchev suggested four-fold measures to "bring collective-farm property into closer approximation with public property, gradually, obliterating the line dividing the two". These measures are (1) uninterrupted increase of collective-farm non-distributable assets; (2) enlargement of collective-farm production to include more and more

branches of agriculture; (3) inter-farm production ties and diverse forms of co-operation and (4) agricultural electrification, mechanization, automation. This is quite in accordance with the line advanced by Stalin for improvement of the Soviet agriculture. But notwithstanding these measures and even in spite of them, the surplus collective-farm output would continue to go into market and remain included in the system of commodity circulation. But for real transition from socialism to communism, the surplus collective-farm output, which remains a commodity even after the implementation of the measures suggested by Khrushchev, has to be excluded from the system of commodity circulation. How is that going to be done? Neither Khrushchev nor the economic experts of the USSR, who are maligning Stalin, have anything to offer as answer to this question. Stalin suggested that it could be done by excluding the surplus collective-farm output from the system of commodity circulation and including it in the system of product-exchange between the state industry and the collective-farms to the advantage of the latter. This, in the opinion of Stalin, would also hasten the process of raising collective-farm property to the level of public property.

The writers of *The Basic Economic Law* consider this proposition of Stalin untenable. They argue: "Underlying this fallacious assertion are two gross theoretical errors. First, Stalin held that the output of a collective-farm was the farm's only item of property. ...Second, Stalin subordinated the transformation of socialist production relations into communist ones not to the growth of social production but to the growth of the volume of exchange, to either the safeguarding or abolition of commodity circulation between town and country." An examination of Stalin's analysis on the material question would show that the argument of these writers is a tissue of gross misstatement of facts. Stalin said: "What, then, does the collective-farm own? Where is the

collective-farm property which it disposes of quite freely at its own discretion ? This property of the collective-farm is its product, the product of collective-farming: grain, meat, butter, vegetables, cotton, sugar, beet, flax, etc., not counting the buildings and the personal husbandry of the collective-farmers on their household plots.” (*Ibid.*, p. 103) Does this statement exclude “beef and dairy cattle and drought animals”, as alleged by the economic experts ? Does it not prove the incorrectness of the statement of these writers that Stalin held the output of a collective-farm as the farm’s *only* item of property ? Apart from these misstatements, they have failed to understand the subject matter of discussion. Stalin was discussing *not the property of the collective farm in general but that portion of its property which it disposes of quite freely at its discretion, not all kinds of its property but only those items of its property which go into the market and, hence, are included in the system of commodity circulation*. So, in the fitness of things, he did not mention some items of collective farm property like irrigation installations, cultural and utility facilities, small ancillary plants, etc.

The second point of argument of these writers is equally wrong. There is nothing to show that for transition from socialism to communism Stalin shifted the emphasis from social production to the sphere of exchange; on the contrary, there is much to show that he laid stress on social production, exchange and cultural advancement of the people in order of their priority. Marx said : “In production men not only act on nature but also on one another. They produce only by co-operating in a certain way and mutually exchanging their activities. In order to produce, they enter into definite connections and relations with one another and only within these social connections and relations does their action on nature, does production take place.” (*Marx and Engels*, Vol.5, p.429) Thus, social production has two sides,

which, although inseparably connected and forming an integral whole, reflect two different relations: (1) relations of men to nature (productive forces) and (2) relations of men to one another in the process of production (production relations). To overrate the importance of the one and underrate that of the other is to commit a grave sin against Marxism-Leninism. The present leaders of the Soviet Union are emphasizing the role of the former and underestimating the role of the latter in the process of advance towards communism. What is Stalin's position in this respect? He said: "In order to pave the way for a real and not declaratory transition to communism, at least three main preliminary conditions have to be satisfied. ... It is necessary, *in the first place*, definitely to ensure, not a mythical "rational organization" of the productive forces, but a continuous expansion of all social production, with a relatively higher rate of expansion of the production of means of production.

"...It is necessary, *in the second place*, by means of gradual transitions carried out to the advantage of the collective-farms, and, hence, of all society, to raise collective-farm property to the level of public property, and, also by means of gradual transitions, to replace commodity circulation by a system of products-exchange, under which the Central Government or some other social-economic centre might control the whole product of social production in the interests of society. ...It is necessary, *in the third place*, to ensure such a cultural advancement of society as will secure for all members of society the all-round development of their physical and mental abilities, so that the members of society may be in a position to receive an education sufficient to enable them to be active agents of social development, and in a position freely to choose their occupations and not be tied all their lives, owing to the existing division of labour, to some one occupation."

(*Economic Problems of Socialism in the USSR*, pp. 74-76) Those who find underestimation of the importance of social production in it (Stalin gave social production the first place) are suffering from a morbid dislike of Stalin. Stalin not only formulated these conditions for real transition from socialism to communism and assigned places of relative importance to each of them, but also suggested concrete measures for securing these conditions. The present leaders of the CPSU are carrying out, at least what we find at present, mainly those measures and, at the same time, painting Stalin in the blackest of colours. This, in our view, violates the communist code of conduct. To be more precise, they have not accepted the suggestion of Stalin that the surplus collective-farm output, which is included in the system of commodity-circulation, should be gradually brought under the system of products-exchange, perhaps with a view to giving the collective farms an incentive to production, which we consider a very dangerous trend. We are yet to see the concomitant results of the measures by the present leaders of the CPSU to extend the sphere of commodity circulation in place of limiting it in the course of transition to communism.

Purchasing power of people

In the political Report of the Central Committee to the Sixteenth Congress of the CPSU, Stalin stated: "That is why here, in the USSR, the increase of mass consumption (purchasing power) continuously outstrips the growth of production and pushes it forward, whereas over there, in the capitalist countries, on the contrary, the increase of mass consumption (purchasing power) never keeps pace with the growth of production and continuously lags behind it, thus dooming industry to crises from time to time". (*Collective Works*, Vol. 12, p. 332) The writers of *The Basic Economic*

Law assert, without assigning any reason that Stalin “erred in affirming that under the socialist system the purchasing power of the population should always outstrip actual production”.

It is obvious that Stalin, by his above mentioned remark, wanted to draw the attention of the Sixteenth Congress to the specific fundamental features of development of the two opposite systems of economy, the socialist and the capitalist, the mechanism behind the development of the two systems and the advantage of the socialist system of economy over the capitalist system. It is, therefore, not a question of *should* but of *is*, not a question of what *should* be the feature, as these writers put forth, but of the feature that actually *exists*. The use of the word *should* implies the erroneous idea that a socialist state can create new economic laws for the development of its economy. The laws of economic development — whether in the period of capitalism or in the period of socialism — are independent of the will of man, who “may discover these laws, get to know them and, relying upon them, utilize them in the interests of society, impart a different direction to the destructive action of some of the laws, restrict their sphere of action, and allow fuller scope to other laws that are forcing their ways to the forefront; but he cannot destroy them or create new economic laws”. (*Economic Problems of Socialism in the USSR*) Then again, the exact meaning of the words “erred in affirming” used by these writers is not very clear. Do they mean that the error lies in affirming, i.e. confirming, or do they mean that the formulation itself is incorrect? If they mean the former then it comes to this that the formulation was quite valid, when it was originally advanced in 1930, but has lost its validity now owing to new economic conditions. If they mean the latter, then the formulation, irrespective of time, is *per se* unsound. Whatever may be the stand of these writers, they

are wrong.

Comrade L. Gatovsky in an article entitled *From Socialist to Communist Distribution* published in the *World Marxist Review* (Vol. 5, No. 2, Feb, 1962) has referred to this formulation of Stalin and discarded it as a “dogma” and as “theoretically unsound” on the strength of Khrushchev’s speech in the Twentysecond Congress of the CPSU. When Khrushchev’s speech has been advanced as containing the main line of argument, it is but logical to quote it in full. Khrushchev said: “Nothing contradicts the essence and creative spirit of revolutionary theory so much as attempts to hang on to propositions whose unsoundness has been proved by the realities of life. An example is the thesis, current for a long time in our economic literature, that under socialism the purchasing power of the population should always keep ahead of production and that this is even a specific advantage which socialism has over capitalism and is one of the motive forces of our development. This obviously erroneous assertion, one that contradicts the Marxist-Leninist theory of the relation between production and consumption, arose out of the uncritical dogmatic acceptance of Stalin’s erroneous thesis to the effect that in the USSR ‘the increase of mass consumption (purchasing power) continually outstrips the growth of production...’. The champions of this view were not worried at the fact that they were actually justifying the shortage of prime necessities and perpetuating the system of rationing and its psychology. Socialist economy is planned economy. We can and must give full consideration to the population’s demand for goods when planning the quantity and type to be produced. Lenin said that socialism means ‘the planned organization of the process of social production to ensure the well-being and all-round development of all members of society’. On more than one occasion he stressed the need to ensure a rate of

production-development sufficient to create an abundance of goods for the people. We must be guided by these directions of Lenin". We have quoted Comrade Khrushchev² in full and since it, far from removing the darkness, makes it opaque, we put some questions to him. What is the Marxist-Leninist theory of the relation between production and consumption ? In what way does Stalin's formulation that under socialism "the increase of mass consumption (purchasing power) continuously outstrips the growth of production" contradict that Marxist-Leninist theory ? We are sorry to state that though his report runs into several millions of words, it does not answer these pertinent questions otherwise than by dogmatically asserting that Stalin's formulation is erroneous and contradicts the Marxist-Leninist theory of the relation between production and consumption. But dogmatic assertion, of course, is no logic. He has taken pains to quote Lenin as saying that socialism means "the planned organization of the process of social production to ensure the well-being and all-round development of all members of society", as if Stalin was opposed to this Leninist formulation. This is simply ridiculous ! He has even reminded us that on more than one occasion, Lenin "stressed the need to ensure a rate of production development sufficient to create an abundance of goods for the people". Who challenges the correctness of it ? At least Stalin did not. The pity is that Khrushchev has said so many things but has not said the thing that matters — in what way Stalin's formulation is theoretically wrong. Should not a communist leader of his stature speak in precise and concrete terms instead of beating about the bush ? The above formulation of Stalin's deals with one of the important features of development of socialist economy, the mechanism behind the continuous expansion and perfection of socialist production so as to ensure creation of abundance of products for the well-being and the all-round

development of people. Khrushchev and these writers have confused one of the fundamental features of socialist economy with the aim of socialist production. This aspect of economic development makes the aim of planning possible and real, but nevertheless it is not the aim itself.

Why is it that while capitalist economy suffers from unavoidable crises of over-production, the system of socialist economy, far from witnessing any such crisis, is distinguished by continuous expansion and perfection of social production ensuring creation of abundance of products for the people? Is it because of the will of the communists to create an abundance of goods and of the absence of such a will on the part of the capitalists? None but a simpleton can think so. It is so because of the different sets of economic laws with different features of economic development operating and existing, as the case may be, under the two opposite systems of economy — the capitalist and the socialist. While discussing the development of capitalism in Russia, Lenin said: “Another feature of the development of social productive forces by capitalism is that the growth of the means of production (productive consumption) is much faster than individual consumption”. (*Selected Works, Lawrence and Wishart Publication, Vol.1, p. 382*) The antagonistic contradiction between the growth of production and mass consumption under capitalist economy manifests itself in the form of periodic crises of over-production. Had this feature of economy existed under socialism also, then socialist economy too would have witnessed over-production. It should be noted that capitalist over-production is over-production not in consideration of the total requirements of all members of society but from the point of view of their purchasing power. Under socialism the problem of purchasing power of people still remains, commodity production with its money-economy, though operating in a

limited sphere, still exists, and consequently, the law of value still operates. Under such a condition, growth of production ahead of mass consumption (purchasing power) is fraught with the danger of over-production which in turn obviously creates a brake in the process of continuous expansion and perfection of production. But the fact is that socialist economy faces no over-production, let alone crisis of over-production. As against the capitalist economy with its basic economic law of creating surplus value and its aim of appropriating maximum profit, the aim of the socialist economy is not to create surplus value but to produce socially necessary things to meet the material and cultural requirements of people; its features are also fundamentally different. Unlike under capitalism, in a socialist economy the large portion of the social wealth produced, since it is continuously transformed into emolument, constantly raises the minimum wage-level. It therefore induces a consistent, continuous and systematic raising of the purchasing capacity and the standard of living of people under the given condition, including the cultural and ethical standard which is continuously uplifted so as to reach a level conducive to the fulfillment of the principal aim of socialist production. This continuous rise in the purchasing capacity of people continuously raises the demand-level. It is for this reason that in socialist economy demand for consumption always outstrips actual production. This serves as a constant fillip for continuous expansion and perfection of socialist production through the successful implementation of the principle of planned guidance in order to guarantee creation of abundance of the products of social production for the people. Just as the theory of the dictatorship of the proletariat is neither the product of fancy, nor a means to perpetuate the dictatorial rule of the working class, but is the recognition of the law of class struggle and other objective laws of development of society and marks the

entire transitional phase and means to hasten the process of elimination of class rule and establishment of world communist society, i.e. the classless society, so also the formulation that under socialism the purchasing power of people runs ahead of production is neither a cooked up theory nor a subterfuge for “justifying the shortage of prime necessities and perpetuating the system of rationing and its psychology”, as Khrushchev complains, but is a recognition of the objective feature of socialist economy that makes it possible for bringing about continuous expansion and perfection of socialist production to create abundance of the products of social production for people under socialism.

Volume of capitalist production

Stalin in his *Economic Problems of Socialism in the USSR* concluded: “It is evident that, after the world market has split, and the sphere of exploitation of the world’s resources by the major capitalist countries (USA, Britain, France) has begun to contract, the cyclical character of the development of capitalism — expansion and contraction of production — must continue to operate. However, expansion of production in these countries will proceed on a narrower basis, since the volume of production in these countries will diminish”. (p. 63) The writers of the article *The Basic Economic Law*, in disputing this analysis of Stalin, state : “Equally wrong was his proposition that the overall volume of production in the leading capitalist countries was bound to drop in the post-war period”.

Now, at the very outset, we would like to ask these writers: where did they get that Stalin observed that “...the overall volume of production ... was bound to drop in the post-war period”? Stalin did not observe like that — at least not in the above-mentioned paragraph where he observed that “However, expansion of production in these countries

will proceed on a narrower basis, since the volume of production (not the “overall” volume of production) in these countries will diminish” (not “*was bound to drop*”). What kind of ethics is this that Stalin is being criticized for an observation which he did not really make? Is it not a distortion of facts? Perhaps these writers in their overzealousness to combat Stalin have missed to take note of what Stalin did really observe and what he really did not.

Moreover, these writers, while disputing the analysis of Stalin, have separately taken out one part of his observation, i.e. his comment on the volume of production (and that too in a distorted manner) from the rest and kept completely silent on the rest of the observation. But all should agree that if one really desires to understand the real significance of what Stalin meant by his comment that “...the volume of production will diminish”, he will have to try to understand it in the proper context along with the rest of the observation with which it is inseparably linked up in the above-quoted passage taken from Stalin’s book *Economic Problems of Socialism in the USSR*. But if, instead of doing that, one separates it from the rest of the observation and attempts to understand the meaning it carries in isolation from the rest of the contention along with which alone it is meaningful, and that too in a distorted manner as these writers have done, then, it is not only that one will misunderstand the real significance of the observation, it will be tantamount to a wilful attempt to create misconception regarding what Stalin observed.

Furthermore, we cannot help but observe that these self-styled theorists, the writers of the article *The Basic Economic Law*, in their frantic bid to find fault with Stalin’s proposition, have failed to take note of what Stalin really contended in his observation.

Any man with an average intelligence would not fail to grasp the point that Stalin did never remark that the volume

of production could never increase under any circumstances in any branch of industry in any particular capitalist country even for a certain period of time. What he really implied was that in the third phase of general crisis of world capitalism, capitalism would fail to keep up the rate of growth of production which it could maintain even after the world-wide monetary crisis of 1930. And as a general feature, the rate of growth would gradually show a declining trend. This, of course, does never presuppose that even a temporary increase of production may not be noted in any branch of industry in a particular capitalist country even for a certain period of time under the influence of temporary factors, including the artificial stimulants. But these temporary factors, including the artificial stimulant, cannot continue to operate for all time to come. They are sure to exhaust one day and the rate of growth (not the quantum of production) is bound to show a downward trend. It was in this sense and to explain this general feature of present day capitalism that Stalin remarked that “the volume of production will diminish”. It is really pathetic that our ‘theorist’ friends, the writers of the *Basic Economic Law*, as they have failed to grasp the real significance of Stalin’s contention, have also failed to understand the reason or reasons behind the temporary upward trend seen in the volume of production in the major capitalist countries since the termination of the Second World War, notwithstanding the tendency of stagnation and decline prevailing there. And this has prompted them to reject Stalin’s proposition as incorrect !

Moreover, when Stalin said that the volume of production in the major capitalist countries would diminish, he had in view the course of future events, the probable outcome of the disintegration of the single all-embracing world capitalist market and further contraction of the sphere of exploitation by the creation of the socialist system and

socialist market, on the one hand, and the entry of the resurgent nationalist countries in this already contracted market, on the other. Probability is not immediate actuality. Between probable outcome and existing reality there always exists an intervening period. Any increase in the volume of production in these capitalist countries does not establish beyond reasonable doubt that there will be no decrease in future.

Furthermore, increase in the volume of production in the major capitalist countries is primarily due to four factors — (1) militarization of economy and the arms drive, (2) renewal of fixed capital which was long overdue, (3) greater economic expansion because of absence of Germany, Japan and Italy as competitors in the period immediately following the War, and (4) intensification of exploitation of the working class by the capitalists in these countries. Most of these factors are, no doubt, temporary artificial stimulants that we have already referred to, and hence cannot continue to operate for all time to come. They are sure to exhaust one day, resulting in fall in the volume of production.

Khrushchev in his Report to the Twentieth Congress, visualized this very situation when he said: “Today the capitalist world is approaching the point at which the stimulating action of many of the temporary factors is becoming exhausted. Some, for example, the large-scale renewal of fixed capital and the favourable situation in foreign markets, operated only during the period directly following the severe and prolonged war. Others are in general capable of bringing about temporary increase in production. The operation of the internal forces of the capitalist economy, on the basis of which it succeeded in raising production in the past, is becoming weaker and weaker. In order to advance production today, capitalism has increasing needs of artificial stimulants”. The logical

corollary of Khrushchev's above analysis is that the volume of production in the major capitalist countries is bound to diminish, sooner or later; but all the same, it cannot but take place. This is Stalin's proposition also. From the above observation of Khrushchev, at least one thing is crystal clear. Khrushchev, in his over-zealousness to fight Stalin, has failed to realize that the objective facts and observations that he himself has put forward to combat Stalin's proposition have actually gone against him and substantiated Stalin's thesis ! Nor could the so-called 'theorists', the writers of *The Basic Economic Law*, the ardent disciples of Khrushchev, who most often parrot the dictums and contentions of Khrushchev against Stalin to contradict him, ever apprehend that they, along with their mentor, might be placed in such a tight corner while fighting against Stalin and his observations !

A few more points should be mentioned in this connection. Khrushchev, in his Report to the Twentieth Congress of the CPSU, and Mikoyan, in his speech before the said Congress, obliquely referred to the passage quoted above and hinted that Stalin meant by general crisis of capitalism complete stagnation, a halt in production and technical progress. This is a travesty of truth. The words "expansion of production in these countries will proceed on a narrower basis" occurring in the above passage from the *Economic Problems of Socialism in the USSR* refute the idea of complete stagnation and a halt in production. These words, on the contrary, indicate expansion of production as well as the nature of production, the tendency to stagnation. This is quite in keeping with the Leninist formulation. Lenin in his *Imperialism, the Highest Stage of Capitalism* said: "As we have seen, the most deep-rooted economic foundation of imperialism is monopoly. This is capitalist monopoly, i.e. monopoly which has grown out of capitalism and exists in the general environment of capitalism,

commodity production and competition, and remains in permanent and insoluble contradiction to this general environment. Nevertheless, like all monopoly, this capitalist monopoly inevitably gives rise to a tendency of stagnation and decay. As monopoly prices become fixed, even temporarily, so the stimulus to technical and, consequently, to all progress disappears to a certain extent, and to that extent also the economic possibility arises of deliberately retarding technical progress. ...Certainly, monopoly under capitalism can never, completely and for a long period of time, eliminate competition in the world market (and this, by the by, is one of the reasons why the Theory of Ultra-Imperialism is so absurd); certainly, the possibility of reducing cost of production and increasing profit by introducing technical improvements operates in the direction of change. Nevertheless, the tendency to stagnation and decay, which is the feature of monopoly, continues and in certain branches of industry, in certain countries, for certain periods of time it becomes predominant". (pp.120-121) This was the position when capitalism, on the whole, was growing far more rapidly than before, when capitalist market enjoyed relative stability. Now after the Second World War, after the further deepening of the general crisis of world capitalist system, distinguished by complete absence of relative stability of capitalist market due to the contraction of the traditional market by the emergence of the socialist system and socialist market, on the one hand, and the entry of the resurgent nationalist countries in this already contracted market, on the other, the tendency of stagnation and decay has become more pronounced, in more branches of industry and for longer periods of time. Does it not indicate the probability of fall in the volume of production in the major capitalist countries ?

Stalin's contribution to political economy

The writers of *The Basic Economic Law* have accused Stalin of “retarding the progress of the political economy of socialism, creating extreme adverse conditions for research work in social sciences.” The communists all over the globe would have benefited much, had these writers given some examples of how Stalin retarded the progress of political economy and created adverse conditions for research work in social sciences. They, in a most unscrupulous way, avoided the very way to prove anything and have taken the path of mud-slinging and vituperation. Had the charge been even partially true, we fail to understand how Comrades L.D. Yaroshenko, A.V. Sanina, V.G. Venzher, A.I. Notkin and others could openly carry out ideological struggles in support of their respective views on political economy of socialism against Stalin. If research work in social sciences was made difficult by Stalin, why did he not pack the committee appointed to improve the draft text book on political economy with persons supporting his views but, on the contrary, recommend to “include not only the authors of the text book, and not only supporters, but also opponents, the majority of the participants in the discussion out and out critics of the draft text book”? (*Economic Problems of Socialism in the USSR*, p. 52) If Stalin retarded the progress of the political economy of socialism, how could the USSR make so spectacular headway towards communism under his leadership? No doubt that the cult of the individual, in general, and Stalin-cult in particular, did incalculable harm to the communist movement. It is admitted on all hands that the root cause of this anti-communist cult has got to be eradicated.

But the way to do that is not to reject Stalin's works lock, stock and barrel. If there is any error in his formulations, that should be clearly brought to light, backed

by Marxian dialectical logic. Twaddling in mythical high-sounding utterances and demagogic assertions will not mend matters. But unfortunately, this is the very path which the writers of *The Basic Economic Law* have adopted to disparage Stalin. For example, to show their disagreement with Stalin's formulations, they have quoted Lenin's observation that "we value communism only when it rests on a sound economic foundation". Is there anybody on earth who can understand from it the disagreement of the writers with Stalin, far less Stalin's error? They have reiterated, *ad nauseam*, such high-sounding expressions as "sound economic foundation", "Leninist laws governing the development of socialism into communism", "creative elaboration of the problem of the objective aim of socialist production", so on and so forth, but kept absolutely mum as to their concrete imports and how Stalin debased that sound economic foundation or violated the "Leninist Laws", etc. Can these writers produce a solitary instance to show that they have improved upon and gone beyond the fundamental economic tenets of socialism propounded by Stalin?

It is not only that they have failed to go beyond the important and fundamental tenets of socialism propounded by Stalin, let alone improving them, but, over and above, whenever they try to improve upon these they commit serious mistakes. Thus, they have committed a serious blunder by their attempt to contradict and go beyond the proposition of Stalin by rejecting an important feature of socialist economy that demand outstrips production, and have thereby endangered the socialist economy, particularly the agricultural economy. All other measures Khrushchev and these so-called theorists are proceeding with, particularly in widening the sphere of commodity circulation *vis-a-vis* contracting the sphere of products-exchange, instead of more and more limiting the sphere of the former coupled with a simultaneous extension of the

sphere of the latter and in providing incentive measures, etc., are fraught with dangerous consequences of giving birth to revisionism and paving the way for the growth of the tendency of restoration of capitalism.

Let not bias mar the correct appreciation of Stalin. Let his works be read and re-read, defects and errors, if any, correctly and precisely pointed out, and the treasure-house of Marxism-Leninism further enriched. This is the way of educating the class and the masses and of improving the standard of ideological consciousness of the communists.

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NOTES

1. Subsequently turned out to be a renegade
2. Subsequently turned out to be a renegade