

The Economy in the Russian Revolution

Internationalist Perspective
1995

Written by Rose in Internationalist Perspective 28. It was followed by a critical response by Sander. That issue is available at <https://internationalistperspective.org/issue/internationalist-perspective-no-28/>.

In November, thousands of Russians, nostalgic for the old regime, commemorate the October Revolution. For revolutionaries, the issue is not to celebrate an anniversary but to return incessantly to the understanding of the strengths and weaknesses of this proletarian revolution, unique in history.

To draw lessons from it therefore does not mean to worship a movement and transform it into dogma, as the bourgeoisie would do. We must, on the contrary, understand past mistakes to clarify our perspectives for future class struggle. The Russian Revolution, the highest expression of the proletariat's existence as a class in the history of capitalism, has many things to teach us on the period of insurrection period [sic] and the delicate period of transition between capitalism and communism.

It is in this perspective, of understanding the political lessons that we can draw for us and our class, that this article was written. It is far from our intention to question the proletarian nature or the very existence of this revolution. We believe indeed that it was a spontaneous movement of the working class. Set in motion by the strikes of 1905, it re-emerged with much more force in 1917. The *International Women's Day* of 23rd February was transformed into a near-general strike in Petrograd. Launched on the base of demands as general as "peace" and "bread", the movement spread rapidly and changed into a directly political insurrection. This ground swell which went all across Russian society, led to the fall of the secular and obscurantist Tsarist regime. Whole garrisons of soldiers joined the cause of the proletariat. For several months, waves of struggles followed each other and made it possible for workers' consciousness to mature sufficiently to eliminate the bourgeois political structures and replace them with a social and political organization based upon the direct domination of the political organs of the exploited (the Workers Councils amongst others). To the surprise of the bourgeoisie, but also of the Bolsheviks, the Russian revolution completed its insurrection in October 1917. The workers' revolt against exploitation and against the slaughter of the First World War, was not limited to Russia. Germany was shaken by the same convulsions. Unfortunately, they were better contained by the German bourgeoisie and never led to a victorious revolution.

Much has been written on the political meaning of October 1917 and on the political structures created by the proletariat. But the period following the revolution must pass through the fine comb of revolutionary understanding.

Because the problem of the political organization of the class (workers' councils, party ...) has been dealt with in other articles, it is the economic problem of post-revolutionary Russia that is the subject of this article. The economic questions are fundamental and must be raised at the very onset of the take-over by the proletariat. The period of

transition must be a real destruction of the economic bases of capitalism. Without this destruction, even if it occurs gradually, communism, as a system in which the relations of production and the relations between people are totally new, will never be possible. The possibility of the creation of a new society depends on the period of transition.

When we look at the Russian revolution, we see that the Bolsheviks took measures on two “levels”. While on the level of the political organization of the proletariat, the measures taken went in the direction of a break with the old system – to the advantage of proletarian structures (such as the Workers Councils) – we can’t say the same of their economic policy. On that level, the measures taken (as we shall see later), affected primarily the forms of capitalism, without touching its foundations. Several factors explain this: the economic backwardness of Russia at the time of the revolution; the impossibility of transforming a capitalist economy into a “communist” one while the rest of the world remains capitalist; particular phenomena such as the civil war; finally the lack of theoretical elaboration by the Bolsheviks of these questions. All this led to a situation in which, despite the proletarian nature of the revolution, the foundations of the capitalist system were never destroyed. Rosa Luxemburg drew the following lesson:

In this, the Russian revolution only confirmed the fundamental teaching of every great revolution, whose essential law is this: you have to go forward very rapidly and resolutely; overthrow all obstacles with an iron hand; place the goals ever further, or else the revolution will quickly be led back to its fragile point of departure, or be smashed by the counter-revolution (*Political Writings – The Russian Revolution*).

To understand this better, we will examine three points:

- the ownership of the land;
- value and its expression in money and wages;
- the development of the productive forces.

I. The Ownership of the Land

This issue was a war-horse for the Bolsheviks. From 1907 on, Lenin defended the idea of “equality of land use”. For him, the large landownership and its corollary, serfdom, were the most caricature expression of social inequality in Russia. The means to overcome this inequality was therefore the fight against large private ownership and its replacement by collective ownership. Other revolutionaries shared the goal to abolish large landownership. The Social Revolutionaries published in August '17 a decree, based on 242 demands for the peasantry. This decree contained, amongst other measures, the expropriation of estates, the return to the people of all landownership and its distribution “on a base of equality, either according to labor or consumption, as local conditions dictate”. Lenin supported this decree, adding as a condition that it could only be carried out as part of the socialist revolution against capitalism.

So in the aftermath of the revolution, the land was confiscated and redistributed, more or less according to local conditions, amongst the peasants or more collective organs such as collective farms, agricultural cooperatives or rural communes. The Bolsheviks developed a particular strategy. In his *April Theses*, Lenin defined the peasantry as “a mass consciously on the side of the capitalists”. The issue therefore was, to rally them to the cause of the proletariat. They focused on the “poor peasants” (workers without land). These peasants, having no land to defend, were seen as in the same boat as the workers who did not own the means of production either. So the Bolsheviks saw them as potential supporters of the revolution who would defend proletarian interests amongst the peasant masses. Many large estates were therefore confiscated and divided amongst “poor peasants”.

What was the real impact of these measures? Lenin's first objective was quickly accomplished: the large estates no longer existed and the land was distributed in a more equitable way. However, questions can be raised on the political impact of this measure. After the redistribution of the land, 11% of it was owned by the farms of the Soviets (that is, the state); 3% by agricultural collectives and 86% by private farmers. So it was private, small ownership which was most favored by it and this was the direct result of the Bolshevik tactic towards the "poor peasants". The most outrageous inequalities no longer existed but private ownership was far from abolished. On the contrary, it created problems in the delivery of agricultural products and an impoverishment of the variety of crops. As for the delivery problems: each peasant was obliged to deliver his surplus production, through requisitions, taxes or exchanges for manufactured products. But often, surpluses were hidden or destroyed, which created a flourishing black market. So-called "bagmen" criss-crossed the countryside with large bags which they filled with stuff bought from farmers which they re-sold in the cities at very high prices. As for the impoverishment of crops: the peasants tended to grow the products which they needed for their own consumption and to reduce their cultivated acreage to escape the requisitions of surpluses. As a result, agricultural production fell and more specialised cultures were steeply, altogether abandoned. This led to famine in 1919-20, which provoked massive shifts of population. The Bolsheviks response to the deterioration of the economic and agricultural situation was the *New Economic Policy* (NEP) of 1921.

The survival of the country (and thus of the revolution) demanded an end of the famine. The Bolsheviks were forced to increase food production at any price. Openly capitalist measures were taken to stimulate agricultural productivity. In 1921, Trotsky re-introduced the trade of surpluses for any farmer who paid his taxes. Taxes were lowered for farmers who increased their acreage and they could once again employ wage laborers to increase production. So, when Lenin called the NEP "a necessary capitalist retreat", he clearly showed what type of response was given to the economic problems of scarcity and the development of the productive forces.

Through all this, it became fairly clear that the tactic of the Bolsheviks was inadequate. We don't want to re-launch here the debate on "what they should have done", but to understand, for the future revolution, the dangers of certain visions. We defend here the position of Rosa Luxemburg who commented on the Bolshevik tactic:

Not only is this not a socialist measure, but it also cuts off the road leading towards it: it creates a mountain of insuperable difficulties to the restructuring of the agrarian conditions in the direction of socialism. The fact that the peasants took over the estates, following the short and concise slogan of Lenin and his friends: "Go and take the land!" simply caused the sudden and chaotic passage of large landownership to peasant ownership. No social ownership was created, but a new form of private ownership, the break-up of large estates into small and medium sized properties; large scaled, relatively evolved cultivation was replaced by small scale, primitive cultivation, working with the technical means from the time of the pharaohs (*Political Writings – The Russian Revolution*).

We know that Lenin emphasized the need to develop the collective exploitation of the large estates, with modern agricultural techniques. So questions can be raised on the adequacy of a measure, taken for "tactical" reasons, which made it all but impossible to move to a more collective production. We disagree with a "gradualist" approach, which would justify a "popular" measure to win over the masses, to move then in the opposite direction, once "the masses" have rallied to our cause. The political and economic measures of the period of transition are decisive and flow from the understanding of how a communist society functions. Although it's true that we can't replace a capitalist society

with a communist one overnight, we think that the measures to be taken must, in any case, go in the direction of communism and not its opposite. In this case, while it was correct to seek the support of the landless workers, it was certainly necessary to push for the creation of collective farms, instead of distributing the land individually. Even if we take into account the problems which the Bolsheviks faced in reorganizing an agricultural sector as backwards as it was in Russia, it's clear that they hardly considered these problems from a global political view, flowing from an understanding of what a capitalist society, and its opposite, communism, are. On the contrary, they rather seem to have been inspired by strategic considerations of an ideological nature (to win over the peasant masses). In our view, such a position is inexorably doomed to failure.

II. Value, Money, Wages

Value is one of the foundations of the capitalist system. Without entering into economic explanations that go beyond the scope of this article, we can recall, with Marx, that value is determined by "the relative quantity of necessary labor". To measure the value of a commodity in the exchange process, one category is taken into account: the exchange value. As Marx explains: "the use values are equivalents in the proportions where they contain the same labor time set in motion, materialized. As exchange values, all commodities are only determined measures of coagulated labor time" (*Capital, "The Commodity"*). This exchange value becomes a universal and abstract category, totally independent from the simple use of a product. It is also the motor of the production and of capitalist wealth. It is clear that the Bolsheviks, in their economic measures, made attempts to abolish this category, but value continued to reign in the economic relations.

Even before the revolution, the Bolsheviks had an economic policy based on three points: the annulling of debts, the nationalisation of banks and the halt of the emission of paper money. Those measures were aimed against the independence of fictitious capital and money as an expression of value. The annulling of debts was quickly accomplished, but things were less simple regarding the other two measures. Capital, as a monetary mass and a mass of credit, destined for the functioning of companies, never ceased to exist. The banks, despite their nationalisation after the revolution, remained institutions whose function and usefulness were never questioned. They were simply put under the control of proletarian organs. The Bolsheviks even thought that the banks would become, under socialism, the supreme economic authority, the principal administrative organism of the country. Here is how Lenin saw it, on the eve of the October Revolution: "Without the big banks, socialism would be impossible to realise. The big banks constitute the 'state apparatus' that we need to realise socialism and that we borrow ready made from capitalism ...". The Bolsheviks not only didn't compromise the function of the banks in the capitalist system, but they also made them a tool of socialism, seeking only to make this tool as efficient as possible. In 1918 for instance, the idea of a decentralisation of the banks was put forward. There had to be one bank for each industrial sector, half of its capital advanced by the state and half by the sector in question.

Another example of the persistence of capital and value, is the existence of taxes. Like any state in which value-money has not disappeared, Bolshevik Russia leveled all kinds of taxes. From 1917 on there appeared the first decrees on new taxes, either in money or in kind (agricultural surpluses). By deciding in November 1917 to advance the deadline for income taxes, and by amending the decree on taxes on tobacco, the Bolshevik government executed measures taken by the pre-Revolutionary government.

Finally, money: while it de facto disappeared for a short period, this happened not because of a conscious economic policy but under pressure of events. Indeed, despite the efforts of the Bolshevik state to procure its financial needs through taxes, the

economic situation in 1918 was close to bankruptcy. This, rather than theoretical reasons, prompted the Bolshevik government to change course. It used the only means to hand: a wild increase in the issue of paper money. When the decree of 15th May 1919 discarded the last obstacle to the unlimited issue of money, the circulation of money exceeded 80 billions rubles. The amount doubled in 1918 and quintupled in 1920. This disastrous inflation had its classic capitalist effect on buying power; that is, it made it collapse. In 1919, the money was so worthless that factory vouchers, written on bits of paper with the stamp of some local institution or authority on them, took over its role. More and more, workers were paid in kind (in forms of rations) rather than in money. Nevertheless, the ruble remained the official instrument for measuring values in the accounting of companies. But the incessant fluctuations of the ruble made it practically useless for this purpose, so the Russian financial organs looked for an alternative unit of measure. In 1920, the labor unit seemed the only reasonable answer to that problem. It would be at the same time universal, not subjected to fluctuations, and compatible with the Marxist principles on the suppression of money. During a good part of 1920, the financial specialists studied this proposal. Unfortunately, the NEP put an end to this research, and officially reintroduced money and trade in the exchange between products.

Neither was the wage of Russian proletarians ever abolished or even modified. Given the situation economic backwardness, of scarcity, caused by Russia's isolation and "war communism", the idea to give "to each, according to his needs", seemed a far away goal. Except for the short period in which workers received rations in kind, wages were globally determined by taking into account the difficulty of the work, the skills needed and the responsibilities assumed. While there was a struggle against productivity measures before the revolution, they never disappeared and a piece-rate system reappeared in 1918 and was generalized in 1921. In that year too, the directors of plants who were once again free from any form of workers' control, began using the term "waged workforce" again, as well as its corollary: unemployment. From then on also, wages were lowered for workers who were deemed insufficiently productive.

What should we conclude from all this? We must repeat, once again, that the situation in Russia was extremely difficult. The economic backwardness of the country, and the ruins created by an imperialist war and a civil war, sharpened the extreme scarcity and made economic measures tending towards communism more difficult. Nevertheless, without pronouncing ourselves on "what the Bolsheviks should have done", it is striking the degree to which the economic measures were the results of the immediate circumstances. To respond to the most pressing problems; that seems to have been the motto of the Bolsheviks. Their decisions don't reflect any understanding of the capitalist economic mechanisms and how they were maintained (and even sustained) by their economic policies. The role of the banks, of taxes, of money: all that wasn't seen as part of a system that had to be abolished, but as tools that could simply be taken over and put into service for the oppressed. It was this false concept of socialism as a proletarian take-over of capitalist tools, which in our view was responsible for the Bolsheviks' incapacity to take economic measures tending towards the realisation of communism. It is in the period following the revolution in which such fundamental capitalist categories such as wages and value must be transformed. Even if those two categories continue to exist in the beginning of the period of transition, they should in any case be modified (this subject is discussed in greater detail in *Internationalist Perspective #27*: "Economic aspects of the transition of capitalism to communism"). Wage labor, if it is maintained as long as scarcity has not totally disappeared from society, can only be a temporary instrument for the distribution of social wealth, but must lose its function as expression of the value of labor power. In the same way, money, if it subsists also in the exchanges in the beginning of the period of transition, must lose its character of abstract value, capable to express

any wealth and to be accumulated without limits, as is the case under capitalism. It seems quite clear that these questions were not clarified by the Bolsheviks. They weren't even raised.

III. The Development of the Productive Forces

The disappearance of scarcity is the primordial condition for the elimination of the law of value. The Bolsheviks seemed to have understood this. The development of the productive forces was their constant preoccupation. But the aftermath of the revolution was a period of complete disorganisation of the production, which heightened the scarcity. Too few products were leaving the factories to be exchanged for agricultural products. Often, instead of an exchange, there was a simple requisition of agricultural stocks, to feed the urban population.

The Bolsheviks therefore sought to increase agricultural productivity. They turned naturally towards capitalist organisation models for solutions. The prime example was often the young German capitalism. The only critique that the Bolsheviks had of this economic structure was not that it was capitalist, but that it was directed by a capitalist state. So all they had to do, was to take this economic model, and place a proletarian state at its head. This shows again the Bolsheviks' incomprehension of the interdependence between political and economic structures, between class relations and relations of production. In agriculture, the Bolsheviks therefore tried to replace small production units with larger ones, equipped with agricultural machinery. That's why they sought to develop the agricultural communes. Unfortunately, individual property predominated (see point I) and the peasantry showed little inclination to change its life style. So, agriculture did not develop but became more impoverished.

Disorganisation of production was a crucial problem in industry as well. The civil war weighed terribly on the orientation of production. It was geared towards the needs of the war, not the satisfaction of human needs. The Bolsheviks tried to elevate industrial productivity too. Unfortunately for the proletariat, they did so not by introducing new technologies, but by tightening the control over the workforce. To give some examples: in June 1919, a time-book was introduced for workers in Moscow and Petrograd; in April 1919, forced labor camps were created; around the same time, piece-work was systematized to stimulate productivity. The Bolsheviks also considered it was out of the question for workers to strike. So war communism marked a discrete return to authoritarian practices, under the cover of the defense of the interests of the revolution.

This situation was undoubtedly the most inexorable element in the panorama of post-revolutionary Russia. Indeed, the disappearance of scarcity largely depended on the stage of development of the productive forces. But we know how backward the Russian economy was, how little modern industrial fabric there was. We can therefore conclude that no quick solution was available to solve the problem of scarcity, without a worldwide revolution which would have posed the problem of production on a global scale and would have based productivity on less archaic areas. A rapid disappearance of scarcity could therefore not have been realised in Russia alone, regardless of the measures taken.

IV. Conclusion

A revolutionary process is a political process. But to lead to a new society, it must be capable of transforming all the foundations of society: economic and social as well as political and structural.

The experience of the Russian Revolution shows us only a first sketch of this process. The take-over of power marked the overthrow of the bourgeoisie and the

installation of the dictatorship of the proletariat. New political structures were put into place. But the transformation of a society is a dynamic process, fed by contradictory forces, tendencies towards change and tendencies towards stabilisation, towards a return backwards.

The global situation was one of a country which had achieved a revolution but which remained isolated in the midst of nations which had succeeded in smothering these tendencies in their own proletariat. Russia could not extend the dynamic, count on its growing support and globalisation; it was enclosed in isolation. We know that Stalin's theory of "socialism in one country" is totally false. The revolution has to be worldwide or it has to fail. As for the policies of the Bolsheviks, we must recognize that they were insufficiently prepared. They did not have a clear political understanding of the society they fought against and of which society they were going to. Their economic measures showed that they did not understand which were the keys of the capitalist system's functioning and therefore which measures they had to take to make them disappear as quickly as possible. Their understanding was limited to the need of the political dictatorship of the proletariat over these structures, without questioning these structures themselves. For us, this holds a fundamental lesson. Indeed, while it seems useless to us to dwell on the specific measures which the Bolsheviks "should have" taken, because the material conditions in which the future revolution will take place will be radically different, it seems very important to us to understand that the completion of a revolutionary process requires the destruction of a capitalist society. Because of their lack of theoretical preparation, the Bolsheviks carried a series of illusions on this transformation of the economic structures, which have weighed heavily on generations of revolutionaries after them.

What took place in Russia was a proletarian revolution, but it didn't lead to a communist society. What the Stalinist bourgeoisie falsely called "communism", was only a capitalist regime in which all the economic and political machinery was centralised into the hands of the State.

We think that the situation which the Bolsheviks faced, will probably not recur in the same way for the generations of proletarians and revolutionaries of the future. The globalisation of capital has created a far-reaching interdependence of all economies and a great deal of movement of populations. This makes the revolutionary movement more global. Also, life in the decaying phase of the economic system leaves ever fewer illusions and doubts intact about what the capitalist system is and about what future it can offer to humankind. Only a clear consciousness of the foundations of capitalist barbarism will make it possible to take the measures which will make of the post-revolutionary period a real transition to a communist society.

Rose