

The New Economic Policy of Soviet Russia and the perspectives of the world revolution

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The course of the civil war

The chief task of every revolutionary party is the conquest of power. To use the philosophical terminology of idealism, in the Second International this task was regarded as merely a “regulative idea”, which means an idea having little relation to practice.

It is only within the last few years that we have been learning on an international scale to make the conquest of political power a practical revolutionary aim. The Russian Revolution aided in this. The fact that we in Russia can name a definite date – October 25 (November 7) 1917 – on which the Communist Party, leading the working class, wrested political power from the hands of the bourgeoisie proves more decisively than any arguments that the conquest of power is not a “regulative idea” for revolutionists, but a practical task.

On November 7, 1917, our party assumed power. As was soon disclosed quite clearly, this did not signify the end of the civil war. On the contrary, the civil war actually began to unfold on a large scale in our country only after the October overturn. This is not only a fact of historical interest but also a source of the most important lessons for the Western European proletariat.

Why did events follow this course? The explanation must be sought in the cultural and political backwardness of a country that had just cast off tsarist barbarism. The big bourgeoisie and the nobility had gained some political experience, thanks to the municipal dumas, the zemstvos, the state Duma, etc. The petty bourgeoisie had little political experience, and the bulk of the population, the peasantry, still less. Thus, the main reserves of the counter-revolution – the well-to-do peasants (kulaks) and, to a degree, also the middle peasants – came precisely from this extremely amorphous milieu. And it was only after the bourgeoisie began to grasp fully what it had lost by losing political power, and only after it had set in motion its counter-revolutionary combat nucleus, that it succeeded in aiming access to the peasant and petty-bourgeois elements and layers; and therewith the bourgeoisie had, of necessity, to yield the leading posts to the most reactionary elements among the ranking officers of noble birth. As a result, the civil war unfolded fully only after the October overturn. The ease with which we conquered power on November 7, 1917 was paid for by the countless sacrifices of the civil war.

In countries that are older in the capitalist sense, and with a higher culture, the situation will, without doubt, differ profoundly. In these countries, the popular masses will enter the revolution

far more fully formed in political respects. To be sure, the orientation of individual layers and groups among the proletariat, and all the more so among the petty-bourgeoisie, will still continue to fluctuate violently and change but, nevertheless, these changes will occur far more systematically than in our country; the present will flow much more directly out of the past.

The bourgeoisie in the West is preparing its counter-blow in advance. The bourgeoisie more or less knows what elements it will have to depend upon and it builds its counter-revolutionary cadres in advance. We witness this in Germany; we witness this, even if not quite so distinctly, in France; and finally we see it in its most finished form in Italy, where in the wake of the uncompleted revolution there came the completed counter-revolution which employed not unsuccessfully some of the practices and methods of the revolution.

What does this mean? This means it will hardly be possible to catch the European bourgeoisie by surprise as we caught the Russian bourgeoisie. The European bourgeoisie is more intelligent and more farsighted: it is not wasting time. Everything that can be set on foot against us is being mobilized by it right now. The revolutionary proletariat will thus encounter on its road to power not only the combat vanguards of the counter-revolution but also its heaviest reserves. Only by smashing, breaking up and demoralizing these enemy forces will the proletariat be able to seize state power. But by way of compensation, after the proletarian overturn the vanquished bourgeoisie will no longer dispose of powerful reserves from which it could draw forces for prolonging the civil war. In other words, after the conquest of power, the European proletariat will in all likelihood have far more elbow room for its creative work in economy and culture than we had in Russia on the day after the overturn. The more difficult and grueling the struggle for state power, all the less possible will it be to challenge the proletariat's power after the victory.

This general proposition must be dissected and concretized with regard to each country depending upon its social structure and its order of succession in the revolutionary process. It is perfectly obvious that the larger is the number of countries where the proletariat overthrows the bourgeoisie, all the briefer will be the revolutionary birth pangs in the other countries, and all the less inclined will the vanquished bourgeoisie be to resume the struggle for power – especially if the proletariat shows that on such questions it doesn't like to be trifled with. And the proletariat will, of course, do just that. And to this end, it will be able to utilize fully the example and experience of the Russian proletariat.

We made mistakes in various fields, including, of course, politics as well. But by and large, we did not set the European working class a poor example of resoluteness, of firmness and, when need arose, of ruthlessness in revolutionary struggle. This ruthlessness is nothing but the highest revolutionary humanitarianism, if only because, by assuring success, it shortens the arduous road of the crisis.

Our civil war was not simply a military process – of course it was that, saving the presence of esteemed pacifists, including those who through misunderstanding still keep wandering into our Communist ranks. The civil war was not only a military process, but something more. It was also – and even above all – a political process. Through the methods of war, the struggle unfolded for the political reserves, that is, in the main, for the peasantry. After vacillating for a long time between the bourgeois-landlord bloc, the “democracy” serving this bloc, and the revolutionary proletariat, the peasantry invariably – at the decisive moment when the final choice had to be

made – cast in their lot with the proletariat, supporting it – not with democratic ballots but with food supplies, horses, and force of arms. Just this decided the victory in our favour.

The peasantry thus played a gigantic role in the Russian Revolution. It will also play a great role in other countries, for example, in France where the peasantry still constitutes a bigger half of the population. But those comrades are mistaken who assume that the peasantry is capable of playing an independent, leading role in the revolution, on equal rights, so to speak, with the proletariat.

If we conquered in the civil war, it was not solely and not so much because of the correctness of our military strategy. It was rather because of the correctness of our political strategy on which our military operations were invariably based throughout the civil war. We did not forget for a moment that the basic task of the proletariat consisted in attracting the peasantry to its side. However, we did not do it after the SR fashion. The latter, as is well known, enticed the peasants by dangling an independent democratic role before them and then betrayed them hand and foot to the landlords.

We were positive that the peasantry constitutes a vacillating mass which is as a whole incapable of an independent, and all the less so, leading revolutionary role. By being resolute in our actions, we made the peasant masses understand that there was only one choice open to them – the choice between the revolutionary proletariat on the one side, and the officers of noble birth at the head of the counter-revolution, on the other. Failing this resoluteness on our part in tearing down the democratic partition, the peasantry would have remained confused, continuing to vacillate between the different camps and the different shades of “democracy” – and the revolution would have ineluctably perished. The democratic parties, with the Social Democracy in the vanguard – and there is no doubt that the same situation in Western Europe, too, will arise – acted invariably as the bellwethers of the counter-revolution. Our experience on this score is conclusive in its character.

You know, comrades, that a few days ago, our Red Army occupied Vladivostok. [\[2\]](#) This occupation liquidates the last link in the long chain of the civil war fronts during the last half of a decade. Apropos of the occupation of Vladivostok by the Red troops, Milyukov, the well known leader of the Russian Liberal Party, has written in his Paris daily a few historico-philosophic lines, which I am prepared to term classical. In an article dated November 7, he sketches briefly the imbecilic and ignominious, but steadfast role of the party of democracy. I quote:

This sad history – it has always been a sad history (laughter) - begins with a solemn proclamation of the complete unanimity of the anti-Bolshevik front. Merkulov [\[3\]](#) (he was the chief of the counter-revolution in the Far East) acknowledged that the ‘non-socialists’ (that is, the Black Hundred elements) owed their victory in great measure to the democratic elements. But the support of democracy”, continues Milyukov, “was used by Merkulov only as a tool for overthrowing the Bolsheviks. Once this was achieved, the power was seized by these elements who in the main regarded the democrats as concealed Bolsheviks.

This passage which I have just called classic may seem trite. As a matter of fact, it only repeats what has more than once been said by Marxists. But you must recall that this now is being said

by the liberal Milyukov – six years after the Revolution. It ought to be borne in mind that he is here drawing the balance sheet of the political role of the Russian democracy on a vast arena – from the Finnish Gulf to the shores of the Pacific. This is what happened in the case of Kolchak, next with Denikin, and then with Yudenich. This is what happened during the English, French and American occupations. That is how it was during Petlura's reign in the Ukraine. All along our frontiers the one and the same wearisomely monotonous phenomenon kept recurring. The democracy – the Mensheviks and the SRs – drove the peasantry into the arms of reaction, the latter seized power, unmasked itself completely, thrust the peasants aside, whereupon the victory of the Bolsheviks followed.

Among the Mensheviks there ensued the chapter of repentance. But not for long – till the next temptation. And thereupon, the same history was repeated in the same sequence in some other – theatre of the civil war. First, betrayal, and discredited as it appears to be, we can nevertheless be sure that it will be repeated by the Social Democrats in all countries whenever the proletariat's struggle for power becomes fierce. The primary task of the proletarian revolutionary party in all countries is to be implacably then semi-repentance. Yet, extremely simple as this mechanics is, and resolute once the issue is transferred to the arena of civil war.

The conditions for socialist construction

Once power has been conquered, the task of construction, above all in economy, becomes posed as the key and, at the same time, the most difficult task. The solution of this task depends upon factors of different orders and varying scope: First, the level to which the productive forces have been developed and in particular the reciprocal relation between industry and agriculture. Second, the general cultural and organizational level of the working class which has conquered state power. Third, the political situation internationally and nationally, namely – whether the bourgeoisie has been defeated decisively or still continues to resist; whether foreign military interventions are under way; whether the technological intelligentsia engages in sabotage, and so forth.

The relative importance of these factors for socialist construction is in the order that I have enumerated. The most fundamental of these factors is the level of the productive forces; next comes the cultural level of the proletariat; and, finally, the political or military-political situation in which the proletariat finds itself consequent upon the conquest of power. But this is a rigidly logical order. In practice, the working class upon assuming power collides first of all against political difficulties. In our country, these were the White Guard fronts, the interventions, and so on. Secondly, the proletarian vanguard runs up against difficulties that stem from the inadequate cultural level of the broadest working masses. And only then – and thirdly – does the economic construction collide with the limits set by the existing level of the productive forces.

Our party when in power had to carry on its work almost invariably under the pressure of needs dictated by the civil war: and the history of economic construction during the five years of Soviet Russia's existence cannot be understood if approached solely from the standpoint of economic expediency. It must be approached, first of all, with the gauge of military-political necessity and, only in the second place with the gauge of economic expediency.

What is rational in economic life does not always coincide with what is necessary in politics. If in the course of war, I am menaced by a White Guard invasion, I blow up a bridge. From the abstract standpoint of economic expediency, it is barbarism. But from a political standpoint, it is a necessity. I would be a fool and a criminal not to blow up a bridge in time.

We are reconstructing our economy as a whole, primarily, under the pressure of the need to secure militarily the power of the working class. We have learned in the elementary school of Marxism that it is impossible to jump from capitalism into the socialist society at one leap. Nor has any of us ever interpreted so mechanically Engels' famous words concerning the leap from the kingdom of necessity into the realm of freedom. None of us ever believed that upon conquering power a new society could be built overnight. What Engels really had in mind was an entire epoch of revolutionary transformations which on a world historical scale would indeed signify a "leap".

From the standpoint of practical work, however, it is not a leap but a whole system of intermeshing reforms, transformations and sometimes very detailed undertakings. It is perfectly obvious that from the economic standpoint, the expropriation of the bourgeoisie is justified to the extent that the workers' state is able to organize the exploitation of enterprises upon new beginnings. The wholesale, overall nationalization which we carried through in 1917-18 was completely out of harmony with the condition I have just now outlined. The organizational potentialities of the workers' state lagged far behind total nationalization. But the whole point is that under the pressure of civil war, we had to carry this nationalization through.

Nor is it difficult to demonstrate and to understand that had we sought to act more cautiously in an economic sense, i.e., to carry through the expropriation of the bourgeoisie at a "rational", gradual pace, it would have been the height of political irrationality and the greatest folly on our part. Such a policy would not have enabled us to celebrate our fifth anniversary in Moscow in the company of Communists of the whole world. We must reconstruct mentally all the peculiarities of our position as it shaped up on the day after November 7, 1917. Indeed, had we been able to enter the arena of socialist development after the victory of the revolution in Europe, our bourgeoisie would have quaked in its boots and it would have been very simple to deal with. They would not have dared to so much as stir a little finger upon the seizure of power by the Russian proletariat. In that case, we could have tranquilly taken hold only of the large-scale enterprises, leaving the middle-sized and small ones to exist for a while on the private capitalist basis; later we would have reorganized the middle-sized enterprises, rigidly taking into account our organizational and productive potentialities and requirements. Such an order would unquestionably have been in harmony with economic "rationality", but unfortunately the political sequence of events failed to take it into consideration this time, either.

Generally speaking, we must bear in mind that the revolutions are in and of themselves an outward expression of the fact that the world is by no means ruled by "economic rationality;" it is still the task of the socialist revolution to install the rule of reason in the domain of economic life and thereby in all other domains of social life.

When we assumed power, capitalism still straddled the whole world (as it continues to straddle the world to this very day). Our bourgeoisie refused to believe, come what may, that the October overturn was something serious and durable. After all, throughout Europe, throughout the world,

the bourgeoisie remained in power. But in our country, in backward Russia it was – the proletariat!

Hating us, the Russian bourgeoisie refused to take us seriously. The initial decrees of the revolutionary power were greeted with scornful laughter; they were flouted; they remained unfulfilled. Even the newspapermen – as cowardly a set as you can find – even they refused to take seriously the basic revolutionary measures of the workers' government. It seemed to the bourgeoisie as if it all was just a tragic joke, a misunderstanding.

How else was it possible to teach our bourgeoisie and its flunkies to respect the new power, except by confiscating its property? There was no other way. Every factory, every bank, every office, every little shop, every lawyer's waiting room became a fortress against us. They provided bellicose counter-revolution with a material base, and an organic network of communications. The banks at the time almost openly supported the saboteurs, paying out salaries to striking functionaries. For exactly this reason, we did not approach the question from the standpoint of abstract economic "rationality" (as do Kautsky, Otto Bauer, Martov and other political eunuchs), but from the standpoint of the revolutionary war needs. It was necessary to smash the enemy, to deprive it of its sources of nourishment, independently of whether or not organized economic activity could keep up with this.

In the sphere of economic construction, we were compelled in those days to concentrate all our efforts on the most elementary tasks – to provide material support, even if on semi-starvation levels, for the maintenance of the workers' state, for feeding and clothing the Red Army defending this state at the fronts, for feeding and clothing (this already came second in the order of importance) the section of the working class which remained in the cities. This primitive state economy which solved these tasks for better or for worse was subsequently given the name of War Communism.

War Communism

To define War Communism, three questions are most pertinent: How were the food supplies obtained? How were they apportioned? How was the operation of state industries regulated?

The Soviet power did not meet up with free trade in bread grains but with a monopoly resting on the old commercial apparatus. The civil war shattered this apparatus. Nothing remained for the workers' state except to improvise hastily a substitute state apparatus for siphoning the grain from the peasants and concentrating the supply in its own hands,

Provisions were distributed virtually without regard to labour productivity. And it could not have been otherwise. In order to establish a correspondence between work and wages, one must dispose of a far more perfected apparatus of economic administration, and far larger food resources. During the first years of the soviet régime, however, it was primarily a question of keeping the urban population from starving to death. This was achieved by fixed food rations. Both the confiscation of grain surpluses from the peasants and the apportioning of rations were essentially measures of a beleaguered fortress and not of socialist economy. Under certain conditions, namely, with an early outbreak of the revolution in the West, the transition from the

régime of a beleaguered fortress to the socialist régime could, naturally, be facilitated and speeded up for us in the highest degree. But we shall speak of this presently.

What was the gist of War Communism in relation to industry? Every economy can exist and grow only provided a certain proportionality exists between its various sectors. Different branches of industry enter into specific quantitative and qualitative relations with one another. There must be a certain proportion between those branches which produce consumer goods and those which produce the means of production. Proper proportions must likewise be preserved within each of these branches. In other words, the material means and living labour power of a nation and of all mankind must be apportioned in accordance with a certain correlation of agriculture and industry and of the various branches of industry so as to enable mankind to exist and progress.

How is this achieved? Under capitalism it is achieved through the market, through free competition, through the mechanism of supply and demand, the play of prices, the succession of periods of prosperity and periods of crisis. We call this method anarchistic, and correctly so. It is bound up with the squandering of a huge quantity of resources and values through periodic crises and it inevitably leads to wars which threaten to destroy human culture. Nevertheless, this anarchistic capitalist method establishes, within the limits of its historical action, a relative proportionality between the various branches of economy, a necessary correlation owing to which bourgeois society is alone able to exist without choking to death.

Our pre-war economy had its own internal proportionality that became established as a result of the interplay of capitalist forces in the market. Then came the war, and with it a vast reshuffling of the correlation between the different branches of economy. War industries sprouted like poisonous mushrooms at the expense of industries of the usual type. Next came the revolution and the civil war with its havoc and sabotage, with its secret sapping. But what did we inherit? An economy retaining faint traces of proportionality among the various sectors which had existed under capitalism, which were afterwards deformed by the imperialist war and were then completely mangled by the civil war – this was our heritage. What methods could we use to find our way to the highway of economic development?

Under socialism, economic life will be directed in a centralized manner, and therefore the necessary proportionality among its different branches will be achieved through a meticulous plan observing all proportions – and of course allowing for the greatest possible autonomy to each sector, which, however, in its turn would remain subject first to all-national, and later, international control. This overall envelopment of the entire economy, this purely socialist method of accounting that we are talking about, cannot be created a priori, through cogitation, or within four office walls. It can grow only out of a gradual adaptation of an existing practical economic accounting with regard to the available material resources together with the latent possibilities as well as the new needs of the socialist society. A long road lies ahead. Where, then, could and should we have started in 1917-18? The capitalist apparatus – with its market, its banks, its exchanges – was destroyed. The civil war was at its peak of intensity. There could not even be talk of coming to terms economically with the bourgeoisie or even a section of it, in the sense of granting it certain economic rights. The bourgeois apparatus of economic management was destroyed not only on a national scale but within each individual enterprise.

Hence arose the elementary burning task: to create a substitute apparatus, even if only a crude and temporary one, in order to extract from our chaotic industrial heritage the most indispensable supplies for the warring army and for the working class. In the nature of things, this was not an economic task in the strict sense of the word, but rather the task of producing for war. With the aid of the trade unions, the state took physical possession of the industrial enterprises and set up an extremely cumbersome and unwieldy centralized apparatus, which despite all its defects nevertheless enabled us to provide the armies in the field with supplies and military equipment, the volume of which was extremely inadequate but which nevertheless sufficed for our emerging from the struggle not as the vanquished but as the victors.

The policy of confiscating the surpluses of the peasants led inescapably to a contraction and decline in agricultural production. The policy of paying equal wages led inescapably to the lowering of labour productivity. The policy of a centralized bureaucratic management of industry excluded the possibility of a genuine centralized management, of fully utilizing technical equipment along with the available labour force. But this entire policy of War Communism was imposed upon us by the régime of a fortress under seige, a fortress with a disorganized economy and spent resources.

You might ask whether we had expected to make the transition from War Communism to socialism without making major economic turns, without experiencing convulsions, without executing retreats, i.e., effecting the transition more or less along a steadily rising curve. Yes, it is true that at this period we did actually think that the revolutionary development in Western Europe would proceed more swiftly. This is undeniable. And had the proletariat in Germany, in France, in Europe as a whole, conquered power in 1919, our entire economic development would have assumed a completely different form.

In 1883, Marx, writing to Nicholas Danielson [\[4\]](#), one of the theoreticians of Russian populism (Narodnikism), that should the proletariat assume power in Europe before the Russian *obschina* (communal village agriculture) had been completely abolished by history, then even this *obschina* could become one of starting points for Communist development in Russia. And Marx was absolutely right. We had even more reason to assume that if the European proletariat had conquered power in 1919, it could have taken our backward country in tow – backward in the economic and cultural sense – could have come to our aid technically and organizationally and thus have enabled us, by correcting and modifying our methods of War Communism, to move straight toward a genuine socialist economy.

Yes, admittedly, such were our hopes. We have never based our policy on the minimizing of revolutionary possibilities and perspectives. On the contrary, as a living revolutionary force we have always striven to expand these possibilities and exhaust each one to the very end. It is only the Messrs. Scheidemanns and Eberts who on the eve of the revolution deny it, have no faith in it, and make ready to become His Imperial Majesty's Ministers. The revolution catches them by surprise, engulfs them; they flounder helplessly and later at the first opportunity become converted into the tools of the counter-revolution. As regards the gentlemen of the Two-and-a-Half International, they made special efforts in those days to demarcate themselves from the Second International; they proclaimed the inception of a revolutionary epoch and they recognized the dictatorship of the proletariat. Naturally, it was only empty talk so far as they were concerned. At the very first sign of an ebb, all of this nondescript human rubbish returned

under Scheidemann's roof. But the very fact that the Two-and-a-Half International was formed is evidence that the revolutionary perspective of the Communist International and of our party in particular was not at all "utopian" – not alone from the standpoint of the general tendency of historical development but also from the standpoint of its actual tempo.

After the war, what the revolutionary proletariat lacked was the revolutionary party. The Social Democracy saved capitalism, that is, postponed its hour of doom for several years, or more accurately, prolonged its death agony because the life of the capitalist world today is nothing but a long drawn out death agony. But at all events, this fact created the least favourable conditions for the soviet republic and for its economic development.

Workers' and Peasants' Russia found itself caught in the vice of economic blockade. From the West we received not technical and organizational assistance, but one military intervention after another. And after it became clear that we would emerge as victors in the military sense, it likewise became clear that in the economic sense we were compelled to continue for a long while to depend upon our own resources and forces.

The New Economy Policy (NEP)

Hence – out of War Communism, i.e., out of emergency measures designed to sustain the economic life of a beleaguered fortress – arose the need of changing over to a system of measures that would assure a gradual expansion of the country's productive forces, even without the collaboration of Socialist Europe. The military victory which would have been excluded if not for War Communism, permitted us, in turn, to pass over from measures dictated by military necessity to measures dictated by economic expediency. Such is the origin of the so-called New Economic Policy. It is frequently called a retreat, and we ourselves – for good and substantial reasons – call it a retreat. But in order to correctly appraise exactly what this retreat involves, in order to understand how little this retreat resembles "capitulation" it is first necessary to have a clear picture of our present economic situation and of the tendencies of its development.

In March 1917, tsarism was overthrown. In October 1917, the working class seized power. Virtually all of the land, nationalized by the state, was handed over to the peasants. The peasants cultivating this land are now obliged to pay the state a fixed tax in kind, which forms the main fund for socialist construction. All the railways, all the industrial enterprises became state property, and with a few minor exceptions, the state operates these enterprises for its own benefit. The entire credit system is in the hands of the state. Foreign trade is a state monopoly. Anyone capable of evaluating soberly and without preconceptions the result of the five years' existence of the workers' state would have to say: Yes, indeed, for a backward country there has been a very notable socialist advance.

The main peculiarity, however, lies in the fact that this advance has not been effected through a steady upward movement but through zigzags. First, we had the régime of "Communism", followed by our opening the gates for market relations. The bourgeois press has declared this turn in policy to be a renunciation of Communism, marking the beginnings of a capitulation of capitalism. Needless to say, the Social Democrats are expounding this theme, elaborating it and adding commentaries to it.

It is inadmissible, however, not to recognize that here and there, even a few of our friends have fallen into doubt: Isn't there actually a masked capitulation to capitalism here? Isn't there really a danger that capitalism might, by basing itself on the free market we restored, begin to develop more and more, and gain the upper hand over the beginnings of socialism? To answer this question, it is first necessary to clear away the basic misunderstanding. The contention that Soviet economic development is travelling from Communism to capitalism is false to the core. We never had Communism. We never had socialism, nor could we have had it. We nationalized the disorganized bourgeois economy, and during the most critical period of life-and-death struggle we established a régime of "Communism" in the distribution of articles of consumption. By vanquishing the bourgeoisie in the field of politics and war, we gained the possibility of coming to grips with economic life and we found ourselves constrained to reintroduce the market forms of relations between the city and the village, between the different branches of industry, and between the individual enterprises themselves.

Failing a free market, the peasant would be unable to find his place in economic life, losing the incentive to improve and expand his crops. Only a mighty upsurge of state industry, enabling it to provide the peasant and agriculture with all its requirements, will prepare the soil for integrating the peasant into the general system of socialist economy. Technically this task will be solved with the aid of electrification, which will deal a mortal blow to the backwardness of rural life, the muzhik's barbaric isolation, and the idiocy of village life. But the road to all this is through improving the economic life of our peasant-proprietor as he is today. The workers' state can achieve this only through the market, which stimulates the personal and selfish interests of the petty proprietor. The initial gains are already at hand. This year, the village will supply the workers' state with more bread-grains as taxes in kind than were received by the state in the period of War Communism through confiscation of the grain surpluses. At the same time, agriculture is undoubtedly on its way up. The peasant is satisfied – and in the absence of normal relations between the proletariat and the peasantry, socialist development is impossible in our country.

But the New Economic Policy does not flow solely from the interrelations between the city and the village. This policy is a necessary stage in the growth of state-owned industry. Between capitalism, under which the means of production are owned by private individuals and all economic relations are regulated by the market – I say, between capitalism and complete socialism, with its socially planned economy, there are a number of transitional stages; and the NEP is essentially one of these stages

Let us analyse this question, taking the railways as a case in point. It is precisely railway transportation that provides a field which is prepared in the maximum degree for socialist economy, because the railway network in our country had been for the most part nationalized already under capitalism and it has been centralized and to a certain extent normalized by the very conditions of technology. The bigger half of the roads we obtained from the state, the remainder we confiscated from the private companies.

A genuine socialist management must of course approach the entire network as a unit, that is, not from the standpoint of an owner of this or that railway line, but from the standpoint of the interests of the entire transport system and the country's economy as a whole. It must apportion locomotives or freight cars among the various lines to meet the requirements of economic life as

a whole. But a transition to such an economy even in the centralized field of railway transport is not so simple. A whole number of intermediate economic and technical stages is involved. Locomotives happen to be of various types, because they were constructed at different periods, by different companies, and in different plants, and, furthermore, different types of locomotives are simultaneously repaired in one and the same set of railway shops and, conversely, locomotives of the same type – in different shops. Capitalist society wastes, as is well known, a huge amount of labour power, by its super-diversification, and the anarchistic kaleidoscopy of the component parts of its productive apparatus. It is, consequently, necessary to sort the locomotives according to type and allot them to the various railway lines and shops. This will be the first serious step on the road toward normalization, that is, the institution of technological homogeneity with regard to locomotives and locomotive parts.

Normalization, as we have said more than once, and correctly so, is socialism in technology. Failing normalization, technology cannot reach its fullest flowering. And where should we start the normalization if not with railways? We did actually tackle this task, but immediately ran up against major obstacles. The railway lines, not only those privately owned but also the state-owned lines, settled their accounts with all the other economic enterprises through the medium of the market. Under the particular system, this was economically unavoidable and necessary because the equipment and development of a particular line depends upon how far it justifies itself economically. Whether a particular railway is beneficial to the economy can be ascertained only through the medium of the market – so long as we have not yet elaborated the methods of overall statistical calculations of a socialist economy; and these methods, as I have said, can become available only as the result of an extensive practical experience gained on the basis of nationalized means of production.

And so, in the course of the civil war, the old methods of economic control were eliminated before it was possible to create new methods. Under these conditions, the entire railway network was formally unified but each individual line in this network lost contact with the rest of the economic milieu and remained suspended in mid-air. By approaching the network as a self-sufficient technical entity, by consolidating railway carriages and the freight car stock of the entire network, by centralistically fixing uniform types of locomotives and by centralizing the repair work, that is, by following an abstract technico-socialist plan, we ran the risk of completely losing all control over what was necessary and what was not, over what was profitable and what was not in the case of each individual railway and the network as a whole. Which line should be expanded and which one should be contracted? What rolling stock and what personnel should a given line have? How much freight could the state transport for its own needs and what share of the carrying capacity should be allotted for the needs of other organizations and private individuals? All these questions – at the given historical stage – cannot be resolved except by fixing rates for transportation, by correct bookkeeping, and exact commercial calculation. Only by maintaining a profit and loss balance between the various sections of the railway network, coupled with the same sort of balance among other branches of economy, will we be able to elaborate methods of socialist calculation and the methods for a new economic plan. Hence flows the necessity – even after all the railways have become state property – of permitting individual railway lines or groups of lines to retain their economic independence, in the sense of their being able to adjust themselves to all the other economic enterprises upon which they depend or which are serviced by them. In and of themselves, abstract plans and formal socialist aims do not suffice to switch the operation of railways from

the capitalist over to the socialist track. For a certain and rather long period of time, the workers' state shall have to utilize capitalist methods, that is, methods of the market, in operating the railway network.

The foregoing considerations apply even more obviously to industrial enterprises which were not any way nearly so centralized and so normalized under capitalism as the railway lines. With the liquidation of the market and of the credit system, each factory resembled a telephone whose wires had been cut. War Communism created a bureaucratic surrogate of economic unity. The machine-building factories in the Urals, in the Donets Basin, Moscow, Petrograd and elsewhere were consolidated under a single Central Commissariat, which centralistically allotted them fuel, raw materials, technical equipment and working forces, maintaining the latter through a system of equal rations. It is perfectly self-evident that such a bureaucratic management completely levelled off the peculiarities of each individual enterprise and cancelled out any possibility of verifying its productive capacity and its gainfulness, even if the bookkeeping entries of the Central Commission had been distinguished by a greater or lesser degree of precision, which in reality has been out of the question.

Before each enterprise can function planfully as a component cell of the socialist organism, we shall have to engage in large-scale transitional activities of operating the economy through the market over a period of many years. And in the course of this transitional epoch, each enterprise and each set of enterprises must to a greater or lesser degree orient itself independently in the market and test itself through the market. This is precisely the gist of the New Economic Policy: while politically it has meant that concessions to the peasantry have taken the limelight, it is of no lesser importance as an unavoidable stage in the development of state-owned industry during the transition from capitalist to socialist economy.

And so, in order to regulate industry, the workers' state has resorted to methods of the market. A market must have a universal equivalent. In our case, as you know, this universal equivalent is in a rather sorry condition. Comrade Lenin has already dealt with our efforts to secure a more or less stable ruble; and he has pointed out that our attempts in this direction have not been entirely unsuccessful. It is very instructive to note that together with the restoration of the market, there has likewise occurred a revival of fetishistic manifestations in the domain of economic thought. Among those affected by it are many Communists insofar as they speak not as Communists but as traders on the market. Our enterprises, as you well know, suffer from a lack of resources. Where can we get them? Why, that's obvious – from the printing presses. We need only, it is argued, increase our currency emissions in order to set in motion a number of factories and plants now shut down. "In exchange for your paltry pieces of paper, which you issue in such miserly amounts," some comrades say, "we could in a few months supply you with linen, shoes, screws and other beautiful things." The utter falsity of such reasoning is perfectly obvious. The scarcity of the means of circulation is simply evidence of our poverty; and it signifies that in order to expand production we must first pass through a stage of primitive socialist accumulation.

Our poverty in bread, in coal, locomotives, apartments, and so on today assumes the form of scarcity in the means of circulation because we have shifted our economic life over to the foundations of the market. Thereupon heavy industry has been pointing enviously to the successes of light industry. What does this mean? This means, that with the incipient revival of

economy, the available resources are being directed in the main where they are most urgently needed – that is, into those branches that produced goods for personal or productive consumption of workers and peasants. Business is now booming in enterprises of this type. Further, the state-owned enterprises are competing with one another on the market, and, in part, they have to compete with private enterprises, which, as we know, are very small numerically.

Only in this way will nationalized industry learn to function properly. There is no other way of our reaching this goal. Neither a priori economic plans hatched within hermetically sealed four office walls, nor abstract Communist sermons will secure it for us. It is necessary for each state-owned factory, with its technical director and with its commercial director, to be subjected not only to control from the top – by the state organs – but also from below, by the market which will remain the regulator of the state economy for a long time to come. In proportion as the state-owned light industry, by consolidating itself on the market, starts to provide the state with income, we shall acquire the means of circulation for heavy industry. Naturally this is not the only source at the disposal of the state. It has other sources, too: there is the tax in kind, coming from the peasant, there are the taxes on private industry and private trade, income from tariffs, and so on.

The financial difficulties of our industry are not, therefore, self-limited in character but derive from the entire process of our economic revival. If our Financial Commissariat were to accede to the demands of each industrial enterprise by increasing its currency emissions, the market would regurgitate the superfluous paper money, before the impatient factories succeeded in throwing new products into the markets. In other words, the value of the ruble would drop so catastrophically that the purchasing power of this doubled or tripled emission would be less than the purchasing power of the money now in circulation. Our state, of course, does not renounce new currency emissions, but these must come in consonance with the actual economic process and must in each case be so calculated as to increase the state's purchasing power and thereby aid in the primitive socialist accumulation. Our state, for its part, does not renounce planned economy in toto, that is, of introducing deliberate and imperative corrections into the operations of the market. But in so doing, our state does not take as its point of departure some a priori calculation, or an abstract and extremely inexact plan-hypothesis, as was the case under War Communism. Its point of departure is the actual operation of this very same market; and one of the instruments of regulating the market is the condition of the country's currency and of its centralized governmental credit system.

The forces and resources of the two camps

Whither is the NEP leading us: Toward capitalism or toward socialism? This is, of course, the central question. The market, the free trade in grain, competition, leases, concessions – what will be the upshot of all this? If you give the devil a finger, mightn't it be necessary to give him next an arm and then a shoulder, and, in the end, the whole body, too? We are already witnessing a revival of private capital in the field of trade, especially along the channels between the city and the village. For the second time in our country, private, merchants' capital is passing through the stage of primitive capitalist accumulation, while the workers' state is passing through the period of primitive socialist accumulation. No sooner does private merchants' capital arise than it seeks ineluctably to worm its way into industry as well. The state is leasing factories and plants to

private business men. The accumulation of private capital now goes on, in consequence, not merely in trade but also in industry. Isn't it then likely that Messrs. Exploiters – the speculators, the merchants, the lessees and the concessionaires – will wax more powerful under the protection of the workers' state, gaining control of an ever-larger sector of the national economy, draining off the elements of socialism through the medium of the market, and later at a propitious moment, gaining control of state power, too? For we are as well aware as Otto Bauer that economics constitutes the social foundation, while politics is its superstructure. So doesn't all this really signify that the NEP is a transition to capitalist restoration?

In answering abstractly a question posed in so abstract a manner, no one can of course deny that the danger of capitalist restoration is by no means excluded, no more than, in general, danger is excluded of a temporary defeat in the course of any struggle. When we fought Kolchak and Denikin, who were backed by the Entente, we incurred the likely danger of being defeated as Kautsky benignly expected from one day to the next. But, while taking into consideration the theoretical possibility of defeat, we oriented our policy in practice upon victory. We supplemented this relation of forces with a firm will and a correct strategy. And in the end, we conquered. Once again, there is war between the self-same enemies: the workers' state and capitalism. But this time, the hostilities occur not on the military arena but in the field of economy. Whereas during the civil war there was a duel for influence over the peasants between the Red Army on the one side and the White Army on the other, so today the struggle between state capital and private capital is for the peasant market. In a struggle, it is always necessary to have the fullest and most accurate estimate possible of the forces and resources disposed by the enemy and at our own disposal. How do matters stand on this score?

Our most important weapon in the economic struggle occurring on the basis of the market is – state power. Reformist simpletons are the only ones who are incapable of grasping the significance of this weapon. The bourgeoisie understands it excellently. The whole history of the bourgeoisie proves it.

Another weapon of the proletariat is that the country's most important productive forces are in its hands: the entire railway system, the entire mining industry, the crushing bulk of enterprises servicing industry are under the direct economic management of the working class.

The workers' state, likewise, owns the land, and the peasants annually contribute in return for using it hundreds of million of poods (one pood equals 36 lbs.) in taxes in kind.

The workers' power holds the state frontiers: foreign commodities, and foreign capital generally can gain access to our country only within limits which are deemed desirable and legitimate by the workers' state. Such are the weapons and means of socialist construction.

Our adversaries gain, of course, the opportunity to accumulate capital even under the workers' power – exploiting above all the free trade in grain. Merchants' capital may infiltrate and is already infiltrating industry, leasing enterprises, making profit on them and growing. All this is absolutely incontestable. But what are the reciprocal quantitative relations between these contending forces? What is the dynamic of these forces? In this sphere, as in all others, quantity passes into quality. If the country's most important productive forces were to fall into the hands of private capital, then there could not naturally even be talk of socialist construction and the

days of workers' power would be numbered. How great is this danger? How close is it? Only facts and figures can give an answer to this question. I shall cite the most important and indispensable data.

Our railway system extends for 63,000 versts, employs more than 800,000 persons and is wholly in the hands of the state. No one would deny that the railway system is a very important factor in economic life, and in many respects a decisive factor. We do not propose to let it slip out of our hands.

Let us now consider the field of industry. Even now under the New Economic Policy, all industrial enterprises without a single exception remain the property of the state. True enough, some of these enterprises are leased out. But what is the correlation between the industries which the state continues to operate itself and those which it has leased? This correlation may be gauged from the following figures: There are more than 4,000 state-owned and state-operated enterprises, employing approximately one million workers; there are a little less than 4,000 leased enterprises employing all told about 80,000 workers. This means that in the state enterprises, the average number of workers is 207 workers per enterprise, whereas in the leased enterprises the average is 17 workers. The explanation for this is to be found in the fact that under lease are secondary and, for the most part, tertiary enterprises in the light industry. But even of the leased enterprises, only a little more than half (51 per cent) are exploited by private capitalists: the remaining enterprises are operated by individual commissariats and distributive co-operative societies who rent them from the state and run them on their own account. In other words, there are about 2,000 of the smallest enterprises employing 40,000 to 50,000 workers under the exploitation of private capital as against 4,000 of the most powerful and best equipped enterprises, employing approximately one million workers, which are operated by the soviet state.

It is laughable and ridiculous to talk of the triumph of capitalism "in general" in the face of these facts and figures. Naturally, the leased enterprises compete with the state-operated enterprises, and from an abstract standpoint, one may say that if the leased enterprises are run very well while the state enterprises are run very poorly, then over a period of many years private capital would devour state capital. But we are still very far removed from this. Control over the economic process remains in the hands of the state power; and this power is in the hands of the working class. In re-establishing the market, the workers' state naturally introduced a number of juridical changes indispensable for obtaining a market turnover. Insofar as these legal and administrative reforms open up the possibility of capitalist accumulation, they constitute indirect but very important concessions to the bourgeoisie. But our neo-bourgeoisie will be able to exploit these concessions only in proportion to its economic and political resources. We know what its economic resources are. They are less than modest. Politically its resources are equal to zero. And we shall do everything in our power to see to it that the bourgeoisie does not "accumulate capital" in the political field. You ought not to forget that the credit system and the tax apparatus remain in the hands of the workers' state and that this is a very important weapon in the struggle between state industry and private industry.

True enough, private capital plays a more extensive role in the field of trade. No exact figures on this score are as yet available. According to very rough approximations made by statisticians of our distributive co-operatives, private trading capital comprises 30 per cent of the trading

turnover in the country, while the state and the co-operatives have 70 per cent. Private capital plays, in the main, the role of middleman between agriculture and industry, and in part, between the different branches of industry. But the most important industrial enterprises belong to the state; the key to foreign trade is likewise in its hands; the state is the chief buyer and chief seller on the market. Under these conditions, the distributive co-operatives can compete quite successfully with private capital, with time working in favour of the former. Further, let us repeat once again that the pruning knife of taxation is a very important instrument. With it, the workers' state will be able to clip the young plant of capitalism, lest it thrive too luxuriously.

In point of theory, we have always maintained that the proletariat would, upon conquering power, be compelled for a long while to tolerate alongside the state enterprises the existence of those private enterprises which are technologically less advanced and least suited for centralization. Therewith, we never had any doubt that the relations between the state enterprises and private enterprises, as well as the reciprocal relations among individual state enterprises or groups, would be regulated by the market through monetary calculations. But for this very reason, we consequently recognized that parallel with the process of socialist economic reorganization there would still recur the process of private capitalist accumulation. It never entered our minds, however, to fear that private accumulation would outstrip and devour the growing state economy. Whence and why, then, all this talk about the inevitable victory of capitalism or of our alleged "capitulation" to it? It arises for no other reason save this, that we didn't at first simply leave the small enterprises in private hands but nationalized them and even attempted to run a number of them on the state's own account, but leased them later on. But, however you evaluate this economic zigzag – whether as an exigency arising out of the entire situation or as a tactical blunder – it is perfectly clear that this turn in policy or this "retreat" alters nothing in the relation of forces between the state industry and privately leased sectors. On the one hand, you have the state power, the railway system and one million industrial workers; and on the other, approximately 50,000 workers exploited by private capital. Where, then, is the slightest justification for claiming that under these conditions capitalist accumulation is assured the victory over socialist accumulation?

Clearly we hold the trump cards, all except one, which is indeed very important, namely: Private capital now operating in Russia is backed up by world capital. We are still living in a capitalist encirclement. For this reason, one can and should raise the question whether our incipient socialism, which still has to employ capitalist methods, may not in the end be bought up by world capitalism.

There are always two parties to a transaction of this kind: the buyer and the seller. But we hold the power – it is in the hands of the working class. It decides what concessions to make, their object as well as their scope. Foreign trade is a monopoly. European capital seeks to make a breach in this monopoly. But they will be sadly disappointed. The monopoly of foreign trade is of principled importance to us. It is one of our safeguards against capitalism which, of course, would not at all be averse under certain conditions to buy up our incipient socialism, after failing to snuff it out by military measures.

So far as concessions are concerned today, Comrade Lenin has here remarked: "Discussions are plentiful, concessions are scarce." (Laughter) How explain this? Precisely by the fact that there is not and there will not be any capitulation to capitalism on our part. To be sure, those who favour

the resumption of relations with Soviet Russia have more than once contended and written that world capitalism, in the throes of its greatest crisis, is in need of Soviet Russia; England needs an outlet for her goods in Russia, Germany needs Russian grain, and so forth and so on. This seems perfectly true if one surveys the world through pacifist spectacles, that is, from the standpoint of “plain horse sense” which is invariably quite pacifistic. (Laughter) And that is why it is invariably bamboozled. One would then imagine that the English capitalists would try with might and main to invest their funds in Russia; one would then imagine that the French bourgeoisie would orient German technology in this same direction so as to create new sources whereby German reparations could be paid. But we see nothing of the sort. Why not? Because we are living in an epoch when the capitalist equilibrium has been completely upset; because we live in an epoch when economic, political and military crises instantly criss-cross; an epoch of instability, uncertainty and unremitting alarm. This militates against the bourgeoisie’s conducting any long-range policy, because such a policy immediately becomes transformed into an equation with too many unknowns. We finally succeeded in concluding a trade agreement with England. But this happened a year and a half ago; in reality, all our transactions with England are still on a cash-and-carry basis; we pay with gold; and the question of concessions is still in the phase of discussion.

If the European bourgeoisie and, above all, the English bourgeoisie believed that large-scale collaboration with Russia would bring about immediately a serious improvement in Europe’s economic situation, then Lloyd George and Co. would have undoubtedly brought matters in Genoa to a different conclusion. But they are aware that collaboration with Russia cannot immediately bring any major and drastic changes. The Russian market will not eliminate English unemployment within a few weeks or even months. Russia can be integrated only gradually, as a constantly increasing factor, into Europe’s and the world’s economic life. Because of her vast extent, her natural resources, her large population and especially because of the stimulus imparted by her Revolution, Russia can become the most important economic force in Europe and in the world, but not instantaneously, not overnight, but only over a period of years. Russia could become a major buyer and supplier provided she were given credits today and, consequently, enabled to accelerate her economic growth. Within five or ten years, she could become a major market for England. But in the latter event, the English government would have to believe that it could last ten years and that English capitalism would be strong enough ten years hence to retain the Russian market. In other words, a policy of genuine economic collaboration with Russia can only be a policy based on very broad foundations. But the whole point is that the post-war bourgeoisie is no longer capable of conducting long-range policies. It doesn’t know what the next day will bring and, still less, what will happen on the day after tomorrow. This is one of the symptoms of the bourgeoisie’s historical demise.

To be sure, this seems to be in contradiction with Leslie Urquhart’s [\[5\]](#) attempt to conclude an agreement with us for not less than 99 years. But this contradiction is truly only an apparent one. Urquhart’s motivation is quite simple and, in its own way, unassailable; should capitalism survive in England and throughout the world for the next 99 years then Urquhart will keep his concessions in Russia, too! But what if the proletarian revolution erupts not 99 years or even 9 years from now but much earlier? What then? In that case, naturally, Russia would be the last place where the expropriated proprietors of the world could retain their property. But a man who is about to lose his head has little cause to shed tears over his mop of hair ...

When we first made the offer of long-term concessions, Kautsky drew the conclusion that we had lost hope in the early coming of the proletarian revolution. Today he ought to conclude flatly that we have postponed the revolution for at least 99 years. Such a conclusion, quite worthy of this venerable but somewhat shabby theoretician would, however, be groundless. As a matter of fact, in signing a particular concession, we assume obligations only for our legal code and administrative procedure with regard to this concession, but in no case for the future course of the world revolution. The latter will have to hurdle several major obstacles other than our concession agreements.

The alleged “capitulation” of the Soviet power to capitalism is deduced by the Social Democrats not from an analysis of facts and figures but from vague generalities, as often as not from the term “state capitalism” which we employ in referring to our state economy. In my own opinion this term is neither exact nor happy. Comrade Lenin has already underscored in his report the need of enclosing this term in quotation marks, that is, of using it with the greatest caution. This is a very important injunction because not everybody is cautious enough. In Europe, this term was interpreted quite erroneously even by Communists. There are many who imagine that our state industry represents genuine state capitalism, in the strict sense of this term as universally accepted among Marxists. That is not at all the case, If one does speak of state capitalism, then this is done in very big quotation marks, so big that they overshadow the term itself. Why? For a very obvious reason: in using this term it is impermissible to ignore the class character of the state.

It is not unhelpful to bear in mind that the term itself is socialist in its origin. Jaurès and the French reformists in general who emulated him used to talk of the “consistent socialization of the democratic republic”. To this, we Marxists replied that so long as political power remained in the hands of the bourgeoisie, this socialization was not socialization at all and that it would not lead to socialism but only to state capitalism. To put it differently, the ownership of various factories, railways and so on by diverse capitalists would be superseded by an ownership of the totality of enterprises, railways and so on by the very same bourgeois firm, called the state. In the same measure as the bourgeoisie retains political power, it will, as a whole, continue to exploit the proletariat through the medium of state capitalism, just as an individual bourgeois exploits, by means of private ownership, “his own” workers. The term “state capitalism” was thus put forward, or at all events, employed polemically by revolutionary Marxists against the reformists, for the purpose of explaining and proving that genuine socialization begins only after the conquest of power by the working class.

The reformists, as you know, built their entire program around reforms. We Marxists never denied socialist reforms. But we said that the epoch of socialist reforms would be inaugurated only after the conquest of power by the proletariat. There was a controversy over this. Today in Russia, the power is in the hands of the working class. The most important industries are in the hands of the workers’ state. No class exploitation exists here, and consequently, neither does capitalism exist although its forms still persist. The industry of the workers’ state is a socialist industry in its tendencies of development, but in order to develop, it utilizes methods which were invented by capitalist economy and which we have far from outlived as yet.

Under a genuine state capitalism, that is, under bourgeois rule, the growth of state capitalism signifies the enrichment of the bourgeois state, its growing power over the working class. In our

country, the growth of soviet state industry signifies the growth of socialism itself, a direct strengthening of the power of the proletariat.

We observe more than once in history the development of economic phenomena, new in principle, within the old integuments, and, moreover, this occurs by means of the most diverse combinations. When industry took root in Russia, still under the laws of feudalism, in the days of Peter the Great and thereafter, the factories and plants while patterned after the European models of those times were nevertheless built upon feudal beginnings, that is, serfs were attached to them in the capacity of the labour force. (These factories were called manorial factories). Capitalists like the Stroganovs, Demidovs [6] and others, who owned these enterprises, developed capitalism within the integuments of feudalism. Similarly, socialism must unavoidably take its first steps within the integuments of capitalism. It is impossible to make a transition to perfected socialist methods by trying to leap over one's own head, especially if it happens to be a head that is not very clean nor well combed, as happens to be the case with our own Russian heads. This remark, I hope, will not be taken amiss, it is not meant personally. We must still learn and keep on learning.

Criterion of the productivity of labour

There remains, however, a question which is important and fundamental for determining the viability of a social régime which we have not touched upon at all. This is the question of the economy's productivity, not alone the productivity of individual workers, but the productivity of the economic régime as a whole. The historical ascent of mankind consists in just this, that a régime which assures a higher productivity of labour supersedes régimes with a lower productivity. If capitalism supplanted ancient feudal society it was only because human labour is more productive under the rule of capital. And the main and sole reason why socialism will vanquish capitalism completely and definitely is because it will assure a far greater volume of products per each unit of human labour power. Can we already say that our state enterprises are operating more productively than under the capitalist régime? No, we have yet to attain this. Not only are the Americans, the English, the French or the Germans in their capitalist factories working better, more productively than we do – this was the case even before the Revolution – but we ourselves used to work better before the Revolution than we do today.

This circumstance might at first glance appear very damnable from the standpoint of appraising the soviet régime. Our bourgeois enemies and echoing them, naturally, also our Social-Democratic critics make every possible use of the fact that our economy's productivity is so low. At the Genoa Conference, the French delegate Colrat [7] in reply to Chicherin announced with typical bourgeois insolence that the Soviet delegation had generally no right to say a word about economic affairs in view of Russia's actual economic condition. This argument appears at first glance crushing. But as a matter of fact, it is merely evidence of abysmal historical and economic ignorance. Of course, it would be splendid if we were able right now to prove the superiorities of socialism not by theoretical arguments drawn from past experience but by material facts. That is to say, if we could show that our plants and factories assure, thanks to their greater centralization and efficiency, higher productivity of labour than similar enterprises before the Revolution. But we haven't attained this yet. Nor is it possible to attain it so soon. What we have now is not socialism as opposed to capitalism, but the labourious process of accomplishing the transition from one to the other, and, moreover, only the initial and most painful steps of this transition.

Paraphrasing the famous words of Karl Marx, one may say that we are suffering from the fact that our country still retains massive vestiges of capitalism amid only the, rudiments of socialism. Indeed, the productivity of labour in our country has declined and so have the living standards. In agriculture, last year's crops were approximately three-fourths of the average pre-war yield. The situation is even sadder in industry; our production this year is about one-fourth of the pre-war period. Our transportation system is operating at about one-third of its pre-war capacity. These are very sad facts. But how did matters stand during the transition from feudalism to capitalism? Was there a different situation at this time? Capitalist society, so rich and so boastful of its wealth and culture, also sprang from revolution, and a very destructive one at that. The objective historical task of creating the conditions for a higher productivity of labour was in the last analysis solved by the bourgeois revolution, or more accurately by a number of revolutions. But how did this take place? Through the most widespread devastation and through a temporary decline in material culture.

Let us take as an illustration the case of France herself. Naturally M. Colrat, in his capacity of bourgeois minister, is under no obligation to be acquainted with the history of his own passionately beloved fatherland. But we, on the other hand, are familiar with the history of France and the history of its revolution. It is immaterial, whether we turn to the writings of the reactionary Taine [8] or the socialist Jaurès; [9] in either case we can ascertain many graphic facts characterizing the horrible condition of France following her revolution. So vast was the devastation that after the Ninth of Thermidor [10], that is, five years after the outbreak of the revolution, the impoverishment of France did not abate but on the contrary became progressively worse. In the tenth year of the Great French Revolution when Napoléon Bonaparte was already First Consul, Paris, with a population of 500,000 at that time, received a daily supply of flour ranging from 300 to 500 sacks, whereas the minimum subsistence requirement of the city was 1,500 sacks. One of the main concerns of the First Consul was to keep a daily check on the flour deliveries. This was the situation – please note! – ten years after the beginning of the Great French Revolution. By that time, the population of France had declined – because of famine, epidemics and wars – in 37 out of the 58 departments. Needless to say, the English Colrats and Poincarés of that day looked down upon the ruined France with the greatest contempt.

What does all this mean? It simply means that revolution is a very harsh and costly method of solving the question of society's economic transformation. But history has not invented any other method. The revolution throws open the doors for a new political order, but does so through a wide-wasting catastrophe. In our country, moreover, the revolution has been preceded by war. We are not in the tenth year of our revolution – please note this, too! – but just at the beginning of the sixth year and our revolution goes far deeper than the Great French Revolution, which merely replaced one form of exploitation by another, whereas we are replacing a society resting on exploitation of man by man, by a society that rests on human solidarity. The shocks have been very severe, causing great havoc and breaking many dishes – and what first strikes the eyes are the overhead expenses of the revolution. So far as the greatest conquests of the revolution are concerned these are realized in life only gradually over a period of years and decades.

Just the other day, I chanced to run across a speech pertaining to this question which interests us. This speech was delivered by a French chemist Berthelot, son of the more celebrated chemist

Pierre Berthelot, speaking as a member of the Academie des Sciences. Here is the idea put forward by him, and I cite from the text reported by *Le Temps*:

In all epochs of history and in the domain of sciences, in that of politics and in that of social phenomena alike, it has been the splendid and terrible privilege of armed conflicts to speed with blood and iron the birth of new times.

Of course, M. Berthelot was thinking principally of war. Essentially, he is nevertheless correct; for wars, to the extent that they served the cause of revolutionary classes, have also greatly stimulated historical development. To the extent, however, that wars served the cause of oppressors – which has been most frequently the case – they have often given an impulse to the movement of the oppressed. Berthelot's statement applies even more directly to revolution: "Armed conflicts" between classes that entail vast havoc simultaneously entail "the birth of new times". From these considerations, we infer that the overhead costs of revolution are not at all wasteful expenditures (*faux frais* as the French put it). But dividends cannot be demanded before the payments fall due. And we have to ask our friends to give us another five years. Then in the tenth year of the revolution, that is, in the year when Napoléon used to keep a strict tally of the sacks of flour for starving Paris, we shall be in a position to prove the superiority of socialism to capitalism in the economic field, not by theoretical arguments merely, but by hard facts. And we trust that by then eloquent facts will already be at hand.

But aren't there, *en route* to these future successes, still dangers that our régime may suffer capitalist degeneration – precisely because of the extremely sorry state of our industry at the present time? The peasantry has harvested this year, as I have already said, about three-quarters of the pre-war crop; on the other hand, industry produced all told one-fourth of the pre-war output. Thereby, the reciprocal relation between the city and country has been upset in the extreme, and greatly to the city's detriment. Under these conditions, state industry will be unable to supply the peasant with an equivalent product for his grain and the peasant surpluses thrown into the market will provide the basis for private capitalist accumulation. Naturally, at bottom such reasoning is correct; market relations have a logic of their own, regardless of what goals we may have in mind restoring them. But here it is once again important to establish correct quantitative correlations.

If the peasantry were to throw its entire crop into the market, this would, in view of the fourfold weakening of our industry, entail the direst consequences for socialist development. But in reality, the peasantry is producing in the main for its own personal consumption. Over and above this, the peasantry must pay the government this year more than 350 million poods for the tax in kind. The peasant will throw into the market only the surpluses after his personal needs are met and the tax in kind is paid. This will hardly amount to more than 100 million poods in the current year; and further, an important, if not the decisive part of this surplus of 100 million poods will be purchased by the distributive co-operatives or by state institutions. The state industry thus stands counterposed not to the peasant economy as a whole, but only to one section of it, still insignificant, which is throwing its produce into the market. This section of the peasantry alone (or more accurately, only a fraction of this section) becomes a source for private capitalist accumulation. In the future this fraction will undoubtedly grow. But parallel with it there will also grow the productivity of the unified state industry. And there is absolutely no ground for

concluding that the growth of state industry will lag behind the prosperity in agriculture. As we shall presently see the sagacious and profound criticisms of the gentlemen of the moribund Two-and-a-Half International are based principally either on ignorance or on misunderstanding of elementary economic relations in Russia, as they are shaping up in the concrete conditions of time and space.

On the Social-Democratic criticism

On our Fourth Anniversary, that is, one year ago, Otto Bauer devoted a whole pamphlet to our economy. In this pamphlet, Bauer recapitulates in a polite and oily way all that our more temperamental enemies in the Social-Democratic camp have been accustomed to say, frothing at the mouth, concerning our New Economic Policy. In the first place, he tells us, the New Economic Policy is “capitulation to capitalism”, but that’s precisely what is good and realistic about it, according to Bauer. (These gentlemen invariably see realism in falling on their knees before the bourgeoisie at the very first suitable occasion.) Bauer goes on to lecture us that the final upshot of the Russian Revolution could not possibly be anything else than the establishment of a bourgeois democratic republic, and he, Bauer, tells us that this is what he predicted as far back as the year 1917. Yet we seem to recall that in 1919, the “predictions” of these scrubby heroes of the Two-and-a-Half International were couched in a somewhat different tone. At that time, they talked of the collapse of capitalism and the inception of a social-revolutionary epoch. But the biggest fool in the world will refuse to believe that if capitalism were approaching its doom throughout the world, its blossoming time would be at hand in revolutionary Russia where the working class is in power!

And so in 1917, when Otto Bauer still retained his virginal Austro-Marxist faith in the durability of capitalism and of the Habsburg monarchy, he wrote that the Russian Revolution must end in the establishment of a bourgeois state. Socialist opportunism, however, is always impressionistic in politics. Startled by the revolution and gasping for breath in its waves, Bauer admitted in 1919 that capitalism was collapsing and the social-revolutionary epoch was at hand! But inasmuch as now, God be praised, the tide of revolution is once again ebbing, therefore our oracle hastily falls back upon his prophecy of 1917; for, as we already know, he has fortunately two sets of prophecies on tap and can turn on whichever seems to suit the occasion. (*Laughter*) Bauer goes on to reason as follows:

What we see being restored (in Russia) is thus a capitalist economy, dominated by a new bourgeoisie, resting upon millions of peasant households – a capitalist economy to which legislation and state administration are willy-nilly compelled to adapt themselves.

Do you realize now what our Soviet Russia represents? A year ago, this gentleman was already proclaiming that Soviet economy and the soviet state were dominated by a new bourgeoisie. This leasing of enterprises, poorly equipped and employing, as I said, about 50,000 workers – as against the million workers in the best state enterprises – this, according to Bauer, is “a capitulation of the Soviet power to industrial capital!”

In order to back up these assertions, silly as they are cynical, with the necessary historical justification, Bauer asserts: “After prolonged hesitation, the Soviet government has at length (!!)

decided to recognize the tsarist foreign debts.” In brief, one capitulation after another!

Since many comrades will, not unnaturally, be hazy about the details of our history, let me remind you that as far back as February 4, 1919 we made the following proposals by radio to all the capitalist governments:

1. We offered to recognize foreign debts incurred by Russia.
2. We offered to pledge our raw materials, as guarantees for payment of debts and interest.
3. We offered to grant concessions – at their convenience.
4. We offered territorial concessions in the shape of military occupation of certain areas by Entente troops or by those of its Russian agents.

All this we offered by radio on February, 4, 1919 to the capitalist world in return for their leaving us in peace. And in April of the same year, we repeated our proposals in even greater detail to the unofficial American plenipotentiary – what was the fellow's name? (*Laughter*) Yes, Bullitt, that was the fellow. Well, Comrades, if you compare these proposals with those which our representatives rejected at Genoa and at the Hague, you will see that our trend has not been toward enlarging concessions, but rather toward more firmly defending our revolutionary conquests. Today we do not recognize any debts; we neither pledge nor are willing to pledge raw materials as guarantees; we are quite chary on the question of concessions; and on no account are we willing to tolerate occupation troops on our territories! There have been a few changes since the year 1919.

We have already been informed by Otto Bauer that the trend of this entire development is toward “democracy”. This pupil of Kautsky and this teacher of Martov lectures us as follows: “It has been once again confirmed that an overturn in the economic foundation must be followed by another overturn in the entire political superstructure.”

It is perfectly true that between the economic foundation and the political superstructure, there exists in part and on the whole precisely the interrelationship indicated by Bauer. But in the first place, the economic foundation of Soviet Russia is by no means altering in the manner pictured by Otto Bauer, nor even in the manner desired by Leslie Urquhart, whose exactions on this matter, we must acknowledge, bear far more weight than Bauer's. And secondly, to the extent that the economic basis is really changing in the direction of capitalist relations, these changes are occurring at such a rate and such a scale as to exclude the danger of our losing political control of this economic process.

From a purely political standpoint, the issue still boils down to this: that the working class in power offers such and such important concessions to the bourgeoisie. But this is still a far cry from “democracy”, that is, from the transfer of power into the hands of the capitalists. To attain this goal, the bourgeoisie would require a successful counter-revolutionary overturn. And for such an overturn, it must dispose of corresponding forces. In this respect, we have learned a little from the bourgeoisie itself. Throughout the 19th century, the bourgeoisie did nothing else except alternate between repressions and concessions. It made concessions in favour of the petty bourgeoisie, in favour of the peasantry and the upper layers of the working class, while at the same time mercilessly exploiting the toiling masses. These concessions were either political or economic or a combination of both. But at all times, these were concessions made by a ruling class which kept firm hold on state power. Some of the bourgeoisie's experiments in this field

seemed at first quite venturesome – the introduction of universal suffrage for instance. Marx designated the legal limitation of the working day in England as the victory of a new principle. Whose principle? The principle of the working class. But as we are well aware, there still remained a long road to travel from a partial victory for this principle to the conquest of political power by the English working class.

The ruling bourgeoisie doled out concessions, retaining all the while complete control over the debit and credit sides of the state ledger. Its ruling politicians decided which concession could be granted not merely without endangering its secure hold on power, but on the contrary, for the sake of strengthening bourgeois rule. We Marxists have said more than once that the bourgeoisie has exhausted its historical mission. Meanwhile, it still retains power in its hands to this very day. This means that the interrelation between the economic foundation and the political superstructure by no means proceeds along a straight line. We observe a class régime maintaining itself for a number of decades after it had come into an obvious conflict with the needs of economic progress.

What theoretical grounds are there for asserting that concessions granted by the workers' state to bourgeois relations must automatically entail the replacement of the workers' state by a capitalist state? If it is true that capitalism has exhausted itself on a world scale – and this is unquestionably true – then this goes to prove the progressive historic role of the workers' state. Concessions granted by the workers' state to the bourgeoisie simply represent a compromise dictated by the difficulties of development, but this development itself is predetermined and assured by history. Naturally, if our concessions were to grow boundlessly, multiplying and accumulating; if we began leasing ever newer and newer groups of nationalized industrial enterprises; if we began granting concessions in the most important branches of the mining industry or railway transport; if our policy were to continue sliding downward on the gravity chute of concessions for a number of years, then a time would inevitably arrive when the degeneration of the economic foundation would bring with it the collapse of the political superstructure. I speak of collapse and not of degeneration because capitalism cannot wrest power from the hands of the Communist proletariat otherwise than through a fierce and merciless civil war. But whoever poses this question thereby presupposes that the rule of the world and the European bourgeoisie will remain virile and everlasting. This is what it all boils down to in the end.

By recognizing, on the one hand, in their Sunday articles that capitalism, especially in Europe, has outlived itself and has become a brake upon historical progress; and by expressing, on the other hand, assurance that the evolution of Soviet Russia must inevitably end up in the triumph of bourgeois democracy – the Social-Democratic theoreticians fall into a most wretched and banal contradiction, quite worthy of these dull and pompous muddle-heads. Our New Economic Policy is calculated for specific conditions of space and time: it is the manoeuvrist policy of a workers' state still living in a capitalist encirclement and banking firmly on revolutionary developments in Europe. To operate with absolute categories of capitalism and socialism and with “adequately” corresponding political superstructures – in deciding the destiny of the soviet republic – shows an utter inability to understand the conditions of a transitional epoch. It is the hallmark of a scholastic and not of a Marxist.

One must never exclude from political calculations the factor of time. If you grant that capitalism will continue to exist in Europe for another century or half a century and that Soviet Russia will be driven to adjust herself in her economic policy to capitalism, then the question resolves itself automatically. For by granting this, you presuppose in advance the collapse of the proletarian revolution in Europe and the inception of a new epoch of capitalist renaissance. On what possible grounds? Since Otto Bauer has been able to discover miraculous symptoms of capitalist resurrection in the life of present-day Austria, then it goes without saying that Soviet Russia's doom is predestined. But we still fail to see any miracles, nor do we believe in miracles. From our standpoint, the perpetuation of the European bourgeoisie's rule for a number of decades would under existing world conditions signify not a new blossoming of capitalism but the economic decay and cultural disintegration of Europe. That such a variant of historical development could drag Soviet Russia also into the abyss cannot, generally speaking, be denied. In that case, whether our country would pass through the stage of democracy or suffer decay in some other form – is a second-rate question. But we see no reason whatever to enrol under the banner of Spengler's [11] philosophy. We firmly count upon the revolutionary development of Europe. The New Economic Policy is simply our adaptation to the tempo of this development.

Otto Bauer himself, apparently senses uneasily that the régime of capitalist democracy by no means follows quite so directly from the changes which have occurred in our economy. For this reason, he very touchingly pleads with us to assist the capitalist tendency of development as against the socialist tendency. Bauer writes, "The reconstruction of capitalist economy cannot be effected under the dictatorship of the Communist Party. The new course in economics demands a new course in politics." Isn't this touching to the point of tears? The same individual who has rendered such wonderful economic and political assistance to the flowering of Austria ... (*Laughter*) This man urges us: "Take notice, for God's sake, capitalism cannot possibly flourish under the dictatorship of your party." Just so. And it is precisely for this reason, saving the presence of all the Bauers, that we maintain the dictatorship of our party! (*Loud laughter, applause*)

In our country, concessions to capitalism are doled out by the Communist Party, as the leader of the workers' state. At the present time, our press is conducting an extensive discussion on the question of granting a concession to Leslie Urquhart. Should it be made or should it be withheld? This discussion is intended to clarify both the concrete material provisions of the contract as well as to appraise this contract from the standpoint of its role in the overall system of Soviet economy. Perhaps the concession is too sweeping? Mightn't capitalism sink its roots, through this concession, too deeply into the very heart of our industrial economy? These are the pros and cons. Who decides them? The workers' state. Naturally, the NEP contains an enormous concession to bourgeois relations and to the bourgeoisie itself. But it is we who determine the limits of this concession. We are the masters. The key to the door is in our hands. The state is in and of itself a factor of huge importance in economic life. And we haven't the slightest intention of letting this factor slip out of our hands.

The world situation and the revolutionary perspectives

Let me repeat: The Social-Democratic prophecy concerning the consequences of our New Economic Policy derives entirely from the conception that the proletarian revolution in Europe is hopeless for the next historical period. We cannot prevent these gentlemen from remaining pessimists at the expense of the proletariat and optimists for the benefit of the bourgeoisie. This happens to be the historical calling of the epigones of the Second International. As for ourselves, we see no reason to cast doubt upon or to modify the analysis of the world situation as formulated by us in the theses adopted by the Third Congress of the Communist International. In the eighteen months that have since elapsed, capitalism has not moved a step closer to restoring its equilibrium, completely upset by the war and the consequences of war. Lord Curzon, the English Minister for Foreign Affairs, speaking on November 9, the birthday of the German Republic gave a rather good summary of the world situation. I don't know how many of you have managed to read this speech and so I propose to quote a passage from it, which merits citation. Says Curzon:

All the powers have emerged from the war with weakened and broken energies. We (English) are ourselves suffering from a heavy burden of taxation which weighs upon the industry of our country. We have a great number of unemployed in all branches of work ... As regards France, her indebtedness is immense and she is not able to obtain the payment of the war indemnities ... Germany is in a condition of political instability and her economic life is paralysed by an appalling currency crisis ... Russia still remains outside the family of European nations. It is still under the Communist flag “ – Curzon, it appears, is not at all in agreement with Otto Bauer (*Laughter*) – ”and continues to carry on constant propaganda all over the world “ – which is entirely untrue” (*Laughter*) –

“Italy”, continues Curzon, “has passed through a number of shocks and governmental crises” – has far from passed through! I would say, Italy is still passing through (*Laughter*) – “The Near East is in a condition of absolute chaos. The situation is a terrible one.”

Even we, Russian Communists, would be hard put to it to carry on better propaganda than Curzon all over the world. “The situation is a terrible one.” On the fifth anniversary of the soviet republic, this is the – assurance we get from one of the most authoritative representatives of the strongest European power. And he is right: the situation is terrible. And – let us add – it is necessary to find a way out of this terrible situation. The one and only way out is revolution.

An Italian correspondent recently asked me to appraise the present world situation. I gave the following and, incidentally, rather banal answer: “The bourgeoisie is no longer capable of ruling“ – which is, as we have just heard, confirmed in the main by Lord Curzon – ”while the working class is still incapable of seizing power. This is what determines the ill-starred character of our epoch.” Such was the gist of my remarks. Three or four days ago a friend sent me from Berlin a clipping from one of the latest issues of the *Freiheit* just prior to its demise. Its heading is *Kautsky's Victory Over Trotsky*. (*Laughter*) It states that the *Rote Fahne* cannot summon up sufficient courage to speak up against my capitulation to Kautsky – although, as you know, comrades, *Rote Fahne* has not usually been backward in attacking me, even when I was right. Still, that story pertains to the Third World Congress and not to the Fourth. (*Shouts of approval and laughter*)

Well, I had said to the Italian journalist: “The capitalists are already incapable of ruling, while the workers are not yet capable of ruling. This is the character of our epoch.” Whereupon the *Freiheit*, of blessed memory, commented as follows: “What Trotsky advances here as his *own* view is the opinion earlier expressed by *Kautsky*.” And so I am virtually guilty of plagiarism. This is a high price to pay for a banal interview. I am obliged to tell you that giving interviews is not a very pleasant occupation and that here in Russia, we are never interviewed of our own free will but always upon the strict orders of friend Chicherin. You will note that in the era of the New Economic Policy, wherein we have renounced excessive centralism, a few things have nevertheless remained centralized in Russia. At all events, all the orders for interviews are centralized in the Commissariat for Foreign Affairs. (*Laughter*) And since interviews are obligatory, one naturally trots out his choicest and stalest stock of commonplaces. Let me confess that in this particular case I never regarded the statement that our epoch was transitional in character to be an original invention of my own. Now I learn, if *Freiheit* can be trusted, that the spiritual father of this aphorism is none other than Kautsky. If this were actually so, it would be a punishment too severe for my interview. For everything that Kautsky is now saying or writing has the one and manifest purpose of demonstrating that Marxism is one thing while a quagmire is something else again. Yes, I did say and I now repeat that the European proletariat, in its present state, is incapable of conquering power, right now, at this given moment. This is an incontestable fact. But why is this so? Precisely because the broad working-class circles have not as yet rid themselves of the decomposing influence of ideas, prejudices and traditions, whose quintessence is Kautskyanism. (*Laughter*) This is exactly and even exclusively the reason for the political division within the proletariat and for its inability to conquer power. This was the simple idea expounded by me to the Italian correspondent. To be sure, I did not mention Kautsky’s name. It should have been obvious to any intelligent person just against whom and against what my remarks were directed. Such is my “capitulation” to Kautsky.

The Communist International has not and cannot have any reason for – capitulating to anybody, either in point of theory or in point of practice. The Third Congress theses on the world situation characterized the basic traits of our epoch quite correctly as those of the greatest historical crisis of capitalism. At the Third Congress, we stressed how indispensable it was to distinguish sharply between the major or historical crisis of capitalism and the minor or conjunctural crises, each of which is a necessary stage of a commercial-industrial cycle. Let me recall that there was an extended discussion on this topic both in the commissions of the congress and especially during the plenary sessions. As against a number of comrades, we defended the viewpoint that in the historical development of capitalism, we must differentiate sharply between two types of curves: the *basic* curve which graphs the development of capitalist productive forces, growth of the productivity of labour, accumulation of wealth, and so on; and the cyclical curve which depicts a periodic wave of boom and crisis, repeated on the average every nine years. The correlation of these two curves has not been elucidated up to now in Marxist literature – nor to my knowledge, in general economic literature. Yet the question is of utmost importance both theoretically and politically.

In the middle 1890s, the basic curve of capitalist development climbed steeply upwards. European capitalism passed its pinnacle. In 1914, a crisis broke out, which marked not merely a periodic cyclical oscillation, but the beginning of an epoch of prolonged economic stagnation. The imperialist war was an attempt to break out of the impasse. The attempt failed and the

profound historical crisis of capitalism became aggravated. However, within the framework of this historical crisis, cyclical ups and downs are inevitable, that is, an alternation of booms and crises – but with this profound difference that, in contrast to the pre-war period, the cyclical crises are extremely acute in character, while the booms are far more superficial and feeble. In 1920, there ensued – on the basis of universal capitalist decay – an acute cyclical crisis. Some comrades among the so-called “lefts” held that this crisis must uninterruptedly deepen and sharpen up till the proletarian revolution. We, on the other hand, predicted that a break in the economic conjuncture was unavoidable in the more or less near future, bringing a partial recovery. We insisted, further, that such a break in the conjuncture would tend not to weaken the revolutionary movement but, on the contrary, to impart new vitality to it. The cruel crisis of 1920, coming in the wake of several years of revolutionary ferment, weighed heavily upon the working masses, temporarily engendering in their ranks moods of passive expectation and even hopelessness. Under these conditions, an improvement in the economic conjuncture would certainly raise the self-confidence of the working masses and revive the class struggle. Some of the comrades seriously thought at that time that this prognosis mirrored a deviation toward opportunism and a tendency to find excuses for postponing the revolution indefinitely. The minutes of the Jena Convention of our German party bear clear imprints of the echoes of these naïve views.

Let us try, comrades, to realize where we would be today had we accepted and sponsored a year and a half ago this purely mechanical “leftist” theory, the theory of a commercial-industrial crisis growing steadily worse! Today, no one of sober mind would deny that a break has occurred in the conjuncture. In the United States, the most powerful of all capitalist countries, there is an obvious industrial boom. In Japan, Britain, and France, the improvement of the economic conjuncture is much more feeble, but here, too, there has been a break.

How long this boom will last and what heights it will reach – that is another question. We must not for a moment forget that the improvement of the conjuncture takes place amid the decay of international and especially of European capitalism. The root causes of this decay are not affected by conjunctural changes of the market. But on the other hand, the decay does not cancel out the conjunctural changes. We should have been compelled today to re-examine theoretically our fundamental conception as to the revolutionary character of our epoch, had we made a year and a half ago a concession to the “lefts” who lumped together the historical crisis of the capitalist economic system with the conjunctural cyclical oscillations of the market; and who demanded that we adopt a purely metaphysical outlook to the effect that a crisis, is, under any and all conditions, a revolutionary factor. Today however, we have no reason to revise or modify our position. We did not judge our epoch to be revolutionary because the sharp conjunctural crisis of 1920 swept away the fictitious boom of 1919. We adjudged it to be revolutionary because of our general appraisal of world capitalism and its conflicting basic forces. Lest this lesson be wasted, we ought to reaffirm the theses of the Third Congress, as fully applicable at this very hour.

The basic idea underlying the decisions of the Third Congress was as follows. After the war, the masses were seized by revolutionary moods and were eager to engage in open struggle. But there was no revolutionary party capable of leading them to victory. Hence the defeat of the revolutionary masses in various countries; hence the depressed moods, the passivity. Today,

revolutionary parties exist in all countries, but they rest directly only upon a fraction of the working class, to be more precise, a minority of the working class. The Communist parties must conquer the confidence of the crushing majority of the working class. Upon becoming convinced through experience of the correctness, firmness and reliability of Communist leadership, the working class will shake off disillusionment, passivity and dilatoriness – and then the hour for launching the final assault will sound. How near is this hour? We make no predictions on this score. But the Third Congress did fix the task of the hour as the struggle for influence over the majority of the working class. A year and a half has elapsed. We have unquestionably scored major successes, but our task still remains the same: We must conquer the confidence of the overwhelming majority of the toilers. This can and must be achieved in the course of struggle for the transitional demands under the general slogan of the proletarian united front.

Today, the world labour movement is confronted with an offensive by capitalism. At the same time, even in countries like France where the labour movement a year or some eighteen months ago was passing through a period of utter stagnation, we now clearly witness increasing readiness of the working class to offer resistance. Despite the extremely inadequate leadership, strikes are becoming more frequent in France. They tend to assume an extremely intense character which is evidence of the growing fighting capacity of the working masses. The class struggle is thus gradually deepening and sharpening. The capitalist offensive finds its complement in the concentration of state power in the hands of the most reactionary bourgeois elements. Simultaneously we witness, however, that while heading for sharper class struggles, the bourgeois public opinion with the tacit semi-approval of the ruling cliques is paving the way for a new orientation – an orientation to the left, in the direction of reformist and pacifist deceptions. In France, where the ultra-reactionary Nationalist Bloc, headed by Poincaré, is in power, there is being simultaneously and systematically prepared the victory of the “Left Bloc” which will naturally include the Messrs. Socialists. In Britain, the general elections are now taking place. Because of the collapse of Lloyd George’s coalition government, they came sooner than expected. The outcome is still unknown.

There is a likelihood that the previous ultra-imperialistic grouping will be returned to power. But even if they do win, their reign will be short. A new parliamentary orientation of the bourgeoisie is being clearly prepared both in Britain and France. The openly imperialist, aggressive methods, the methods of the Versailles Treaty, of Foch, Poincaré, and Curzon, have obviously run into a blind alley. France cannot extract from Germany what Germany hasn’t got. France in turn is unable to pay her debts. The rift between Britain and France keeps widening. America refuses to renounce collecting payments on the debts. And among the intermediate layers of the population, especially among the petty bourgeoisie, reformist and pacifist moods are growing stronger and stronger: an agreement ought to be reached with Germany, and with Russia; the League of Nations should be expanded; the burden of militarism should be lightened; a loan from America should be made, and so forth and so on. The illusions of war and defencism, the ideas and slogans of nationalism and chauvinism, together with the subsequent hopes in the great fruits that victory would bring – in brief, the illusions which seized a considerable section of the working class itself in the Entente countries are giving way to more sober reactions, and disillusionment. Such is the soil for the growth of the “Left Bloc” in France, and of the so-called Labour Party and the Independent Liberals in England. Naturally, it would be false to expect any serious change of policy consequent upon the reformist-pacifist orientation of the bourgeoisie. The

objective conditions of the capitalist world are today least suited to reformism and pacifism. But it is quite probable that the foundering of these illusions in practice will have to be experienced before victory of the revolution becomes possible.

Thus far we have dealt solely with the Entente. But it is perfectly evident that if the Radicals and Socialists assume power in France, while the Labourite opportunists and the Independent Liberals form the government in Britain, this would provoke in Germany a new influx of conciliationist and pacifist hopes. It would seem plausible that an agreement could be reached with the democratic governments of Britain and France; that a moratorium on and even a cancellation of payments could be obtained; that a loan from America might be arranged with the co-operation of Britain and France; and so on. And who is better qualified than the German Social Democrats for reaching an agreement with the French Radicals and Socialists and the British Labourites?

Of course, the events may take a sharper turn. It is not excluded that the reparations problem plus French imperialism plus Italian fascism may drive matters to a revolutionary culmination, depriving the bourgeoisie of the opportunity to move its left flank to the fore. But there are too many indications that the bourgeoisie will be driven to resort to a reformist and pacifist orientation before the proletariat feels itself prepared for the decisive assault. This would signify an epoch of European Kerenskyism.

It would be preferable to skip over that. Kerenskyism, and on a world scale at that, is none too tasty a dish. But the choice of historical paths depends upon us only up to a limited extent. Under certain conditions, we shall have to accept European Kerenskyism too, just as we accepted Russian Kerenskyism in its day. Our task will then consist in transforming the epoch of reformist and pacifist deception into a prelude to the conquest of power by the revolutionary proletariat. In our country, Kerenskyism lasted about nine months all told. How long will it last in your countries, if it is destined to arise at all? It is, of course, impossible to reply to this question at the present time. It depends on how quickly the reformist and pacifist illusions are liquidated, that is to say, it depends to a large measure on how skilfully your Kerenskys are able to manoeuvre, for in contrast to our breed, they at least know how to add and multiply. But it also depends on the energy, resoluteness and flexibility with which our own party is able to manoeuvre.

It is perfectly obvious that the epoch of reformist-pacifist governments would be the season for a growing pressure by the working masses. Our task would then consist in mastering this pressure, getting to the head of it. But to achieve this, our party must enter the epoch of pacifist deception completely purged of pacifist and reformist illusions. Woe to the Communist Party which finds itself to a greater or lesser extent engulfed by the pacifist wave! The inevitable shipwreck of pacifist illusions would at the same time signify the shipwreck of such a party. The working class would find itself compelled once again as in the year 1919 to look around for a party which never tried to deceive it. That is why the inspection of our ranks and cleansing them of alien elements is a cardinal task for us in this epoch of revolutionary preparation. A French comrade, Frossard by name, once said: "*Le parti c'est la grande amitié.*" (The party is a great friendship.) This phrase has been frequently repeated. And it is of course impossible to deny that the phrase itself is quite attractive and in a limited sense each one of us is ready to accept it. But one must firmly bear in mind that the party does not spring full-born as a great friendship. It becomes

transformed into a great collaboration through profound struggle, externally and, if need be, internally, through the cleansing of its ranks, and through a careful and, if need be, ruthless selection of the best elements among the working class who are devoted heart and soul to the cause of the revolution. In other words, before it can become a great collaboration the party must pass through a great selection! (*Ovation*)

Notes:

1. The sub-heading of this published version is from the New Park edition.

2. After a White Guard coup in May 1921, Vladivostok fell into the hands of the counter-revolution. After a number of fierce battles, the Far East territories were cleared in 1922 of the remaining White Guard bands.

3. Mernulov was a wealthy landlord in the city of Vladivostok who served as Premier of the White Guard regime. He was a puppet of the Japanese.

4. N.F. Danielson (Nikolai—on) was a theoretician of the Narodnik (Populist) movement and one of the best educated Russian economists of the Seventies and Eighties. He translated Volume I of Marx's *Capital* into Russian and regularly corresponded with Marx and Engels.

5. Leslie Urquhart, English industrialist and financier, was the owner, under Czarism, of many mills and factories in the Urals and in Siberia; and director of the Russo-Asia Bank. During the Civil War years, Urquhart was one of the inspirers of imperialist intervention against the USSR. In 1922 he engaged in negotiations for concessions.

6. The Stroganov family was an ancient Russian trading firm which operated on a large scale as far back as the days of Ivan the Terrible in the Sixteenth Century. Toward the end of the Eighteenth Century this family became converted into operators of large-scale capitalist industry. The Demidov family provide still another Russian example of the conversion of big mercantile capital into industrial capital. The Demidovs, like the Stroganovs, owned enterprises chiefly in the Urals.

7. Colrat, friend of the arch-reactionary Poincaré, held the post of Minister of Justice in the 1923 French Cabinet.

8. Auguste Taine was a prominent French historian and literary critic of the Nineteenth Century. A popularizer and vulgarizer of Hegel's historical outlook, Taine gained fame by his writings on English literature and on the epoch of the French revolution.

9. The reference here is to Jaurès' writings on the Great French Revolution in the **History of Socialism** of which Jaurès was the editor.

10. The Ninth of Thermidor, 1794, was the day on which the Revolutionary Jacobin. Convention was overthrown and the counter-revolution set in.

11. Spengler was a popular reactionary writer in Germany who wrote in 1920-21 a number of books on the decline of Europe that created a sensation at the time. In these writings Spengler

advanced the view that European culture was doomed. His writings express, on the one hand, the pessimism of the outlived ruling class; on the other hand, his philosophy is heavily spiced with the ruthlessness and arrogance of a Prussian feudalist. Spengler's "philosophy" was widely used by the Nazi propaganda machine.