

Marxist points of view on the Soviet Communist economic system and the manifestation of egalitarianism in post-communist economic reform

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Fortunately today, nobody in most post-communist countries considers seriously whether there is an alternative to a market system; one will not hear any more useless debates about unrevealed possibilities and untapped resources of socialism; nobody is against private property. Despite the so-called "wellbeing" in the formation of public opinion, it is very hard to break down the stereotype of our way of thinking which has been formed over decades; this often prevents the implementation of economic reforms.

In order to overcome these difficulties we must gain a better understanding of the Soviet economic system. It is particularly interesting to make an analysis of this system from the Marxist point of view.

There are different estimations of the Soviet Communist economic system in special economic literature. The wide discrepancy between Marxist and non-Marxist points of view has created some barriers in understanding the same problems; therefore it is very important to emphasize the essence of the Soviet communist system not separately, but according to the general ideology of Marxism-Leninism.

The main achievement of Soviet Communism was egalitarianism, i.e. equality of income. We must be aware that this phenomenon is characteristic of both socialist and capitalist systems, but it was especially distorted under the conditions of Soviet Communism. In post-communist economic reforms it is sometimes very difficult to avoid actions which are socialist by nature. This tendency has particularly been revealed in using egalitarianism in the process of privatization. All these problems will be discussed.

Soviet Communism or state monopolistic feudalism

Nowadays there are many publications in which scientists try to evaluate the social and economic nature of the society created in the Soviet Union and other East European countries. Some of the following definitions of this society can be considered as accepted: "administrative-command socialism", "totalitarian

socialism", "state-bureaucratic socialism", "barrack-like socialism", etc. As a rule, there are definitions used for severe criticism of the structure of the former Soviet Union; however, the authors using these definitions have no doubt that socialism was built, although it was extremely distorted.

In the West the term "Soviet Communism" is used to refer to the social system of the former Soviet Union. There is no doubt that a thorough study of the essence of the economic system will result in corresponding summarized estimations. The necessity for such estimations arises from the need to find out whether the definitions of Soviet system listed above answer classical Marxist-Leninist questions of an ideological character.

In particular, one frequently faces the following questions: is socialism really able to defeat capitalism in economic competition? Is it possible to achieve higher labour productivity in the socialist system in comparison with the capitalist one? The steps of logical consideration are very simple: if socialism or even communism was built in the former USSR, then why were all the problems predicted by Marxism-Leninism not solved in the Soviet Union?

As a matter of fact, according to most parameters of development, the Soviet Union was among the most undeveloped countries of the world; all this was explained by wars, devastations, reconstructions, droughts, etc. However, this can be considered to be a lame excuse because natural calamities also occur in the most developed countries. This gives rise to the essential questions: whether the classics of Marxism-Leninism were right in determining the historical place of capitalism and to what extent they considered the advantages of socialism over capitalism.

Returning to the above-mentioned definitions of the system in the former USSR, we should keep in mind that they emphasize the excessive centralization of the public management system and the dominating role of a one-party bureaucracy which took over the entire state. In order to explain why socialism (communism) could not manage even in a single country to realize its advantages over capitalism (theoretically predicted by Marx and Lenin) it is not enough just to display the above-mentioned negative aspects of the socialist structure. To clarify, all the evaluations of the Soviet economic system which we have summarized must be clearly defined. It is even more important to derive these evaluations from the theoretical basis of Marxism-Leninism itself. While considering the Soviet economic system we must select its basic, common features:

- (1) From the very beginning of the formation of Soviet power the land and all other principal means of production were claimed as state property. The co-operative-collective form of property was regarded as secondary for a long period of time and was subordinate to the government. There was no voluntary co-operation in the former Soviet Union and there was no difference between collective farms (*kolkhoz*) and state farms (*sovkhos*). The mass transformation of collective farms into state farms at the end of the 1950s and the beginning of the 1960s, which meant the

nationalization of co-operative-collective property, was considered to be a progressive step in the socialization of production in building up communism. Practically, all means of production were concentrated in the hands of the government and all spheres of the economy were placed under state control. This left no opportunity for private initiative or individual choice. (We should take note that absolute state ownership of all means of production seems to be the primary, determining feature over others discussed later.)

- (2) When state ownership is predominant, the market is not necessary at all. Hence from the very beginning the country is developing on the basis of some kind of natural economy which means that the relations between economic units are based on state-regulated barter exchange. The well-known political and ideological confrontation of the former USSR with the rest of the world made impossible any kind of significant foreign economic relations; thus the national economy had to satisfy all its needs by its own means. The natural character of the economy was aggravated by at least two factors. First, the Soviet Union appeared to be a unitary state and not a federal one. In fact, the Soviet Republics (to say nothing of other administrative-territorial units) were practically deprived of all their economic rights, and as a result the economic relations between republics based on the principle of equivalent exchange became unnecessary. Second, as a result of the disregard of the market the majority of the planned indices were not expressed in monetary terms but in physical measures. At the same time, supplying the enterprises with the means of production was possible only on the basis of so-called state funding.

After the Second World War, when the formation of the world socialist system (uniting countries with naturalized national economy) was recognized, the natural character of the economy of the former USSR had slightly weakened, but economic relations within the framework of the system were mainly formed not by economic but by political means. This, in turn, expanded the bounds of the natural economy over the whole world socialist system.

- (3) The monopolistic position of state ownership of the means of production, and the absence of competition, led to the fact that the means of production in the former USSR were inferior to standards of developed countries. Not taking into consideration the development of the cosmic defence industry (stimulated not by economic, but by political factors), we may conclude that the technique and technology of production in the former USSR were primitive in comparison with standards of such developed countries as the USA, Japan, Germany, etc.
- (4) Using political power, by means of centralized management of the economy, the state made workers personally dependent which was

expressed in non-economic compulsion to work. According to Marx this resulted in special forms of exploitation of man by man.

According to Marxism-Leninism the main evil of private property is that it inevitably gives rise to exploitation. Proceeding from the above it was concluded that with the elimination of private property and affirmation of its antithesis – state ownership – the exploitation according to Marx will be abolished. Indeed, with the introduction of private property the institution of hiring was described by Marxists as an open, direct form of exploitation. According to Marx a worker had to give a capitalist a part of his labour results. But in reality state ownership was still unable to abolish Marx's exploitation completely. Hidden and indirect forms of what Marx saw as exploitation appeared.

It is recognized nowadays, that state ownership, being fundamental during the whole period of the former USSR, has created real possibilities for state officers to use the opportunity and official status to gain unearned income. It was considered that they “steal from the state”; on the surface it looks just like that, as the means of production are state property. In reality, they steal not from the state but, according to the notion of political economy, they again practise latent exploitation of workers according to Marxism. A definite part of unearned income, mainly in its natural form, is misappropriated by some groups of people, who are not directly involved in government management but have access to goods.

Not all unearned income was recognized as illegal. A part of it, especially unearned income in its natural form (high quality consumer goods, vouchers to fashionable sanatoriums, etc.) was officially allotted to definite posts. According to Marxism-Leninism the economy, having four main features (concentration of land and main means of production in the hands of one owner, natural economy, routine technique and technology, non-economic compulsion to labour, exploitation of man by man according to Marx and natural forms of appropriation), can be described as feudal. In the former USSR the state, which monopolized property in land and other means of production, takes the part of a feudal lord. Hence, the former USSR economic system is a type of government-monopolistic feudalism.

It is not denied that nowadays the discussion in terms of means of production is not so effective. Foreseeing possible reproaches by opponents in so-called “excessive” sketchiness, it must be noted that the concept of “administrative-command” or “government-bureaucratic” socialism suffers from more sketchiness. The Marxist theory, that capitalism is inevitably followed by socialism and that there is no way back, is also schematized.

Such a definition of the problem gives us the opportunity to answer the above-mentioned question. A feudal economy, as is proved by history, has no advantages over a capitalist one, and thus the former USSR, together with other countries with the same economic system, could not win in economic

competition with capitalist countries. Archaic systems and economic incentives of a feudal type prevent the introduction of everything new and progressive. The main principle of the given economy is based on a vast mechanism of non-economic management, and the main type of public reproduction is extensive.

In a feudal economy it is not the economy that must "work" for man but man that must work for the economy. It is precisely this feudal disposition of the economy that predetermined the extent to which the former USSR lagged behind the developed countries in many areas. The economic system of state monopolistic feudalism has all the components of a classical feudal economy: the special position of a landowner; the institution of stewards; and lack of rights of working people, stipulated by Marx's postulation of man's exploitation by man.

The economic system of the state monopolistic feudalism, because of its extreme concentration of property and centralization of power, forms a complicated and ramified system of modern stewards. The absence of civil rights and personal dependence on the "state-feudal-lord" can turn into mass repression of both individuals and whole nations in the name of "achievement" of the highest objectives. The fate of the people is determined by the authority of the "state-feudal-lord".

To give a complete description of the economic system under consideration we must touch on the problem of social guarantees which this system can ensure. The guarantees were based on the values of equality and passive-executive subordination.

A free education system and medical aid were considered to be the main social achievements of the former USSR. Well-developed capitalist countries can use these social blessings as well and they devote twice as much of their national income to this end. The economic system of state monopolistic feudalism cannot provide this high level of economic development. Particularly, before the disintegration of the former USSR, it was officially stated that more than 40 million citizens of the USSR lived in poverty. To appreciate the feudal character of the economic system of the former Soviet Union, it is necessary to review the attitude towards the shadow economy in the former Soviet Union according to the correlation of the economic systems of both feudalism and capitalism.

In the shadow economy of the former Soviet Union we can single out two often interlaced spheres: shadow enterprise, which includes the illegal production and sale of goods and services, and shadow parasitism, speculation, and other activities, such as blackmail, extortion, corruption, etc. Proceeding from the Marxist-Leninist outlook, we must admit the progressive nature of shadow enterprise as an embryo of the capitalist management of production in the midst of a feudal economy. The illegality of shadow enterprise and the constant persecution by the "state-feudal-lord" forced the managers of the shadow economy to pay protection money unofficially. Such parasitic inclinations of the "state-feudal-lord" gradually turned into the core of shadow

parasitism. Thus the latter gets considerable support from the economic system of state monopolistic feudalism.

The concept of shadow enterprise coincides in time with the creation of an economic system of state monopolistic feudalism, i.e. with the period of "military communism". During the new economic policy (NEP) it was legalized, but by the end of the 1920s and the beginning of the 1930s, shadow enterprise "went underground". Since early 1985, when perestroika started, the organization of the economic sphere was (both ideologically and politically) aimed at the legalization and development of shadow enterprise. This was expressed first of all in the attempt to legalize all forms of economic methods of management, stimulating individual labour activities and a co-operative movement. However, many types of shadow parasitism were also legalized.

Legalized shadow parasitism placed obstacles in the way of economic methods of management, stimulation of individual labour activities and the co-operative movement, and discredited them in the eyes of the public. The spectrum of legalized shadow parasitism was very wide. It began with small speculation and included efforts of the state to levy taxes on legalized shadow enterprise.

The collapse of Soviet communism and the transition to a market economy (Papava, 1990) should be considered as positive even from the point of view of Marxism-Leninism, because a capitalist system was substituted for the feudal economic system. Economic reforms carried out in the countries formed after the disintegration of the USSR have the characteristic features of the economic system of Soviet communism. It manifests itself perfectly in the traditional equalizing attitude to the distribution of welfare and income. Before analysing this phenomenon, let us consider the problem of egalitarianism.

Egalitarianism and privatization in post-communist countries

The market mechanism results in a great inequality of property: owners of large capital, landlords, highly paid persons, and rich heirs possess a considerable amount of wealth. However, there are also the unemployed, the aged, etc. whose income in a market system is either very small or non-existent. As reported by Friedman and Friedman (1980), the division of society into rich and poor is not the result of the market system alone. In the history of humanity many cases have been known when market restrictions led to the property stratification of society: medieval Europe, India before independence, and the former USSR are examples of this.

Nobody is protected from future disablement, unemployment, etc., to say nothing of old age. These are the main motivations of well-off people ready to help those with the lowest standard of living. We must note that, according to Sorokin (1959), in the history of the family there are no firm tendencies towards enrichment and impoverishment and that all these tendencies work in a specific period of time.

Egalitarian goods (Papava, 1993) are a form of social security achieved by overcoming poverty and decreasing inequality of income. Creation of these goods is based on the development of social insurance and benefits to war veterans and the unemployed, a state programme of free medical aid, state housing construction, etc. In all societies (not only those based on a market system) egalitarian goods have been produced.

The state as "monopolist-feudal-lord" for decades advocated the idea of egalitarianism in the most deformed, i.e. equalizing, forms. It is reflected in post-communist privatization, i.e. gratuitous distribution of the whole or part of property which has to be privatized. Such a way of privatization is chosen by many post-communist countries.

Free distribution of property without change may have grave consequences for some people and also for the whole of society. The thing is that if a man has not earned the property, but received it by means of expropriation from the state, then the property is considered to be obtained for nothing and thus he never worries about it. It must be taken into account that those who have been working hard all their lives can find themselves in a very unfavourable situation; namely, on seeing that everyone can possess property equally, regardless of their working ability, they can think that their work has not been properly recognized by society (because they receive the same amount of property as someone who did nothing), and therefore they lose the incentive to improve their work. Expropriation is inadmissible, both between individuals (as happened in the 1920s and 1930s in the former USSR), and by the state.

Recently a "new" idea was put forward. It proposes that workers have already redeemed their share of state property and, thus, it must be given to them free of charge. One cannot exclude the possibility that some people, by their intensive work and low wages, could have redeemed some shares of state property. The problem lies in determining this share. It is indisputable that the number of working years cannot be the criterion for it. In the period of Soviet communism it was possible to do nothing at work and receive equal remuneration with others in most enterprises and organizations. Thus, it is practically impossible to give individuals real shares of property. And as it is practically impossible to determine the individuals who really redeemed their shares, we are obliged to distribute state property to everyone free of charge.

Thus we have to admit that the principle of distributing the state property "redeemed" earlier is a concealed form of appropriation and, therefore, is not acceptable. This type of privatization of capital is unacceptable because it is practically impossible to choose any realistic principle according to which state property should be distributed. The use of the principle of equality, whether it concerns produced goods or property, cannot be accepted because it undermines any kind of economic incentive. Fundamental difficulties appear in a given scheme, when it is necessary to solve the problem of the property of those who in the near future will become adults and, therefore, will demand the same share of property for private use. Proper possibilities may be found for

this, which means that distribution of equal, obtained for nothing (and therefore not economic) property would be repeated indefinitely and in turn would be the most unfavourable factor for establishing the attributes of a market economy.

In spite of the above-mentioned deficiency, in many countries with post-communist economic reforms, different systems of special official documents, called vouchers for privatization of state property, are actively used. A voucher gives all members of society the right to obtain, free of charge, an equal share of the value of privatized property. It is done in order to achieve social justice and social equality. Thus we have an example of renewed communist ideas, and post-communist economic reforms use the communist ideology in the most distorted forms of egalitarianism. Such neo-bolshevism promotes the formation of a deformed, quasi-communist market system.

Some western countries have enjoyed good experiences of privatization. Unfortunately, most of the post-communist countries cannot use this experience immediately, because there is considerable discrepancy in the initial conditions of privatization between western and post-communist countries. In western countries, where privatization has been realized, a well-developed market system, based on both private and state properties, has been included in the initial conditions. Consequently, the privatization policy of these countries has been founded on increasing the share of the private property to raise the efficiency of the market system.

The economic system of state-monopolistic feudalism, as mentioned earlier was based only on state property. At the same time, the ideas of social equality permeated the mentality of most of the population of these countries; hence, it has considerable influence on the privatization policy of such countries.

In the system of voucher privatization any owner of a voucher can exchange it for a share and become a shareholder. It is necessary to emphasize that this type of privatization policy has not been used in East Germany because of its unification with West Germany. Does this privatization policy (using vouchers) guarantee equal opportunities for all? Of course it does not.

First, some people already have considerable property and the distribution of vouchers equal in value to the whole population cannot erase the property discrepancy between the rich and the poor. Second, the total nominal value of the vouchers is equal only to the part of state property exposed to privatization. This means that in the best case, if all citizens exchange their vouchers for shares, most of them will become the owners of very little property. Consequently, the creation of equal opportunities for the whole population (in other words, the socialistic tendencies of equality) as the main target of privatization has been unattainable. On the other hand, this tendency is highly likely to lead to the undesirable consequences of increasing rates of inflation.

Most of the citizens of post-communist countries are poor. These people have no ambition to become shareholders. They only need to buy some additional consumer goods. Hence, they are going to sell their vouchers to the rich, and the

latter will become the owners. The sums of money held by the rich will change hands, because they will transfer to the poor. As a result, the structure of consumer demand will necessarily change: if the rich are ready to spend the sums of money on buying the shares, now their new holders, the poor, will spend these sums on buying consumer goods. Consequently, these sums of money will increase prices of consumer goods, which will give rise to inflation.

In most post-communist countries, the market system has not been perfectly founded yet. There is a shortage of most consumer goods. In this case, the above-mentioned inflation is going to become considerably higher. As a result the poor are going to become poorer. Unfortunately, the realization of such a privatization policy in post-communist countries confirms the situation described above.

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